

Corporate Governance

1. Overview of corporate governance

Basic views on corporate governance

The Company promotes the maximization of corporate value and shareholder value through the establishment of a structure that enables the maximum creation of new value through effective utilization of the Group's management resources and know-how and by integrating the Group's store deployment capabilities and business model development capabilities. We aim to establish our position of the "Top Excellent Leading Company in the Japanese restaurant industry" and to meet the heartfelt expectations of our diverse customers.

(1) Corporate governance structure

A. Overview of the corporate governance structure

- The Company transitioned to a company with an audit and supervisory committee by resolution at the 15th Annual General Meeting of Shareholders convened on May 25, 2022 with the objective of further strengthening the corporate governance structure and further improving corporate value.

- Board of Directors

The Board of Directors is comprised of, as of the filing date, a total of nine (9) members including the Chairman and Members listed below (excluding Directors who are Audit and Supervisory Committee Members). In addition to meeting monthly, the Board of Directors meets when required so that it deliberates and decides on the execution of important business, has ample discussion and timely decision-making, and be a forum for supervising the execution of duties by each director.

Chairman: Hirofumi Obayashi, Representative Director and Chairman

Members: Masanori Hoshino, Representative Director and President; Motoya Takebayashi, Managing Director; Yasuyuki Tenma, Managing Director; Masahiro Kanno, Director; Tomoyo Goda, Director; Kazuhiro Sekine, Director; Masaharu Kohno, Outside Director; and Azuma Ohtsuka, Outside Director

- Management Committee

The Management Committee meets monthly to deliberate and decide on important matters concerning the execution of business, and to preliminary review matters to be delivered to the Board of Directors. The Management Committee discusses important matters concerning the business performance of the Company and the Group, aimed at optimizing the execution of budgets and swifter decision-making. The Management Committee is chaired by Masanori Hoshino, Representative Director and President and includes inside Directors and persons in position of Managing Executive Officer and above.

- Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of a total of three (3) persons including the Chairman and Members listed below. A Full-Time Audit and Supervisory Committee Member is designated in order to strengthen the collection of the information and improve the effectiveness of the audit. The Audit and Supervisory Committee, in principle, meets monthly to decide the audit policy and audit plan, and report on the status of the execution of duties of each Audit and Supervisory Committee Member, while the Full-Time Audit and Supervisory Committee Member attends important meetings. Thus Audit and Supervisory Committee Members share information among them and strengthen the oversight of management. We also strengthen the function of the Audit and Supervisory Committee and by enhancing cooperation between internal audit office and Audit and Supervisory Committee through measures such as that Audit and Supervisory Committee receives reports from internal audit office and issues instructions as necessary.

Chairman: Kunio Hashimoto, Director and Full-Time Audit and Supervisory Committee Member

Members: Hiroshi Asai, Outside Director; and Seizo Matsumoto, Outside Director

- Nomination Committee and Remuneration Committee

Nomination Committee and Remuneration Committee are comprised of the Chairmen and Members listed below. They are committees established to acquire appropriate contribution and advice from independent Outside Directors with the aim of strengthening independence, objectivity and accountability of the Board of Directors in relation to the nominations and remuneration of Executive Management and Directors.

Nomination Committee

Chairman: Masaharu Kohno, Outside Director

Members: Azuma Ohtsuka, Outside Director; Hiroshi Asai, Outside Director (Audit and Supervisory Committee Member); Seizo Matsumoto, Outside Director (Audit and Supervisory Committee Member); Hirofumi Obayashi, Representative Director and Chairman; and Masanori Hoshino, Representative Director and President

Remuneration Committee

Chairman: Azuma Ohtsuka, Outside Director

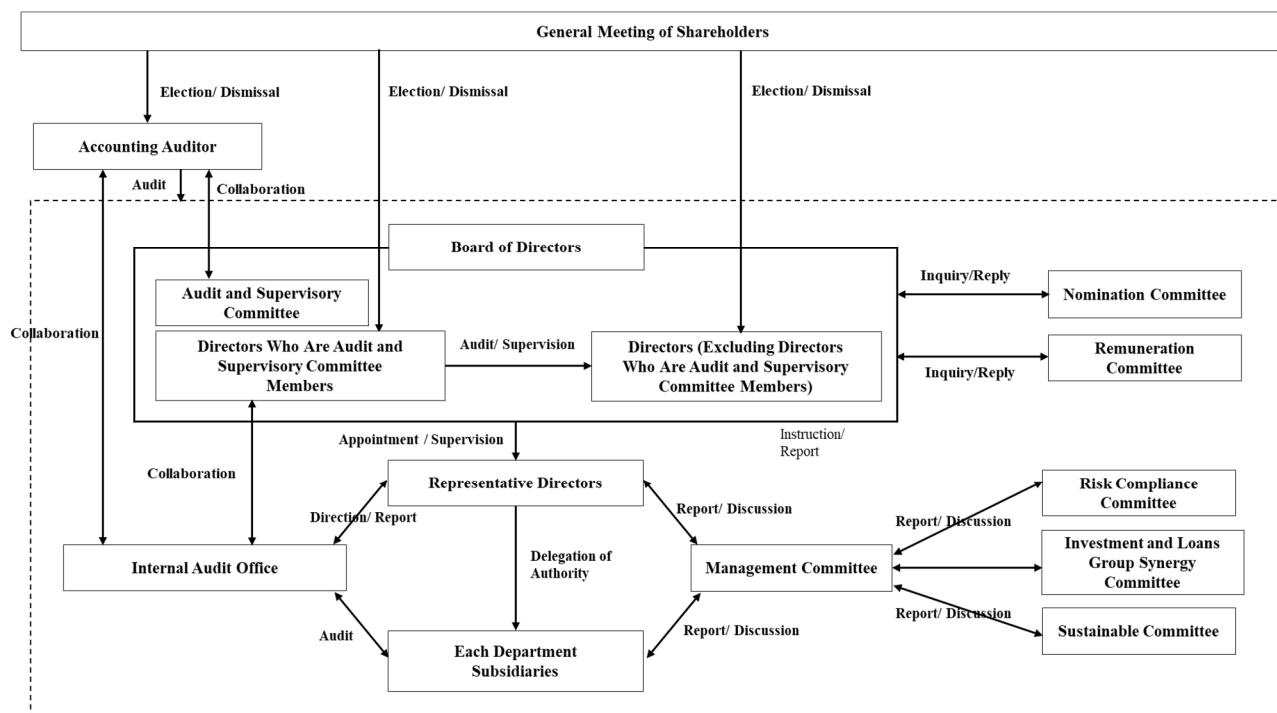
Members: Masaharu Kohno, Outside Director; Hiroshi Asai, Outside Director (Audit and Supervisory Committee Member); Seizo Matsumoto, Outside Director (Audit and Supervisory Committee Member); Hirofumi Obayashi, Representative Director and Chairman, and Masanori Hoshino, Representative Director and President

B. Reason for adopting such structure

The Group structure is of business companies that develop the business under a holding company. The Company, which is the holding company, is at the core of the Group's unified governance. The Company plans, operates and manages for the optimization of the Group as a whole and controls the management of the Group as a whole, thus striving to maximize the corporate value for all stakeholders, including shareholders.

To further strengthen the corporate governance at the Company, we have introduced an outside director system and have also made Directors' terms of office one year. As of the filing date of the Annual Securities Report, the Board of Directors (excluding Directors who are Audit and Supervisory Committee Members) is comprised of a total of nine (9) members including two (2) Outside Directors. It strives to demonstrate an appropriate supervisory function in relation to the execution of business while maintaining and improving management efficiencies. The Audit and Supervisory Committee is comprised of a total of three (3) members including two (2) Outside Directors. It oversees management and strives to enhance its soundness.

An overview of the Company's corporate governance structure as of the filing date is provided in the following diagram.



2. Status of audit

(1) Status of audit by Audit & Supervisory Board Members

A. Organizational structure and personnel

In the fiscal year under review, the Company was a company with an audit & supervisory board and the audit & supervisory board had four (4) members, comprised of two (2) full-time Audit & Supervisory Board Members and two (2) Outside Audit & Supervisory Board Members, which determined matters such as audit policies, audit plans, auditing methods and allocation of audit duties.

Since the Company transitioned from being a company with an audit & supervisory board to a company with an audit and supervisory committee at the 15th Annual General Meeting of Shareholders held on May 25, 2022, future audits shall be conducted by Audit and Supervisory Committee Members.

[Experience and skills of each Audit & Supervisory Board Member]

Position	Name	Experience and Skills
Full-time Audit & Supervisory Board Member	Yoshinori Kawasaki	He has served in positions responsible for the internal audit divisions and is well-versed in the Group's overall business activities, possessing expertise and extensive experience inside and outside the Company.
Full-time Audit & Supervisory Board Member	Hideyuki Sotta	He has served in positions responsible for finance and accounting divisions and is well-versed in the Group's overall business activities, possessing expertise in finance and accounting and extensive experience inside and outside the Company.
Outside Audit & Supervisory Board Member	Hiroshi Asai	He has served in a succession of important posts in various areas at the Ministry of Transport (currently the Ministry of Land, Infrastructure, Transport and Tourism), and also has extensive experience and broad insight as a corporate manager.
Outside Audit & Supervisory Board Member	Seizo Matsumoto	He has served in important posts over many years at the Ministry of Health and Welfare (currently the Ministry of Health, Labour and Welfare) and the Environment Agency (currently the Ministry of the Environment), and has broad insight into labor and environmental issues.

B. Status of Audit & Supervisory Board Members' Activities

Audit & Supervisory Board Members attend and express their opinions at the Board of Directors meetings, audit the legal compliance and soundness of business execution by Directors, hold monthly meetings of the Audit & Supervisory Board and extraordinary meetings as required, report on the audit activities of individual Audit & Supervisory Board Members, exchange opinions and information, and strive to enhance the effectiveness and efficiency of audits.

In the fiscal year under review, besides the Audit & Supervisory Board meetings convened a total of 12 times, and extraordinary meetings held as necessary, information was shared and opinions were exchanged from time to time, which included the confirmation of materials in advance and the confirmation of content.

The status of attendance by each Audit & Supervisory Board Member at the Audit & Supervisory Board meetings and the matters shared and considered are as follows.

Position	Name	Number of Audit & Supervisory Board Meetings Attended/ Meetings Held (Attendance Rate)	
		Audit & Supervisory Board	Board of Directors
Full-time Audit & Supervisory Board Member	Yoshinori Kawasaki	12/12 (100%)	17//17 (100%)
Full-time Audit & Supervisory Board Member	Hideyuki Sotta	12/12 (100%)	17/17 (100%)
Outside Audit & Supervisory Board Member	Hiroshi Asai	12/12 (100%)	16 /17 (94%)
Outside Audit & Supervisory Board Member	Seizo Matsumoto	12/12 (100%)	17/17 (100%)

[Main items shared and matters considered]

- Audit policy, key audit items, audit plans and allocation of audit duties
- The Audit & Supervisory Board's audit report
- Status of the execution of duties by full-time Audit & Supervisory Board Members (Monthly)
- Audit policy, audit plans and audit status of key domestic Group companies
- Reports from the internal audit division and internal control division
- Evaluation and selection of Accounting Auditor (non-reappointment, appointment)

[Main activities of full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members]

- Attendance at the Board of Directors meetings, auditing the management of proceedings and details of resolutions, etc. and expressing opinions as necessary

(Cooperation and information gathering with each department)

- Together with having timely exchange of opinions with Representative Directors, convene meetings for exchange of opinions at the end of the fiscal year
- Exchange opinions with Directors, as well as audit and interview responsible General Managers
- Receive monthly written reports from the internal audit division and exchange opinions as necessary, receive a briefing on the internal audit plans, audit structure and audit results every six months, and express opinions as necessary. Receive a briefing from the internal control department every six months, and express opinions as necessary
- Receive an explanation and reports from, and exchange opinions with the Accounting Auditor concerning the audit plans, the results of the audit and quarterly review, and the results of the internal control audit (J-SOX), etc.
- Inspect important documents: Inspect documents and minutes, etc. for important meetings
- Attend important meetings and briefings, etc. of key domestic subsidiaries
- Audit and interview senior management of Group companies in Japan and overseas, and express opinions

3. Officer remuneration

- A. The policy and process for determining the policy on determination of the amount and calculation method of officer remuneration

The Company has transitioned to a company with an audit and supervisory committee pursuant to a resolution of the 15th Annual General Meeting of Shareholders held on May 25, 2022.

The Company has determined the policy on determination of the amount and calculation method of officer remuneration. For the remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members), the Company determines the amount of remuneration for each individual within the limit set for the total amount by resolution of the General Meeting of Shareholders. The amount of remuneration for each individual is determined upon consideration of the earnings trends, etc. and the evaluation of contribution to performance and management, taking account of whether or not the officer has representative authority, the officer's position, and scope of the role and responsibilities, and whether the position is full-time or not. The Board of Directors has entrusted the process for determination to the remuneration committee and the remuneration committee determines the amount of remuneration for each individual upon consideration of factors including comparison with general market levels and remuneration scales.

For the remuneration of Directors who are Audit and Supervisory Committee Members, the remuneration for each individual is determined through deliberation by the Audit and Supervisory Committee Members within the limit set for the total amount by resolution of the General Meeting of Shareholders.

The limit on remuneration of officers was approved at the 15th Annual General Meeting of Shareholders held on May 25, 2022. The approval is for a limit on the total remuneration per year for Directors (excluding Directors who are Audit and Supervisory Committee Members) of not more than ¥360 million and for Directors who are Audit and Supervisory Committee Members of not more than ¥120 million. As of the conclusion of this General Meeting of Shareholders there were nine (9) Directors (excluding Directors who are Audit and Supervisory Committee Members) and three (3) Directors who are Audit and Supervisory Committee Members (including two (2) Outside Directors).

Before transition to a company with an audit and supervisory committee, remuneration for directors of the Company was based on a remuneration system linked with shareholder interests so that it fully functioned as an incentive for a sustainable increase in corporate value, and it was at appropriate levels according to each Director's job responsibility when determining the individual remuneration for each Director. Remuneration for executive directors is comprised of base remuneration as fixed remuneration, performance-linked remuneration, etc. (hereinafter, "Bonuses") and non-monetary remuneration in the form of stock-based compensation (hereinafter, "Stock Compensation"). The remuneration, etc. for Outside Directors undertaking supervisory functions was only base remuneration in light of their duties. In addition, the amount of remuneration, etc. for Audit & Supervisory Board Members was only fixed remuneration.

The amount of remuneration, etc. for Directors of the Company was approved as not more than ¥360 million per year (including not more than ¥20 million for Outside Directors) at the 1st Annual General Meeting of Shareholders held on May 29, 2008. (Ten (10) officers as at the end of the fiscal year). In addition, a restricted Stock Compensation plan was introduced at the 13th Annual General Meeting of Shareholders held on May 26, 2020 for the purpose of creating incentive for Directors to sustainably increase the Company's corporate value and to further enhance the alignment of interests with shareholders. The remuneration under this plan was separate from the aforementioned remuneration for Directors of ¥360 million and the total amount of monetary receivables to grant restricted stock to Directors was set at not more than ¥200 million per year.

The fixed remuneration of Directors is determined by Representative Director and President Masanori Hoshino, who has been delegated by resolution of the Board of Directors, within the limit of the total amount of remuneration approved at the General Meeting of Shareholders, taking account of elements including each Director's duties, level of contribution as well as status of execution, the Company's performance and the state of the economy. The Board of Directors activities in the process for determination of the amount of remuneration for the Company's officers for the fiscal year under review was based on a resolution at the Board of Directors held on May 25, 2021 of delegation to the Representative Director and President.

For performance-linked remuneration (Bonuses), the General Meeting of Shareholders approves the monetary remuneration that reflects performance indicators to heighten the awareness of increasing performance each fiscal year and the amount calculated with comprehensive consideration given to elements such as the level of achievement of the target consolidated operating profit each year. As a result of comprehensive consideration of the above processes there was no performance-linked remuneration (Bonuses) for the fiscal year under review.

For restricted Stock Compensation, the number of shares is calculated from the amount calculated with comprehensive consideration given to standards such as the level of achievement of the target operating profit for each business company and determined by the Board of Directors with the appropriate involvement and recommendation of the remuneration committee.

The remuneration, etc. of Audit & Supervisory Board Members is determined by resolution of the Audit & Supervisory Board within the limit of the total amount of remuneration approved at the General Meeting of Shareholders, which was determined at the 1st Annual General Meeting of Shareholders held on May 29, 2008 to be not more than ¥120 million per year (Four (4) officers as at the end of the fiscal year).

The Company judges that it is appropriate to link performance and remuneration, etc. of Executive Directors by setting performance-linked remuneration as remuneration of Directors. In addition, consolidated operating profit is used as an indicator to measure this performance, and such indicator is used because the Company's view is that Executive Directors of the Company are responsible for increasing the Group's overall performance and it is appropriate to evaluate with consolidated performance. Note there was a consolidated operating loss of 1,783 million (Target: Did not achieve budget) in the fiscal year under review.

B. Total amount of remuneration, etc. by officer category, total amount by type of remuneration, etc. and number of eligible officers

Category	Total amount of remuneration, etc. (million yen)	Total amount by type of remuneration, etc. (million yen)			Number of eligible officers
		Fixed remuneration	Performance-linked remuneration	Restricted Stock Compensation	
Directors (excluding Outside Directors)	200	200	–	–	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	19	19	–	–	2
Outside Officers	18	18	–	–	4

C. Total amount of consolidated remuneration, etc. for each officer of the filing company
Not listed since no individual is paid total remuneration, etc. in excess of ¥100 million.