

YOSHINOYA HOLDINGS

# INTEGRATED REPORT 2022



## Our Philosophy

Yoshinoya Holdings Group is a corporate group primarily engaged in the food service business, operating more than 2,800 outlets in Japan and in 26 areas overseas, providing high-quality meals as we continue to raise the value of our brand. Our business philosophy “For the People” drives our rapid growth. Through our business activities, we will contribute to creating a society in which people around the world can lead affluent lifestyles, while striving for innovation in the food service industry with the aim of achieving further growth.

We defined our Basic Sustainability Policy and material issues for sustainable management in February 2022, and we will continue to advance our business management giving even greater attention to ESG factors than in the past.

### Group Business Philosophy

#### Vision **Become an irreplaceable part of the lives of people around the world.**

Our vision of the future is “to become an irreplaceable part of the lives of people around the world.”

In this context, “irreplaceable” means that somebody would not be able to find a suitable replacement for us if the Yoshinoya Holdings Group were to disappear.

#### Our Six Core Values

**Tasty, affordable, and fast**   **Greater number of customers**   **Originality**  
**Integrity**   **Importance of human resources**   **Challenges and innovation**

# For the People

### Our Five Promises to Stakeholders

- Promise to Customers** Continues provision of originality-rich products and services to satisfy as many as customers as possible.
- Promise to Employees** Respect of 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.
- Promise to Business Partners** Maintain good relationships with business partners and continue offering opportunities to acquire appropriate profits.
- Promise to Shareholders** Continue to enhance corporate value through sound business practices and appropriately return profits to shareholders.
- Promise to Society** Fulfillment of our social responsibility by practicing business activities for protection of the global environment and resources and by participating in beneficial social projects.

### Long-Term Management Vision

## NEW-BEGINNINGS 2025 From COMPETITION to CO-CREATION

#### Three aspects of co-creation to achieve our vision

- 1 Jointly create value with customers instead of unilaterally attempting to create them
- 2 Jointly create new business models and services by leveraging connections that cross national borders as well as the boundaries between divisions and business corporations
- 3 Jointly create new value by leveraging external wisdom and know-how, transcending the boundaries between industries and business sectors

#### Three keywords

- People
- Health
- Technology

### Our Basic Sustainability Policy

#### 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 business model that we can operate over the long term to drive robust, 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 our entire Group on carrying out this vision.



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### Editorial Policy

The Yoshinoya Holdings Group has issued Corporate Reports as a communication tool for conveying who we are and the vision that guides us, as well as to present our efforts on medium- and long-term value creation for the future to our shareholders, investors, and other stakeholders. This year, we have further expanded the contents and renewed the document as our Integrated Report.

In light of the announcement in February 2022 of our Basic Sustainability Policy, which sets forth the Group's basic approach to sustainability, and the material issues identified based on this policy, this year's Integrated Report features the Group's sustainability strategy and focuses on explaining our co-creation of value with stakeholders. In the Message from the President and other sections conveying our vision, we have detailed the progress of our long-term vision NEW BEGINNINGS 2025 and our response to changes amid the COVID-19 pandemic. And through presentation of our new Medium-term Management Plan and reports on strategies by business segment, we have clearly defined our future outlook and the issues to be addressed.

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 FY2021 (March 1, 2021, through February 28, 2022). However, a part of its contents include information on the past and for March 1, 2022, and beyond.

#### <Publication date>

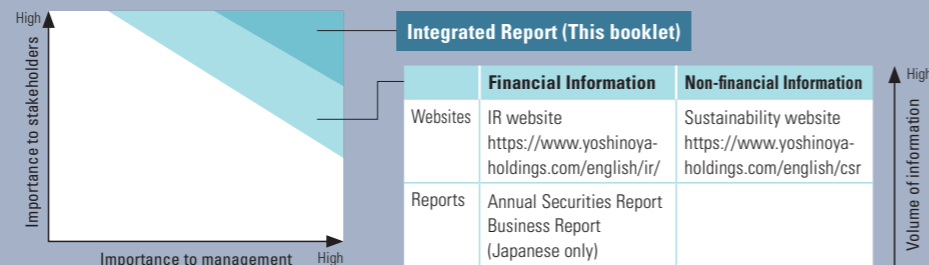
May 2022 (Next issue: scheduled for May 2023)

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#### <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



# Increasing profitability through growth investments: Steadily rolling out our new Medium-term Management Plan

YOSHINOYA HOLDINGS CO., LTD.  
President **Yasutaka Kawamura**

### Introduction

In April 2022, a former executive officer of the company—who also served as a former managing director of a subsidiary of the company—gave a lecture at an outside course for working adults and made extremely inappropriate comments. We sincerely apologize for the inconvenience imposed on those who participated in and organized the course, to our loyal Yoshinoya customers, and to all of the Group's other stakeholders.

The company took seriously the fact that the former officer's comments were unacceptable from the perspective of human rights and gender issues, and conducted compliance training for the company and its Group officers in May of 2022. We will continue to conduct comprehensive compliance training.

Yoshinoya is committed to high ethical standards of conduct for all of its stakeholders going forward.

## Net sales were in line with the plan, and the company returned to operating profitability. Received subsidies and restored financial health

FY2021, the second year of the prolonged COVID-19 pandemic, was a crucial year for the Group as it paved the way for a return to a renewed growth trajectory.

In FY2020, the first year of the pandemic, the survival of the business was a pressing issue, and responding to the emergency was a priority above all else, so in that regard it was clear to us what needed to be



## Message from the President

done. In the following fiscal year, large companies were able to receive subsidies, which helped us to avert a potential crisis. The infection was still not under control, however, and it was a year in which we as managers became aware that we needed to tighten our belts so that we would not fall victim to complacency.

On the operating front, conditions remained difficult amid repeated restrictions on activity, but group-wide efforts toward structural change in the previous fiscal year enabled each entity to build a structure that would ensure operating income even if sales fell to 90% of FY2019 levels. With this prospect in sight, we were able to resume investments in growth that had been temporarily curtailed. In the food service industry as a whole, while it spent FY2020 struggling to survive, the tide began turning in FY2021. An appetite emerged for aggressive investment aimed at renewed growth. We recognized the need to make moves to avoid being left behind in this environment, but conditions remained difficult for businesses other than Yoshinoya in Japan, and we regret having delayed resuming investment until the second quarter when we could generate stable profits. During the period when a COVID-19 variant was widespread, many of our employees were infected or had close contact with an infected person, making outlet operations extremely difficult.

They overcame these difficulties, though, and helped drive our business performance. We are extremely grateful for the tremendous efforts of all of our employees.

Looking at consolidated results for FY2021, there were more restrictions on activity than originally foreseen, but we achieved our net sales target of 153.6 billion yen. Although operating income fell short of the target at 2.3 billion yen due to the impact of the sixth wave of infection, it was an improvement of 7.7 billion yen from the loss recorded in FY2020. And with non-operating income including cooperation subsidy for the prevention of the spread of COVID-19 from various local governments and employment adjustment grants, ordinary income recovered significantly to 15.6 billion yen and net income attributable to owners of the parent to 8.1 billion yen.

The Group intends to allocate these funds from the government to investment in the next phase of growth so that we can return our profits to our shareholders. The first priority, of course, is to restore our financial health by using the funds to repair the damage done to the balance sheet in the previous fiscal year. All companies in the restaurant industry are essentially in the same situation, and we will actively utilize funds to ensure that we keep pace with the competition.

## FY2021, which saw delays while growth investments resumed. Aim for swift execution in FY2022

In FY2021, each segment had its own unique focus. The mainstay Yoshinoya business not only harnessed takeout service demand, but also ready-made meal and home cooking demand through frozen beef bowls, resulting in sales rising compared with the previous fiscal year even amid continued restrictions on activity. In light of the improvement of profitability, we implemented a model change to Cooking & Comfort (C&C) outlets based on our previous growth strategy and comprehensive efforts to augment our services. However, since we couldn't resume the store model change until the second half of the year, we were unable to proceed in a single phase, making this an issue that will carry over to FY2022. We recognize that we are lagging behind in terms of rapid implementation in response to changes in the business environment.

However, segment profits were higher even than in FY2019 before the COVID-19 pandemic, driving the overall recovery. Price revisions and other measures were also effective, but I believe that initiatives undertaken by the stores were significant. If the price revision pushes the price per customer upward, it will also increase the customer's expectation for the provision of QHA (quality, hospitality, and atmosphere). Yoshinoya was able to respond to this through the diligence of the people at its stores.

With regard to Hanamaru, the battle for survival is not yet over. The initial plan for FY2021 was based on the assumption that the impact of

the COVID-19 pandemic would subside over the summer and fall. Customer traffic did not recover as expected, however, and the food court outlets in large commercial facilities in particular—which account for about half of the outlet openings—continued to face difficult conditions. This was because the facilities themselves struggle to attract customers due to more tenants having vacated and limitations on the number of customer seats installed. Amidst these conditions, we are focusing on developing a new store model that pursues non-contact and take-out operations, with a view to strengthening our roadside outlet openings.

As a result, Hanamaru failed to return to profitability. In December, however, it posted a profit for the month, indicating improvement might be on the horizon. In FY2022, we will take a more in-depth approach under the leadership of newly appointed president Yoshihiro Maeda.

In the overseas business, the business environment differs by country and region. First, in Southeast Asia, the decline from FY2020 has finally bottomed out. Though unpredictable, the recovery is progressing, with severe restrictions on activity such as lockdowns no longer being imposed. Business in China remained strong amid the government's efforts to rapidly control the spread of the virus. However, there is a spread of COVID-19 variant strains underfoot, and an increasing number of cities are effectively going into lockdown. In terms of management, we renewed our regional holding company structure and actively appointed

local human resources. In the U.S., sales from takeout service have traditionally been significant. Also, the recent efforts to bolster takeout and drive-through support through a new kitchen system have been successful.

Although we cannot say that the overseas business as a whole improved significantly in FY2021, we believe that we have established a structure that will enable us to ride the wave.

Looking at the status of the resumption of growth investments, the largest investment for our group is the opening of new outlets. This does not take shape immediately after the investment decision is made, however. From the property contract to the construction and opening of the outlet, the process requires time. This means there will be a lag

between decision-making and outlet opening.

Yoshinoya resumed from scrap-and-build after getting a good response from securing sales through takeout service and cost control measures during the previous fiscal year's investment restraint. In FY2021, in addition to 11 scrap-and-build outlets, the company opened four new outlets. In the past, outlet development was left to a specialized unit to make decisions. Now, however, the final decision rests with me, and we are being more prudent. The remodeling to C&C outlets is being carried out in accordance with the pre-COVID-19 pandemic plan. During this period, the introduction of technology-driven innovation such as ordering via tablet and cashless payment systems has greatly changed the way customers use our services, and these are also new areas of investment.

## Launched new three-year Medium-term Management Plan. Accelerate investment and return to a growth trajectory

The business environment surrounding the Group has become more uncertain than ever before due to widespread changes driven by a wide variety of factors, including the continuing impact of the COVID-19 pandemic on socioeconomic activities, the steady increase in teleworking, accelerated progress in digital technology, rapid inflation driving raw material prices upward, emerging geopolitical risks, and climate change caused by global warming.

To maintain and continuously develop our business in this environment and fulfill our mission as a lifestyle infrastructure that delivers the joy and richness of food to the world, we must establish a compass that clearly indicates the management direction and work to formulate a solid business foundation.

Based on this belief, our group has announced a new Medium-term Management Plan covering the three-year period from FY2022 to FY2024.

The largest component of the new plan is a model change through Yoshinoya's C&C outlets. It is no exaggeration to say that improving Yoshinoya's profitability is the Group's most important issue, and we can even go so far as to say that the future of the Group itself depends on its success or failure. During the three-year period beginning in FY2022, we will promote full-fledged investment in growth, centered around these C&C outlets. Moreover, as mentioned above, we introduced new technology-driven innovations such as ordering via tablets and cashless payments during the period of restrained investment. We will examine and incorporate these technologies instead of just implementing what we had previously planned.

For Hanamaru, the next three years will be a stage in which we aim to grow after regaining the original profitability of the business. The Hanamaru business was highly profitable pre-pandemic and was expected to be a driver of the Group's profit growth. Cost efficiencies over the past two years have created a structure that allows the Group as a

whole to generate an operating income even with net sales at 90% of FY2019, while Hanamaru is currently able to post a profit on less than 85% of FY2019 net sales. Although we were forced to temporarily scale back outlet openings when we reached the 500-store mark, under the new Medium-term Management Plan we will once again begin to expand—with a particular focus on suburban roadside outlet openings—toward creating a successful model. With regard to product value creation, we are promoting a company-wide effort to go back to the basics of making udon noodles themselves tasty, as well as decluttering, to concentrate on providing essential value.

The overseas business also came to a standstill when the number of new outlet openings almost reached the 1,000 mark. The next three years will be a time to push forward aggressively for renewed growth. However, while we have focused on growth until now—especially in China—there have been areas where profitability has been damaged. Based on these reflections, we intend to stick to and pursue growth with profit. In expanding in the U.S., we will aim to grow by enhancing the profitability of existing outlets and augmenting our outlet development capabilities.

And in the new Medium-term Management Plan, we intend to grow the ramen noodle business into the next pillar of our business portfolio strategy. At present, Setagaya and With Link operate in this business, but the company plans to conduct new M&A activity as needed. Rather than aiming for a large chain with a single brand, the Group's ramen noodle business is based on the concept of developing multiple medium-scale brands and integrating them as a business while taking advantage of the unique characteristics of each brand and sharing purchasing and back-office functions to realize group synergies. During these three years, we will continue to construct a foundation for the next phase of expansion.

## Message from the President

### Securing profitability through the new Medium-term Management Plan and expanding the Group's potential

The new Medium-term Management Plan targets net sales of 180.0 billion yen, operating income of 7.0 billion yen (operating income margin of 3.9%), and ROIC of 5.0% or more in FY2024. Profits will be driven by the core domestic Yoshinoya business, but we also aim to exceed pre-COVID-19 pandemic levels for Hanamaru and the overseas business. These targets are baselines that do not presume a substantial quantitative expansion in each business, and any top-line expansion—including M&A—will be added on top of them.

Once we secure this level of profitability in our core business, we will then be able to achieve more as a Group. There will be more options for M&A and investment in startups. The potential of the entire Group will

expand in the future. For this reason, we recognize that the most important thing now is to steadily bolster Yoshinoya's profitability.

In the past two years, we have concentrated on our response to the pandemic and resilience, and the effects of structural change have taken shape, including the lowering of our breakeven point. During the three years of the new Medium-term Management Plan—under the themes of “evolution” and “regeneration”—we will further promote these changes, evolve each brand's business format, strengthen growth businesses, enhance cost efficiency, and stabilize our financial base. We then intend to transition seamlessly to the new long-term vision outlined below.

### New Long-Term Forum established to formulate new long-term vision. Moving forward to a better future

Within the company, we have just launched the New Long-Term Forum, in which people are publicly recruited and selected from domestic and overseas Group companies to participate in the formulation of the next long-term vision. We have also launched study sessions to look ahead to the future.

During the past two years, when our business activities were severely restricted by the COVID-19 pandemic, we were in a situation where no one knew what the future would hold. Given the current conditions, we need to look far into the future and move toward it. When we think only six months or a year ahead, we tend to get caught up in the immediate impact of the COVID-19 pandemic and take a pessimistic view of things. One of the motivations for starting now to formulate the next long-term vision is the desire to create a bright and positive atmosphere within the

company by adjusting our perspective forward and having everyone think about the future together.

The Forum members, who range from store managers to executives, were selected through an open application process to ensure a certain degree of information and knowledge, while placing emphasis on the willingness of those members to participate. Members will act as evangelists in their workplaces to propagate the vision for the future developed by the Forum across the breadth of the Group.

In reading the reports submitted by the Forum applicants, I felt that the concepts of “people, health, and technology” are commonly known and shared among employees, and that there is a growing awareness of sustainability. We look forward to these effects in the new Long-Term Forum and to finding the next-generation management team.

### Emphasize ongoing commitment to sustainability, and proactively communicate the commitment externally

The Yoshinoya Group has recently formulated its Basic Sustainability Policy and disclosed it to the public, along with the five material issues it has identified. The Board of Directors had many discussions on what should be emphasized in clarifying the policy. We believe that, as a

company with “For the People” as its management philosophy, the theme related to people should be prioritized above all else.

We believe that the services that enable us to provide a rich, delicious meal can only be provided by people, and that it is our corporate social



responsibility to respect the diversity and individuality of people, and to encourage their advancement and growth. The creation of value through people is the source of the Group's competitive advantage, and a prerequisite for our continued existence in society.

We will share the direction and approach indicated by the Basic Sustainability Policy and materiality company-wide, with a focus on people, and push forward with initiatives to realize a sustainable society.

To this point, the Group's corporate culture has been rather reserved. Even when our initiatives are positive and impactful, we have been reluctant to toot our own horn. We feel, however, that we must change our stance and proactively communicate these initiatives externally, given the demand in recent years for enhanced information disclosure. Yoshinoya's environmental initiatives, for instance, are extremely low in CO<sub>2</sub> emissions and food loss among companies in the food service

industry. While the adoption of returnable chopsticks should have greatly encouraged their adoption throughout Japan's food service industry, the initiative have only been disclosed to a limited extent. This is also true for our ongoing social contribution activities, such as support for children's cafeterias. In terms of governance, I think we can more actively promote the fact that we are a company without a parent company or principal shareholder, which is why we are constantly striving for management transparency.

Because corporate initiatives can impact the world in a variety of ways, it is especially important to have an unwavering commitment to ESG management and to initiatives supporting the achievement of the Sustainable Development Goals (SDGs). We believe that one criterion for continuation should be whether cost reduction is an aspect of the activity.

### Allocate funds to the next growth phase, and give back to society as greater value offering

As mentioned earlier, in FY2021, the Group succeeded in regaining its financial health thanks to cooperation subsidy and other subsidies from the government. We will make good use of these precious funds for the next phase of growth. By linking them to results, we will return them to society and our stakeholders as an even greater offering of value.

We have completed the formulation of a structure that will enable us to secure higher earnings surpassing those we achieved pre-COVID-19

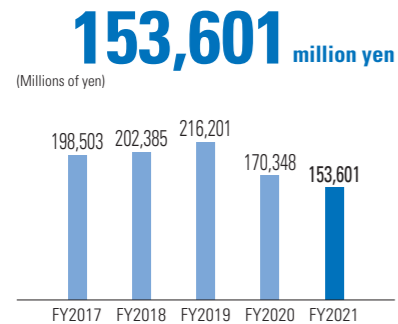
pandemic if there is a market recovery, and we will now look forward and seize new opportunities from changes in the business environment.

We ask our stakeholders for their continued understanding and long-term support for our business activities as we look forward to the renewed growth of the Group driven by the new Medium-term Management Plan.

## Financial and Non-financial Highlights

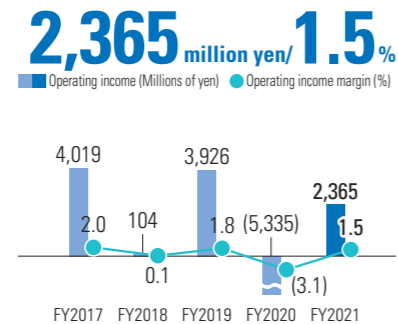
### Financial Highlights

#### • Net sales



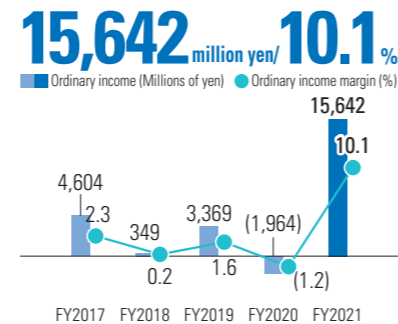
Although sales declined due to the continuing restrictions on activities, real revenue increased to 101.4% compared to the previous fiscal year excluding the impact of the transfer of Kyotaru shares, as we captured takeout service and home delivery demand and expanded our frozen beef bowl business.

#### • Operating income (margin)



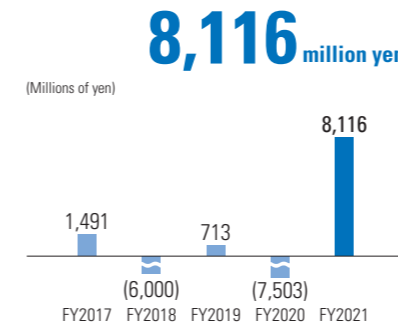
Despite the impact of shortened business hours, we returned to profitability due to improvement in the gross profit margin resulting from the effects of cost reductions and price revisions implemented in the previous fiscal year.

#### • Ordinary income (margin)



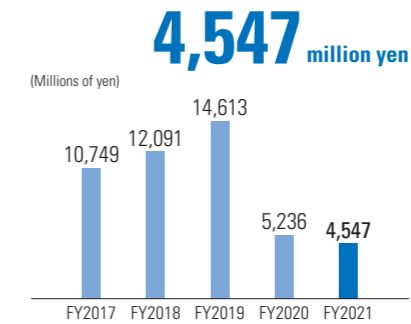
In addition to the improvement in operating income, we recorded a significant increase in income due to the reporting of 13,125 million yen in subsidies such as the cooperation subsidy for the prevention of COVID-19 and employment adjustment grants from various local governments.

#### • Net income attributable to owners of the parent



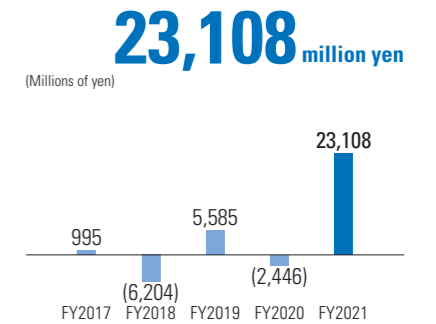
Despite recording extraordinary losses, including a loss on retirement for converting to the new outlet model, the company returned to profitability, marking a significant improvement from a net loss of 7,503 million yen in the previous fiscal year, due to recovery in revenues and the recording of cooperation grants and subsidies.

#### • Capital expenditure



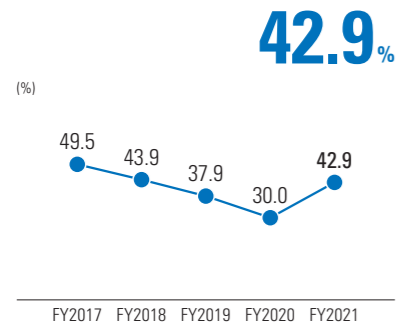
In the previous fiscal year, we had restrained investment due to the emergency situation; however, we have resumed investment, including opening new outlets mainly in China and investing in factory facilities for frozen beef bowl production.

#### • Free cash flow



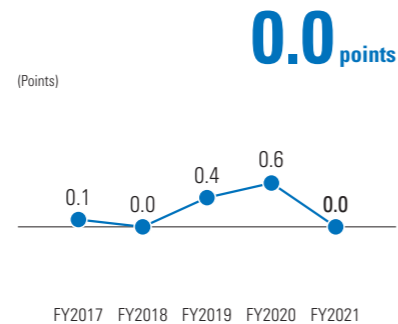
Although the previous fiscal year's results were negative due to a significant deterioration in revenues, they turned positive thanks to improved profitability resulting from a review of the Group's overall business structure, as well as subsidy income including that from the cooperation subsidy for the prevention of COVID-19.

#### • Equity ratio



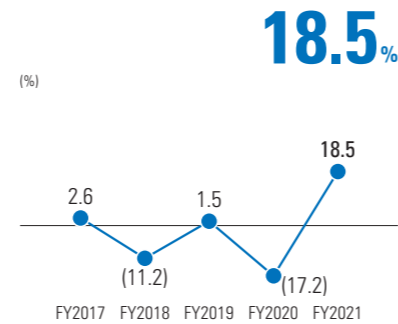
The repayment of loans payable has helped to improve the financial soundness of the company. The equity ratio improved to exceed the 40% level, reaching 42.9%.

#### • Net D/E ratio



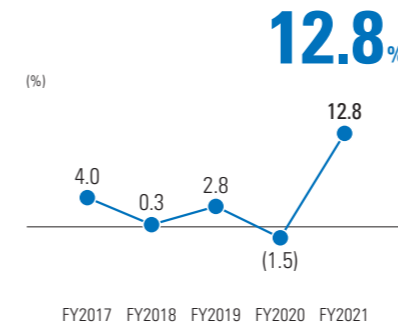
Although we took out loans in the previous fiscal year to ensure financial security, the net debt-to-equity ratio was 0.0 points, as profitability recovered and loans were repaid.

#### • ROE



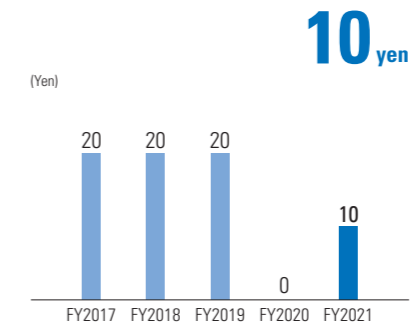
Profitability improved significantly due to efforts since last year to create a leaner cost structure, as well as such factors as our success in capturing the ready-made meal and home-cooking markets. This, along with non-recurring revenue from cooperation grants and subsidies, resulted in a ROE of 18.5%.

#### • ROA



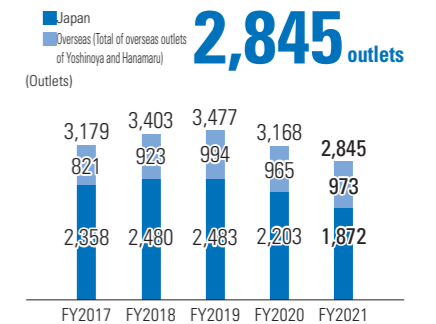
In addition to the recovery in profitability, a decrease in interest-bearing debt, the ongoing review of the business portfolio, and the recording of non-recurring revenue from the cooperation subsidy and grants led to improved asset efficiency, resulting in a 12.8% ROA.

#### • Annual dividend per share



In the previous fiscal year, we did not pay dividends as we sustained substantial losses due to the effect of the COVID-19 pandemic, but because revenues recovered, dividend payment was resumed at 10 yen per share.

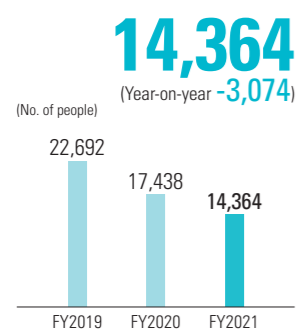
#### • Number of Group outlets (in Japan and overseas)



The resumption of opening Yoshinoya C&C outlets in Japan and Yoshinoya outlets overseas (mainly in China), brought the total number of outlets to 1,872 in the domestic segment (including other businesses) and 973 in the overseas segment, for a group total of 2,845 outlets.

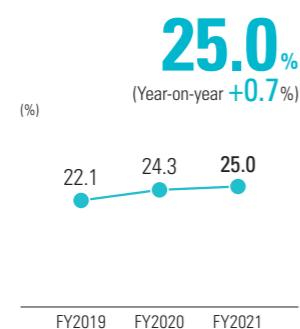
### Non-financial Highlights

#### • Number of employees and part-time workers



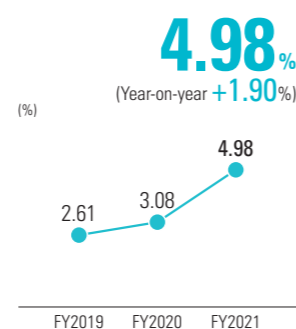
While the number of employees was 3,074 less than the previous fiscal year, due in part to outlet closures and a review of our business portfolio, we are stepping up recruitment activities in conjunction with the resumption of economic activities and new outlet openings.

#### • Share of women in management positions



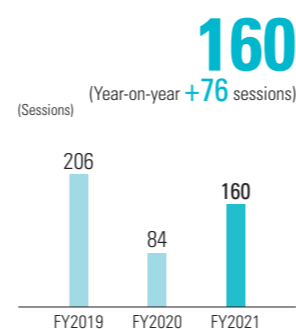
We strive to create a work environment where female employees can feel secure and work with a sense of pride, and have introduced a quota system at Yoshinoya. We will work aggressively toward the numerical target of a 30% share of women in management positions by the end of FY2025, as stipulated in the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

#### • Share of persons with disabilities (friend employees)



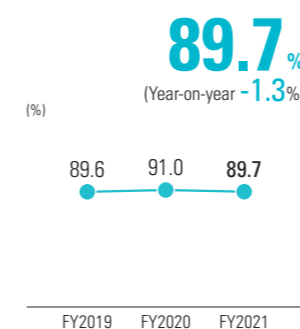
Amid the accelerating trend toward AI and mechanization, Yoshinoya Holdings considers people to be the source of value. The Group opens its doors to all people and provides opportunities for them to live as they wish, making the most of their individuality and diversity.

#### • Number of training sessions conducted



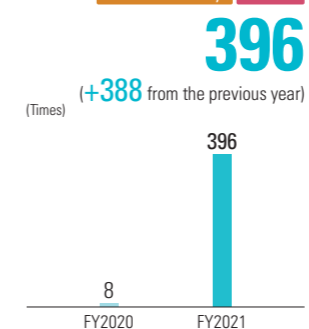
A variety of rank-based education and training programs are offered, including training for store managers and executives. The number of training sessions held was down in 2020 due to the COVID-19 pandemic, but we are also improving the effectiveness of our training programs as we move them online.

#### • Regular health checkup attendance rate



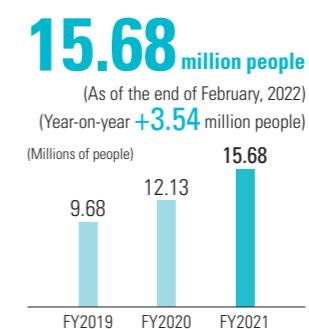
The health checkup attendance rate among employees and part-time workers of the Group's domestic operating companies has remained high at 89.7%. As part of our Wellness Management policy to ensure the mental and physical well-being of our employees, in 2021, we conducted COVID-19 vaccination at workplaces, including those of our suppliers.

#### • Meals provided to Kodomo-Shokudo (children's cafeterias)



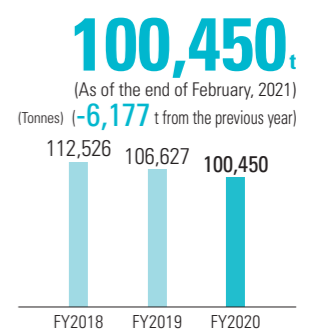
We believe that child poverty is a critical social issue that must be resolved. Yoshinoya and Hanamaru continue to provide meals to children's cafeterias in order to offer children hot meals and the chance to enjoy eating.

#### • Number of app members



We offer apps tailored to the needs of each region, with a focus on Yoshinoya and Hanamaru in Japan and on Yoshinoya overseas in the U.S. and China. By developing measures linked to the app, such as takeout reservation services and collaborative sales promotions, we are working to increase the frequency that customers visit our outlets.

#### • CO<sub>2</sub> emissions



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.



Global Expansion

# Delivering the Value of Flavor from Japan to the World

Through market strategies that satisfy the needs of each country and region, the Group's outlets are visited by 310 million customers annually. Our pursuit of taste and service will continue to expand beyond national borders.

**East Asia**

**Total number of Group outlets: 698**  
Brands: Yoshinoya, Hanamaru, Bariuma

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 made inroads into Mongolia, and Hanamaru has expanded to Shanghai.





Yoshinoya  
**Fried chicken rice with fresh vegetables**



Yoshinoya  
**Traditional beef bowl**

**Southeast Asia/Australia**

**Total number of Group outlets: 200**  
(199 in ASEAN and one in Australia)  
Brands: Yoshinoya, Bariuma

In emerging Asian countries where economic development is advancing at high speed, the Yoshinoya brand is rapidly spreading in urban areas and shopping centers, and an outlet has also been opened in Vietnam. With Link is also expanding its ramen restaurant business in this region. Yoshinoya in Indonesia continues to grow steadily, having surpassed 100 outlets.





Yoshinoya  
**BFC - Super Deal**



Yoshinoya  
**Beef Bowl - Yakiniku**

**Overseas total**

Yoshinoya	967 outlets	Year-on-year: 19 ↑
Hanamaru	7 outlets	Year-on-year: -11 ↓
Other	31 outlets	Year-on-year: -1 ↓

**U.S.**

**Total number of Group outlets: 107**  
Brands: Yoshinoya, Setagaya

The Company's first foray 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 prepared-to-order dishes, gaining the support of new customers.





Yoshinoya  
**Combo Bowl**



Yoshinoya  
**Regular Tilapia Bowl**

**Japan**

**Total number of Group outlets: 1,840**  
Brands: Yoshinoya, Hanamaru, Setagaya, Bariuma, Tori-Sen, Senkichi, etc.

The Group is expanding outlets centered on 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 Cooking & Comfort (C&C) model. With an eye on global expansion, we are developing ramen brands such as Setagaya and Bariuma.





Yoshinoya  
**Beef bowl (M)**



Hanamaru  
**Udon salad**

**Japan**

Yoshinoya	1,190 outlets	Year-on-year: 1 ↑
Hanamaru	463 outlets	Year-on-year: -12 ↓
Other	187 outlets	Year-on-year: -31 ↓

<b>Number of outlets by brand (global total)</b>	<b>Yoshinoya</b> 2,157 outlets	<b>Hanamaru</b> 470 outlets	<b>Other</b> 218 outlets
	Year-on-year: 20 ↑	Year-on-year: -23 ↓	Year-on-year: -32 ↓
	<b>Directly operated</b> 1,418 outlets	<b>Franchise</b> 739 outlets	<b>Directly operated</b> 390 outlets
			<b>Franchise</b> 80 outlets
			<b>Directly operated</b> 103 outlets
			<b>Franchise</b> 115 outlets
<b>Total (all brands)</b>	<b>Directly operated</b> 1,911 outlets	<b>Franchise</b> 934 outlets	<b>Total</b> 2,845 outlets
			Year-on-year: -35 ↓

Core Values

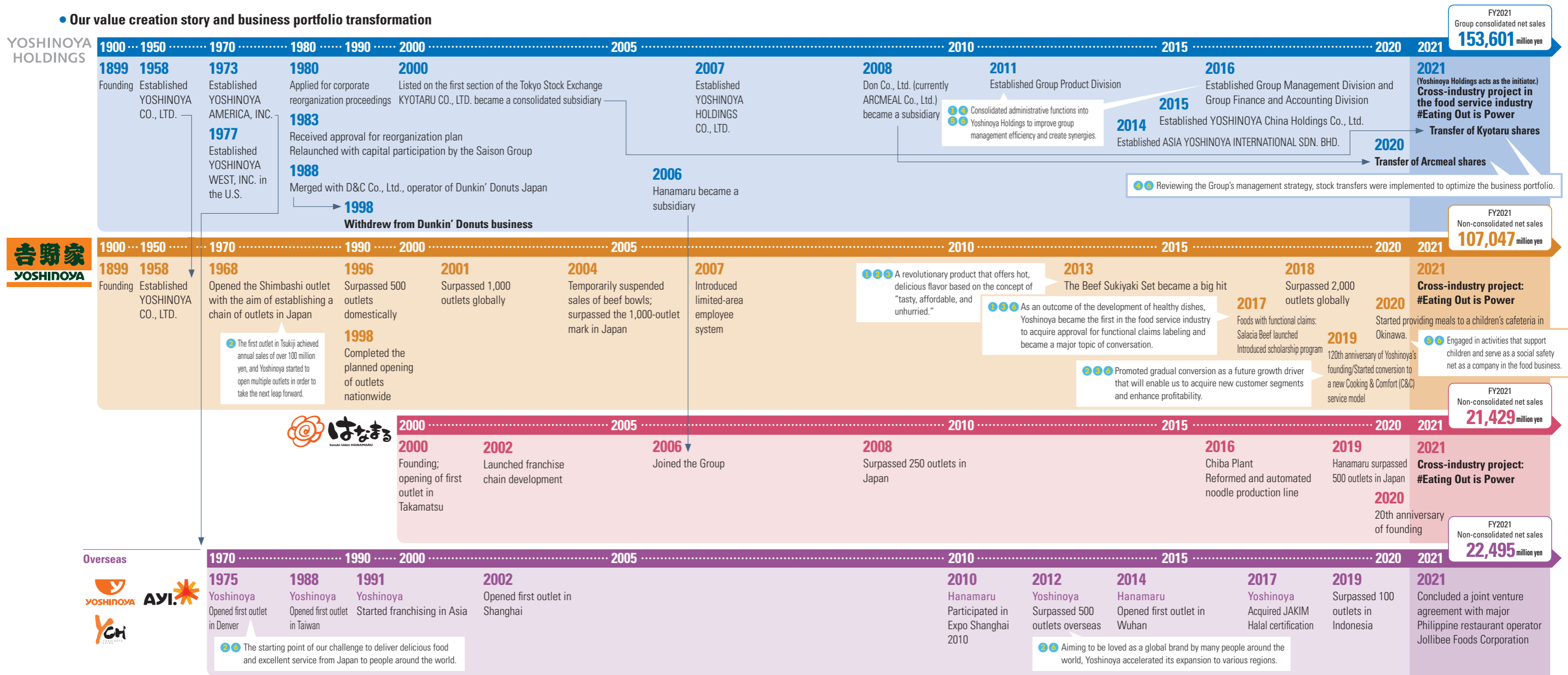
# Our Journey in Bringing Our Philosophy to Fruition

The Group has continued to create value based on our core values, which we set forth along with our business philosophy.

• Our six core values

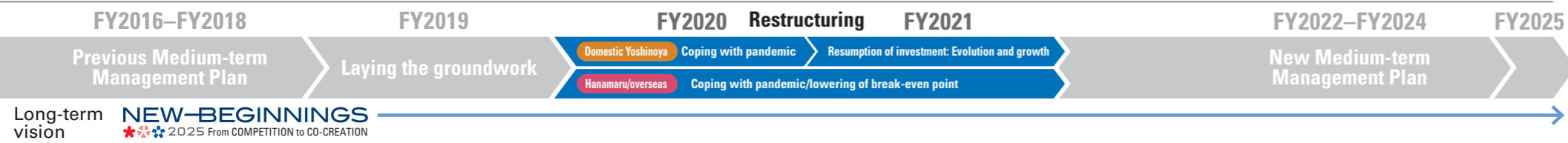
1 Tasty, affordable, and fast	2 Greater number of customers	3 Originality	4 Integrity	5 Importance of human resources	6 Challenges and innovation
<p><i>Tasty</i> means high quality, <i>affordable</i> signifies relative value and efficiency, and <i>fast</i> refers to promptness and delivery time. We will continue to adhere to these values and enhance these elements even further.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>

• Our value creation story and business portfolio transformation





# Value Creation Process



Our Six Core Values **P13-14**

Five Promises to Stakeholders **P49**

# For the People

- 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-sighted procurement of food ingredients
- Climate change
- COVID-19

### Principal capital of Yoshinoya Holdings

**Financial capital**

- Consolidated net sales: 153,601 million yen
- Net assets: 48,741 million yen

**Human capital**

- No. of employees: 3,004
- No. of part-time workers: 11,360
- Total (Full-time and temporary employees): 14,364

**Manufacturing capital**

- No. of Group factories: 7
- Amount of capital investment: 4,547 million yen

**Intellectual capital**

- Over 50 years of expertise in chain store operations
- No. of co-created technologies: 13
- Co-creation with health-related organizations: 1 case

**Social capital**

- 2,845 outlets in Japan and abroad, with 310 million customers annually
- Customer service inquiries: 31,642

### Long-term vision

## NEW-BEGINNINGS

2025 From COMPETITION to CO-CREATION

**Financial strategy and strategies by business**

**New Group Medium-term Management Plan FY2022–FY2024 P17-18**

- Yoshinoya P23-24
- Hanamaru P25-26
- Overseas P27-28
- Other P29

**Sustainability strategy**

**Five Material Issues P30-32**

- P33-38: Realizing diversity and inclusion to enable people to grow and thrive
- P39-40: Providing the joy of food and health to more customers, enabling them to have fulfilling lifestyles.
- P41-42: Contributing to the development of local communities by developing our global business.
- P43-44: Building a sustainable supply chain through co-creation with suppliers
- P45-46: Responding to climate change through environment-friendly business activities

**Using technology to facilitate materiality**

Output	Outcomes
<b>Yoshinoya</b> 	<p><b>Social value</b></p> <ul style="list-style-type: none"> <li>Contribute to the development of a society in which a diverse range of people can play active roles</li> <li>Contribute to fulfilling lifestyles by developing value-added products and providing healthy meals</li> <li>Enhance the growth of local communities through global business development</li> <li>Build a sustainable supply chain</li> <li>Address climate change by reducing food loss and co-creating with partners</li> </ul> <p><b>Economic value</b></p> <p><b>FY2024 targets</b></p> <ul style="list-style-type: none"> <li>Consolidated net sales: <b>180.0 billion yen</b></li> <li>Consolidated operating income: <b>7 billion yen</b></li> <li>Operating income margin: <b>3.9%</b></li> <li>ROIC: <b>5.0% or more</b></li> <li>Debt-to-equity ratio: <b>0.6 times or less</b></li> </ul>
<b>Hanamaru</b> 	
<b>Overseas</b> 	
<b>Other</b> 	
<b>Other</b> 	

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

## New Group Medium-term Management Plan

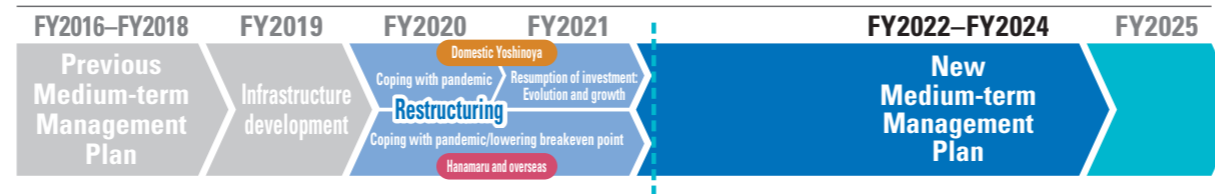
# New Group Medium-term Management Plan FY2022–FY2024

After overcoming the crisis brought about by the pandemic through structural changes, the Group launched a new Medium-term Management Plan.

Over the next three years, we will evolve and regenerate to accelerate our expansion toward sustainable growth.

### Timeline to date and positioning of the new Group Medium-term Management Plan

After one year of infrastructure development and two years of dealing with the pandemic from the previous Medium-term Management Plan, which ended in FY2018, the direction the company aims to take has become clear.



Transforming into a Yoshinoya Holdings Group that can grow sustainably toward the future  
Currently formulating new long-term vision

### Summary of FY2020 and FY2021

#### Promoting structural change and securing foothold

In FY2020, when COVID-19 began to spread, Yoshinoya put a centralized management structure in place as a contingency response, and the Group worked together to overcome the crisis and promote structural changes to recover and rebound from it.

In FY2021, while continuing to take measures to overcome the pandemic in Hanamaru and the overseas business, we resumed growth investments in Yoshinoya that had been restrained and implemented foothold consolidation with an eye toward the post-pandemic world.

#### Business results for FY2021

**Consolidated net sales**  
¥153.6 billion

**Consolidated operating income**  
¥2.3 billion

**Operating income margin**  
1.5%

**ROIC**  
1.7%

**Debt-to-equity ratio**  
0.7 times

### New Group Medium-term Management Plan FY2022–FY2024

**Basic policy**  
Improvement of invested capital efficiency

Heighten Evolution of existing businesses

**Business strategy**

#### Domestic Yoshinoya Evolution

Conversion to C&C outlets to expand customer base and transform brand image

- Grow C&C to 500 outlets in three years/Develop low-investment model
- Improve QHA (quality, hospitality, and atmosphere)
- Pursue quality in beef bowls/Cultivate fried chicken as the second pillar of our business
- Provide new usage scenarios through C&C conversion, new menu development, and combination of advertising strategy
- with augmentation of direct sale products to improve the repeat rate
- Enhance convenience through the use of apps, tablets, and other digital devices
- Co-create with external partners to resolve issues and create new value

#### Hanamaru and other businesses Regeneration

Improve profitability under "squared"/Cultivate new ramen business the third

- Hanamaru**
  - Return to our roots by reviewing and evolving core products, improving dashi and tempura, and improving service levels
  - Raise productivity by reviewing sales policies, optimizing menus and investment costs, and reviewing operations
  - Resume investment in education to develop human resources who are capable of thinking and acting on their own
  - Verify the roadside outlet model
- Other**
  - Cultivate new brands to satisfy diverse needs
  - Strengthen profitability of domestic and overseas ramen noodle business and restructure supply chain

#### Overseas/direct sales/M&A Expansion

Accelerate outlet openings overseas to bring overseas outlet count beyond domestic outlet count/Grow direct sales into a ¥10 billion business/seek M&A opportunities to achieve sustainable growth

- Overseas**
  - China: Accelerate franchise outlet openings in Beijing/Concentrate investment in Shenzhen, Sichuan, Wuhan, and Jiangxi
  - U.S.: Expand scale through accelerated outlet openings
  - The Philippines: Full-scale opening of new outlets in cooperation with Jollibee
  - Indonesia: Accelerate franchise outlet openings with full-scale operation of the second Central Kitchen Yoshinoya
- Direct sales**
  - Expand production of frozen beef bowl ingredients
  - Expand direct sales/distribution outlets
- M&A**
  - Explore M&A opportunities with Japan's first food service business offering everyday food and related businesses

**Deepen group management**

- Strengthen group functions/capitalize on synergies
- Promote global expansion

**Develop strong governance infrastructure**

- Accelerate digital shift

→P19–22  
Group management strategy

**Human resource development, capacity building, and diversity/sustainability initiatives**

→P30–46  
Five material issues

## Theme Evolve and regenerate

Extend Strengthen growth businesses

Increase Seek M&A opportunities

→P23–29 Strategy by business

### FY2024 targets

To improve efficiency of invested capital and profit level

We will revitalize the Hanamaru business while enhancing profitability by promoting structural changes—successful in dealing with the COVID-19 pandemic—and evolving the existing business formats. We will also accelerate our efforts to expand the overseas and direct sales business, including exploring M&A opportunities.

By advancing these efforts, along with strengthening group functions and synergies and deepening management through a digital shift, we will increase the efficiency of invested capital and raise the level of profits.

**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



## Improving profitability and investment efficiency to build a foundation for sustainable growth

**Norihiro Ozawa**

Managing Director  
YOSHINOYA HOLDINGS CO., LTD.

Despite the protracted impact of COVID-19, the Group became resilient through the crisis, securing financial stability and establishing a foothold for renewed growth. We will steadily put the measures outlined in our newly formulated three-year Medium-term Management Plan into action, and aim to expand as stated in our long-term vision.

### Reflecting on management during the second year of the pandemic

#### Secure a foothold for the future in accordance with the recovery status

In FY2020, when COVID-19 began to spread, the Group's contingency plan was to employ a centralized, top-down structure to overcome the crisis, and from there to become resilient (recover and restore), and push forward with structural change initiatives.

This was followed in FY2021 by a policy to secure a foothold for the future by ensuring resilience and staying afloat, while remaining vigilant with regard to the pandemic. As a result, during the year, the recovery from the impact of COVID-19 varied from business to business, with the Yoshinoya and U.S. businesses bouncing back relatively quickly, while Hanamaru and the ramen noodle businesses did not recover as expected.

Given these conditions, the company governed the Group in a more explicit manner in terms of strategic direction and investment execution, in line with the recovery of each business. The Yoshinoya and U.S. businesses that are recovering are expanding their scope from their secure footing, while those that are slow to recover are reviewing their efforts to solidify their footholds from the perspective of going back to the basics.

Moreover, the Group's financial base has improved over the past two years with the transfer of shares in two operating companies, as well as the implementation of supportive policies. This has stabilized the previously damaged balance sheet and secured funding. It is important to decide how to reallocate these funds toward future growth.

Regarding the profit structure, our goal was to achieve another level of

cost efficiency to further lower the breakeven point—which was lowered in FY2020—to secure operating income even in the event that net sales dropped to 90% of the FY2019 level. We have also made improvements in the form of restoring expenses that were reduced as part of the contingency response, with the aim of extracting even better performance. Examples include the use of the internet and digitization to enhance operational efficiency. Along with the streamlining of the business portfolio following the transfer of shares in the two companies, we have also made progress in integrating headquarters functions and systems.

In our stores, we have built an agile, flexible cost management system that enables us to respond to frequent changes in conditions such as the declaration of state of emergency and priority prevention measures. We see this as a major achievement, and are grateful for the relentless efforts of our store employees and sales department. While the effects of the COVID-19 pandemic are expected to linger for the foreseeable future, we are confident the system will continue to be fully effective as it becomes more established.

And, in FY2021, we resumed investments in growth that we had suspended in the previous fiscal year. In the mainstay Yoshinoya business, we resumed the format shift to highly profitable C&C stores in the second half of the year, opening 15 new stores and renovating 15 others. Another key investment target at Yoshinoya is the expansion of frozen beef bowl

production. We invested in the addition of a production line to the plant to meet the increased ready-made meal demand in the wake of the COVID-19 pandemic.

However, the full-fledged resumption of growth investment will begin in FY2022, the current fiscal year. This year, Yoshinoya plans to increase the number of C&C outlets to 110 remodeled and 25 new outlets, and to expand production at its factories to meet ready-made meal demand, including items other than frozen beef bowl. Concerning Hanamaru, we

will continue to develop and verify new outlet models toward expanding outlet openings to roadside locations. In our overseas business, we have positioned the U.S., China, Indonesia, and the Philippines as our four priority regions. As such, we plan to aggressively invest to increase competitiveness by focusing on menu development, store model development, and branding, while strengthening collaboration with franchise and joint venture partners.

### Post-COVID-19 financial strategy

#### Secure financial soundness and invest in mid- to long-term growth

We have four medium-term financial policies: sustainable profit growth, return to financial soundness, improvement of invested capital efficiency, and continuation of shareholder return measures. The goal is to generate EBITDA of 35.0 billion yen over a three-year period as a condition for realizing sustainable growth in profit.

In FY2021, the company is still recovering from the deteriorating performance due to the COVID-19 pandemic, and we were only able to generate EBITDA of 8.9 billion yen. However, the company received cooperation subsidy for the prevention of COVID-19 and employment adjustment grants from various local governments to cover the losses associated with the pandemic—including shortened business hours—and used part of that income to repay loans payable.

This led to the equity ratio, which had fallen to 30.0% in FY2020, recovering to 42.9% as of the end of FY2021. We can say that we are approaching a fiscally sound situation.

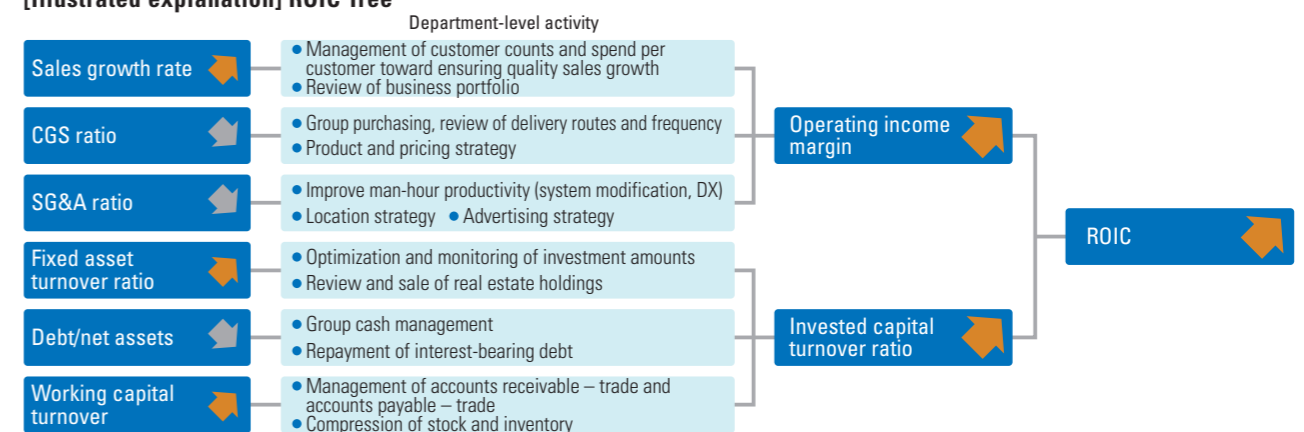
We will manage growth investments based on return on invested capital (ROIC) to heighten investment efficiency. We will evaluate the profitability of new outlet openings in particular by using cash flow return on investment (CFROI) as a common metric for the Group, and seek to secure a certain level of cash against invested capital. To improve ROIC group-wide, we will further break down ROIC—the ratio of operating income to net sales multiplied by the turnover ratio of invested capital—into its component parts and set targets for each division, including the

SG&A ratio, working capital turnover ratio, and fixed asset turnover ratio. We will then aim to achieve these targets by executing the PDCA cycle across the breadth of the organization.

While short-term growth investments can be covered using the currently ample cash on hand, the Medium-term Management Plan establishes investment limits of 30.0 billion yen for existing businesses and 10.0 billion yen for inorganic investments including M&A over the next three years. The company intends to avail itself of a host of options for fund raising, including borrowings, bond issuance and equity financing. However, from a financial soundness perspective, we will control debt, aiming for a debt balance of no more than 30.0 billion yen and a debt-to-equity ratio of 0.6 or less over the next three years. In FY2022, we will also establish conditions, such as obtaining a credit rating—mandatory for bond issuance—and construct a system that allows us to flexibly choose financing methods.

In addition, during the past year, the company made significant progress in improving fund procurement and management efficiency by expanding the scope of its group finance coverage. Furthermore, the active use of the Group's cash management system (CMS) is making possible the visualization and standardization of cash management operations. Going forward, we intend to achieve this kind of overall optimization for funds for overseas operations as well, to further enhance procurement and management efficiency.

#### [Illustrated explanation] ROIC Tree





Start of New Three-year Mid-term Management Plan

Clarifying the post-pandemic direction

The Group has now launched its Medium-term Management Plan covering the three-year period from FY2022 to FY2024. After the completion of the previous Medium-term Management Plan (FY2016–FY2018), the company had planned to use FY2019 to lay the groundwork before moving to the next three-year plan. However, the formulation and launch of the new plan had been postponed because the company had set FY2020 and FY2021 as a period for coping with the pandemic and establishing a foothold from which to move once the pandemic normalizes.

With the outbreak of COVID-19 still not under control and continuing to significantly impact society as a whole, the outlook for the food service market and our group's business remains cloudy, making the formulation of our mid-term management plan a formidable challenge. Of course, we cannot envision future growth if we just keep on coping with the COVID-19 pandemic. We have decided to announce this plan in order to clearly indicate to the stock market, our shareholders and investors, and our other stakeholders the direction that the Group will take once we have emerged from the pandemic.

The direction we envisioned at the end of the previous Medium-term Management Plan and the current three-year plan have changed in terms of content, again driven by the COVID-19 pandemic over the two years. Based on the cost efficiencies and stabilization of our financial base through the structural changes we have achieved, how do we solve the longstanding problem of low profitability through contingency planning

and resilience in FY2020 and FY2021? As far as external environmental factors are concerned, we must work to resolve these issues in the midst of soaring raw material prices driven by rapid inflation and the high price of crude oil resulting from the emergence of geopolitical risks. We will prioritize the improvement of the profitability of our core business and, over the next three years, will focus not only on increasing profits but also on growing profit margins.

Specifically, we aim to achieve net sales of 180.0 billion yen, operating income of 7.0 billion yen (operating income margin of 3.9%), and ROIC of 5.0% or more in our consolidated financial results for FY2024. We intend to achieve these targets through organic growth.

➔ For details on the Medium-term Management Plan, please refer to P. 17–18.

Overseas markets will become even more vital in the sustainable growth of the Group's business going forward. We recognize that we will need to work on a growth strategy with a clear timeline to increase the profitability of our overseas operations, and that this will be one of the key themes in bringing the goals of this Medium-term Management Plan to fruition. The immediate growth drivers for our group will be the C&C outlets and Yoshinoya's direct sales business, and Hanamaru's recovery will contribute to our performance in addition to these businesses. At the same time, the improvement in earnings from the overseas business will also account for a certain percentage of our earnings.

Moreover, since this Medium-term Management Plan will be implemented under a variety of hypothetical conditions in a business

environment rife with uncertainty, we must respond swiftly when circumstances change. I believe that the rapid execution of such a plan is an important point.

Meanwhile, we launched the New Long-term Forum to formulate a long-term vision for the future, bringing together employees with diverse

attributes from departments across the company to envision the ideal state of the Group in the future and to set its direction. This is an important process for communicating the tomorrow we intend to achieve to all our stakeholders—internal and external—and we intend to take time to do it.

Initiatives to strengthen the non-financial side

Sharing sustainability awareness and taking actions

As mentioned earlier, the Group has streamlined its business portfolio over the past two years. The Corporate Governance Code revised in 2021 requires us to explain the status of policies and reviews regarding business portfolios. In accordance with this code, we intend to manage the Group with a heightened awareness of business portfolio optimization. At its essence, the development of the food service business providing everyday food from Japan and related businesses is the core of the Group's efforts, and we will maintain this in our business portfolio.

With regard to the expansion of corporate governance, the structure of domestic operating companies in particular has been simplified. At the same time, we have promoted the consolidation and centralization of headquarters functions and efficiency, making it easier to control than in the past and leading to increased effectiveness. While continuing to maintain and improve this level of governance, we recognize that the next step is to exercise firmer control over our overseas operating companies. As it is currently difficult for us to visit these companies from Japan to confirm the status of internal controls and conduct audits, due to restrictions on overseas travel as a measure against the spread of COVID-19, we would like to take action by utilizing outside organizations.

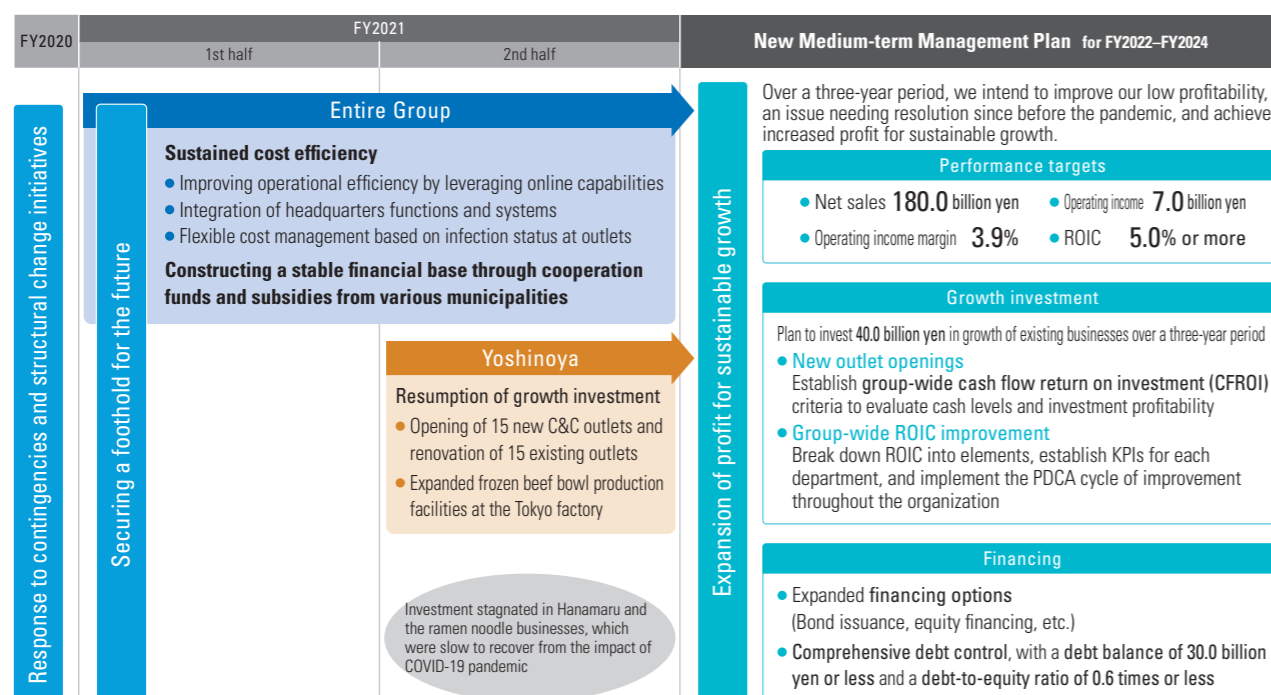
In addition, as we transitioned to the Tokyo Stock Exchange Prime Market in April 2022, we are also considering disclosing information in line with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations to ensure compliance with the governance standards the market requires us to maintain. We intend to develop a system after carefully examining what kind of disclosure measures we as a food

service company can put into practice. On a related note, while maintaining an awareness of cost neutrality, we will continue our efforts to conserve energy to reduce greenhouse gas emissions and to reduce food loss and other environmental preservation measures.

Another theme we are focusing on to reinforce the non-financial aspect of the business is human resource, organizational, and workplace development. The Group will promote growth and success by taking advantage of the diversity and individuality of our own personnel to expand the value provided by the people who make our food service business work. As part of this effort, the Group Management Division centrally manages human resource information for domestic operating companies on the system. It is working to enhance job satisfaction and motivation by assigning the right person to the right job based on an understanding of the qualities and abilities of each employee.

The Group has developed a basic sustainability policy and identified material issues, which were announced in February 2022. In the past, each operating company has individually been aware of sustainability, set its own goals, and implemented its own initiatives. This policy is now being consolidated, however, into a single group-wide policy and issue to be communicated outside the company as well as shared and acted upon by the entire company. Although we have not set specific KPIs for materiality at this time, we will establish metrics for the Group to clarify how our sustainability efforts will positively impact our Medium-term Management Plan and long-term vision as non-financial targets that will support the management of the Group.

[Illustrated explanation] From structural change to securing a foothold



Aiming for sustainable value creation

Turning difficulties into opportunities and taking on the challenge of making even greater strides

The past two years of the pandemic had a significant negative impact on the Group's performance. As a result of Group-wide efforts to implement structural changes, however, we have succeeded in improving cost efficiencies that led to long-overdue improvements in profitability and investment efficiency, paving the way for sustained profitable growth.

In these unpredictable times, we are likely to face a host of difficulties going forward. But we believe that for us, this must also bring many

opportunities. We will not allow changes to take us off our path, but will accept challenges willingly and with persistence, never forgetting the essence of our business, which is to provide delicious and abundant food, and make even greater progress.

We hope that all of our stakeholders are excited about the creation of sustainable value by our Group, and we are grateful for your continued support and patronage.



## Yoshinoya

### Constructing a new brand image and expanding customer base and usage scenarios

Actively promote business model changes to drive Group profit growth.

#### 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 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

##### Growth opportunities

- Expand customer base by changing store 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

##### Business weaknesses

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

##### Risks

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

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

Yoshinoya will continue to play a role in driving the format transformation through C&C outlets, accompanied by increased sales and profit growth, to drive the Group's goal of raising the top line and raising profits over the next three years, while continuing to create reserve power for reinvestment and the creation of new businesses.

As a specific strategy, we will launch "Achieving customer emotional satisfaction through leading service activities" to further pursue quality of beef bowl and improve hospitality, and implement a service model change to enhance the atmosphere. Moreover, we will continue to improve our fried chicken offering, which is currently introduced in about half of our restaurants, to make it the second pillar of our menu after gyudon.

We plan to expand the number of C&C outlets—the key to improving profitability—to 500 over the next three years through a combination of new outlet openings and renovations. Based on experiments and verifications we've undertaken to date, we expect that renovation of outlets will lead to an increase in sales by at least 10% from a year after the model change. And we also expect that the introduction of tablet ordering and cashless payment will enhance customer convenience and further secure revenue.

We also plan to aggressively expand into the areas of ready-made meal and home cooking, centering on frozen beef bowls—for which we have established a new production line in the Tokyo factory—and to develop it into a new business pillar.

#### Review of FY2021

### Profits surpassed pre-pandemic levels due to successful improvements in cost efficiency.

In FY2021, there were repeated state-of-emergency declarations and priority measures to prevent the spread of COVID-19, but the negative impact on the number of existing store customers was not significant, down 2.8% year on year. And there was a particularly clear recovery trend in the second half of the year, as a 2.4% year-on-year increase was recorded. In October 2021, we revised the prices of our core products in response to the rising price of beef. However, the fact that the implementation of the price revision did not drive customer traffic downward indicates that we were able to meet their higher expectations through the efforts of our outlets.

With respect to outlet openings, the company has instituted a policy of resuming investments that had been curbed in the previous fiscal year. However, it opened only four new outlets and scrap and built 11 outlets, for a total of 15 outlets, but closed 14 outlets. In addition, 15 outlets were converted to C&C outlets—a priority measure—and 165, or more than 10% of the total of 1,190 outlets, were C&C outlets as of the end of the fiscal year under review.

We are seeing steady results in the number of customers and sales

from takeout and delivery services, as well as sales of frozen beef bowls, which are being developed as a direct sales business. In the takeout service, we increased the number of outlets with dedicated counters and introduced special ordering tablets to enhance customer convenience. In the delivery business, we grew the number of outlets capable of delivery to 953—a year-on-year increase of 202 outlets—to capitalize on the growing demand. A new production line for frozen beef bowls was established in the Tokyo factory for future expansion targeting home-cooked and ready-made meals. We will launch full-scale operations in FY2022.

As a result of the above, Yoshinoya's business in FY2021 recorded net sales of 107.0 billion yen (up 1.4% from the previous fiscal year) and operating income of 7.2 billion yen (up 75.5% from the previous fiscal year). Operating income also exceeded FY2019 pre-pandemic results. The structural change initiatives we promoted in the previous fiscal year to improve cost efficiency were successful, and led to a noteworthy increase in profit.

#### Future direction and issues

### Transformation of the brand image through a model change with C&C outlets.

As mentioned earlier, the number of C&C outlets is still just over 10% of the total. If this number expands to the point where it exceeds half, however, the world's awareness of C&C outlets will increase dramatically, and we aim to reform Yoshinoya's brand image to suit the times.

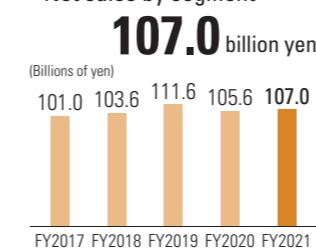
Yoshinoya has been expanding its customer base through a variety of initiatives, but the number of male customers remains high, while the proportion of female and family customers has not yet grown sufficiently. The model change through C&C outlets will convey the image of a comfortable eating and drinking space where people can enjoy a leisurely lunch or dinner on their days off. As the new format permeates the market, it will lead to the growth of the customer base and usage scenarios, sparking a change in the profit structure. C&C outlets will also be more customer-friendly for delivery and takeout, which should bring an

increase in customer traffic.

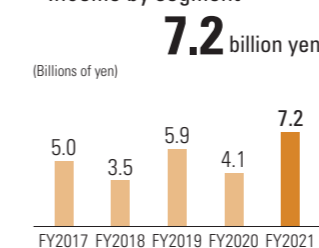
In the first year of the Medium-term Management Plan, we are looking to convert 110 outlets to the C&C format and open 25 new outlets. If conversion continues at this pace, we expect C&C outlets to account for more than half of all outlets between FY2025 and FY2026. At the same time, we intend to make some improvements to virtually all of the non-renovated outlets, such as changing the shape of counters and beautifying them.

Meanwhile, the direct sales business, which due to more time spent at home during the two years of the pandemic has enjoyed robust sales growth, will focus on developing products that will become new pillars, in addition to increasing production of frozen beef bowls, to expand growth opportunities.

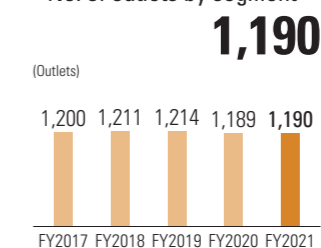
##### Net sales by segment



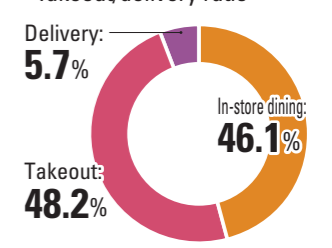
##### Income by segment



##### No. of outlets by segment



##### Takeout/delivery ratio



## Strategy by Business: Hanamaru



# Hanamaru

## Aiming to create value that earns Hanamaru from our customers

Pioneering new markets while retaining our core philosophy, we moved from earnings recovery to a renewed growth trajectory.

### 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 that 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

#### 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

#### 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

#### 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 new Medium-term Management Plan (FY2022–FY2024)

Hanamaru intends to return to a growth trajectory over the span of the next five to six years by developing stores with improved investment efficiency and by cultivating new markets. The three-year duration of the new Medium-term Management Plan is positioned as a period to solidify our foundation for this purpose, and we will promote efforts to restore sales and customer numbers and raise profitability.

In FY2022, the first year of the plan, a return to profitability is a must. We will focus on reviewing and further evolving our core products. And, while continuing to improve our noodle products—which were successful in FY2021—we will enhance our dashi and tempura to create value based on our basic policy of returning to our roots.

At the same time, to capture demand through takeout and delivery, we will improve outlet operations and increase the number of outlets specializing in delivery. We will also proceed with experiments to introduce our new R&E store model, which will be crucial in expanding roadside outlet openings. In FY2022, the company plans to open 11 outlets specializing in delivery (up nine from the previous fiscal year) and six R&E outlets (up three from the previous fiscal year), increasing the ratio of takeout to net sales to 22% and delivery to net sales to 8%.

From FY2023 onward, we will maintain profit growth by gradually recovering sales and strengthening our cost structure, and invest the profits in new outlet openings.

## Review of FY2021

### Growth in takeout and delivery. Promoting the creation of a new store model

In FY2021, while the impact of COVID-19 continued, sales and customer numbers were up against the previous year, but fell far short of the plan due to another state-of-emergency declaration and the implementation of priority measures to prevent the spread of the virus, which were more frequent and prolonged than anticipated. Despite efforts to maintain the breakeven point—lowered in the previous fiscal year through cost efficiency measures—the company failed to return to profitability.

In particular, outlets inside buildings in central Tokyo and food court outlets in commercial facilities, where Hanamaru has traditionally shown strong performance, continued to face difficult business conditions due to the proliferation of teleworking and the closure and shortening of business hours. As a result of opening only four new outlets and closing 16, the number of domestic outlets as of the end of the fiscal year was 463.

In terms of sales measures, while in-store dining restaurants struggled, takeout sales with the launch of our Udon Bento and delivery sales with home delivery service providers both contributed to increasing sales. On top of the results achieved at existing outlets, all three of the specialized delivery outlets we have established in Tokyo are in the black.

In the area of product value creation, we took advantage of our

strength in factory-made noodles to improve quality, and developed and introduced Summer and Winter Noodles, in which we pursued taste that matches seasonal menus. We are confident that we have achieved the best tasting udon since the establishment of the company, and have received a very favorable response.

Concerning outlet development, we developed a new store model, Relief & Easy to use (R&E), to expand roadside outlets. They are less susceptible to the external environment than outlets inside buildings and food court outlets. We launched experimental operation at three locations. To prevent infection, R&E outlets are now handling prepared foods such as tempura and making the settlement process non-contact, and have installed dedicated take-out cash registers and counters to offer customers a smoother service experience. Moreover, automation and labor saving in the cooking process reduces the employee workload and heightens work efficiency.

All of the R&E outlets involved in the experiment are performing well, showing an increase in sales and customer counts, as well as a higher takeout ratio. The company intends to use this as impetus for expanding roadside outlet openings by narrowing down functions and improving investment efficiency, and also to incorporate this into existing outlets.

## Future direction and issues

### By returning to our roots, decluttering, and working hard, we have achieved what Hanamaru should be.

Hanamaru has set three basic policies for FY2022: return to our roots, declutter and work hard, and has begun efforts to achieve “Hanamaru squared” (Hanamaru which can receive Hanamaru from customers).

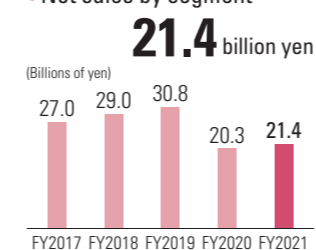
Returning to our roots signifies a return to our founding philosophy of providing delicious Sanuki-style udon noodles to our customers along with high quality service, and an improvement in our product and front-line capabilities. The decluttering process involves reviewing the measures that have been taken in recent years and clarifying the direction in which to proceed. This encompasses the appropriateness of investment costs and the number of business hours and seats. To do this, we have to reject the current Hanamaru and consider what it was originally meant to be. All employees must be aware of these two things, and work hard to

achieve them.

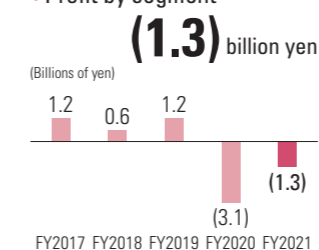
As a current challenge, comparing the past two years to pre-pandemic conditions, we see that the number of complaints has increased despite sales and customer numbers being down. The shortage of labor has delayed the establishment of operations that combine both in-store dining and takeout, resulting in a decline in taste and service at some outlets. We will steadily realize the “Hanamaru squared” mentioned earlier to provide the quality that should be there.

Furthermore, as measures to address Hanamaru's environmental impact—another issue that must be addressed—we are improving the efficiency of our boiling kilns to reduce CO<sub>2</sub> emissions while also reducing costs by reducing gas usage.

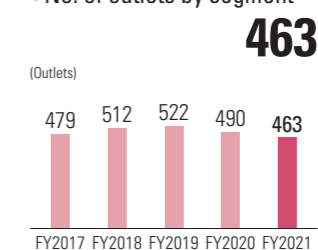
#### • Net sales by segment



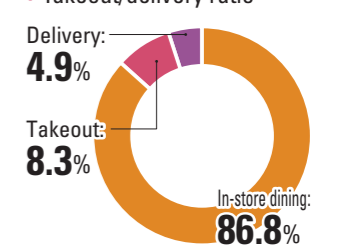
#### • Profit by segment



#### • No. of outlets by segment



#### • Takeout/delivery ratio





## Strategy by Business: Overseas

# Overseas

### Deliver global value that produces results through co-creation

Revamping the business supervision and promotion system in each region to increase profit and develop new markets.

#### Tetsuya Naruse

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



#### Jon Gilliam

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 carefully 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 new Medium-term Management Plan (FY2022–FY2024)

In the Southeast Asia and China business, we will promote strategies based on the four policies of expansion investment in growth areas, restructuring of merchandising, development of franchise packages, and strengthening of governance from FY2022 to establish a foundation for regrowth.

In terms of expansion investment in growth areas, we will concentrate investment in Shenzhen, Sichuan, Wuhan, and Jiangxi, which are key regions for our China business. In the Philippines, we will focus on developing outlet openings with joint venture companies. In Thailand, we will focus on verifying and introducing a new store model. Looking at restructuring merchandising, we will work with local partners to strengthen procurement systems and menu development to cope with rising purchase prices. In developing

the franchise package, we will establish a global specification standard for the Yoshinoya brand and promote collaboration among franchisees to enhance synergy. Concerning the strengthening of governance, we will ensure that our accounting and auditing functions are operating properly.

The U.S. business will focus on internal enrichment and refrain from opening new outlets in FY2022. It will instead concentrate on reinforcing service delivery capabilities and hospitality, renovating kitchen layouts, and augmenting training in outlet operations. We intend to accelerate the pace of growth by resuming outlet openings in FY2023 and expanding into more remote areas, including areas outside of California.

### Review of FY2021

#### Southeast Asia and China Business

#### Improved profit/loss by responding to the business environment in each region through oversight from Japan.

In FY2021, when the Southeast Asia & China Headquarters was established at the beginning of the fiscal year, and control was shifted to Japan, operating revenue was up year on year, and segment income was also positive. Compared to FY2019, before the pandemic, operating revenue is on the road to recovery in performance. While China remained relatively firm despite the impact of restrictions on activity, conditions remained challenging in Southeast Asia.

Amidst these conditions, the company sought to develop markets by opening outlets dedicated to delivery service in Indonesia—mainly in Jakarta—and hybrid outlets combined with other business formats in Thailand. In the Philippines, we launched a joint venture with Jollibee Foods Corporation, the country's largest food service operator, and laid the groundwork for new outlet expansion.

In China, we were hit by soaring imported beef prices, but we worked to increase the number of customers by reviewing product development and increasing delivery availability. Moreover, to build relationships with operating companies, local personnel were appointed to the regional holding company's management team to augment operational management and governance.

#### U.S. business

#### Sales and profits increased over pre-pandemic results.

In California, home of our U.S. operations, in-store dining was banned for almost a year starting in March 2020, leaving only takeout sales. Even now that in-store dining has resumed, it still only accounts for about 1-2% of sales. Originally, in the U.S. business, takeout was more common than in-store dining even before the pandemic, and the takeout ratio at outlets with drive-through windows was about 80%, and around 70% at other outlets. This trend has prevented a significant decline in sales even when in-store dining was prohibited during the height of the pandemic.

For FY2021, operating revenue exceeded that of the previous fiscal year and segment income was positive. Sales and profits have also increased compared to FY2019, before the pandemic. The simplification of the menu and the introduction of a new kitchen system to improve the efficiency of takeout handling have paid off. The percentage of sales from deliveries also increased to about 13%, about twice that of the previous fiscal year.

### Future direction and issues

#### Southeast Asia and China Business

#### Improve investment efficiency across the breadth of the business to get back on track toward growth.

In Southeast Asia, we intend to promote the expansion of outlets dedicated to delivery service in Indonesia and development of hybrid outlets in Thailand. In particular, we intend to introduce outlets dedicated to delivery service for the purpose of monetizing the directly managed business in Singapore. The joint venture in the Philippines will boost outlet openings while focusing on Yoshinoya's quality product offerings and executing branding.

In China, while concentrating investment in growth areas and establishing a procurement system to cope with soaring raw material prices, we plan to focus on creating higher unit price menus and investing in branding as a measure to increase the number of customers while securing gross profit margins.

Through these efforts, we will improve the investment efficiency of our overall Southeast Asia and China operations and get back on track toward growth.

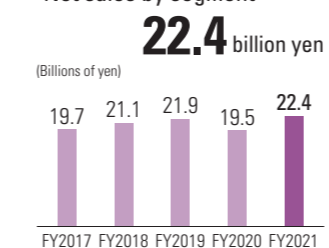
#### U.S. business

#### Communicate the historical value of Yoshinoya and enhance the brand image.

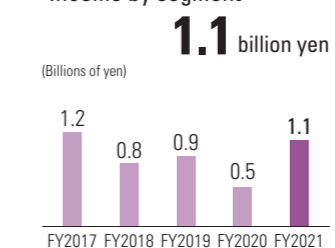
To maintain our momentum in FY2021, we will continue to promote our brand strategy of "Win with our Food" (product value), "Modernize the Experience" (renewed customer experience), and "Make It Easy" (simplified process), which will help drive medium- to long-term growth.

In developing menus going forward, the company intends to communicate Yoshinoya's historical value in Japan to U.S. customers to enhance brand value and motivate people to visit our restaurants. We will also develop new types of outlets—the key to expanding outlet openings—and improve our competitiveness as an organization to accelerate the pace of growth.

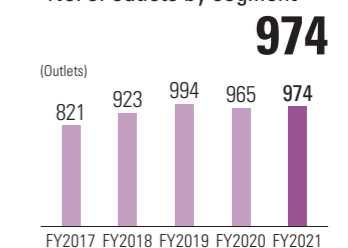
#### • Net sales by segment



#### • Income by segment



#### • No. of outlets by segment



# Other

## Forging the Group's future with a stronger business portfolio

The ramen noodle business operated by Setagaya and With Link in Japan and overseas, and the new business group operated by StartingOver, will be the next pillars of the company's growth.



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

From a medium-term perspective, the ramen business is expected to experience a smaller decline in customer numbers than the casual bar/restaurant business, and there is great potential for business expansion in overseas markets, making it a field where we anticipate further growth. Therefore, in its future business portfolio strategy, we intend to position the ramen business as the next pillar of the Group's portfolio and to build a springboard for growth over the three-year duration of the new Medium-term Management Plan.

Priority measures include a focus on sales promotion activities at existing outlets to gain customers, while at the same time investing

toward growth with an eye to market recovery once the COVID-19 pandemic has subsided. In terms of specific initiatives, Setagaya will pursue development of new outlet models for roadside locations and for opening outlets at low cost. With Link will bolster its overseas expansion by revamping its franchise package and expand ghost kitchens in existing outlets.

Meanwhile, StartingOver's policy in the new Medium-term Management Plan is to concentrate its resources on the Tori-Sen brand, which has higher growth potential, and it aims to expand its business by capitalizing on its product value and strength in takeout.

### Review of FY2021

## Restrictions on activity made performance a struggle. Profitability improved due to comprehensive streamlining.

The Setagaya and With Link ramen business achieved growth in sales by focusing on enhancing side dish offerings to spark takeout demand and on expanding delivery sales, despite a continued decline in in-store dining sales due to the pandemic. However, figures fell far short of plans due to factors such as the impact of the extended period of restrictions on activity and an increase in the number of outlet closings, which brought the total number of outlets at the end of the fiscal year for the two companies to 101 (down 10 year on year).

StartingOver, which operates the Tori-Sen (chicken dishes and fried chicken), Senkichi (curry udon), and Cha-O (fried rice with a starchy meat sauce) brands as a new business group, sought to maximize management efficiency by integrating three companies. It struggled, however, as outlets located in commercial facilities and inside buildings were strongly affected by the pandemic, resulting in decreased net sales. As of the end of the fiscal year, the number of outlets was 22 (down six year on year).

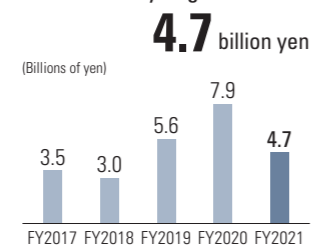
Income was up year on year as the effects of comprehensive streamlining in both the ramen

and new business groups were evident.

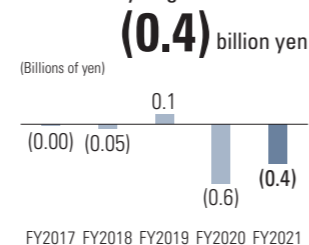
In anticipation of the post-pandemic lifting of activity restrictions, each of the operating companies made focused efforts to ensure that they can capture the recovery in demand for eating out: Setagaya developed new restaurant models for roadside outlet openings, With Link rebranded its three existing formats (Bariuma, Torinosuke, and Fuumaru), and StartingOver introduced contactless self-checkout and ordering tablets.

We will continue to take on the challenge of extending our business in new directions while assessing growth potential and profitability as we sow the seeds for expanding the Group's potential and building a more resilient business portfolio.

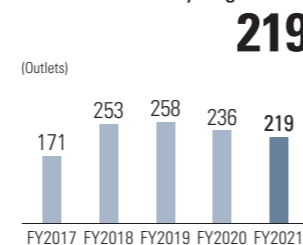
• Net sales by segment



• Income by segment



• No. of outlets by segment



## Five Material Issues

To create a sustainable society through the practice of our management philosophy "For the People," we have established our Basic Sustainability Policy and identified five material issues.

### 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, sustainable growth. The continuity of our business depends on this shift.

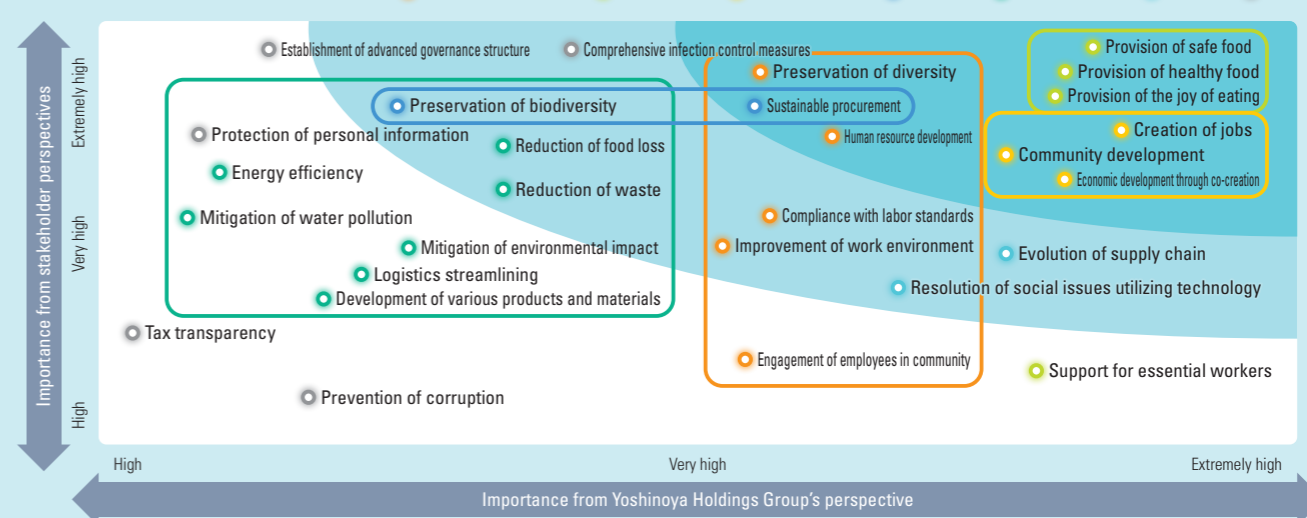
Our long-term vision positions this redefining of the restaurant industry as its basic policy. It includes many themes that also relate to the achievement of the Sustainable Development Goals (SDGs). We will focus the efforts of the entire Group on executing this vision.

### 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 Meeting and by the Management Committee.

### Materiality distribution



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 five material issues and build a future in collaboration with the many people involved in our value chain.

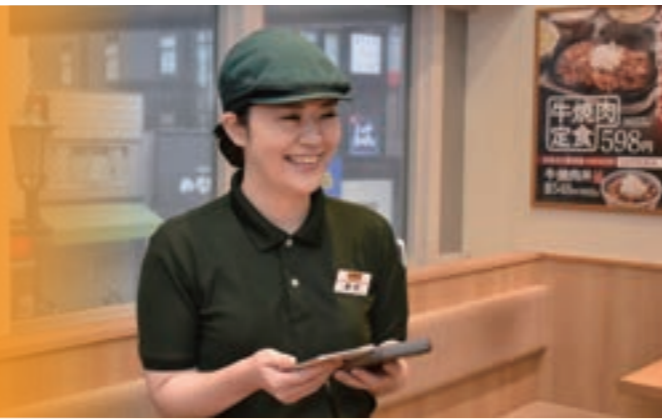


	Role we want to play	Contribution to SDGs	Value chain initiatives						
<p><b>Realizing diversity and inclusion to enable people to grow and thrive</b></p>	<p>As a company that pursues the value and joy that comes from human interaction, we will focus on bettering the working environment, ensuring diversity, and pursuing human resource development.</p>	<p>5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES</p>	<p><b>Reinforcement of management foundation</b></p> <table border="1"> <thead> <tr> <th>Group</th> <th>Yoshinoya</th> <th>Hanamamaru</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Promotion of diversity</li> <li>Target for share of women in management positions (30%)</li> <li>Equity in educational opportunities</li> <li>Employment of persons with disabilities (Friend employees)</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Scholarship system</li> <li>Quota system</li> <li>Paid leave for volunteer activities</li> <li>Mid-career hiring</li> <li>Overseas talent recruitment</li> <li>Outlets oriented toward seniors and women</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Kurumin/Eruboshi certification</li> <li>Mid-career hiring</li> <li>Overseas talent recruitment</li> <li>Tomonin certification</li> <li>Hiring of professional athletes</li> </ul> </td> </tr> </tbody> </table>	Group	Yoshinoya	Hanamamaru	<ul style="list-style-type: none"> <li>Promotion of diversity</li> <li>Target for share of women in management positions (30%)</li> <li>Equity in educational opportunities</li> <li>Employment of persons with disabilities (Friend employees)</li> </ul>	<ul style="list-style-type: none"> <li>Scholarship system</li> <li>Quota system</li> <li>Paid leave for volunteer activities</li> <li>Mid-career hiring</li> <li>Overseas talent recruitment</li> <li>Outlets oriented toward seniors and women</li> </ul>	<ul style="list-style-type: none"> <li>Kurumin/Eruboshi certification</li> <li>Mid-career hiring</li> <li>Overseas talent recruitment</li> <li>Tomonin certification</li> <li>Hiring of professional athletes</li> </ul>
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<p><b>Providing the joy of food and health to more customers, enabling them to have fulfilling lifestyles</b></p>	<p>We contribute to enriching people's lives by providing food with overwhelming value and developing safe products that contribute to health.</p>	<p>1 NO POVERTY, 2 ZERO HUNGER, 3 GOOD HEALTH AND WELL-BEING</p>	<p>Health material development <b>Group</b></p> <p>Foods for specified health uses (FOSHU)/ foods with functional claims <b>Yoshinoya</b></p> <p>Development of healthy menu items <b>Yoshinoya Hanamaru</b></p> <p>Food for nursing care <b>Yoshinoya</b></p> <p>Halal certification <b>Group</b></p> <p>Compliance with amended Health Promotion Act <b>Group</b></p> <p>Children's cafeterias <b>Yoshinoya Hanamaru</b></p>						
<p><b>Contributing to the development of local communities by developing our global business</b></p>	<p>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.</p>	<p>2 ZERO HUNGER, 8 DECENT WORK AND ECONOMIC GROWTH, 17 PARTNERSHIPS FOR THE GOALS</p>	<p>Canned meal for emergencies <b>Yoshinoya</b></p> <p>ECOALF <b>Yoshinoya</b></p> <p><b>Co-existence with local communities</b></p> <table border="1"> <thead> <tr> <th>Group</th> <th>Yoshinoya</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>Job creation through outlet openings</li> <li>Industry-academia collaboration/school class collaboration</li> <li>Executive training for locally hired employees</li> <li>Disaster support</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>Support for people unable to get home due to disaster</li> <li>Disaster support with Orange Dream catering trucks</li> <li>Disaster prevention activity agreement with Izumiotsu City</li> <li>Giving classes at elementary schools</li> </ul> </td> </tr> </tbody> </table>	Group	Yoshinoya	<ul style="list-style-type: none"> <li>Job creation through outlet openings</li> <li>Industry-academia collaboration/school class collaboration</li> <li>Executive training for locally hired employees</li> <li>Disaster support</li> </ul>	<ul style="list-style-type: none"> <li>Support for people unable to get home due to disaster</li> <li>Disaster support with Orange Dream catering trucks</li> <li>Disaster prevention activity agreement with Izumiotsu City</li> <li>Giving classes at elementary schools</li> </ul>		
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<p><b>Building a sustainable supply chain through co-creation with suppliers</b></p>	<p>We will work with our suppliers to establish a sustainable supply chain by practicing environmentally and socially responsible procurement.</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 15 LIFE ON LAND</p>	<p>Suppliers' compliance with laws and regulations <b>Group</b></p> <p>Meat parts purchasing <b>Group</b></p> <p>Livestock research <b>Group</b></p> <p>SPEEDIA <b>Group</b></p> <p>Fair trade <b>Group</b></p> <p>Alternative protein research <b>Group</b></p> <p>Group in-house production of ramen noodles and pasta <b>Hanamamaru</b></p> <p>In-house production of beef bowl sauce <b>Yoshinoya</b></p> <p>Reduction of cardboard at plants <b>Group</b></p> <p>Provision of food scraps to zoos <b>Group</b></p>						
<p><b>Responding to climate change through environment-friendly business activities</b></p>	<p>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.</p>	<p>7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS</p>	<p>Common equipment purchasing <b>Group</b></p> <p>ISO 22000 <b>Group</b></p> <p>Compliance with food recycling rate <b>Group</b></p> <p>Thin-walled packaging <b>Group</b></p> <p>Biomass shopping bags <b>Yoshinoya Hanamaru</b></p> <p>Menus made of LIMEX <b>Yoshinoya</b></p> <p>Returnable chopsticks <b>Yoshinoya Hanamaru</b></p> <p>Acquisition of Eco Mark <b>Yoshinoya</b></p> <p>Vegetable scrap decomposition treatment <b>Group</b></p> <p>High-pH alkaline ionized water <b>Yoshinoya</b></p> <p>Beef tallow recycling <b>Yoshinoya</b></p> <p>Reduction of tempura oil waste <b>Hanamamaru</b></p>						



# 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 bettering 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

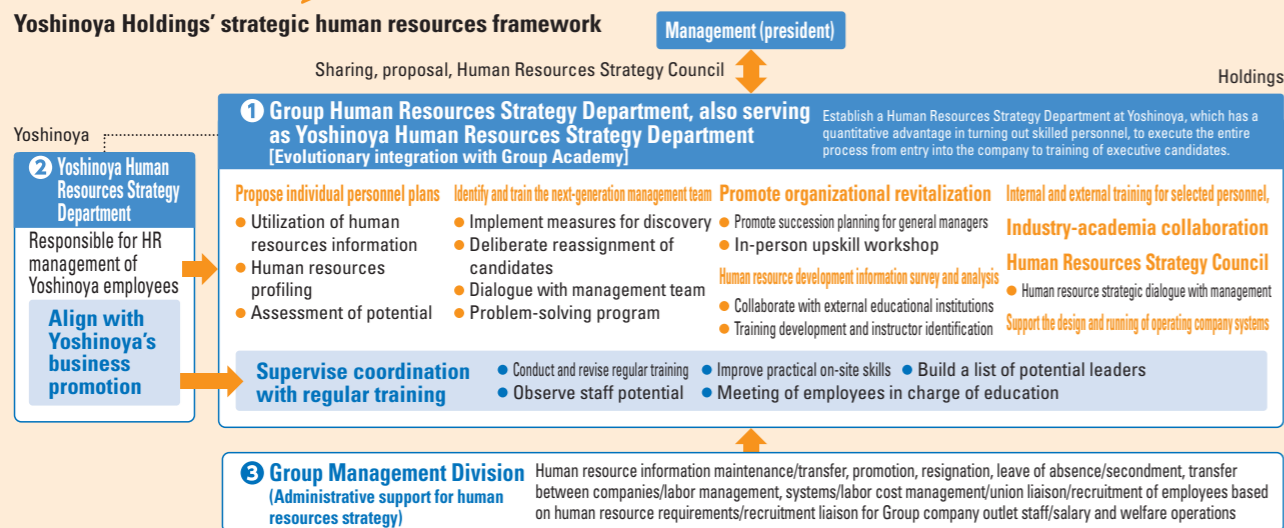
### Risks

- 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



We will train executives and identify the next-generation management team as part of our human resource strategy that will lead to the creation of social value.

**Hiroyuki Yamazaki,**

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



Looking at human resource strategy from the perspective of materiality, the process from recruitment to executive development and selection of future manager candidates can be viewed as a movement to expand the scope of human resource involvement from the company to stakeholders and society as a whole, with the objective of raising the sustainability of our value provision. After being hired, personnel will attend a regular training program and aim to become store managers. They will acquire communication and leadership skills, and then as area managers involved in the operation of multiple outlets, they will be exposed to company management while developing their capability in management work. Furthermore, selected personnel will expand their perspectives toward society through in-house selection training and external exchange opportunities, while accumulating the knowledge and building the human network required to be a successful executive. The nomination of successors by the Nomination Advisory Committee is the culmination of these human resource strategies that lead to the creation of social value.

The Group Human Resources Strategy Department, established in March 2021, is training executive personnel and the next-generation management team based on a strategic human resources concept to bring

the long-term vision NEW BEGINNINGS 2025 to reality. In FY2021, along with the interview program and real-team training, selected participants attended cross-industry exchange training and industry-academia collaboration programs, were sent to business schools, and had other training opportunities. We also profile top management candidates at our operating companies and contrast their thinking patterns against those of current top management in an attempt to close the gap.

As an issue to be addressed going forward, we will pursue the selection of executive candidates and the establishment of training programs through the operation of the New Long-term Forum, through which the concept for the next long-term vision is proposed to the management team. The current challenge, meanwhile, is to pool potential successors under a specific plan and numerical target as the age-related generational change of our management team approaches. At the same time, to expand the strategic human resource concept—which has been centered on Yoshinoya—to the entire Group, we will investigate the actual human resource development situation at domestic subsidiaries and work to establish an education structure for each of the companies.

## New activities in strategic human resource management

As part of identifying and training the next-generation management team and deliberately reassigning them, we launched the Human Resources Council in FY2021 and are actively promoting younger employees. Specific initiatives launched at operating companies and divisions include the

nomination and deliberate reassignment of candidates to set them on an executive career path. We also introduced a system for openly recruiting personnel from outlets for the head office. Selected personnel were assigned to areas such as systems and product development.

## Investment in human resource education

The Group continues to provide opportunities so that employees voluntarily aim for growth and take on new challenges, and to actively invest in the training of human resources. In FY2021, as a part of strategic human resource management, investment was made focusing on

profiling, interview programs, real-team training, external exchange training, and industry-academia collaboration programs.

We have adopted a flexible stance, however, and are willing to offer additional educational opportunities outside of the plan if necessary.

	FY2021	FY2022	FY2023	Through 2025
Initiatives and KPIs	<ul style="list-style-type: none"> <li>• Finalization of human resource requirements: Involvement of incumbents</li> <li>• Sharing program design with Yoshinoya officers</li> <li>• Selection through profiling</li> <li>• Implementation of interview program with general managers</li> <li>• Promotion of quota system</li> </ul>	<ul style="list-style-type: none"> <li>• Program progress evaluation: Human Resources Strategy Council</li> <li>• Interview program results</li> <li>• Training of strategic human resources management personnel of operating companies</li> </ul>	<ul style="list-style-type: none"> <li>• Program progress evaluation: Human Resources Strategy Council</li> <li>• Assignment of strategic human resources management personnel at operating companies</li> </ul>	<ul style="list-style-type: none"> <li>• Program by operating company</li> </ul>
Estimated major education investment	62.155 million yen	80 million yen	85 million yen	90 million yen



**We aim to be a corporate group where people with diverse backgrounds and values come together and are actively involved in our success.**

**Nozomi Oikawa,**

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

Since 2019, the Group Management Division's HR-related operations have been conducted using a cloud-based human resource management system to centrally manage key data such as attendance, employment, payroll, recruitment, and training at all Group companies. In 2021, we introduced a system that incorporates employee facial recognition, further consolidating personnel information to invigorate personnel exchanges within the Group and to train the next generation of leaders.

Our labor policy-related efforts include the hiring of full-time employees as well as outlet staff members, the promotion of diversity and wellness management, and the enrichment of benefit packages.

The recruitment of outlet staff is conducted centrally by the Group Management Division and takes advantage of economies of scale in job advertisement placement and other aspects. However, full-time employees are hired by each regional subsidiary and plant, as operations other than activities expected to generate synergies across the Group are delegated to each company. In addition, many of our group's outlet staff members have gone on to become full-time employees, accounting for approximately 80% of all full-time hires.

We recognize that diversity and wellness management initiatives are indispensable in the continued growth of the Group, which pursues value provision through people. In response to the declining birthrate, aging population, and other social issues, and in the face of adversity caused by bankruptcy and the BSE crisis, the Group was forced to adjust its excessive focus on scale and efficiency, as well as its growth strategy

based on providing uniform value. The new way of thinking is to bring together people with diverse attributes and values—including gender, age, and nationality—and draw on their strengths to overcome difficulties and continue to exist as a company that is useful and highly regarded in society. The bankruptcy and BSE crisis, while tremendously challenging, presented an opportunity for a paradigm shift in our approach to human resources.

As of FY2020, the combined turnover rate of new graduates within three years of joining Yoshinoya and Hanamaru in Japan was 41.1% for the Group overall. The turnover rate of new graduates in their first three years at companies in the accommodation and food service industry in 2020, according to the Ministry of Health, Labour and Welfare, is 61.1% for high school graduates and 51.1% for university graduates. In comparison, the Group's turnover rate is relatively low. We view this as evidence that our efforts to heighten employee satisfaction, such as improving the working environment, expanding benefits, and reviewing training programs, are starting to pay dividends. The fact that many of our employees become full-time employees after gaining experience as outlet staff members also contributes to our high retention rate, a feature that cannot be found at any other company.

Group-wide activities have been stagnant due to the pandemic, but in FY2022 we will work to enhance synergy and achieve results in human resource measures that will enable us to leverage the Group's unique strengths.

## Diversity and inclusion

Following the enactment of the Act on Promotion of Women's Participation and Advancement in the Workplace in April 2016, the Group has adopted the slogan "202530" since that year, aiming to achieve a 30% share of full-time female employees and have 30% of managerial posts be filled by women by 2025. Moreover, Yoshinoya revised its personnel system in FY2021 and introduced a quota system to ensure that at least 30% of full-time employees are women, and at least 30% of executive candidates (managers) are 35 years of age or under.

As a result of these efforts, in FY2021, the share of female full-time employees and female managers in the Group were 30.9% and 25.0%, respectively. Through a parental leave system, a shortened working hour system, and care upon return from maternity leave (including guarantee of equivalent positions, exemption from overtime and late-night work), we recognize diverse styles of work and promote the development of a workplace environment in which women can work comfortably. In business developments such as Yoshinoya's C&C restaurants, which are designed to attract a diverse customer base, the aptitude of women in particular is being demonstrated. The active participation of women will be ever more essential to the Group's business.

The promotion of young talent to senior management, another goal of the quota system, is being promoted as immediate action leading up to a

generational change of the workforce as our employees continue to age. The proportion of Yoshinoya executive candidates aged 35 or under was only 2.3% in FY2021 results. We will redouble our efforts by focusing on attracting people under 25 in full-time employee recruitment while implementing strategic training so that they can become area managers by the time they reach 35.

At the same time, the Group is actively engaged in hiring people with disabilities and rehiring retired employees. With regard to the employment of personnel with disabilities, whom we call "friend employees" within the Group, we established an Employment Promotion Committee in 2015 to manage employment at each of our operating companies in Japan. The proportion of persons with disabilities in our Japanese operations in FY2021 was 4.98%, which exceeded the legally mandated proportion of 2.3%. Many friend employees are engaged in cleaning and other activities at plants and also at Sankosha Laundry Center, Inc., a special subsidiary that handles uniform cleaning and other duties. Going forward, the entire Group will share and implement initiatives to create models for employment at outlets and to optimize the employment structure.

With respect to the rehiring of retired employees to promote the active participation of seniors aged 60 and over, each of our operating

companies in Japan are making efforts based on Japan's Act on Stabilization of Employment of Elderly Persons. The Act was amended in April 2021, making it mandatory to take measures to ensure employment

until age 70. As of FY2021, the Group employed 328 employees aged 65 and above covered by social insurance.

## Acquisition and development of global human resources

For the Group, which operates a global food service business, the acquisition of talented foreign personnel is an important theme for expanding the provision of food that satisfies diverse values. In Japan, as of FY2021, we employed 1,856 foreign outlet staff members and 51 foreign full-time employees.

As an approach to recruiting foreign students studying in Japan, we have entered into tie-ups with universities to offer classes to raise awareness of the food service industry. And, through sponsorship of projects by the Ministry of Agriculture, Forestry and Fisheries and cooperation with the Ministry of Economy, Trade and Industry, we have established endowed courses at universities in Southeast Asian countries, offered internships in Japan and scholarships, and conducted local recruitment activities while enhancing our corporate image and reinforcing our brand.

In terms of post-employment development, as the issuance of a long-term work visa requires promotion to a management position such as area manager within five years, on-site training is proceeding at a

rapid pace, but meeting the requirement remains challenging. However, many of these people have a strong interest in our Group's service quality and in providing safe and secure food, and have the will to bring their knowledge in these areas back to their home countries to run food service businesses, demonstrating even more vitality and excellence than Japanese employees.



## Message

**Expanding a corporate culture that values and nurtures human resources, and bringing the quality of food service to the world**

**Abdul Raziz,** Business Planning & Strategy Department, Hanamaru, Inc.



I am originally from Malaysia. I studied electronics in Japan, and after graduate school I took a position as a specialist in production engineering for a major automobile manufacturer. However, as someone who enjoys working with people through manufacturing, I wanted to take up a job that I would enjoy more, so I decided to move to the Japanese food service industry, in which I'd long been interested. I joined Hanamaru in 2016, progressed to a store manager position a year later, and after two years of supervisory experience starting in 2019, I am now working in the Business Planning & Strategy Department.

Despite religious diet restrictions, Hanamaru does have many items that I can eat on its menu, and udon became my favorite. I used to eat there frequently when I was an international student. I decided to join the company when I realized that I wanted to stand in that kitchen and be the one to serve the meals.

The joy of this job lies in the fact that we welcome our customers as a team and see the smiles on their faces. The bonds that staff members form by working closely together and uniting toward a common goal are so strong that I still have close ties with them even though I no longer work at an outlet. In addition, in outlet management, the science-related knowledge and skills I had acquired were useful in maintaining productivity according to plan, and in streamlining and optimizing operations.

I received various types of support from the company, including the provision of knowledge and information through training programs. The workplace climate that allowed me to express myself to my supervisor honestly and openly was reassuring. I believe we have a corporate culture that values and nurtures human resources and fairly evaluates people based on achievement regardless of nationality.

Although I have only been in the Corporate Planning Office for about six months, my work has grown in scale. It is my duty to collect accurate information and analyze it to support management's judgment and decision-making. I would also like to make use of my background, which gives me an international perspective, my experience as an engineer and salesman, and my multilingual capability.

The food service industry has the strength and potential to overcome social changes such as the pandemic, and there are endless opportunities for us to achieve the impossible on our own. I myself hope to someday return to my home country to manage a restaurant and share the quality of service I learned in Japan with the people of my hometown. I hope that the Hanamaru passion for people will spread worldwide.



### Systems to enhance work-life balance

To support the diverse work styles of our employees and encourage them to enrich their lives outside of work, we have established a host of programs.

Yoshinoya introduced the Volunteer Special Paid Leave System in 2019, giving outlet staff members one day of paid leave—in addition to their regular paid leave—that can be taken when participating in volunteer activities. Activities covered by the leave include support for child welfare facilities and elderly facilities and households, assistance to disaster-stricken areas, disaster prevention activities, support for events for persons with disabilities, and assistance with local sporting events.

Furthermore, since 2017, we have been offering a scholarship program

for high school students working at our outlets who plan to enroll in college, providing loans to support entrance fees and tuition. This program is designed to provide students with up to 20 years to repay the loan after graduation from college. However, if a student joins Yoshinoya and works continuously for four years, he or she will be fully exempted from repayment; if the student joins another company, he or she will be exempted from repayment for half of the total amount if they join a company in food services. This initiative has been recognized as one that not only serves to attract people to our company, but also improves their work-life balance through financial support, which benefits the entire food service industry.

### Outlet facilities that reduce operational load

As a Group, we have been working on automating the dishwashing process in recent years, developing equipment and installing them on a trial basis to conduct verification tests. In February 2022, we introduced a fully automated dishwashing line for the first time at Yoshinoya Adachi Hokima, which was renovated into the C&C format.

This dishwashing line consists of a small conveyor washing machine with functions tailored specifically for the needs of our outlets and an originally developed dish-picking robot. The line is capable of automatically washing 500 pieces of tableware per hour, enough for approximately 100 customers, and stacking the washed dishes by type. Through the development and verification to date, we have worked to

increase the variety of dish types that the machine can handle while improving work accuracy and accelerating processing speed. At the Adachi Hokima outlet, labor is also reduced in the pre-washing process by requesting customers to sort their dishes at the tray return station.

We plan to expand the number of outlets where the dishwashing line is introduced by developing a space-saving L-shaped arrangement of the washing machine and robot, as well as a compact unit that integrates the two. We will continue to work toward reducing employee workload at our outlets and free them up to perform higher added-value tasks, which will also lead to better customer service.



Robotic washing machine



Tray return station

### Promotion of wellness management

In 2015, we declared wellness management—overseeing the mental and physical health of employees—as one of the pillars of our management, and launched health promotion efforts at Yoshinoya Holdings as a start.



Third round of vaccinations at the workplace

Prior to the spread of COVID-19, the company provided dietary and lifestyle guidance through a smartphone app to improve health literacy. We hope to resume such activities once the pandemic has subsided. From FY2022 onward, we intend to expand these efforts to the entire Group.

In FY2021, we vaccinated a total of approximately 7,000 employees, outlet staff members, and employees of the suppliers of domestic Group companies with the first and second doses of the COVID-19 vaccine in their workplaces. In FY2022, we conducted the third round of workplace vaccinations in response to the spreading Omicron variant.

### Status change from outlet staff member to full-time employee and career advancement

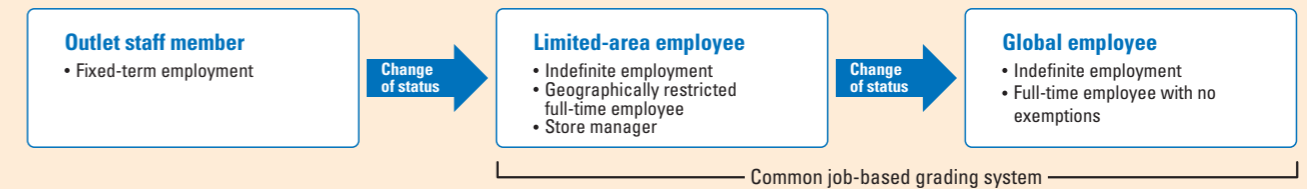
With labor shortages becoming more severe, the Group has positioned the change of status of outlet staff members to full-time employees as one of its most important recruitment channels and is actively promoting it.

At Yoshinoya, store managers formulate training plans for each outlet staff member based on a rank advancement system that allows them to acquire skills in phases. There are nine ranks of outlet staff members,

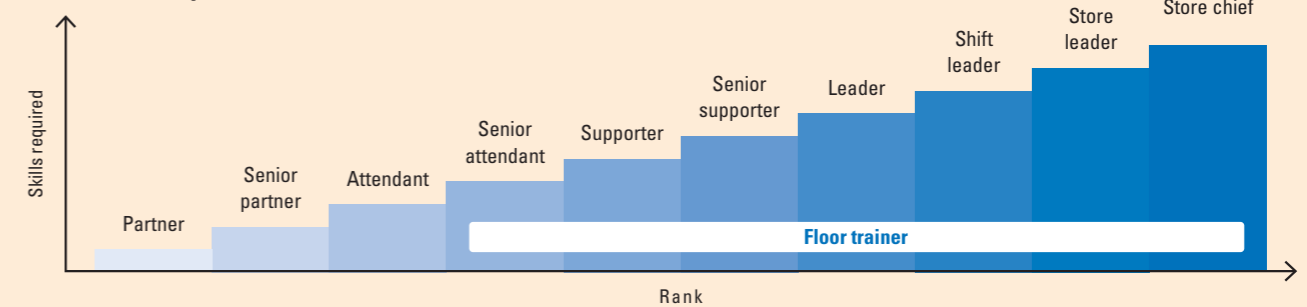
from partner to store leader, and promotion is determined by self-evaluation along with evaluation by the store manager.

We then conduct monthly exams to hire excellent outlet staff members who meet the rank requirements as full-time employees, providing them with opportunities for career advancement.

#### Career progression from outlet staff member



#### Advancement system



### Message

The joy of serving customers led me to join the company upon graduation from high school. I am working toward my goals while contributing to the company.

**Takumi Higuchi,**

Store Manager, Kawasaki Kaido Yanokuchi Outlet, Nishi-Tokyo Sales Department, YOSHINOYA CO., LTD.



I joined Yoshinoya in 2019 after graduating from high school, and have held the position of store manager since 2021. For a year from the end of my second year in high school until I graduated, I worked as an outlet staff member at the Yoshinoya JR Haijima Station outlet on my way home from school, about five days a week.

I chose Yoshinoya as my part-time job because I loved the beef bowls I ate at the restaurant and had been visiting frequently after club activities and on other occasions. When I started working there, I felt that customer service work suited me well, and it wasn't hard for me to keep up even when the restaurant was busy. During my time as an outlet staff member, I was promoted to the Supporter position, the middle among the nine ranks, in six months.

It made me happy to be able to think about how best to serve customers while observing them eating, and to gain knowledge about outlet operations on the job. That is why I decided to join Yoshinoya full-time.

After joining the company, I was assigned to the training center and I became an assistant manager after a three-month training

period during which I learned about outlet management. In my second year with the company, my first store manager position was at the Ekoda South Exit outlet in Nerima-ku, Tokyo. I gained experience in an outlet with a large number of foreign staff members. There were difficulties in terms of communication, and I also realized anew the role of the store manager, who is responsible for sales performance.

Yoshinoya's approach to people is conveyed in the emails President Kawamura sends to employees once every two weeks. They convey the message of moving forward into the future of food service while taking care of our customers and employees, and the content of this message has always inspired me to give everything I have.

While contributing to the company's advancement by proactively suggesting improvements, I will continue to accept challenges to achieve my goals of promotion to senior store manager in two years and area manager in five years.



# 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.

### Opportunities

- Responding to growing health demands associated with changes in the social environment
- Providing the rich life that warm daily meals bring
- Functioning as a social safety net against child poverty

### Risks

- Soaring raw material prices driven by climate change and competition for resources
- Changes in consumer behavior owing to the pandemic and population aging
- Decrease in the number of food service customers caused by widening economic disparities

## Short- and medium-term measures

- Establish a production base for lettuce developed in-house
- Clarify and communicate information on the health benefits of eating breakfast
- Clearly identify customer health needs and develop products based on those needs
- Maintain and refine the lineup of foods with functional claims
- Develop high value-added products using food scraps from factories

## Co-creation with customers

### R&D achievements of the Materials Development Department

#### Foods with functional claims

In 2017, we developed Salacia Beef, a beef bowl topping containing salacinol—a salacia extract—which suppresses sugar absorption and slows the rise in blood glucose levels after meals. As the first food with functional claims in the food service industry, it was sold online, and was also offered at Yoshinoya restaurants.

Then, in 2018, we developed two products: Peptide Beef, a beef bowl topping containing globin peptide, which suppresses the post-meal rise in

blood neutral fat, and GABA Beef, a beef bowl topping containing GABA for those with high blood pressure. These were launched as food with functional claims that can help counteract lifestyle-related diseases.

In 2020, we developed Dashi Supplement, a food with functional claims in the form of a sachet of seasoning liquid that is sprinkled over meals. The four varieties—Peptide, Salacia, Rosehip, and GABA—are now available online and in stores.



Salacia Beef Bowl

### Improved health features of side dishes

As a health function improvement to our side dishes, we have developed products with inulin, a naturally occurring soluble dietary fiber, hyaluronic acid, and Lac Shield. Dietary fiber assists intestinal regulation, suppresses elevated glucose levels, and lowers cholesterol levels. Hyaluronic acid raises the skin's ability to retain moisture, and Lac Shield has the effect of enhancing immunity. We will continue to make improvements.

### Supporting marketing strategy with research

The Materials Development Department provides health-related support

## Future direction and initiatives

### Conduct customer research on health

We will conduct surveys and analysis to segmentalize health awareness and behavior with the aim of clarifying the health value that the Group's customers seek. Research results will be used to optimize our communication of information and to propose new health product plans. Customer research is to be conducted regularly and continuously to keep abreast of developments as society and the times change.

### Research on alternative food ingredients

The concern always exists that prices of livestock meat may skyrocket due to tight supply and demand. Moreover, the environmental impact of beef due to high methane gas emissions and low feed efficiency associated with raising cattle has become an issue. The Materials Development Department views this as a long-term challenge and is

not only for product development, but also for menu items offered and campaigns conducted as part of marketing strategies.

One example is a joint research project with a university on the effect of beef bowls on suppressing glucose level elevation. In an effort to increase breakfast traffic, the health benefits of morning protein consumption were corroborated. We obtained cutting-edge information on chrono-nutrition from experts and also developed a new testing plan. In commercializing RIZAP Beef Salad, jointly developed with RIZAP Inc., we verified compliance with RIZAP's standards for the amount of protein and fat and proposed the steps that we can take in response.

researching a host of new ingredients, including alternative proteins.

Among them are many new food materials with potential health functions, and we will continue in our efforts while confirming their practical potential in the food service business.

### Research for the production of lettuce developed in-house

We are working with a university-launched startup to develop lettuce exclusively for plant factories. Because this lettuce is larger in size per head than conventional varieties and is less prone to leaf tip necrosis, a significant improvement in production efficiency is expected.

Going forward, we intend to grow this improved variety in-house and offer it as a salad ingredient. We are also investigating the acquisition of rights to new varieties.

## We will review our health value offerings based on knowledge of our customer base and reflect this in our development activities.

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

Tomoko Tsuji,



The Materials Development Department is conducting research to differentiate our products from those of competitors, with a focus on health. The Sustainable Development Goals (SDGs) include themes related to food and health, and for the Group, which provides everyday food, delivering health value is now a prerequisite for sustainable growth.

To date, the Materials Development Department has worked to create healthy products based on scientific evidence and data. This includes the development of Salacia Beef, the first food with functional claims in the food service industry.

We have been taking on the challenge of creating revolutionary new products and promoting the offering of health value. Going forward, we will conduct research to accurately understand customer health awareness and demand, and apply the results to product development. Please look

out for the results of our current research and development efforts.

Each individual has different health needs. Yoshinoya also offers hefty dishes as part of our product lineup to meet a broad range of needs. We recognize that the mission of the Materials Development Department is to continue to pursue the creation of menu items that allow customers currently eating these hefty dishes to choose the right product for them when they start worrying about their health condition. We will reevaluate our health value offerings based on knowledge of our customer base and reflect this in our development efforts.

In addition, to broaden the health value offering to our customers, we need to heighten the health literacy of our employees. We would like to actively encourage this within the company to bring our R&D outcomes to a wider audience.

# 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

### 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

- 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 rations using Yoshinoya canned meals

## Co-creation with society

**We will provide delicious, hot meals to children and watch over them as members of the local community.**

**Eiji Okada**, Managing Director, YOSHINOYA CO., LTD.; Executive Officer, YOSHINOYA HOLDINGS CO., LTD.



In Japan, the child poverty rate, which indicates the proportion of children under the age of 18 living in low-income families, has remained high, with one in seven children reported to be living in poverty. As a social infrastructure company that provides everyday food, we have an obligation to support the lives of these children and nurture them for their tomorrow. Moreover, many of our employees are balancing work and childcare, so we also emphasize the importance of supporting the parents.

With this in mind, Yoshinoya has been providing free beef bowl lunches to children's cafeterias since 2020 with the aim of creating an environment where children can enjoy meals comfortably. In 2021, school lunches were suspended due to the temporary closure of public elementary, junior high, and high schools amidst the prolonged impact of COVID-19. In response, we launched a free beef bowl delivery service to children eating at

orphanages and childcare centers.

The efforts to deliver delicious, hot meals to children not only provide an opportunity to share the richness and enjoyment of food but also reduce the burden on those who provide support for the children. We will continue these activities together with co-creation partners including local governments, public interest groups, welfare support organizations, and delivery companies, while also calling on other companies in our industry to take part.



## Launch and promotion of cross-industry project #Eating Out Is Power



Amid the prolonged COVID-19 pandemic, the Group directed and launched the project #Eating Out Is Power, and promoted it for two and a half months from October to December 2021. The objective was to make industry-wide efforts to encourage consumers to visit restaurants and to revitalize business, which were common issues among all food service companies.

This initiative, the first ever cross-industry project in the food-service industry, brought together food service and supporting companies such as reward point service providers to conduct PR activities using a common project logo and offer special benefits and special campaigns with the aim of attracting more customers.

Managed by an executive committee of 28 project member companies, we succeeded in securing the participation of some 16,500 restaurants nationwide. It was a successful attempt to boost our customers' physical and mental vitality, as well as to restore positive energy to the industry. We hope to utilize the network within the food-service industry that we have built through this project to expand the possibilities of "from competition to co-creation," which is the goal of the Group.

## Participation in industry-academia collaborative education program: Quest Education

As part of our educational support activities through participation in industry-academia collaborative projects, we sponsor Quest Education, an inquiry-based learning program for junior high and high school students offered by Educa & Quest Inc. We have positioned this undertaking as a part of our human resource development education with the aim of encouraging Group leader candidate employees to experience and demonstrate a supportive style of leadership. In FY2021, the second year of participation, Yoshinoya's sales department employees were selected for involvement in this program. Continuing from FY2020, we participated in Corporate Access, in which we gave missions to teams of junior high

and high school students and supported their planning and proposals through school visits and remote meetings. We also served as a judge to select winners at the Quest Cup 2022 national competition—held in February 2022—where representative teams present their year-long learning outcomes.

We will continue to participate in the program to support the education of junior high and high school students—the future leaders of society—while fostering their understanding of and interest in the food service industry, and also training our own employees as leaders.

## Message

**Encountering the diverse, innovative ideas generated by junior high and high school students changed my view of leadership.**

**Takeshi Ikenoya**,

Area Manager, Saitama Sales Department, Kanto Sales Division, YOSHINOYA CO., LTD.



Twenty-eight area managers from each of Yoshinoya's regional sales departments were selected to participate in Quest Education in FY2021, and were divided into five teams for the year-long program. On the corporate side, 12 companies including Yoshinoya sponsored the event. Approximately 57,000 students from 310 junior high and high schools around the country participated in the program.

I took time out from my regular duties to visit schools in person and to hold remote meetings. Over the course of a year, I made roughly 20 instructional visits to about 10 schools to advise junior high and high school student teams on the contents of their proposals for their final presentations.

The mission we gave to the students this time was to **"propose a future business for Yoshinoya that will create enduring value in your town!"** I interpreted this as a request for proposals from junior high and high school students across Japan regarding the future they envision for the people of their communities with Yoshinoya involved.

Once we began interacting with the student teams, we encountered an array of diverse, innovative ideas that were

imaginative and full of surprises. I tried to encourage students to think for themselves and discover their own answers by asking questions, giving approval, and offering advice to flesh out their ideas, rather than denying or forcing ideas on them.

The proposals that came up for internal review reflected the enthusiasm of the students and the teachers who taught them and were all excellent; so much so that we had trouble selecting the teams to go on to the next stage. In judging the national competition, we focused on the teams' depth of interpretation of the mission, how exciting the content was, and the impact each presentation made.

The experience I gained from this Quest Education program has changed my view of leadership in a big way. I would like to apply this advice-driven instructional method to my own work. In lieu of simply giving directions to my subordinates and staff, I would encourage their growth by expanding their thinking and challenging their imaginations. It also made me aware of the possibilities and social value of our business, and inspired me to think more about how I can get better at thinking outside the box and be excited about my work.



# 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.

### Opportunities

- Fostering trust in our co-creation partners by addressing environmental and social issues
- Corporate value created by a sustainable supply chain
- Capturing customer needs by developing products with low environmental impact

### Risks

- Disruption of stable procurement due to soaring food prices and tight supply
- Damage to the brand and customer churn caused by human rights violations and other issues
- Adverse effects of extreme weather and disasters on supply chain processes

## Short- and medium-term measures

- Propose and achieve cost reduction
- Hedge country risk related to overseas raw material supply system
- Propose and introduce packaging materials that enhance outlet operational efficiency
- Address environmental issues through utilization of recycled resources and reduction of food material loss

## Co-creation with suppliers

### Sustainability in food material procurement

The Group does not dispose of food scraps generated in the manufacturing process at its own plants. It sells meat scraps to companies outside the Group as a raw ingredient for hamburgers, and uses onion scraps in-house in making sauces. The outer leaves of vegetables are provided to zoos as feed.

In terms of logistics, with the cooperation of our suppliers, we are using containers and reusable cartons for food transportation to reduce the use of cardboard boxes, while also asking that deliveries be made in appropriate volumes to reduce food loss, improve logistics efficiency, and reduce energy usage.

Moreover, Yoshinoya recycles 100% of the beef tallow generated in the process of cooking beef bowls by collecting it from each outlet and repurposing it as feed, raw material for products and power generation, and other purposes.

On the other hand, with regard to supply chain governance, we conduct annual inspections of factories to confirm that human rights abuses—as

seen in China's repression of the Uyghurs—and illegal labor are not occurring in our relationships with our suppliers. To date, no such problems have occurred. In the event of a violation or transgression, transactions will be suspended with that supplier.



Logistics using reusable cartons

## Response to the COVID-19 pandemic and rising raw material prices

The prolonged pandemic has also affected the procurement of food materials, causing labor shortages at local factories, putting pressure on container transportation, and triggering many other problems. The Product Department reorganizes the positioning of each food material and closely monitors such factors as the operation status of local factories. It also adjusts domestic production and stock levels to prepare for unforeseen circumstances, such as production discontinuation or shipping delays.

A relationship of trust with our business partners is essential in dealing with such situations. We will strengthen those collaborative relationships to build solid partnerships that would motivate them to prioritize supporting the Yoshinoya Group.

With regard to the recent sharp rise in raw material prices, it has become increasingly difficult to maintain stable procurement prices as the supply-demand balance continues to deteriorate and Japan loses out to other countries' buyers. Going forward, each buyer will continue working

to keep purchase prices under control while testing alternatives, new ingredients, and parts, and proposing recipe changes.

### 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

## Message

### The entire Product Department is actively promoting sustainability initiatives.

Buyer, Processed Foods Team, Product Department, Group Product Division, YOSHINOYA HOLDINGS CO., LTD.



### Hironori Yoshiba,

Procurement of food materials by the Group is handled by the Product Department within the Group Product Division, which is responsible for all functions related to procurement. Our procurement policy emphasizes three key elements: maintaining a stable supply, ensuring consistent quality, and reducing and controlling purchase prices.

Our basic strategy in maintaining a stable supply is to hedge risks by purchasing from multiple suppliers, and we strive to build close relationships with each of our suppliers. Many processed food materials are our private brand products, which are outsourced to manufacturers and produced to our own standards. To ensure our ability to supply these products to our outlets, we work closely with manufacturers all the way from production planning to delivery. At the same time, we are constantly hedging risk by selecting alternative production sites and securing multiple factories.

As for the stability of quality, instead of being satisfied with the food materials we are currently using, we are searching for food materials of a more appropriate quality, and are conducting research with our suppliers. We also ensure that quality standards and safety requirements are met by visiting production sites and manufacturers to confirm and provide guidance on sanitation and quality control systems.

With respect to reducing and controlling purchase prices, we recognize that the mission of the Product Department is to purchase at reasonable prices while adhering to the premise of stable supply and consistent quality. In achieving this mission, we must build

long-term relationships of co-existence and co-prosperity with our suppliers without unilaterally reducing purchase prices or forcing difficult delivery conditions on them. Leveraging these relationships allows us to share information related to fluctuations in food materials prices, leading to more accurate forecasts and decisions.

Meanwhile, in terms of sustainability initiatives in food procurement, addressing the environmental and social themes outlined in the SDGs has become a major issue in recent years. With the idea of starting with what we can do, the Product Department has begun working to reduce food loss and industrial waste, and improve logistics efficiency. From 2021, the initiatives are in full swing, with each team within the Product Department establishing its own numerical targets and promoting activities.

As we have repeatedly mentioned, the operations of the Product Department are based on co-creation relationships with business partners such as farmers, agricultural intermediaries, and manufacturers. We often receive meaningful suggestions and information—particularly in addressing environmental and social themes—and the cooperation of our suppliers is naturally essential to achieve more sustainable procurement throughout our supply chain.

Driven by a strong desire to deliver optimal quality food materials to all our customers, the entire Product Department actively pursues sustainability initiatives, always considering the provision of food materials that contribute to relieving the burden on our outlets.



# 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

On our planet, the increase in greenhouse gases emitted into the atmosphere is now contributing to climate change, and the frequency of extreme weather events is rising. Crop production has also been affected, and concern is growing about the stable supply of food. Under these circumstances, the global society has become more aware of environmental conservation and food loss, bringing 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
- Increased 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
- 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

### Food recycling and food loss reduction

The food service industry has established a recycling rate of 50% as a target based on Japan's Act on Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources, but Yoshinoya's recycling rate for plants and outlets combined has been in the upper 70% to 80% range in recent years, far exceeding the industry target.

Our plants recycle meat scraps generated in the production process by selling it outside the Group and provides vegetable outer leaves for animal feed. Furthermore, leftovers and other food scraps are reduced in weight by an average of 2 tons per day using waste processing machines. In addition, we minimize food loss through production controls such as predicting the amount of food needed based on food material usage data at outlets and timing the thawing of meat accordingly. These efforts have resulted in increasing the factory recycling rate to as high as 92.2%

(FY2021 results).

Yoshinoya outlets are working to recover and reuse 100% of the beef tallow from the cooking process. We are also increasing meal size options, such as small-portion beef bowls, to reduce the amount of leftovers, and are analyzing the contents of leftovers and applying the findings in menu revisions.

The food recycling rate at Hanamaru outlets remains in the 40% range. Sanuki udon has a short shelf life once it has been boiled, and its low efficiency relative to the boiling time results in waste, with a monthly average of approximately 170 kg per outlet. As part of our efforts to reduce waste, we are taking steps in the noodle-making process to extend shelf life by developing udon that maintain their taste and texture longer after boiling.

### Reducing the environmental impact of plastics

As part of the Ministry of the Environment's plastic resource recycling strategy, it became mandatory to charge for plastic shopping bags starting in July 2020. In consideration of the safety of takeout customers, the Group has switched to bags containing biomass plastic—a raw material derived from plants—so that we can continue providing plastic bags at no charge. We are also working to reduce the use of plastic by reviewing the packaging materials used in our takeout service and replacing some of the materials with paper.

In addition, our outlets are promoting plastic alternatives in various ways, such as switching detergent containers from rigid plastic to refill packs and transitioning to menus made using a limestone-derived material (LIMEX).

We will strive to further reduce the discharge of plastic waste and recycle it in accordance with the Act on Promotion of Resource Circulation for Plastics, which will go into effect in April 2022.

### Acquisition of Eco Mark certification for Yoshinoya outlets

In October 2017, Yoshinoya became the first food service company to acquire Eco Mark certification in the Restaurant category. The Eco Mark is an environmental label displayed on products and services that are recognized as having a low environmental impact throughout their life cycle—from production to disposal—and contributing to environmental conservation. Yoshinoya acquired certification by meeting the criteria applied to restaurants.

In addition to basic environmental measures such as ensuring energy-

saving performance of building materials and store equipment as well as water conservation, the certification criteria are designed to evaluate efforts to reduce the environmental impact of overall restaurant operations, including the reduction of food loss and recycling of food materials and resources.

We will continue to explore how restaurants can be more environment friendly.

## We will share an awareness of climate change response and expand our efforts to the entire group.

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



The Group Management Division promotes environmental conservation activities at domestic operating companies, centered on Yoshinoya and Hanamaru. A broad range of efforts are being made, including measures to promote energy savings and efficiency toward the reduction of CO<sub>2</sub> emissions, reducing the use of cardboard and packaging materials, preventing water pollution, and conserving and reusing water. We also focus on food recycling and food loss reduction.

These promotion systems have been developed through the acquisition of ISO 14001 certification, the international standard for environmental management systems (covering the Tokyo Plant and Yoshinoya's head office, sales departments, and outlets until 2019). The Group Management Division continues to spearhead the implementation of these systems.

Looking at energy conservation and efficiency, for instance, over the past 15 years, Yoshinoya has been replacing its outlet signage and interior lighting with LEDs and its air conditioning and kitchen equipment and systems with high-efficiency equipment. While these efforts have steadily proven to be effective, specific target figures have not been established for energy consumption at outlets, as it is affected by factors such as menu composition, sales volume, and outlet format. Area managers and supervisors manage energy consumption by monitoring and verifying each outlet's reduction efforts.

Meanwhile, we are actively promoting the reduction of energy consumption at our plants by introducing LED lighting and improving the energy-saving performance of storage and processing equipment. We

have also introduced a lights-out system that employs motion sensors, thermally efficient exterior wall coating, and other energy-saving features, and are conducting regular monthly meetings on environmental measures.

While Hanamaru outlets have been promoting similar measures to those of Yoshinoya, the high gas consumption of the udon boiler in particular is a longstanding issue. To address this, in cooperation with a gas company and an equipment manufacturer, we have developed a new type of udon boiler with high gas efficiency, and plan to start installing it in outlets in the near future.

Moreover, Yoshinoya and Hanamaru conduct energy conservation assessments of their outlets with the cooperation of electric power companies, and feed the results back to the entire company.

The Group Management Division will establish a promotion system for domestic group companies so that they can disclose information in line with the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations, mandatory for companies listed on the Prime Market of the Tokyo Stock Exchange. First, we intend to begin constructing a mechanism that will help us to ascertain the actual situation at each operating company and gather information. This will be linked to goal-setting and assessment activities based on the issues identified.

We will leverage the advantages offered by the central management of environment-related efforts to share an awareness of climate change response throughout the Group and deploy our initiatives horizontally across the organization.



## Toward management that achieves sustainable growth

Outside Director **Eizou Uchikura** × **Nobuko Akashi** Outside Director

### Evaluation of business activities and performance in FY2021

**Uchikura:** We continued to be affected by the COVID-19 pandemic and had a challenging year. In this environment, we are pleased that we were able to solidify the foundation for business recovery and regrowth. We realized our target for net sales and operating income improved by 7.7 billion yen year on year, although we fell short of our target. Yoshinoya secured solid sales while maintaining its breakeven point, which we succeeded in lowering thanks to cost reductions. Efforts to expand sales channels in particular, such as delivery and takeout services, and direct sales of frozen beef bowls, have yielded positive results. Looking at areas for improvement, the conversion to the new C&C format had to be slowed down due to the restraints placed on total investment. Hanamaru also failed to turn a profit. The company lacked effective measures to deal with the persistently challenging environment where most of its outlets are located in shopping centers. We apologize to our shareholders for falling short of the annual dividend level of 20 yen this fiscal year, despite resumption of dividend payments.

**Akashi:** In the previous fiscal year, we acted rapidly and appropriately in the face of an unprecedented crisis. Even though the business

environment remained challenging in FY2021, some companies improved their performance there, and I feel that the Group should have sought a more dynamic turnaround and proactively changed course. If we could have accomplished this in a time when we must co-exist with COVID-19, a major social change, it could have been an opportunity to significantly change the image and reputation of the Yoshinoya and Hanamaru brands among customers.

Moreover, we have received cooperation subsidy and other subsidies from various local governments, and we need to decide quickly how to apply this to the company's sustainability.

**Uchikura:** We discussed the use of the cooperation subsidy and other subsidies at the Board of Directors meeting.

We considered whether it would be appropriate to use this as a source of dividends, but concluded that it should instead be allocated to growth investment and the profits from this should be returned to stakeholders. The COVID-related emergency loans must be repaid in full, and funds must be allocated for investment in growth over the three-year period beginning in FY2022, while maintaining control over the commitment line of credit.

### Basic Sustainability Policy and identification of material issues

**Akashi:** The Group has been engaged in a variety of initiatives based on the theme of co-creating value with stakeholders. I think, however, it is very significant that we have now established a Basic Sustainability Policy, reviewed our business activities from the perspective of ESG management by identifying material issues, and clarified our desired direction as a company.

**Uchikura:** For myself, I believe that developing what we value as a company in the form of ESG management will ultimately contribute to a sustainable society. The Board of Directors exchanged opinions while setting policies and identifying material issues. Our emphasis was on realizing sustainability in a way that is unique to the Group by aligning our management philosophy "For the People" and the themes of our long-term vision—"People, Health, and Technology"—with ESG

management. It is necessary to link this to concrete business activities, such as the creation of a sustainable raw material procurement and manufacturing system, a packaging material review, and the practical application of meat alternatives.

**Akashi:** In terms of ESG, our Group has many issues with regard to the environment. We have been addressing energy conservation and food loss, but I expect that communicating internally and externally through the material issues we have identified will lead to further progress. However, many initiatives on environmental themes result in cost increases, so we must achieve a balance between them and profits. As some of the themes cannot be realized by the company alone, collaboration in the supply chain will become important.

### Toward further expansion of corporate governance

**Uchikura:** The Nomination Advisory Committee was finally established in March 2021. Its role is to ensure transparency and objectivity in the management selection process. The committee provides a forum for confirming and exchanging views on how the talent pool of the next-generation management team is being shaped and what types of training are being promoted.

**Akashi:** I feel that the function of facilitating the succession plan while ensuring transparency has been performed more effectively and has generated results over the past year. Meanwhile, the Remuneration Advisory Committee focused on how to evaluate performance and reflect it in compensation, given the impact the pandemic has had on the business.

**Uchikura:** The Remuneration Advisory Committee reviewed the evaluation criteria and the compensation table. In the process, we proceeded to make an exception to reflect the impact of COVID-19 that Ms. Akashi mentioned. The compensation table is now more multi-level than in the past, which will facilitate the recruiting of new talent for Executive Officer positions. Going forward, we aim to create a compensation system that provides further incentives for Directors and

Executive Officers. To do so, we are considering changing the ratio of the variable portion and reflecting the degree of achievement of the Medium-term Management Plan.

**Akashi:** In FY2021, we responded to the amendment of the Corporate Governance Code. Although the required standards have been further raised and the hurdles for compliance are even higher—including the expanded governance required for Prime Market issues, the addition of business portfolio considerations and sustainability-related disclosure principles—I believe that this should be used as an opportunity to reaffirm management issues and weaknesses and improve our efforts.

**Uchikura:** We have discussed our business portfolio at executive camps and investment allocation meetings. In response to the amendment to the Corporate Governance Code, some points have been clarified to discuss them more proactively as agenda items for the Board of Directors meetings. With the transfer of the Arcmeal and Kyotaru businesses, our main business portfolio now consists of Yoshinoya, Hanamaru, and the overseas business, but we must continue to develop the ramen noodle business and new pillars to follow.

### What we learned through dialogue with institutional investors

**Uchikura:** As Outside Directors, we have had the opportunity to interact with the fund managers handling responsible institutional investment. One of its objectives is to comply with the Corporate Governance Code, which calls for dialogue with investors. At the same time, our objective was to gather information on what it takes to become an investment target—particularly how non-financial indicators are viewed from an ESG investment perspective—as a company with only few holdings by institutional investors.

**Akashi:** This was my first experience communicating with a fund manager, and I consider it to have been a meaningful engagement. I was able to learn the institutional investor's perspective on management and communicate what the Group values in its business activities and what issues it is aware of.

**Uchikura:** It was very informative to hear the views of the Responsible Investment Department—which differ from those of ordinary fund managers—in addition to the views of institutional investors on the Group's issues, such as low profitability, large profit fluctuations, and the sufficiency of value appeal of our brand and products.

In addition to achieving a recovery in business performance and improving profitability, we have reaffirmed the need to consider the value we can provide to society and to continue to promote our efforts in this area to our customers and shareholders.

**Akashi:** Individual shareholders and investors have opportunities to directly understand the Group's initiatives through visits to our outlets. But we need to look at what we should appeal to institutional investors, who have a completely different sense of distance and perspective.

### Improve profitability and establish a strong financial base

**Uchikura:** With a performance recovery within reach, we have announced a new three-year Medium-term Management Plan. In the fiscal year under review, the first year of the plan, the expansion of C&C outlets at Yoshinoya, the return of Hanamaru to profitability, and the improvement of management efficiency through the integration of support functions for the Group overall will be key issues. The biggest challenge is the soaring cost of raw materials, but we must work with our suppliers to evolve our procurement system. Under the new Medium-term Management Plan, we aim to improve profitability and construct a strong financial base. These are the conditions for attracting the attention of institutional investors and enhancing the Group's sustainability, and for restoring shareholder

returns to the desired level. Furthermore, we believe that this three-year period will be crucial in the formulation of our next long-term vision, which will take us to the year 2040.

**Akashi:** Earlier, I mentioned that I felt that in the past fiscal year, we did not make enough progress toward a dynamic transformation. In the current fiscal year and beyond, I expect that we will take steps to further enhance the brand image of our group—centering on Yoshinoya and Hanamaru—to achieve customer growth, which will bring about the improvement in profitability and solid financial foundation you mentioned.

As an Outside Director, I will continue to closely monitor management so we can reward our shareholders for the trust they've placed in us.



## 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.

Please also refer to our corporate website for specific initiatives.



### Customers



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

### Employees



**Promise** Respect of 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** Fulfillment of 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 FY2021, 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 them with management. In FY2021, outside directors also took an active part in investor engagement, participating in dialogue between investors and the asset management company's responsible investment department, which handles ESG investments.

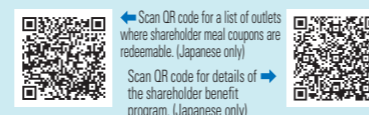
We will continue to engage with investors to incorporate market feedback into our management, which should contribute to achieving sustainable growth.

### 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, allowing them to enjoy meals at the Group's outlets in Japan. Effective from FY2021, we have reviewed our shareholder benefit program in light of our current operating environment and have made some changes. 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 deadline.



Example of our set of assorted products



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

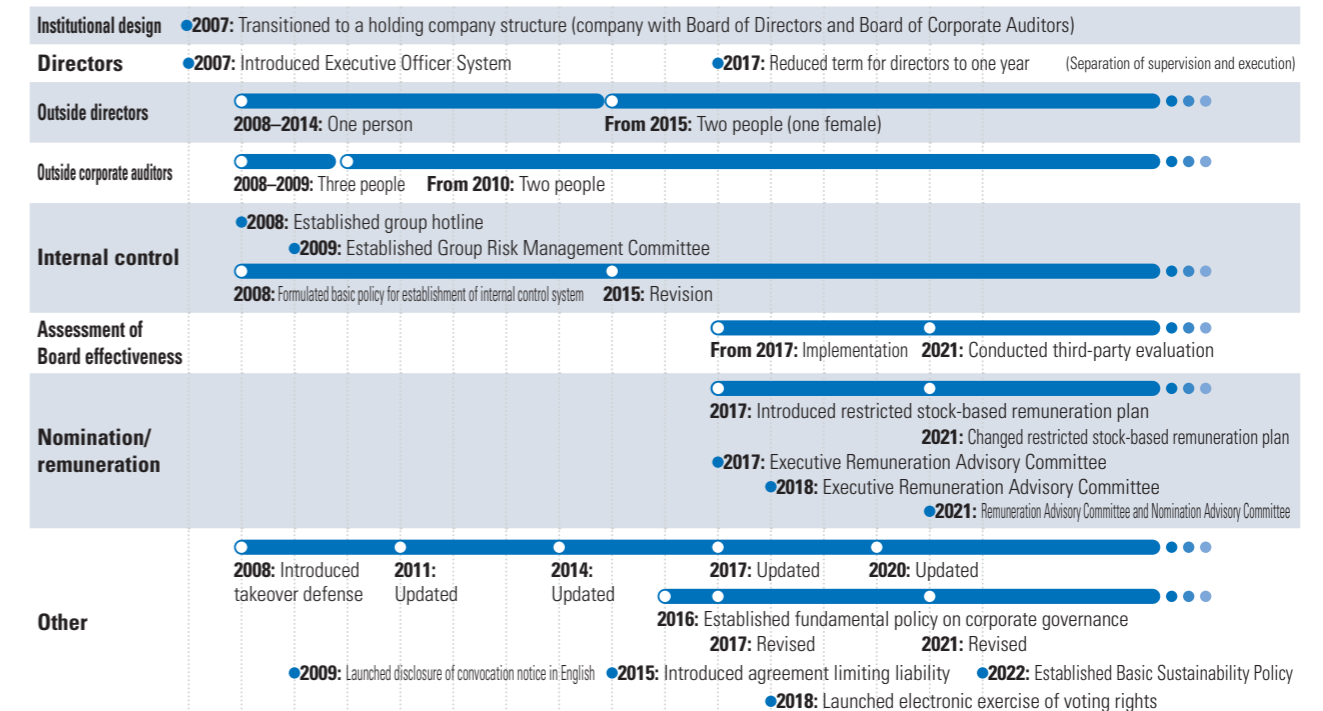
Scan QR code for details of the shareholder benefit program. (Japanese only)

## Corporate Governance

### Basic approach to corporate governance

We have adopted "For the People" as our business philosophy, declaring that all of our business activities are for the 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 our 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

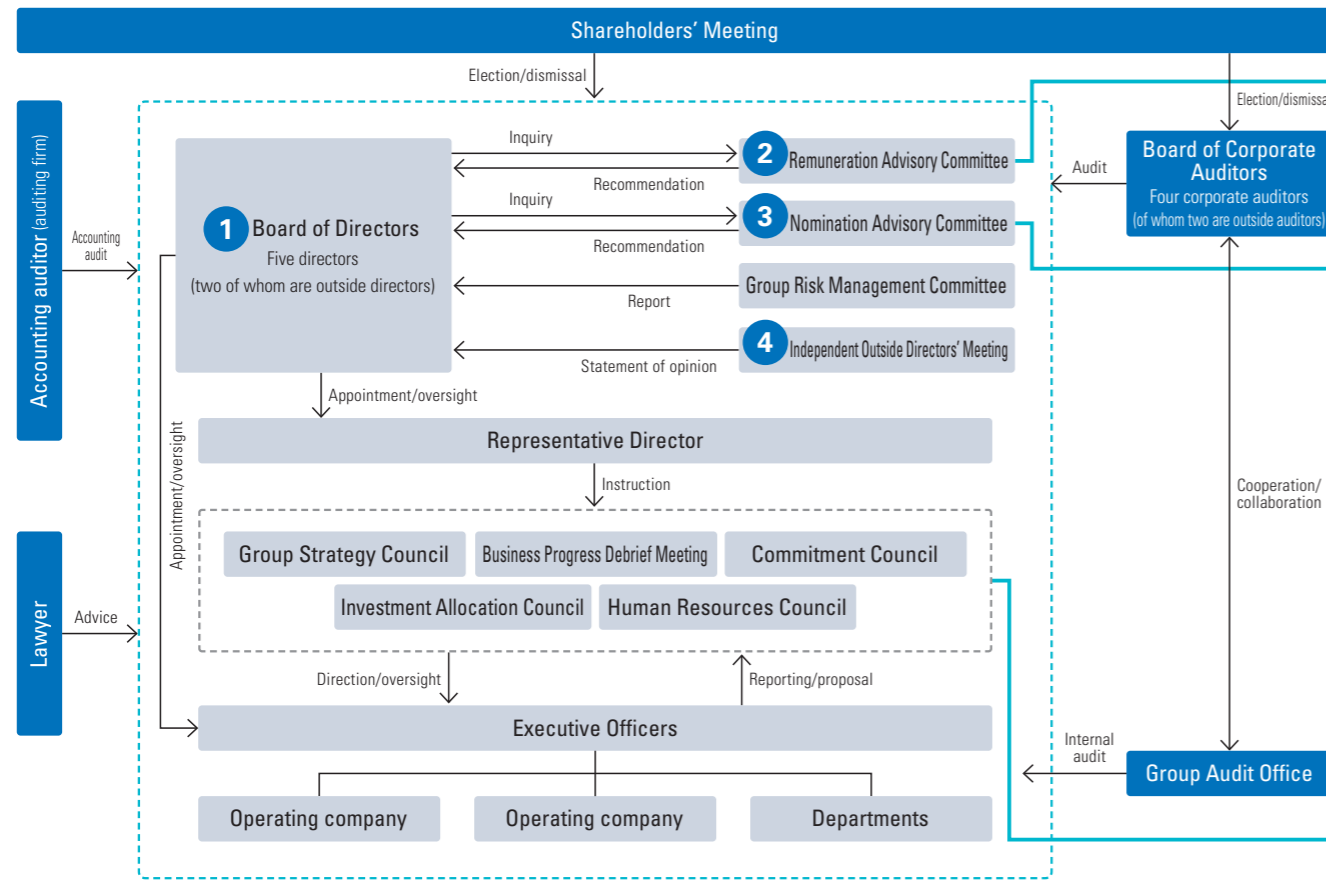
separates management and execution, thereby accelerating decision-making at each of the Group's operating companies. Important matters are intensively discussed and examined by our directors and executive officers at Group Strategy Council meetings, Business Progress Debrief Meetings, Commitment Council 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: Approach and Structure

## Corporate governance structure



### Remuneration Advisory Committee

The role of the Remuneration Advisory Committee is to strengthen the independence, objectivity, and accountability of the Board of Directors' functions with respect to directors' remuneration and related matters, and 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. The Committee consists of at least three directors—a majority of whom are to be outside directors—elected by resolution of the Board of Directors. In addition, the chairperson of the committee is selected from among independent outside 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.

### Nomination Advisory Committee

Effective March 1, 2021, the company's Nomination Advisory Committee was established, independent of the previous Executive Remuneration Advisory Committee which was an advisory body on remuneration and nomination. 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, with the aim of strengthening the independence, objectivity, and accountability of the Board of Directors' functions with respect to nominating representative directors and directors. The Committee consists of at least three directors or corporate auditors—a majority of whom are to be outside directors or corporate auditors—elected by resolution of the Board of Directors. The committee is chaired by the representative director.

## Corporate governance structure

Institutional design	Company with a Board of Corporate Auditors
Number of directors (independent outside directors)	5 (2)
Term of office of directors	One year
Accounting auditor	Deloitte Touche Tohmatsu LLC

### 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.

## Operation of the Board of Directors and committees

	Chairperson	Number of members and composition	Key roles	FY2021 activities/major agenda items	No. of meetings/ average attendance rate
<b>1 Board of Directors</b> <small>Related information → P55</small>	Yasutaka Kawamura	5 Internal directors: 3 Outside directors: 2	Actively discusses and exchanges opinions at monthly meetings on regular items for resolution, and by such means as convening committees and projects as needed	In FY2021, 17 meetings were held and the attendance rate of directors was 98.9%. In accordance with the revised Corporate Governance Code, the Board reviewed the company's fundamental policy on corporate governance and formulated the Basic Sustainability Policy. Moreover, 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. Following repeated discussions, the Board endeavored to make prompt, prudent management decisions in response to current issues such as coping with the spread of COVID-19.	<b>98.7%</b> (Directors: 98.9% Corporate auditors: 98.5%)
<b>2 Remuneration Advisory Committee</b>	Eizou Uchikura	3 Representative director and president: 1 Outside directors: 2	Offers advice to strengthen the independence, objectivity, and accountability of the Board of Directors' functions with respect to Directors' remuneration and related matters	In FY2021, the Committee met five 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. Moreover, from the viewpoint of ensuring independence, the Committee submitted a recommendation to the Board of Directors that outside directors and corporate auditors should be excluded from the stock-based remuneration plan, which was resolved at the 64th Ordinary General Meeting of Shareholders held on May 27, 2021.	<b>100%</b>
<b>3 Nomination Advisory Committee</b>	Yasutaka Kawamura	5 Representative director and president: 1 Outside directors: 2 Outside corporate auditors: 2	Strengthens the independence, objectivity, and accountability of the Board of Directors' functions related to the nomination of representative directors and directors	In FY2021, the Committee met twice, with 100% attendance by Committee members. The Committee primarily shared the criteria for selecting candidates for the next generation of management executives and setting the target number of candidates. It further discussed the provision of growth opportunities through personnel reassignment of the candidates.	<b>100%</b>
<b>4 Independent Outside Directors' Meeting</b>	Eizou Uchikura	4 Outside directors: 2 Outside corporate auditors: 2	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.	In FY2021, the meeting was held four times, with 100% attendance by 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 65th Ordinary General Meeting of Shareholders held on May 26, 2022.	<b>100%</b>

## Corporate Governance: Management Members

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	Legal affairs/compliance	Finance/accounting	Diversity/personnel development	International business	Business development/M&A
 <b>Yasutaka Kawamura</b>	President	◆		Yasutaka Kawamura joined the company in 1993. He assumed his current position in 2012 after having served as representative director, president of Hanamaru, Inc. He serves concurrently as representative director, president of YOSHINOYA CO., LTD.	September 2012	17/17 (100%)		◆	◆			◆		◆
 <b>Norihiro Ozawa</b>	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%)		◆		◆		◆		◆
 <b>Tetsuya Naruse</b>	Director	◆		Tetsuya Naruse joined the company in 1988. He was appointed director of the company after having served as representative director, president of Hanamaru, Inc. Following a posting in Malaysia, he has been in charge of overseas business since 2020, overseeing subsidiaries in China and Asia.	May 2014	17/17 (100%)		◆	◆			◆		
 <b>Eizou Uchikura</b>	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. He has served as an outside director of the company since 2011.	May 2011	16/17 (94.1%)		◆		◆		◆		◆
 <b>Nobuko Akashi</b>	Outside Director		◆	Nobuko Akashi was appointed as an outside director of the company in 2019. She also serves as board chairman, NPO Japan Manners & Protocol Association. Other positions include Management Committee member, Japan Broadcasting Corporation.	May 2019	17/17 (100%)		◆				◆		
 <b>Akihiro Yasui</b>	Corporate Auditor	◆		Akihiro Yasui joined the company in 1985. After serving as representative director, president of Peterpan Comoco Co., Ltd. and chairman of YOSHINOYA China Holdings Co., Ltd., he assumed his current position in 2021.	May 2021	13/14 (92.9%)	10/11 (90.9%)		◆				◆	
 <b>Kensuke Masuoka</b>	Outside Corporate Auditor		◆	Kensuke Masuoka was admitted to the bar in 1989. He is the head of Masuoka Sogo Horitsu Jimusho, 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	17/17 (100%)	14/14 (100%)			◆		◆		
 <b>Osamu Ohashi</b>	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%)				◆	◆		

## 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 management 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.

## Roles and skills expected of (prospective) directors and corporate auditors

The Board of Directors of the company, which supervises the Group as a holding company, consists of members who have diverse perspectives, profound experience, and advanced skills that make it possible to develop highly transparent and sound corporate governance and internal controls, as well as to govern the Group appropriately. The company believes that the Board of Directors as a whole is equipped with the necessary skills.

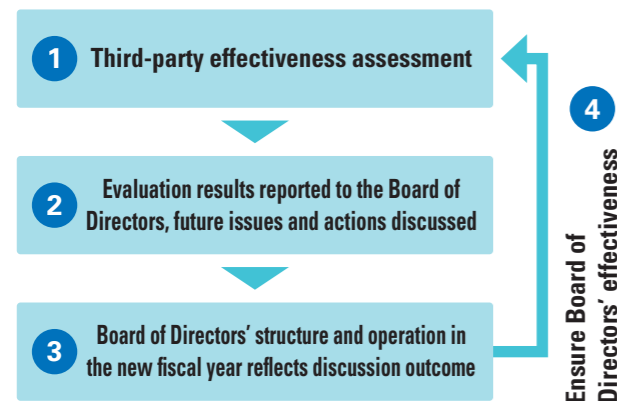
## Corporate Governance: Functional Effectiveness

### Assessment of effectiveness of the Board of Directors

The company's Independent Outside Directors' Meeting, composed of outside directors and outside corporate auditors, has taken the lead in analyzing and evaluating the effectiveness of the Board of Directors at the end of each fiscal year since 2017 based on self-evaluations by each director and corporate auditor. The results are summarized and published

on the company's website after each ordinary general meeting of shareholders. In FY2021, we contracted with a third-party organization to conduct an effectiveness evaluation for the first time, aiming for more objective and transparent analysis and evaluation. We plan to conduct such evaluations of system effectiveness every three years.

#### Third-party assessment of effectiveness of the Board of Directors



#### Assessment for FY2021

Please visit the IR Information page of our website for the FY2021 evaluation. (Japanese only)



#### Policies for FY2022

Based on the evaluation of the effectiveness of the Board of Directors in FY2021, as well as evaluations and cause analysis from previous years, the company's Board of Directors and related internal departments will give full consideration to issues such as risk management and the offering of training opportunities for directors and corporate auditors. In addition, to ensure the effectiveness of the Board of Directors, they will continue to provide information to and hold discussions with outside directors and outside corporate auditors, while also enhancing alignment with business execution and cooperation with corporate auditors. We will improve the quality of the various deliberations at Board of Directors' meetings to strengthen corporate governance toward promoting the continuous enhancement of corporate value.

### Remuneration, etc. of directors and corporate auditors

Remuneration, etc. for directors and corporate auditors will consist of and 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.

- 1 The system must promote sustainable, medium- and long-term improvements in corporate value.
- 2 The system must reflect short-term performance and strongly motivate achievement.
- 3 The system and amount of money paid must be sufficient to attract and retain talented personnel.
- 4 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 are 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.

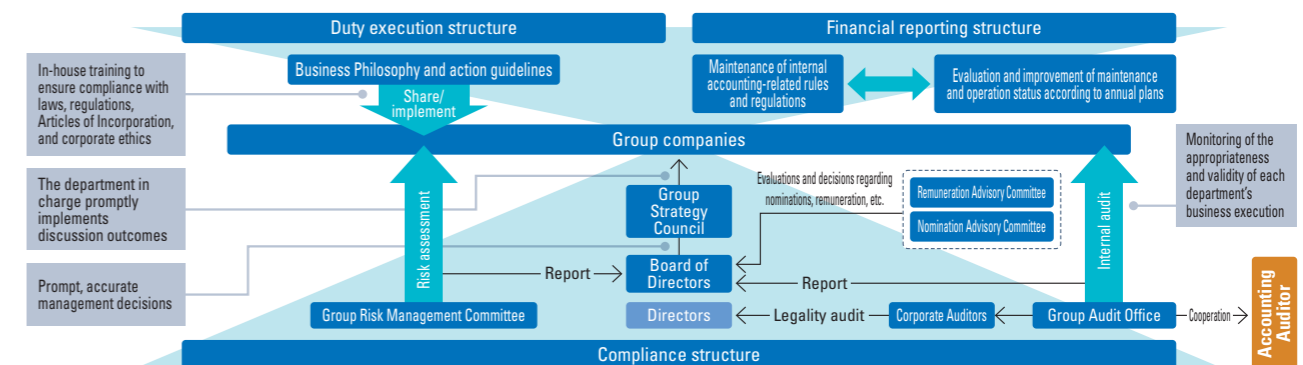
In addition to monthly meetings, the Board of Directors meets as necessary, and meetings including those of the Group Strategy Council are also held with the purpose of supplementing prompt and accurate management decisions. The departments in charge then promptly implement the decisions resulting from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

Under the Group's business philosophy, "For the People," and as a company that sustains itself through its contribution to people around the world, we have positioned compliance as a top priority in our business activities. We will also comply with corporate ethics and practice risk management based on 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 and that they strictly comply with corporate ethics.

In the event of a violation of the Group Charter of Corporate Behavior, we will investigate the cause and strive to prevent recurrence, promptly and accurately disclose information and 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 convened on a monthly basis, consisting mainly of persons in charge of compliance within the Group.

Tasks performed at the meeting include exchanging information on risk management, compliance activities, and the operation of the whistleblowing system, identifying important issues that should be given priority, and examining 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 their objectives and method of use understood and widely known among employees through the Compliance Guide, posters, internal newsletters, and other means.

### Compliance education

We promote on-site knowledge education and actual activities by distributing our 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 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 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, harassment, and the posting of prank videos on various social media platforms, all of which have been of growing social concern in recent years. 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.

### 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 achieve sustainable growth, 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 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 issues 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 as necessary, and appropriate measures 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, we have 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.

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.

In FY2022, we will continue to consider and implement appropriate measures to minimize COVID-19-related risk, which could significantly impact the Group's business performance and other aspects.

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

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

## Financial Highlights

Fiscal year (Millions of yen)	FY2011	FY2012	FY2013	FY2014
Net sales	165,883	164,599	173,418	180,032
Operating income	4,801	1,877	2,179	3,515
Ordinary income	5,311	2,460	3,270	3,993
Net income (loss) attributable to owners of the parent	1,310	(364)	698	941
Depreciation and amortization	5,829	5,834	5,399	5,088
Capital expenditure	5,815	8,092	6,028	8,453
Cash flows from operating activities	8,109	6,212	7,570	11,833
Cash flows from investing activities	(3,218)	(6,937)	(4,258)	(9,201)
Cash flows from financing activities	(3,199)	(2,473)	481	5,595
Cash and cash equivalents at end of year	17,062	14,003	17,964	26,858
<b>End of fiscal year (millions of yen)</b>				
Total assets	94,371	91,338	95,524	108,658
Net assets	45,584	43,390	43,412	58,938
<b>Other data</b>				
Net assets per share (yen)*	85,835	83,112	831.78	921.01
Basic earnings (loss) per share (yen)*	2,575	(710)	13.59	16.24
Dividend per share (yen)*	2,000	2,000	20	20
Equity ratio (%)	46.7	46.8	44.8	53.7
Return on equity (ROE) (%)	3.0	(0.8)	1.6	1.9

\* 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.

## Analysis and explanation of operating results

### Sales and profit

The drop in sales was mainly attributable to the exclusion of KYOTARU CO., LTD. from the scope of consolidation due to a share transfer. Domestic operations were severely impacted by the government's repeated declarations and extensions of a state of emergency through the end of September. After the lifting of the emergency declaration in October, there were temporary signs of recovery in in-store eating and drinking, but conditions remained difficult due to the application of priority measures to prevent the spread of infection in January. Meanwhile, due to the spread of COVID-19 in the previous fiscal year, we had no choice but to substantially shorten business hours and close stores in Japan and overseas. In addition to the rebound in demand that followed the lifting of restrictions, takeout service and home delivery demand led to a recovery in net sales at existing stores in Japan and strong sales at existing stores in the Americas. As a result, sales increased compared with the previous fiscal year when the impact of excluding KYOTARU CO., LTD. from the scope of consolidation is taken

into consideration. Despite the effects of the government's declaration and extension of a state of emergency and application of priority prevention measures, the company returned to profitability due to cost reductions implemented since the previous fiscal year, as well as efforts to improve gross profit by revising sales prices and reducing selling, general, and administrative expenses.

### Total assets, liabilities, and net assets

Total assets at the end of the fiscal year under review decreased by 19,706 million yen compared with the end of the previous fiscal year to 112,214 million yen.

This was mainly attributable to a 2,720 million yen decrease in cash and deposits as a result of repaying financial institutions for loans payable, and to the exclusion of the Kyotaru segment from the scope of consolidation.

Liabilities decreased by 28,305 million yen compared with the end of

FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
185,738	188,623	198,503	202,385	216,201	170,348	153,601
1,613	1,865	4,019	104	3,926	(5,335)	2,365
2,345	2,750	4,604	349	3,369	(1,964)	15,642
837	1,248	1,491	(6,000)	713	(7,503)	8,116
5,433	5,915	6,286	6,700	7,715	7,191	6,292
12,879	11,373	10,749	12,091	14,613	5,236	4,547
433	10,104	9,374	2,830	14,038	2,722	23,442
(12,365)	(6,526)	(8,379)	(9,034)	(8,453)	(5,168)	(333)
3,843	1,085	(4,200)	2,461	288	17,810	(26,042)
18,498	22,941	19,573	15,660	21,500	36,796	34,211
111,292	114,947	115,613	112,685	126,167	131,921	112,214
57,733	57,209	57,807	50,025	48,385	40,142	48,741
891.04	879.46	887.13	765.73	739.76	612.50	743.85
13.10	19.35	23.11	(92.94)	11.04	(116.09)	125.54
20	20	20	20	20	—	10
51.7	49.4	49.5	43.9	37.9	30.0	42.9
1.4	2.2	2.6	(11.2)	1.5	(17.2)	18.5

the previous fiscal year to 63,473 million yen. This was mainly attributable to a 23,913 million decrease in loans payable due to the aforementioned repayment of loans payable to financial institutions (short-term loans payable decreased by 16,454 million yen, and the current portion of long-term loans payable and long-term loans payable together decreased by 7,459 million yen) and the exclusion of the Kyotaru segment from the scope of consolidation.

Net assets increased by 8,598 million yen compared with the end of the previous fiscal year to 48,741 million yen, and the equity ratio increased by 12.9% compared with the end of the previous fiscal year to 42.9%.

### Cash flows

Cash and cash equivalents at the end of the fiscal year under review decreased by 2,584 million yen compared with the end of the previous fiscal year to 34,211 million yen, after taking into account the effect of exchange rate change.

Net cash provided by operating activities was 23,442 million yen (compared with 2,722 million yen provided in the previous fiscal year), reflecting such factors as 13,334 million yen in income before income taxes, in addition to 6,292 million yen in depreciation and amortization, and 2,840 million yen in impairment loss, offset by such factors as a 929 million yen decrease in accrued consumption taxes.

Net cash used in investing activities was 333 million yen (compared with 5,168 million yen used in the previous fiscal year), reflecting such factors as 2,967 million yen in purchase of property, plant, and equipment, 1,858 million yen in payments for sale of shares of subsidiaries resulting in change in scope of consolidation, offset by 4,588 million yen in collection of loans receivable.

Net cash used in financing activities was 26,042 million yen (compared with 17,810 million yen provided in the previous fiscal year), reflecting such factors as 16,549 million yen in decrease in short-term loans payable, 6,825 million yen in repayment of long-term loans payable, and 2,361 million yen in repayment of finance lease obligations.



## Company Profile/Stock Information (as of February 28, 2022)

### 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 First Section
Securities Code	9861
Number of Employees	14,364 (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	Ryusuke Tanaka
Managing Director	Norihiro Ozawa	Corporate Auditor	Akihiro Yasui
Director	Tetsuya Naruse	Corporate Auditor	Kensuke Masuoka*
Director	Eizou Uchikura*	Corporate Auditor	Osamu Ohashi*
Director	Nobuko Akashi*		

\* Outside Directors/Outside Corporate Auditors

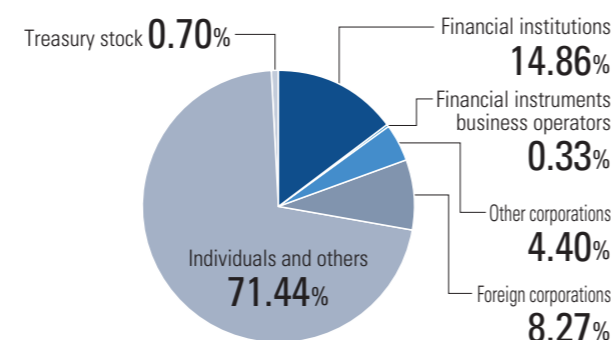
### Number of Employees

<b>Yoshinoya</b>	8,925	[ Male: 4,565, Female: 4,360 ]
<b>Hanamaru</b>	1,730	[ Male: 683, Female: 1,047 ]
<b>Overseas</b>	2,568	[ Male: 1,144, Female: 1,424 ]
<b>Other</b>	851	[ Male: 453, Female: 398 ]
<b>Corporate</b>	290	[ Male: 236, Female: 54 ]
<b>Group total</b>	14,364	[ Male: 7,081, Female: 7,283 ] * 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:	316,923

### Composition of Shareholders by Type

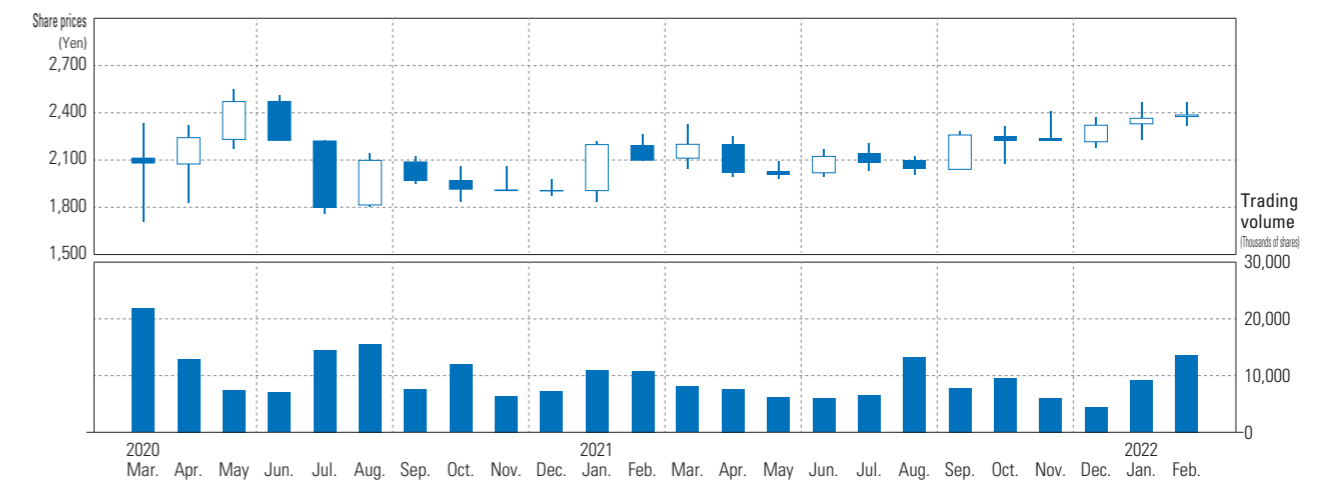


### Major Shareholders (10 largest shareholders)

Shareholders name	Number of shares owned	Proportion of shares owned (%)
The Master Trust Bank of Japan, Ltd.	6,709,300	10.37
Custody Bank of Japan, Ltd.	1,741,600	2.69
STATE STREET BANK WEST CLIENT—TREATY 505234	950,600	1.47
Kisshokai	889,600	1.38
JP MORGAN CHASE BANK 385781	619,538	0.96
Taiju Life Insurance Co., Ltd.	557,700	0.86
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	504,500	0.78
HANEWOODS INC.	326,800	0.51
JP MORGAN CHASE BANK 385765	326,100	0.50
Suntory Liquors Ltd.	278,000	0.43

\* The company holds 458,803 shares of treasury stock but is excluded from the above list of major shareholders.

### Trends in Share Prices and Trading Volume



### On publication of the Integrated Report 2022

This report defines the Yoshinoya Holdings Group's value creation story for our stakeholders. It serves the role and function of presenting the Group's initiatives and future direction previously performed by our Corporate Report, and provides expanded and comprehensive information required for integrated reporting. As a premise of such reporting, the Group has established its Basic Sustainability Policy and has identified material issues. From the perspective of ESG management and the SDGs, this report provides information on our co-creation of value with stakeholders in our value chain. We have reviewed the internal discussions taking place on how to achieve sustainable growth while responding to changes in the external environment amid the continuing impact of the COVID-19 pandemic, and have incorporated the findings in the content of this report.

The report covers not only financial information, but also non-financial information so that readers can judge our corporate value from multiple angles. We have enhanced the report's contents by including information on various aspects of the company, including our approach to human resources and their development, cooperation with suppliers, and response to environmental and social issues.

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/>

