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Chikaranomoto Holdings Co., Ltd.

Representative Director and President: Shigemi Kawahara

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Securities Code: 3561

www.chikaranomoto.com/

The corporate governance of Chikaranomoto Holdings Co., Ltd. (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

### 1. Basic Views

The Group recognizes that working on the corporate governance is an important issue. The Group also recognizes that each individual of the Group, as well as the organization, should conduct fair acts to respond to rapid changes in the environment surrounding the Company. The Group makes efforts that directors and employees of the Group have common understanding of corporate ethics and compliance and conduct fair and functional acts at all times. As for organizational actions for corporate governance, the Group centralizes control and management of the entire Group to the holding company to strengthen the corporate governance in the entire Group, since the Group deploys a holding company system. Furthermore the Group distinguishes strategy planning function, management function and business execution function to make prompt decisions and to secure effectiveness, transparency, soundness and compliance of management by clarifying rules and responsibilities of the holding company and the operation companies. The Group plans to optimize the corporate value by strengthening strategy planning function and making proactive timely disclosure.

### [Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code] Updated

The Company implements every one of the basic principles of the Corporate Governance Code as of June 25, 2019.

### [Disclosure Based on the Principles of the Japan’s Corporate Governance Code] Updated

[Principle 1.4]

(i) Policy on Holding of Shares in Other Companies for Strategic Purposes

The Company holds the shares of other companies only when the Company judges that such holding leads

to maintaining and strengthening of business synergies and business alliance with the issuing companies and it helps continuous growth and increase of the corporate value of the Company. It is also the Company's policy is to reduce all other strategic shareholdings as quickly as possible if the necessity of such holdings is low.

(ii) Examination of strategic shareholding

The Board of Directors annually examines rationale of strategic shareholding, in view of the necessity in business strategy of the holding, status of business alliance with partners and capital efficiency, and announces it in the timely disclosure.

As for the rationales of each specific shareholding, the Board of Directors continuously examines if the purposes of holding are appropriate and if benefits and risks derived from holding are justified by capital costs and others, and the Company has been reducing the strategic shareholdings based on the results of the examination.

(iii) Standards for exercising the voting rights as to strategic shareholdings

The Company exercises the voting rights as to strategic shareholdings after considering the content of the proposals and understanding management policies and business plans of invested companies, and after determining if the exercise will lead to an increase in the invested company's corporate value in the mid- to long-term.

[Principle 1.7]

Pursuant to the Company's Related Parties' transaction Handling Rule, the Company creates a list of related parties, and understands the related parties' transaction in prior. Then the Board of Directors reviews rationales of the transaction (in business necessities) and appropriateness of terms and conditions, hearing outside directors' opinions and finally the Board of Directors makes a resolution to approve it.

[Principle 2.6]

The Company does not have a corporate pension fund and has no function as an asset owner.

[Principle 3.1]

(i) The Company has disclosed its corporate philosophy etc., on its website, and on materials for briefings on earnings announcement and annual reports.

(ii) The Company has disclosed its basic views and guidelines on corporate governance based on each of the principles of the Code in this Corporate Governance Report, and in annual securities reports ("Yuka Shoken Hokokusho").

(iii) The Company determines the maximum total amount of remuneration of Directors by the resolution of the General Meeting of Shareholders. The Company determines the remuneration for each Director (excluding Directors who are Members of Audit and Supervisory Committee) at the Board of Directors

meetings considering the business result of the Company and responsibility and performance of each Director, and the remuneration for Directors who are Members of Audit and Supervisory Committee at the Audit and Supervisory Committee meetings, to the extent of the total amount of remuneration approved at a General Meeting of Shareholders.

(iv) When the Company appoints or dismisses directors who are not Members of Audit and Supervisory Committee, the Company has a process that Board of Directors requests advices to Nomination and Remuneration Committee where independent and outside directors are majority first, and then resolves considering the Committee's advice. The Company established criteria for nomination and dismissal and determines with comprehensive evaluation. The criteria are as follows:

- Criteria for nomination

1. A candidate has excellent character and insight, good management sense and is familiar to various matter in management.
2. A candidate has good ability to analyze and judge issues objectively from a holistic perspective.
3. A candidate has broad knowledge and good insight.
4. A candidate can grasp current trend, management environment and changes in the market.
5. A candidate can optimize the existing process, framework and human resources assignment, and be responsible for daily results and has willingness to improve performance by using judgment and experience.

- Criteria for dismissal

1. When a director has a health issue and continuation of the role becomes difficult.
2. When a director committed an action that offends public order and justice.
3. For a director who is not a Member of Audit and Supervisory Committee, when business results of the Company for multiple years (ROE, ordinary income and stock price) show significant reduction.
4. When a director does not show personal qualities as set forth in the Criteria for nomination.
5. When the Company changes its management policies drastically and the Company needs new officers for changes.
6. When a director whose term is expiring does not wish to be re-elected.

(v) Reasons for nomination of candidates for Directors are individually disclosed in Notice of Convocation of the General Meeting of Shareholders each year.

[Principle 4.1.1]

The Company stipulates the standards for submission of matters in the Board of Directors Rule and Authorization Rule for the Board of Directors. The outlines thereof are disclosed in Corporate Governance Report and the annual securities report.

[Principle 4.9]

The Company has established “Criteria to determine the independence of outside officers” of its own, based on the independence standards of Tokyo Stock Exchange, Inc., and appoints independent and outside directors pursuant to it. The content of the standard is disclosed each year in Convocation Notice of General Meeting of Shareholders and the annual report.

[Supplementary Principle 4.11.1]

The Board of Directors of the Company consists of 8 directors (5 directors who are not Members of Audit and Supervisory Committee and 3 directors who are Members of the Committee) and the Company appointed persons who are familiar to the business of the Company, persons who have experience of listed companies’ directors and persons who have professional skills and experiences necessary for company management.

When the Company appoints new directors, the Company evaluates the candidate if he/she has understanding of corporate philosophy and the founding principles of the Company and if he/she can contribute to increase of corporate value of the Company by. ”Criteria for nomination,” and then review the candidates at Board of Directors meeting and General Meeting of Shareholders. From now on the Company continues to discuss the balance as the entire Board of Directors among knowledge, experience and skills, thoughts about diversity and scale, and policy and procedure for appointment of directors at Nomination and Remuneration Committee.

[Supplementary Principle 4.11.2]

Each director spends necessary time and power to fulfill his/her roles and responsibilities of their positions. For outside directors, the Company confirms that he/she can secure enough time and power to fulfill the roles and responsibilities when he/she is appointed. There is one (1) director of the Company who also serve as a director at other listed companies and the status of the concurrency is disclosed in the annual securities report (“Yuka Shoken Hokokusho”).

[Supplementary Principle 4.11.3]

The Company conducted a questionnaire survey in effectiveness assessment of Board of Directors meeting to the board members in 2018, and analyzed and evaluated the effectiveness of the Board of Directors’ meeting. Major items of the questionnaire are the structure of Board of Directors, operation of Board of Directors meeting, issues about Board of Directors meeting and the system assisting Board of Directors.

(i) Outlines of results of analysis and evaluation

The Company judges that the Board of Directors of the Company fulfills the roles and functions effectively, based on the results of the questionnaire and discussion at the Board of Directors meeting thereof.

- Board of Directors has the scale and structure to fulfill the roles and responsibilities of the board.
- Frequency of the meeting and the number, contents and time spent for the discussion for the agenda items at the meetings are mostly adequate.

- Decent review has been done at the meetings with expression of opinions from each directors attended including outside directors. Proceeding of the meeting by the chairman and other processes for decision-makings are appropriate.
- System to assist Board of Directors is properly secured, including the system to assist outside directors. At the same time it was made clear that the Company had issues as stated below:
- The Company needs to appoint female directors and the Company needs to review appointment of foreign directors to promote globalization.
- More time should be spent for discussion about major direction of management strategy than now.
- The Company needs to review establishment of an advisory committee including outside experts etc. to secure fairness, transparency and objectivity of remuneration of top management.
- The Company needs to review implementation of performance-linked remuneration to increase mid- and long-term corporate value and incentives for increase of stock price.

(ii) Future activities

Following the discussion above, the Company appointed Hideko Toba as a female director at General Shareholders' Meeting held on June 24, 2019. On the same day an extraordinary Board of Directors meeting resolved establishment of Nomination and Remuneration Committee. The Company will continue to work on the aforementioned issues and try to improve the effectiveness of Board of Directors meetings including proceedings at such meetings.

[Supplementary Principle 4.14.2]

The Company appoints persons who understand the role and responsibilities expected of directors and can fulfill the roles appropriately. The Company provides opportunities for directors to attend outside seminars and internal trainings to acquire necessary knowledge with regard to the business of the Company, finance and organization appropriately so that they can fulfill their expected roles and duties appropriately. It is the Company's policy that the Company bears such costs.

[Principle 5.1]

The Company strives to promote opportunities for constructive dialogue between the management and shareholders and market participants and maintain the system for continuous growth and mid-and long-term increase of the corporate value. Corporate Strategy department led by an executive officer and CSO is in charge of overall dialogue with shareholders and market participants and Corporate Strategy department discloses information and dialogues appropriately, in cooperation with Sales, Accounting, Finance and Legal departments etc.

The Company holds briefing sessions for analysts several time a year and it holds financial briefings, management policy briefing after General Meeting of Shareholders, information disclosure on the Company's website, to increase investors' understanding of the Company.

The Company conducts survey each time when the Company holds analyst briefing session, and information

obtained through the survey is reported to the top management and the Board of Directors upon necessity. When the Company conducts dialogue with investors, the key topic in the dialogue is increase of mid- and long-term corporate value and the Company controls internal information by setting a silent period from the end of each quarter to quarterly earnings announcement date.

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name	Number of Shares Held (Shares)	Percentage(%)
E&RS' FORCE CREATION Pte. Ltd.	5,850,000	24.69%
Mr. Shigemi Kawahara	5,418,834	22.87%
Ms. Emi Kawahara	1,840,000	7.77%
CFT Japan Holdings Co., Ltd.	1,100,000	4.64%
Cool Japan Fund Inc.	580,000	2.45%
The Nishi-Nippon City Bank Ltd.	500,000	2.11%
Ariake Japan Co., Ltd.	400,000	1.69%
The Torigoe Co., Ltd.	400,000	1.69%
Nisshin Flour Milling Inc.	400,000	1.69%
Calibre Wealth Management Sdn. Bhd.	400,000	1.69%

Controlling Shareholder	Mr. Shigemi Kawahara
Parent Company	None

### Supplementary Explanation **Updated**

This is the status of major shareholders of the Company as of March 31, 2019.

The number of shares held by Mr. Shigemi Kawahara includes the 8,834 shares which is the portion of his share under the Director's Stock Ownership Program.

The Company has no treasury shares except 89,600 shares held by the Trust under the Employee Stock Ownership Program.

### 3. Corporate Attributes

Listed Stock Market and Market Section	First Section of Tokyo Stock Exchange
Fiscal Year	March
Type of Business	Retail
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	Less than 1,000
Net sales (Consolidated) for the Previous Fiscal year	From 10 billion to less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

### 4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder **Updated**

Shigemi Kawagara, Representative Director and President of the Company, has 55.28% of total voting right of the Company, totaling with his spouse's equity share and that of E&RS' FORCE CREATION PTE. LTD. (an asset management company whose majority of the voting rights are owned by his spouse and relatives at their own accounts), and falls under a controlling shareholder.

The Company makes it a rule that when the Company makes transactions with such controlling shareholder and its relatives or companies whose majority is owned by them, Board of Directors meeting, where 1 outside director and 2 outside directors who are Members of Audit and Supervisory committee (all of them are independent officers) participate, shall resolve it by reviewing thoroughly the necessity of the transaction and appropriateness of terms and conditions. When it is reviewed, it is confirmed that the terms and conditions or the transaction are appropriate comparing to other transactions with third parties where no conflict of interest exists, as well as the necessity of the transaction. At Audit and Supervisory Committee, appropriateness of the transaction is examined with the accounting auditor and they ensure that directors are executing business with sufficient consideration given to the protection of minority shareholders.

### 5. Special Circumstances Which May Have Material Impact on Corporate Governance

Not applicable

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board	President
Number of Directors <b>Updated</b>	8
Appointment of Outside Directors	Appointed
Number of Independent Officers Designated from among Outside Directors	3

Outside Directors' Relationship with the Company (1)	<b>Updated</b>
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Name	Attribute	Relationship with the Company										
		a	b	c	d	e	f	g	h	i	j	k
Hideko Toba	From another company											
Tetsuya Tsuji	Attorney at law											
Shinji Tanabe	Certified public accountant											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

\* "●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Executive or non-executive director of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company



- d. Party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- i. Executive of a corporation, between which and the Company outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

## Outside Directors' Relationship with the Company (2)

Updated

Name	Designation as Member of Audit and Supervisory Committee	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hideko Toba		○	----	Hideko Toba has held positions such as Director of Marketing at internationally well-known brands and companies, and has wide-ranging insights as well as high levels of specialist knowledge in the areas of branding and marketing. In addition, she has management and international experience. The Company newly elected her as an outside director with hopes that her wealth of experience and insights will strengthen the Company's branding and marketing strategies, as well as fostering governance structures, and has nominated her candidacy.

Tetsuya Tsuji	○	○	---	Tetsuya Tsuji is a lawyer admitted in Japan and has experiences of outside auditor at multiple listed companies. The Company elected him with hopes to contribute his high degrees of expert knowledge of laws and management in the audit and control of the Company.
Shinji Tanabe	○	○	---	Shinji Tanabe is a Certified Public Accountant and has experience in major auditing firm and in outside auditors in listed companies. The Company elected him with hopes to contribute his high degrees of expert knowledge of accounting and management in the audit and control of the Company.

### [Audit and Supervisory Committee]

#### Committee Composition and Attribute of Chairman

	Total Number of Members	Number of Full-time Members	Number of Inside Directors	Number of Outside Directors	Chairman
Audit and Supervisory Committee	3	1	1	2	Inside Director
Directors and Employees Assisting Duties of Audit and Supervisory Committee	Not appointed				

#### Reason the current system is implemented

Directors or employees who assist Audit and Supervisory Committee's duties are not assigned, because one inside director who is a member of Audit and Supervisory Committee is stationed in the Company and appropriate collection of information is realized by collaborating with internal audit division. When Audit and Supervisory Committee requests such an employee, the Company will assign such an

employee.

### Cooperation among Audit and Supervisory Committee, Independent Auditing Firm, and Internal Audit Department

As for the relationship among internal audit, audit by Audit and Supervisory Committee and accounting audit, the Audit and Supervisory Committee are present at internal audit when necessary, and share the important auditing items and audit results. Audit and Supervisory Committee and internal audit division regularly (quarterly), or upon necessity, have meetings with accounting auditor (three-pillar audit). Thus the Company has a system to that can evaluate appropriateness of internal control system comprehensively and objectively, and make proposals and recommendations to improve and follows-up any issues identified.

### [Voluntary Committees]

Voluntary Establishment of Committee(s) Equivalent to Nomination Committee or Remuneration Committee

Established

Updated

### Committee's Name, Composition and Chairman's Attributes

Updated

	Committee's Name	Total Number of Members	Total Number of Members	Total Number of Members	Total Number of Members	Total Number of Members	Total Number of Members	Head of the Committee (Chairperson)
Committee Equivalent to Nomination Committee	Nomination and Remuneration Advisory Committee	5	0	2	3	0	0	Inside Director
Committee Equivalent to Remuneration Committee	Nomination and Remuneration Advisory Committee	5	0	2	3	0	0	Inside Director

Nomination and remuneration committee of the Company consists of 3 independent outside directors (including 2 Audit and Supervisory Committee members), Representative Director and a director, totaling 5 members. It is a voluntary advisory organization and the committee meeting is held when necessary.

Nomination and Remuneration Committee is designed to further enhance transparency and fairness by obtaining opinions and advice from Members of the Committee where the majority is independent outside directors with regard to matters concerning nomination and dismissal of Directors, and remuneration, etc. of directors and other officers, prior to deliberation at the Board of Directors.

The constitution of Nomination and Remuneration Committee is as follows.

Chairperson : Takashi Ajimura (Inside Director)

Member : Shigemi Kawahara (Representative Director and President)

Member : Hideko Toba (Outside Director)

Member : Tetsuya Tsuji (Outside Director who are Members of Audit and Supervisory Committee)

Member : Shinji Tanabe (Outside Director who are Members of Audit and Supervisory Committee)

\*This Committee has the function of both nomination committee and remuneration committee.

[Status of the Committee's activity]

It started its activities on June 24, 2019 and the 1st Committee meeting held on the day resolved the chairman of the Committee, future action policy and the annual plan.

[Status of the Secretariat]

HR division assists the Committee as a secretariat.

### [Independent Officers]

Number of Independent Officers

Updated

3

### Other Matters relating to Independent Officer

The Company has a policy that independent officers shall be appointed for the purpose of continuous increase of the corporate value, considering general shareholders' interests. The Company evaluates the qualification of Tokyo Stock Exchange's Outside Officers Criteria and also uses its own criteria for independency and appoints independent officers who do not generate conflict of interest with general shareholders.

Outside directors (including both members and non-members of Audit and Supervisory Committee) who meet qualifications of Independent Officers are all designated as Independent Officers.

## [Incentives]

Implementation of Measures to Provide Incentives to Directors	Stock Options
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### Supplementary Explanation

The Company implemented the plan to align the business performance of the Company and improvement of motivation of each of the officers and employees.

Recipients of Stock Options	Inside Directors, Employees, Directors of Subsidiaries and Employees of subsidiaries
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### Supplementary Explanation

Not applicable

## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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### Supplementary Explanation

The Company do not disclose individual directors' remuneration due to the absence of applicable directors who received consolidated remuneration of 100 million Yen or more.

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established
Updated	

### Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

The Company has policies on the amounts of compensations, etc. for officers of the Company and on the determination of calculation method. They are as follows. Additionally, the Company resolved at the Board of Directors meeting on June 24, 2019 that the Company establishes "Nomination and Remuneration Committee", which is a voluntary advisory committee, and the Company will continue the discussion about the policies on the amounts of compensations, etc. for officers of the Company or any specific policy concerning the determination of calculation method.

a. Directors who are not members of Audit and Supervisory Committee

Directors' remuneration is decided, for increasing the shareholders' value over the medium to long term and improving business results, with a basic policy that the remuneration should be linked to business results of the Company and each director's role and performance appropriately.

b. Directors who are not members of Audit and Supervisory Committee

Remuneration of directors who are members of Audit and Supervisory Committee is determined by discussion by and among them, since they have roles to supervise directors' execution of business as an independent organ consigned by shareholders.

By a resolution at the Ordinary General Meeting of Shareholders held on June 26, 2017, the Company set the maximum annual amounts of remuneration for Directors at 330 million yen (for outside directors, at 30 million yen, included in 330 million yen, provided however, such amount shall not include the compensation to be paid as employee if a Director serves concurrently as an employee), considering the number of directors and economical environment. Also, by a resolution at the same Ordinary General Meeting of Shareholders, the Company set the maximum annual amounts of remuneration for Audit and Supervisory Committee Members at 50 million, considering their roles and responsibilities.

It is Board of Directors who has an authority to determine the policy about the amount of remuneration of directors of the Company or its calculation method. Board of Directors decides each director's remuneration within the maximum amount resolved by the general meeting of shareholders. It was resolved at the Board of Directors meeting held on June 25, 2019 that the directors' remuneration amount for this fiscal year should be decided at the sole discretion of Representative Director. The Company established Nomination and Remuneration Committee as of June 24, 2019 and the Company will change the process to Board of Directors first requesting advice from the Committee and the Board of Directors determines the amount, considering the advice by the Committee, to improve objectiveness and transparency.

**[Supporting System for Outside Directors]** **Updated**

The Company reports issues about the business to outside directors using phones and emails etc. The Company distributes agenda items of the Board of Directors meeting in prior and Corporate Strategy department makes prior explanation upon necessity so that outside directors have time to review the items before the meeting.

Outside directors who are members of Audit and Supervisory Committee are shared audit information, internal audit information and accounting audit information by a full-time member of Audit and Supervisory Committee.

## 2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **Updated**

### a. Directors and Board of Directors

The Company's Board of Directors consists of five (5) Directors (excluding Directors who are Members of Audit and Supervisory Committee) (including one (1) Outside Director) and three (3) Directors who are Members of Audit and Supervisory Committee (including two (2) Outside Directors).

The board convenes once a month for regular meetings and on other occasions as required to thoroughly deliberate on and pass resolutions on important matters. Outside directors of the Company are representative director of a company, a lawyer and a CPA and each has necessary experience of business and professional skills. It enables the Company to make business judgements from broader perspectives. The Company appoints outside directors based on the criteria of independence the Company has established following Tokyo Stock Exchange's criteria of outside officers, as a standard or policy, and the Company appointed outside directors pursuant to the Criteria.

Activities in Fiscal Year ended on March 31, 2019 were as follows.

[The number of Board of Directors meetings] 13

[Each director's number of attendance] 13: Shigemi Kawahara, Hidehiko Nishihama, Tetsuya Tsuji, Shinji Tanabe, 12: Yasuyoshi Suzuki

\*Current Directors Toru Nakao, Takashi Ajimura and Hideko Toba were appointed at the General Meeting of Shareholders held on June 24, 2019 and there were no attendance in Fiscal Year 2018-19.

### b. Audit and Supervisory Committee

The Company's Audit and Supervisory Committee, a majority of which are Outside Audit and Supervisory Committee Members, endeavors to make appropriate judgments from an objective standpoint, independent from the executives. Moreover, full-time Audit and Supervisory Committee Members are designated so that they will attend important in-house meetings and carry out such tasks as gathering important information and receiving reports on a daily basis. Outside Audit and Supervisory Committee Members who either have experience as a corporate manager or have extensive experience as an attorney at law with legal expertise or as certified public accountant with accounting expert and Inside Audit and Supervisory Committee Members who are familiar with the Company's business conduct highly effective audits, cooperate with the Internal Audit Department, and endeavor to provide opinions to the management at the Board of Directors meetings and other important meetings.

### c. Nomination and Remuneration Committee

Nomination and Remuneration Committee of the Company consists of 3 outside directors (2 of them are members of Audit and Supervisory Committee), a Representative Director and an internal director. It is a voluntary advisory committee under Board of Directors and its meetings are held upon Board of Directors' request to advise. The purpose of this Committee is to secure transparency, fairness and objectivity of nomination of directors and their remunerations by the process that nomination of directors and their

remunerations are first discussed at Nomination and Remuneration Committee where independent outside directors are majority and then Board of Directors makes the decision based on the discussion at the Committee.

d. Compliance Committee

Compliance Committee of the Company consists of 5 directors (including 3 outside directors). The Committee implements and maintains internal rules, operation of whistleblowing system contact and monitoring of compliance status etc., for the purpose of compliance with laws, regulations and internal or outside rules and codes and enabling the entire Group to execute business properly. For effectiveness, the Committee reports issues confirmed at the Committee to the Board of Directors when necessary and solves the issues in a particular division.

e. Status of internal audit

The Company has Internal Audit Division to which 1 manager and 1 staff belong. Internal Audit Division is independent from other business execution lines and it is an organization immediately under the Representative Director and President. It makes effort to conduct highly effective internal audit to support soundness and appropriate business execution from an independent and objective standpoint. It is the basic policy of the Group that the Company investigates the business execution and asset control of the Company and subsidiaries based on “Internal Audit Rule” and maintains a system for compliance to relevant laws and regulations and statutes of the Company.

As for mutual cooperation among internal audit, audit by Audit and Supervisory Committee and accounting audit, as well as the relationship between these audit and corporate governance division, Audit and Supervisory Committee is present at internal audit when necessary, and share the important auditing items and audit results. Audit and Supervisory Committee and internal audit division regularly (quarterly), or upon necessity, have meetings with accounting auditor (three-pillar audit). Thus the Company has a system to that can evaluate appropriateness of internal control system comprehensively and objectively, and make proposals, recommendations to improve and follows-up any issues identified.

f. Independent auditing firm

The Company has appointed BDO Sanyu & Co. as its independent auditing firm and executed the audit agreement. Sanyu audits the Company’s accounts regularly, based on Article 193-2 paragraph 1 of Financial Instruments and Exchange Act, pursuant to Article 211 paragraph 6 of the “Securities Listing Regulations” of the Tokyo Stock Exchange. As stated in the above paragraph, Sanyu deepens mutual cooperation by exchanging information with the Internal Audit Department and the Audit and Supervisory Committee. CPAs who have conducted accounting audit are Yo Torii and Kenji Nishikawa. Consecutive years of auditing is not stated here because it is not more than 7 years for all of CPAs. The support staff for the auditing team consists of 4 CPAs and 4 others.



### 3. Reasons for Adoption of Current Corporate Governance System **Updated**

Since its inception in October 1985 and up to this date, the Company has endeavored to expand its business domains surrounding the core IPPUDO brand not only in Japan but throughout the world. Staying true to its corporate philosophy of “Keep Changing to Remain Unchanged” and its founding principle of “Continuously Creating New Values” and “Spreading Smile and Arigato throughout the World” the Company continues to expand its basis in the existing territories as well as in new markets.

The Company understands that further improvement of the corporate governance is an important issue to increase the corporate value continuously. It is necessary to strengthen the transparency of management and checks and balances functions in the Group to solve the issue. Accordingly the Group has implemented a holding company scheme where the entire Group’s corporate governance can be strengthened by centralizing the control and management of the entire Group in a holding company. The Company will continue to review the organization when the business expands and seek for more effective management system for business operation.

The reason the Company adopted a system of a company with the Audit and Supervisory Committee is that by establishing an Audit and Supervisory Committee whose majority is outside directors and by providing voting rights at Board of Directors meeting to members of Audit and Supervisory Committee, management supervising function by Board of Directors is empowered and the corporate governance of the Company would be further improved.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Meeting of Shareholders and Smooth Exercise of Voting

Rights **Updated**

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Company continuously tries to send the convocation notice of General Meeting of Shareholders early to secure the time for shareholders to review agenda items of a General Meeting of Shareholders. The Notice of Convocation of General Meeting of Shareholders is also posted on the Company's website.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	The Company has been avoiding the date on which most other companies in Japan hold their General Meetings of Shareholders and hosting the meeting at places that is easy for shareholders to attend (such as hotels), and it will aim to continue to do so.
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company allows the exercise of voting rights via the Internet from 34th General Meeting of Shareholders held on June 24, 2019.
Participation in electronic voting platform and other efforts to enhance the voting environment for institutional investors	The Company will continue to review the issue.
Providing Notice of Convocation in English (Translated Fully or Partially)	The Company started to provide full translation of entire Convocation Notice of the General Meeting of Shareholders since 34th General Meeting of Shareholders held on June 24, 2019.

## 2. IR Activities Updated

	Supplementary explanation	Explanation by Representative
Explanation by Representative	It is the Company's policy to post its disclosure policy on the Company's website.	
Regular investor briefings for Individual investors	The Company holds investor briefings for individual investors regularly and Representative Director and President makes presentations of the business results and management policies.	Yes
Regular investor briefings for analysts and institutional investors	The Company holds the investor briefings from time to time, mostly upon announcement of annual financial results and interim financial results.	Yes
Regular investor briefings for foreign investors	The Company will hold regular investor briefings for foreign investors etc. and explain the business results and management policies.	No
Postings of IR Materials on website	The Company posts Tanshin, Timely Disclosure materials, annual report ("Yuka Shouken Houkokusho") and quarterly reports on the Company's website.	
Establishment of department and manager in charge of IR	IR is handled by Corporate Strategy department.	

### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary explanation
Provisions to Ensure Due Respect for Stakeholders in In-house Rules, etc.	It is stipulated to respect each stakeholder's position by establishing Corporate Philosophy and Founding Principles.
Environmental Activities, Implementation of CSR activities, etc.	The Company aims to fulfill its Corporate Social Responsibilities based on its corporate mission "Japanese Wonder to the World, Spreading Smile and Arigato throughout the World." More concretely, to counter the trend of "solitary dining" where appreciation towards food and dining is felt less and a proper understanding of and communication through dining is less, the Company conducts cooking classes in the areas where there are stores, to educate children on food and dining culture by actually cooking and dining together such items as Gyoza dumplings and ramen noodles. The Company further engages in street-cleaning in the areas where there are stores to contribute to clean and agreeable environments. Additionally, the residues from cooking processes are re-processed to convert them into feedstuff for animals, to reduce negative impact on the environment.
Formulation of Policies for Information Provision to Stakeholders	The Company considers it a responsibility of a listed company to disclose information in a timely and appropriate manner to stakeholders such as shareholders, customers and business partners.

## IV. Matters Related to Internal Control System

### 1. Basic Views on Internal Control System and Progress of System Development Updated

Internal control system of the Company is designed to implement necessary separation of authorities and checks and balances function by separately assign execution and management functions to particular divisions respectively, and by complying various internal rules. The Company conducts internal audit following the annual internal audit plan to monitor the effectiveness of internal checks and balances.

The Company has resolved “Basic Policy for Internal Control.” as follows.

#### 1. System to Ensure that Execution of the Duties by the Directors and the Employees Complies with Laws and Regulations, and the Articles of Association

a) Directors are to consider compliance with relevant laws and rules, as well as abiding by the corporate philosophy of “Keep Changing to Remain Unchanged” as the highest priority, and to execute their offices accordingly.

b) The Board of Directors will determine the basic policies of internal control systems, and monitor if directors are building and operating effective internal control systems and executing their responsibilities in their accordance.

c) The Board of Directors will follow laws, rules resolutions of the shareholders’ meeting and the rules governing Board of Directors’ meetings, in deciding on important decisions concerning the Company’s management.

d) Directors will promote mutual communication with other directors, to build a system of mutual checks and balances, and to realize an appropriate and effective management system

e) The Company will establish an Audit and Supervisory Committee to audit the duties carried out by Directors in accordance with the laws and the regulations of Audit and Supervisory Committee. The said Committee will also utilize the internal governance systems, and to audit in conjunction with internal audit department.

f) Management departments will be familiar with laws relevant to corporate activities and articles of association, to continuous implement corporate regulations and raise their awareness throughout the Company.

g) The Company will establish Internal Audit Department separate from its executive departments to function as internal audit. The Internal Audit will conduct, at the direction of Representative Director, Chairman and President, periodic verification of executive activities, compliance, appropriateness of internal governance systems and their effectiveness.

#### 2. System for the Storage and Management of Information related to Execution of Duties by the Directors and the Employees

The Company will correctly record and keep for a set period time all the important information such as minutes of the shareholders’ meetings and Board of Directors’ meetings, and other important information concerning management and executive activities as dictated by “Rules Concerning Management of

documentations,” “Rules Concerning Management of Information” and “Rules Concerning Circular Decisions” and other relevant Rules. Other relevant rules will be reviewed and adopted as necessary.

### 3. Rules and Other Systems for the Management of Risk of Loss

(a) Directors and employees shall execute their duties based on their roles and responsibilities as defined in “Rules Concerning Organization,” “Rules Concerning Division of Responsibilities” and “Rules Concerning Positions and Authorities” and they shall escalate any matter that is beyond their roles and responsibilities to their upper management as stipulated in “Rules Concerning Circular Decision” and avoid unexpected matter (loss).

(b) Management division shall monitor the risks and properly manage them, by deciding policies, systems and procedures etc. for risk management.

(c) Internal audit division shall audit the status of each business unit’s risk control, regularly report important matters to the Representative Director, Chairman and President, and for important items, to Board of Directors’ meetings and the Audit and Supervisory Committee.

### 4. System to Ensure Efficient Execution of Duties by Directors and Employees

(a) In order to secure that execution of business by directors is made effectively, the Company shall stipulate the method to operate the Board of Directors’ meetings in “Rules Concerning Board of Directors’ Meetings” to make decisions smoothly, convenes regular Board of Directors’ meetings each month and convenes extraordinary Board of Directors’ meetings if necessary.

(b) The Company sets forth the omission of the resolution of the Board of Directors’ meetings and it shall endeavor to secure an efficient approval procedure for urgent and easy matter.

(c) The Company shall decide mid-term management plan and make the management goals clear.

(d) The Company shall regularly review progress of business at monthly regular Board of Directors’ meeting, analyze and evaluate the results in light of mid-term management plan and annual budget decided by the Board of Directors’ meetings.

The Company reviews the improvement plans if necessary.

### 5. System to Ensure Appropriate Business Operation within the Corporate Group Consisting of the Company and its Subsidiaries

(a) The Company shall instruct and educate its subsidiaries to improve corporate value and to ensure appropriate business and by sharing the corporate philosophies and code of conduct with them while respecting autonomy. The Company shall manage subsidiaries properly by abiding by “Rules Concerning Management of Affiliate Companies.”

(b) A division in charge of management of subsidiaries shall share information and cooperate by attending Board of Directors’ meetings at subsidiaries.

(c) The Company shall send a director(s) in principle and reflect the Company’s intent in their management. The Company shall immediately report to a person in charge of such business when a risk of

loss occurs.

(d) The Company's shall send an auditor(s) to subsidiaries. The Company shall immediately report an audit result to a person in charge of such business.

(e) The Company's internal audit division audit the effectiveness of internal control of each company in the Group. It shall report the results to Representative Director, Chairman and President and managers, and report important matters the Board of Directors' meeting.

(f) The Company shall place directors' compliance with relevant laws and regulations as the first priority issue in corporate management and the directors to follow the corporate philosophy of "Keep Changing to Remain Unchanged" when they execute their duties accordingly.

(g) The Company shall review the business progress of subsidiaries regularly at their Board of Directors' meeting, analyze and evaluate the results in light of mid-term management plan and annual budget decided by the Board of Directors' meeting.

The Company reviews the improvement plan if necessary.

6. Particulars related to the director and employee that are appointed to assist with the duties of the Audit and Supervisory Committee

(a) While the Company currently does not have a director or an employee to assist the Audit and Supervisory Committee's duties, the Board of Directors may appoint such an employee etc., after it discusses the matter with the Audit and Supervisory Committee and respecting their intentions.

(b) An employee etc. who assists the duties of Audit and Supervisory Committee shall assist the whole duties of the Committee following the instruction by the Committee. The Company shall appoint a person who has the knowledge and capability to do so.

7. Systems for Directors and/or Employees to make a report to Audit and Supervisory

Committee and systems for ensuring that such persons are not treated disadvantageously due to making the report

(a) Member of Audit and Supervisory Committee may attend any and all meetings or committees other than Board of Directors' meetings and receive reports in order to recognize the process of important decision and execution status of businesses.

(b) Directors and employees shall report important matters to be proposed to Board of Directors' meetings, important decisions, decisions by other important meetings, important accounting policies and accounting standard and amendment thereof, progress of internal audit and other necessary important matters to the Audit and Supervisory Committee.

(c) Directors and employees shall immediately report to the Audit and Supervisory Committee when they recognize matters that may cause extreme loss to the Company, illegal acts or violations of important laws and regulations or Articles of Association.

(d) Directors and employees may directly report or consult with the Audit and Supervisory Committee about matters related to compliance or risk management, with regard to business execution of the Company

or its subsidiaries.

(e) The Company shall prohibit disadvantageous treatment of directors or employees who made reports or consultation with Audit and Supervisory Committee as a result of such report or consultation. The Company shall communicate the aforementioned to directors and employees.

8. Particulars related to policies concerning the processing of expenses or obligations that arise with regard to execution of the duties of the Audit and Supervisory Committee Members

Directors shall cooperate the audit activities by each member of Audit and Supervisory Committee. Directors shall secure the budget for audit expenses to realize the effectiveness of audit and reimburse the expenses of each member of Audit and Supervisory Committee for their audit activities.

9. Other systems to ensure that audits by the Audit and Supervisory Committee are performed effectively

(a) The Audit and Supervisory Committee may have meetings to exchange opinions with Representative Director, Chairman and President, regularly. If necessary, the Committee may have a liaison meeting with business units including directors, managers and employees.

(b) The Audit and Supervisory Committee may ask accounting division, legal division and other divisions for their cooperation to audit at any time if necessary.

(c) The Audit and Supervisory Committee may request cooperation for the audit to internal audit division and the internal audit division shall cooperate in the effective audit by the Audit and Supervisory Committee.

(d) The Audit and Supervisory Committee shall exchange opinions and information with accounting auditor and request investigation and report if necessary while maintaining the relationship.

10. Basic Policy and Systems Against Anti-Social Organizations

The Company makes it a basic policy not to associate with antisocial forces, organizations, and individuals and not to comply with unfair and illegal demands from them. The Company shall thoroughly instruct all directors and employees to comply with the aforementioned, as well as trying to collect information from relevant administrative bodies, and build a system to take prompt action in close cooperation with relevant administrative bodies and legal specialists if such cases occur.

## 2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts **Updated**

The Company makes it a basic policy in “Anti-Social Organizations Elimination Rule” the Company established not to associate with anti-social forces, organizations, and individuals including in business relationship and not to comply with unfair and illegal demands from them. The organization that handles anti-social forces is Corporate Strategy department, and it centrally collects and stores information about anti-social forces, supports endeavors to block relationship with anti-social forces and prepares internal rules, implements trainings, prepares manuals to handle the situation and liaise with outside professional organizations. Also the Company inserts clauses of representations to eliminate anti-social forces in



business contracts when the Company executes a contract with a business partner.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	No adopted
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Supplementary Explanation

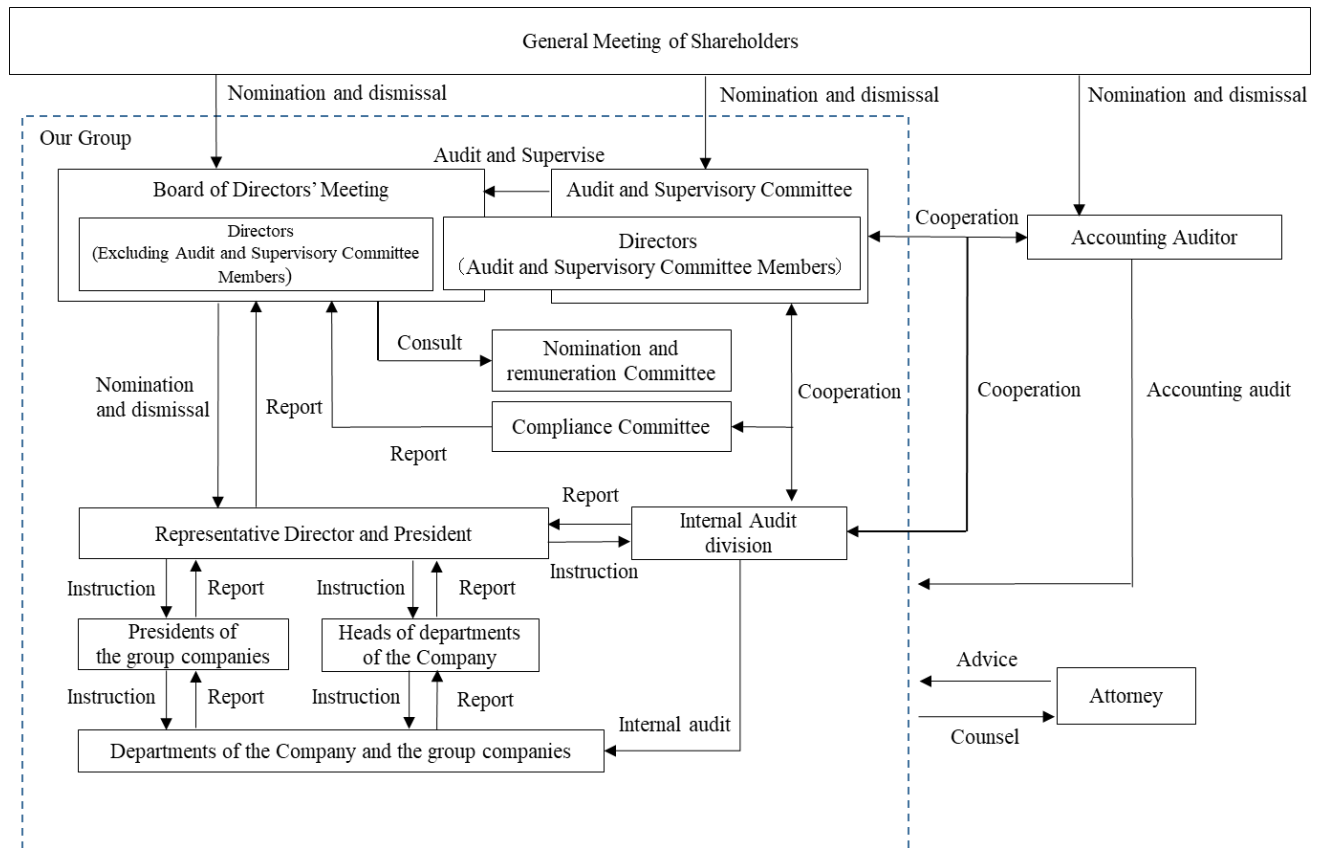
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### 2. Other Matters Concerning Corporate Governance System

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[Outline of the Company's Corporate Governance system]



## 【In-house Structure for Timely Disclosure】

