コーポレートガバナンス
CORPORATE GOVERNANCE

[TRANSLATION]

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December 23, 2021

SKYLARK HOLDINGS CO., LTD.
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The status of the Company's corporate governance is as follows

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

1. Basic Approach

Under its Corporate Philosophy of "Creating Richness with Value to Society: Contributing to Life Enrichment and Advancement of Society by Creating the Future of Dining", the Skylark Group operates approximately 3,100 outlets, mainly table service restaurants, patronized by a cumulative total of approximately 400 million customers annually. The Group aims to offer great-tasting food at affordable prices with good service in its comfortable restaurants to as many people as possible. The Company considers continuously enhancing its corporate value by contributing to society through this food-related business to be its most important management task. The Company aims to operate a corporate group that is trusted not only by its customers, but by all of its stakeholders, including its shareholders, business partners, local communities and employees.

To achieve these objectives, the Company has established the Skylark Group Charter of Corporate Behavior, and shares it among all executives and employees, observes laws and international rules and their spirit, and strives to behave with a social decency. The Company also works to enhance corporate governance by implementing various initiatives to ensure the soundness, effectiveness and transparency of management.

<< General Policies on Corporate Governance Basic Policy on Corporate Governance >>

(1) Respect the rights of shareholders and ensure equality.
(2) Consider the interests of stakeholders, including shareholders, and cooperate appropriately with them.
(3) Appropriately disclose Company information and ensure transparency.
(4) Ensure the effectiveness of supervisory functions for business execution through the Board of Directors.
(5) Conduct constructive dialogues with shareholders who have an investment policy that matches their medium-to-long-term interests.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company implements / complies with all of the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

The following is based on the Corporate Governance Code after the revision in June 2021 (Although Supplementary Principle 4-10-1 is aimed at the prime market, the Company is disclosing information in advance.)

<General Principle 1-4>
The Company has no past record of holding shares of other listed companies as cross-shareholdings, and has no plans to do so at this time. When considering the possibility of holding shares of other listed companies as cross-shareholdings in the future, the Company will formulate a policy regarding reduction of cross-shareholdings of shares of other listed companies, and appropriately discuss the matter before executing such cross-shareholdings. In such cases, the Company will appropriately disclose the policy, the results of validation of the propriety of individual holdings, and the criteria for exercising voting rights for cross-shareholdings.

<Principle 1-7 Related Party Transactions>
In its list of proposals for the Board of Directors, the Company defines significant related party transactions as matters to be resolved by the Board of Directors, and also defines transactions of directors that qualify as competing and/or conflict of interest transactions as matters to be resolved by and reported to the Board of Directors. The Company monitors such transactions, and discloses details of significant related party transactions in the notes to non-consolidated financial statements, etc. In addition, we also conduct a quarterly survey and monitor related party transactions with regard to directors.

<Supplementary Principle 2-4-1 Ensuring Diversity in the Promotion of Core Human Resources>
The Skylark Group regards human resources as one of its most important business management resources, and engages in diversity management. Details of specific initiatives are listed below.
・The Company's website: https://www.skylark.co.jp/company_e/csr/diversity.html

<Principle 2.6 Roles of Corporate Pension Funds as Asset Owners>
The Company does not operate either fund-type or contract-type defined benefit pensions or employees' welfare pension funds, and has adopted a defined contribution pension plan. Accordingly, although reserve funds are managed by the employees themselves, the Company does educate employees with regard to asset management under the defined contribution pension plan, given the fact that it impacts employee asset formation.

<Principle 3-1 Full Disclosure>
1. Corporate philosophy and business plans, etc.
Based on its Corporate Philosophy of "Creating Richness with Value to Society", the Company has established a vision for 2025: "Establishing a solid business foundation, being the best restaurant in each community through a continuous challenge of all employees, and achieving sustainable business growth—All for the Smiles of our Customers." In order to achieve this vision, the Company has formulated the following management plan, with the aim of achieving growth by making maximum use of its robust business platform.

[FY2021 Management Policy]
The Company's business environment is uncertain. In addition to the fact that it is largely affected by the COVID-19 pandemic, there is also the decrease in the size of the labor force due to the issues of low birthrate and population aging, as well as unclear domestic and overseas political and economic conditions. At the same time, many new demands are emerging, such as increased opportunities for delivery and take-out due to changes in consumer lifestyles caused by the COVID-19 pandemic, and growing demand for specialty stores.
In order to respond quickly to such changes in the market, the Company will strengthen its management base and promote the maximum utilization of business resources, looking ahead to the post-COVID-19 era. In addition, we will transform into an "integrated food service company"

that provides services that cover all aspects of customers' daily lives, including dining out, ready to eat, and home-cooked meals. We will continue to provide corporate value and further contribute to society through "food services".

(1) Driving Digital Transformation (DX)
(2) Strengthening ESG Initiatives
(3) Fundamental Review and Revision of Group-wide Costs, Investment and Productivity
(4) Provision of Products and Services Demanded During the COVID-19 Pandemic
(5) Strengthening Delivery and Takeout Services
(6) Reorganizing Store Portfolio / and Conversion of Brands by Utilizing Strengths as a Multi-Brand Group
(7) Making Maximum Effective Use of the Business Resources of Existing Stores
(8) Strengthening Organizational Structure to Improve Operational Quality of Restaurants
(9) Thorough Measures to Prevent the Spread of Infection Among Customers and Employees
(10) FY2021 Financial Targets
- Revenue: 310.0 billion yen (up 8.0% year on year)
- Operating profit: 5.0 billion yen (up 28.0 billion yen year on year)
- Net income: 0.4 billion yen (up 17.6 billion yen year on year)

2. Basic views and policies on corporate governance

Details of basic views and policies on corporate governance are listed in section I. 1 of this report.

3. Matters regarding remuneration for executive management personnel and directors

(1) Policy regarding determination of remuneration

The Company's policy for remuneration and other compensations for directors is designed to contribute to the continuous improvement of operating results/corporate value and the sharing of value with shareholders.

Remuneration for directors (excluding outside directors) of the Company consists of fixed basic remuneration and performance-linked remuneration that varies depending on company performance. Performance-linked remuneration consists of year-end bonuses based on consolidated business results for each business year, and remuneration in which the amount paid is linked to the stock price for a certain period (hereinafter referred to as "phantom stock").

From the standpoint of ensuring independence, remuneration for outside directors and auditors is not linked to company performance, and only basic remuneration is paid.

Details regarding remuneration for officers are listed in our securities report.

https://ir.skylark.co.jp/library/yuho.html (Japanese text only)

(2) Decision process for determining remuneration

The Board of Directors determines the amounts of remuneration and other compensation for directors and methods for calculating such remuneration, etc. based on proposals from the Remuneration Committee, which is an advisory organization of the said Board. From its independent and objective standpoint, the Remuneration Committee decides on individual proposals for basic remuneration based on individual performance and capabilities, within the remuneration amount limits resolved at the General Meeting of Shareholders and pursuant to the remuneration regulations and remuneration system for board members. The Committee also appropriately deliberates on remuneration, etc., for directors, such as by deciding on individual proposals for year-end bonuses considering the Group's operating results.

The Remuneration Committee is chaired by the Chairman, President & CEO, with membership consisting of the chairperson and at least two other members appointed by resolution of the Board of Directors. Currently, membership consists of the chairperson and two independent outside directors, engaging in independent and objective discussions.

4. Matters regarding appointment and dismissal of executive management and nomination of candidates for directors and auditors

(1) Policy on appointment and dismissal of executive management and nomination of candidates for directors and auditors

To respond to the rapidly changing restaurant market, we nominate candidates for directors and auditors with diverse knowledge, experience and skills, regardless of whether they are from inside or outside the Company.

For internal director candidates, we nominate those who can contribute to society through the restaurant business and demonstrate leadership to continuously improve corporate value, based on consideration of the balance between their knowledge and experience / performance in areas such as overall family restaurant management, financial strategy, and marketing strategy.

For outside director candidates, we nominate those who have extensive experience in various companies and organizations, including those in the restaurant industry.

For auditor candidates, we nominate people who can properly audit directors' execution of duties based on their knowledge of corporate management and their knowledge and experience in areas such as accounting, finance, law, and risk management.

(2) Procedures for the appointment and dismissal of executive management and nomination of director and auditor candidates

When nominating director and auditor candidates, the Nomination Committee deliberates and makes proposals to the Board of Directors from the standpoint of maximizing the corporate value of the Skylark Group.

The Nomination Committee is chaired by the Chairman, President & CEO, with membership consisting of the chairperson and at least two other members appointed by resolution of the Board of Directors. Currently, membership consists of the chairperson and two independent outside directors, engaging in independent and objective discussions.

5. Explanations regarding individual appointments and dismissals of executive management and nominations of director and auditor candidates

For reasons regarding the appointment of directors and auditors, please refer to the "Reasons for Appointment of Directors and Auditors" appendix of this report.

<Supplementary Principle 3-1-3 Initiatives on Sustainability, Investment in Human Capital and Intellectual Property, etc.>

(1) Sustainability Initiatives

The Company recognizes that its business activities are related closely to the Sustainable Development Goals (SDGs). In December 2020 the Company established a Sustainability Committee to enhance its ESG initiatives, such as by implementing measures in line with global goals set by the United Nations, and bolstered its organizational structure to drive the fulfillment of responsibilities to help create a sustainable society. Moving forward, the Company will continue to fulfill its responsibilities with regard to global environmental conservation and contributing to the development of a sustainable society through products, services and business activities, from procurement and production to restaurant management.

Details of specific sustainability-related initiatives are listed below.

・Integrated Report (Online Version):
https://www.skylark.co.jp/company_e/i_report/2020/esg.html

・Integrated Report (PDF Version):
https://ssl4.eir-parts.net/doc/3197/ir_material_for_fiscal_ym11/105457/00.pdf#page=48

(2) Investment in Human Capital and Intellectual Property, etc.

In terms of human capital, the Group is working to create workplaces where diverse human resources can work actively, and to improve work-life balance and support the health of its employees. Details of specific human capital-related initiatives are listed below.

- The Company's website: For Employees "https://www.skylark.co.jp/company_e/csr/"
- This report [Disclosure Based on the Principles of the Corporate Governance Code / Supplementary Principle 2-4-1]

With regard to intellectual property, the Group regards trademarks relating to logos and menus for restaurants operated by the Group as extremely important for brand image and marketing, and seeks to appropriately manage and operate trademarks in specialized departments within the Group.
Details of the Group's brand portfolio are listed below.
・Integrated Report: https://ssl4.eir-parts.net/doc/3197/ir_material_for_fiscal_ym11/105457/00.pdf#page=45

<Supplementary Principle 4-1.1: Scope of Matters Delegated to Management>
The Company has clearly stipulated matters to be submitted for discussion by the Board of Directors in the Board of Directors Regulations and the list of proposals for the Board of Directors, established by the Board itself. In addition to matters provided for by law and in the Company's articles of incorporation, this also includes matters relating to basic management policy, formulation of medium- to long-term business plans, and other important matters in business management.

<Principle 4-9: Criteria and Qualifications for Determining the Independence of Independent Outside Directors>
1. Outside directors must not qualify under any of the following
(1) Executive persons of the Company or its subsidiaries
(2) Persons for whom the Company is a major transaction partner (when transactions with the Company account for more than 1% of the transaction partner's consolidated net sales); and/or executive persons thereof
(3) Major transaction partners of the Company (when transactions with the person account for more than 1% of the Company's consolidated net sales, or when products and services provided by the person are indispensable to the Company's business activities); and/or executive persons thereof
(4) Executive persons of the main financial institutions from which the Company borrows funds
(5) Consultants, certified public accountants or legal specialists who obtain large amounts of cash or other property, other than officers' remuneration, from the Company (in cases in which persons obtaining the properties are corporate bodies, associations or other organizations, persons who belong to said organizations)
(6) Major shareholders of the Company (shareholders who either directly or indirectly own 10% or more of the voting rights of all of the Company's shareholders); and/or executive persons thereof
(7) Executive persons of the Company's parent company, and directors or auditors of the Company's parent company who are not executive persons
(8) Executive persons of any of the Company's fellow subsidiaries
(9) Persons who have qualified under Item (4) above in the past, persons who have qualified under Item (1) above at some time during the past 10 years, and/or persons who have qualified under Items (2), (3) and (5) through (8) above at some time recently (during the past year)
(10) Close relatives of persons who qualify under any of Items (1) through (9) above (excluding non-important persons)

2. Even if a person falls under any one of the items in 1. above, the person may still be nominated as a candidate for independent outside director of the Company if that person is deemed to be suitable as an independent outside director of the Company in light of his or her personality, insights, and ability, etc. In such cases, the Company shall explain to external parties regarding the reasons why the person is considered to be suitable as an independent outside director of the Company.
Additionally, even when a person does not formally qualify under any of the items in 1. above, he or she cannot be nominated as a candidate for an independent outside director if

he or she is considered to substantially qualify under any of those items.

<Supplementary Principle 4-10-1 Involvement of Independent Outside Directors Regarding Nomination and Remuneration Utilizing Voluntary Committees, etc.>
To supplement the functions of its Board of Directors, the Group has established voluntary committees called the Nomination Committee and Remuneration Committee, and has established a system for conducting fair deliberations from an independent and objective standpoint, by establishing independent outside directors appointed by resolutions of the Board of Directors as key members. The committees' philosophies, authority and roles, etc., regarding independence are described in Section II.1. Organizational Composition and Operation, in the supplementary explanation on State of Establishment of Voluntary Committees, Membership and Attributes of Chairperson.

<Supplementary Principle 4-11.1: Views on the Overall Balance of Knowledge, Experience, and Skills of the Board of Directors, and on Diversity and Appropriate Board Size>
The Company's Board of Directors currently consists of six directors, three of whom are outside directors. This membership structure was decided in consideration of diversity and a balance between the knowledge, experience and skills of the Board of Directors as a whole, based on a pre-disclosed skills matrix, as necessary for the continuous growth and medium- to long-term improvement of the corporate value of the Skylark Group. Our leading independent outside director also have business management experience at other companies. The number of directors of the Company is limited to a maximum of ten.

<Supplementary Principle 4-11.2: Concurrent Positions Held by Directors and Auditors>
The status of concurrent positions held by directors and auditors are listed in the Company's business reports, General Meeting of Shareholders reference materials, and securities reports.
https://ir.skylark.co.jp/stock/meeting.html (Japanese text only)

<Supplementary Principle 4-11.3: Analyzing and Assessing the Effectiveness of the Board of Directors>
The Company evaluated the effectiveness of the Board of Directors to enhance its functions, in recognition of the fact that it should be a forum for effective and strategic discussion for the sustainable growth of the Group and enhancement of its corporate value.
The outline of evaluations conducted, and evaluation results obtained in FY2020 are as follows.

1. Evaluations conducted
(1) Persons assessed
All directors (7) and all auditors (3)
(2) Evaluation method
Self-assessment questionnaire
The validity of the questionnaire-based self-evaluation method and the outline of the questionnaire content and evaluation process are deliberated and judged by the Nomination Committee and the Board of Directors prior to implementation. Questionnaires are sent to each officer, and the secretariat collects and summarizes the results.
(3) Assessment process
i. Based on a questionnaire prepared by the Company (25 questions on 7 items), individual officer's evaluations are conducted by each director and auditor anonymously ranking each question using a four-stage scoring system, and listing points which can be positively evaluated, points recognized as issues, and other opinions in a free-response field given for each item.
ii. Interviews are conducted with directors as necessary based on the evaluation results from i.
iii. The evaluation results from i. and interview results from ii. are summarized, and reported to the Board of Directors for consideration along with the evaluation scores

for each question, opinions listed in the free-response fields, and issues to be addressed in the next fiscal year and beyond.

(4) Assessment period
October–December 2020

(5) Period covered
The evaluation covered meetings of the Board of Directors, voluntary Nomination and Remuneration Committees, Independent Officer Liaison Committee, and activities for officers outside the Board of Directors, which were held between November 2019 and October 2020.

(6) Evaluation items
1. Roles and functions of the Board of Directors, 2. Scale and composition of the Board of Directors, 3. Operation of the Board of Directors, 4. Coordination with auditing institutions, etc., 5. Relationship with outside directors, etc., 6. Relationship with shareholders and investors, etc., 7. Evaluation of initiatives implemented

2. Overview of evaluation results and future initiatives

(1) Regarding the roles and functions of the Board of Directors, it was found that discussions based on the Company's corporate philosophy and risks under the impact of the COVID-19 pandemic, and discussions regarding the nomination and remuneration of officers were being conducted appropriately. At the same time, the opinion was raised that there was an issue with regard to sharing the state of discussions by the Nomination Committee regarding succession plans for management executives and CEOs, and future directions and plans, etc. with the Board of Directors. The Nomination Committee will continue to discuss the possible image of candidates for the next CEO. Additionally, in response to the opinion that discussions on management policies, etc., from the perspectives of sustainability and ESG have not been explicitly conducted by the Board of Directors, the Company has established a Group Sustainability Committee and developed a system for promoting sustainability, including the identification of the Company's material issues. The progress of these initiatives is being reported to the Board of Directors as needed.

(2) The scale of the Board of Directors was found to be appropriate. Since the entire Board of Directors and individual officers possess the essential skills, experience and knowledge to perform their roles and responsibilities, the membership structure of the Board was also found to be appropriate.

(3) It was found that the operation of the Board of Directors in terms of frequency and duration of meetings, selection of agenda items, management of meetings, deliberation of important matters and information sharing were conducted appropriately. While on one hand the opinion was raised that there has been some improvement with regard to sharing of information regarding maters for discussion before meetings, the opinion was also raised that there remains an issue with regard to early delivery of meeting materials. Moving forward, the Board will continue to enhance its sharing of information regarding important matters for discussion before meetings, while at the same time working to improve with regard to early delivery of meeting materials. In addition to matters for discussion by the Board of Directors, the Company will also endeavor to enhance the provision of information, such as by reporting to the Board on policies of high importance each time they arise.

(4) Cooperation between the Board of Directors and auditing organizations and outside directors was evaluated as sufficient in terms of the Company's internal control system and supervision of its operational status. At the same time, the opinion was raised that there are few opportunities for exchange of opinions and coordination with outside directors and outside auditors, etc. In FY2020, the Company prioritized the need to prevent COVID-19 infections and postponed the holding of Independent Officer Liaison Committee meetings, but plans to hold such meetings in various formats in the future. Moving forward, the Board

of Directors shall continue working to enhance information sharing to supervise the operational status of the internal control system.

(5) With regard to relationships with shareholders and investors, the opinion was raised that disclosure with regard to sustainability is insufficient. Based on this opinion, the Company has established the aforementioned Group Sustainability Committee and is enhancing the timely disclosure of a system for promoting sustainability, including the Company's material issues, and the state of these initiatives as needed.

(6) With regard to evaluations of various initiatives implemented after the previous questionnaire, the opinion was raised that these initiatives can be positively evaluated for the most part. Another opinion was offered that concrete improvements had been implemented in a visible manner.

(7) The evaluation of the leading independent outside director was as follows.
The Board of Directors is comprised of a diverse range of human resources on an appropriate scale. The Board holds lively discussions on a variety of management issues, and operational transparency is high. The Nomination and Remuneration Committees—which are advisory bodies to the Board of Directors—also exchange opinions frankly based on objective information.
I believe that the Board of Directors is functioning properly as a supervisory body, and that there is no problem with its effectiveness.

The Company will continue working to further improve the effectiveness of the Board of Directors by tackling the issues recognized through the evaluation process, as outlined above.

<Principle 4-14.2 Policy on Director and Auditor Training>
The Company conducts necessary training and provides information for directors and auditors to appropriately carry out their roles and responsibilities. As one aspect of this scheme, the Company conducts expert-run lectures and training sessions for directors and auditors at least once a year on legal and corporate governance and sustainability issues. For independent outside directors and auditors, the Company provides necessary information on the Company's business issues via opportunities such as Independent Officer Liaison Committee meetings.

<Principle 5-1 Policy for Constructive Dialogue with Shareholders>
1. The Chairman, President & CEO of the Company presides over all aspects of dialogues with shareholders, and responds both internally and externally, including the implementation of matters listed under Items 2 through 5 below.
2. The Company has established an IR department within its Finance Division to work as the primary focus on dialogues with shareholders. The department assists dialogues with shareholders while coordinating organically with related departments such as the general affairs and public relations offices.
3. The Company holds individual meetings with shareholders as needed, and holds regular results briefings to explain business results to investors and shareholders. Online meetings are held about twice a year for investors in North America, Europe and Asia.
4. The opinions and concerns of shareholders ascertained through dialogues are summarized by the IR department, reported to the Board of Directors and Group Executive Officers' Meeting as appropriate, and fed back to help the Company seek to increase its corporate value by discussing and making improvements based on this information.
5. The Company discloses information in a fair, timely and appropriate manner based on its Group Regulations on Disclosure Control and its Group Detailed Regulations on Information Disclosure which are internal regulations. The Company also manages insider information during dialogues with shareholders while not communicating important unreleased facts.

Please also check the Company's disclosure policy, which is available for public viewing on its website. https://ir.skylark.co.jp/english/disclaimer.html

2. Capital Structure

Foreign Shareholding Ratio	Below 10%

[Major Shareholders]

Name / Company Name	Share ownership (shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	23,083,000	10.15
SMBC Nikko Securities Inc.	5,476,600	2.41
Custody Bank of Japan, Ltd. (Trust account)	3,419,800	1.50
Asahi Breweries, Ltd.	3,416,600	1.50
Kirin Brewery Company, Limited	3,333,300	1.47
JP MORGAN CHASE BANK 385781	2,813,510	1.24
JPMBL RE BNP PARIBAS ARBITRAGE SNC COLL EQUITY	2,697,000	1.19
Custody Bank of Japan, Ltd. (Trust account 7)	2,540,500	1.12
STATE STREET BANK WEST CLIENT-TREATY 505234	2,462,900	1.08
SBI SECURITIES Co., Ltd.	1,949,585	0.86

Name of Controlling Shareholder	—

Parent Company	—
Stock Exchange on which Parent Company is Listed	—

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year End	December

Business Category	Retail
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Board of Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	Up to 10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	6
Appointment of Outside Directors	Appointed by election
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Directors	3

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*1)										
		a	b	c	d	e	f	g	h	i	j	k
Atsushi Nishijo	From another											

	company											
Fumio Tahara	From another company											
Ayako Sano	Attorney											

*1 Categories for "Relationship with the Company"

a. Executive 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. A 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, accountant or legal professional who receives a large amount of monetary consideration or other assets from the Company besides compensation as a director
g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier of the Company (which does not correspond to any of d, e, or f) (the director him or herself only)
i. Executive of a company or organization to which outside directors / auditors of the Company are mutually appointed (the director him or herself only)
j. Executive of a company or organization that receives donations from the Company (the director him or herself only)
k. Others

Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Atsushi Nishijo	○	—	The Company believes that he will leverage his experience at trading companies and deep insight as a corporate manager for the Company's management, and provide objective and far-sighted advice and supervision that contribute to the benefit of the stakeholders of the whole Group. The Company therefore appointed him as an Outside Director. He is a director of Brother Industries, Ltd., but the company has no transaction with them. Since he meets the standards for independent director determined by the Company and the independence standards established by the Tokyo Stock Exchange, Inc., the Company has judged there is no risk of conflicts of interest with general shareholders

Fumio Tahara	○	―	Although he has never been directly involved in corporate management, the Company believes he will leverage on his abundant experience and deep insight from working at the Ministry of Agriculture, Forestry and Fisheries and industry associations for the Company's management, and provide objective and far-sighted advice and supervision. The Company therefore appointed him as an Outside Director. Since he meets the standards for independent director determined by the Company and the independence standards established by the Tokyo Stock Exchange, Inc., the Company has judged there is no risk of conflicts of interest with general shareholders.
Ayako Sano	○	―	Although she has never been directly involved in corporate management, the Company believes she will leverage experience in a securities company, broad knowledge as a lawyer and experience in tax affairs for the Company's management, and provide objective and far-sighted advice and supervision. The Company therefore appointed her as an Outside Director. Since she meets the standards for independent director determined by the Company and the independence standards established by the Tokyo Stock Exchange, Inc., the Company has judged there is no risk of conflicts of interest with general shareholders.

[Voluntary committees]

Establishment of Voluntary Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

State of Establishment of Voluntary Committees, Membership and Attributes of Chairperson

Voluntary Committee Corresponding to Nomination Committee

Committee name			Nomination Committee			
All committee members (people)	Full-time members (people)	Inside Directors (people)	Outside Directors (people)	Internal Experts (people)	Others (people)	Chairperson (Chairperson)
3	0	1	2	0	0	Inside Directors

Voluntary Committee Corresponding to Remuneration Committee

Committee name			Remuneration Committee			
All committee members (people)	Full-time members (people)	Inside Directors (people)	Outside Directors (people)	Internal Experts (people)	Others (people)	Chairperson (Chairperson)
3	0	1	2	0	0	Inside Directors

Supplementary Explanation

The “Nomination Committee “deliberates on matters relating to proposals to be submitted to the Board of Directors concerning the appointment or dismissal of directors and auditors of the Company, while the “Remuneration Committee” deliberates on proposals regarding remuneration for directors to be submitted to the Board of Directors and remuneration for auditors to be submitted to the Board of Auditors. Both committees are chaired by the Chairman, President & CEO and two other members, who are independent outside directors appointed by a resolution of the Board of Directors. The Company has established this committee structure to enable fair deliberation from an independent and objective standpoint.

[Auditors]

Establishment of Board of Auditors	Established
Maximum Number of Auditors Stipulated in Articles of Incorporation	Up to 5
Number of Auditors	4

Cooperation among Auditors, Accounting Auditors and Internal Audit Departments

Auditors receive reports on the management and operation of regulations, and whistleblowing reports from the General Affairs Group, which assumes the Company's internal control function, via the Group Risk and Compliance Committee. Moreover, auditors hold monthly meetings with the Audit Group (the Company's internal audit organization) to check the content of audits and exchange opinions. Auditors are also briefed by accounting auditors on audit plans, hold quarterly meetings to exchange opinions and information, and ensure the necessary organizational structure to audit efficiently and effectively.

Appointment of Outside Auditors	Appointed by election
Number of Outside Auditors	3
Number of Outside Auditors Designated as Independent Auditors	3

Relationship with the Company (1)

Name	Attributes	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Mitsuhiro Nagata	From another company													
Tatsuya Aoyagi	Certified public accountant													
Toshiko Sawada	Others													

*1 Categories for "Relationship with the Company"

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Executive or non-executive director or executive of a parent company of the Company
d. Auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company, or an executive thereof
g. Major client or supplier of the Company, or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other assets from the Company besides compensation as an auditor
i. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier of the Company (which does not correspond to any off, g, or h) (the auditor him or herself only)
k. Executive of a company or organization to which outside directors / auditors of the Company are mutually appointed (the auditor him or herself only)
l. Executive of a company or organization that receives donations from the Company (the auditor him or herself only)
m. Others

Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Mitsuhiro Nagata	○	―	The Company has appointed him as an Outside Auditor to leverage his operational experience at financial institutions, as well as his extensive experience and wide-ranging insights as an attorney, and has determined that he will appropriately audit the Company's management.
Tatsuya Aoyagi	○	―	The Company has appointed him as an Outside Auditor to leverage his extensive experience as a certified public accountant and certified tax accountant and his knowledge of accounting and finance, and has determined that he will appropriately audit the Company's management.
Toshiko Sawada	○	―	She has extensive practical experience at the Ministry of Economy, Trade and Industry (METI), including

			experience with consumer protection policy, and a wealth of experience and insights in EC and Internet transactions as an expert committee member for METI, the Consumer Affairs Agency and other government agencies, as well as various industry associations. Although she does not have experience of direct involvement in corporate management, the Company believes that she will leverage her extensive practical experience and insights as mentioned above to manage risks and audit the Company's management from a customer perspective.

[Independent Directors / Auditors]

Number of Independent Directors / Auditors	6

Matters Relating to Independent Directors / Auditors

The Company's basic concepts for the election of independent directors / auditors are that the Company can expect objective and appropriate management supervisory functions grounded in expert knowledge, and that no conflict of interest with general shareholders is likely to arise.

[Incentives]

State of Implementation of Incentive Policies for Directors	Performance-based remuneration, and others

Supplementary Explanation

The Company grants performance-linked bonuses and phantom stock to some directors.

[Director Remuneration]

Disclosure status	Information regarding remuneration for some directors has been disclosed on an individual basis.

Supplementary Explanation

The amounts of remunerations have been disclosed in the Business Report and Securities Report, and have also been posted on the Company's website. Please refer to the following URL. Furthermore, in the Securities Report, remunerations for some directors have been individually disclosed pursuant to the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.
https://ir.skylark.co.jp/stock/meeting.html (Japanese text only)
https://ir.skylark.co.jp/library/yuho.html (Japanese text only)

Policies on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policies on Determining Remuneration Amounts and Calculation Methods

The Company's policy for remuneration and other compensations for directors is designed to contribute to the continuous improvement of operating results and corporate value and the sharing of value with shareholders. Remuneration for directors (excluding outside directors) of the Company consists of fixed basic remuneration and performance-linked remuneration that varies depending on company performance. Performance-linked remuneration consists of year-end bonuses based on consolidated business results for each business year, and phantom stock.
From the standpoint of ensuring independence, remuneration for outside directors and auditors

is not linked to company performance, and only basic remuneration is paid.

[Supporting System for Outside Directors and/or Outside Auditors]

Support for outside directors and outside auditors is mainly provided by the General Affairs Group of the Company, which submits report materials and provides prior explanations on proposals to be presented for discussion by the Board of Directors, etc. In addition, to revitalize discussions at Board of Directors meetings, the Group holds Independent Officer Liaison Committee meetings with membership consisting of outside directors and outside auditors, for exchanging information based on independent and objective positions, and providing information from the Company.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Business execution function

The Board of Directors of the Company consists of six directors (including three outside directors). As the top-most decision-making organ for the management and business execution of the Company, meetings of the Board of Directors are held at least once a month in principle, with extraordinary meetings held as needed. In addition to directors, auditors are also required to attend meetings of the Board of Directors. The Board of Directors of the Company is chaired by Makoto Tani, Chairman, President & CEO, with membership consisting of Minoru Kanaya, Toshiaki Ookawara and 3 outside directors: Atsushi Nishijo, Fumio Tahara and Ayako Sano.

In order to implement the planning and execution of company-wide management policies and strategies promptly and flexibly, the Company has established the Group Executive Officers' Meeting, with membership consisting of the Chairman, President & CEO and all executive officers, which is held every week in principle. The Group Executive Officers' Meeting makes sufficient reports, consideration, and deliberation with respect to important matters relating to the whole Group, based on the aforementioned purpose for its establishment. The meeting is chaired by the Chairman, President & CEO Makoto Tani, with membership consisting of Minoru Kanaya, Toshiaki Ookawara, and all executive officers.

Furthermore, the Group committees (Personnel & System Committee and Policy & Investments Committee) with membership decided by the Group Executive Officers' Meeting meet once a month to report, consider, and deliberate on personnel systems, policies and other important matters relating to the Group as a whole.

2. Auditing function (auditing by auditors, and other audits, etc.)

The Board of Auditors, which is composed of four auditors, three of whom are independent outside auditors, meets once a month in principle to supervise and provide a check on management and business execution. Based on auditing policies, plans and standards determined by the Board of Auditors, auditors attend Board of Directors meetings and other important meetings. At the same time, they ascertain the state of the Company by examining business conditions and other methods to audit and ensure that business activities are being conducted in accordance with laws, internal regulations and other rules. Auditors also cooperate with the Audit Group and accounting auditors to ensure an efficient and effective auditing system. Membership of the Board of Auditors consists of full-time auditor Makoto Suzuki and outside auditors Mitsuhiro Nagata, Tatsuya Aoyagi and Toshiko Sawada.

The Audit Group, which is the Company's internal audit organization, has been established as a division under the direct control of the Chairman, President & CEO to ensure its organizational independence. Based on internal rules and annual plans, it conducts operating audits of the head office, factories and restaurants to identify problem areas, suggest improvements and recommend rectification, among other activities.

Accounting audits are conducted by Deloitte Touche Tohmatsu LLC, which was selected at

the General Meeting of Shareholders.

3. Content of contracts with directors and auditors for limitation of liability
Pursuant to Article 427 Paragraph 1 of the Companies Act and the provisions of the Articles of Incorporation of the Company, the Company forms agreements with directors (excluding those who are executive directors, etc.) and auditors for limiting the liability for damages stipulated in Article 423 Paragraph 1 of said Act. The limitation on the amount of liability for damages under such agreements corresponds to the liability amount stipulated in Article 425 Paragraph of the Act. Furthermore, the said limitation of liability is recognized only in cases where such directors (excluding those who are executive directors, etc.) and auditors are without knowledge and are not grossly negligent in performing their duties which are the cause of such liability.

4. Other committees and systems
The Group Risk and Compliance Committee, which is composed of the Chairman, President & CEO and all executive officers, meets at least once a year to deliberate on important matters related to the Group's compliance and to determine basic policies. After such determination by the Group Risk and Compliance Committee, the Group Compliance Committee, which consists of compliance officers selected from each Group company, meets as needed. It confirms and reports on matters including the status of compliance promotion at each affiliated company, measures to prevent violations, and investigations and improvement actions in the event of a violation actually occurring. The Group Risk and Compliance Committee is chaired by Chairman, President & CEO Makoto Tani, with membership consisting of Minoru Kanaya, Toshiaki Ookawara, and all executive officers.
In addition, the Group has established the Skylark Group Internal Reporting System (contact for whistleblowing), a contact point to a specialized external company for the early detection, correction and prevention of recurrence of violations of laws, internal regulations or other rules. It receives internal reports (whistleblowing) from all officers and employees of the Group in Japan, and is operated in accordance with internal regulations.
In addition, the Company holds meetings of a Group Sustainability Committee consisting of the Chairman, President & CEO and all executive officers as needed to formulate policies relating to the Group's sustainability, identify and regularly review key material issues, determine environmental and social policies and strategies, and report to the Board of Directors on activities to drive sustainability.

*Reference material "Diagram 1"

3. Reasons for Adoption of Current Corporate Governance System

The Company has chosen its current corporate governance structure to divorce business execution from supervision, strengthen mutual check-and-balance, and be checked by external experts such as outside directors and outside auditors, in order to pursue economic performance and efficiency while promoting highly transparent and sound management with thorough compliance, and to fulfill social responsibilities as a business enterprise by realizing fair and lawful business operation. In order to prevent occurrences of business risks and discover problems earlier and improve upon them, the Company has chosen an auditing structure to enable regular auditing from each standpoint, while maintaining close coordination between auditors, accounting auditors, and the Audit Group.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Initiatives to Revitalize the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Supplementary Explanations
Early Notification	Convocation notices are posted early on TDnet, the voting right exercising

of General Meeting of Shareholders	platform and the Company's website prior to delivery to shareholders, to enable sufficient deliberation of proposals for discussion at the General Meeting of Shareholders by shareholders.
Scheduling Annual General Meetings Avoiding Peak Days	The Company's business year ends in December. The regular Annual General Meeting of Shareholders is held in March every year, and is therefore not considered to be a peak period.
Exercising of Voting Rights by Electronic / Electromagnetic Methods	The Company has introduced systems for shareholders to exercise their voting rights via the Internet (including devices such as smartphones).
Participation in Electronic Voting Platforms and Other Initiatives to Enhance the Environment for Institutional Investors to Exercise Their Voting Rights	The Company has participated in electronic voting platforms since the 5th Annual General Meeting of Shareholders (held on March 30, 2016).
Providing Convocation Notice (Summary) in English	The Company prepares English versions of convocation notices and reference documents (in a narrow sense) and discloses them on TDnet, the electronic platform for exercising voting rights, and the Company's website.

2. IR Activities

	Supplementary Explanations	Whether there has been an explanation by the representative him or herself
Preparation and Publication of Disclosure Policy	The Company has prepared and published its disclosure policy.	
Regular Briefings for Analysts and Institutional Investors	Briefing sessions for analysts and institutional investors are held on a regular basis.	Yes
Regular Briefings for Overseas Investors	The Company explains its corporate profile, financial highlights and medium-term business plans, etc., through online briefings with investors in the USA, Europe and Asia, and by participating in conferences held by securities firms.	Yes
Posting of IR Materials on Website	The Company has established a dedicated IR site on its website, through which it discloses information about the Company to investors.	
Establishment of Department(s) and/or Personnel in Charge of IR	The Finance Division conducts activities aimed at shareholders and investors.	

3. Initiatives to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has established the Skylark Group Charter of Corporate Behavior, which stipulates provisions for ensuring respect for the position of stakeholders.
Implementation of Environmental Activities and CSR Activities, etc.	The Company actively engages in environmental conservation activities and CSR activities based on its corporate philosophy of "Creating Richness with Value to Society" and the spirit of the Skylark Group Charter of Corporate Behavior. With regard to environmental conservation activities, the Company adheres to the ISO14001 standard and engages in other initiatives to reduce environmental impact. With regard to CSR activities, the Company engages in ongoing charity fundraising drives and support activities through external bodies, among other activities aiming to contribute to the day-to-day prosperity of people not only in Japan but around the globe.
Formulation of Policies, etc., on the Provision of Information to Stakeholders	In the Skylark Group Charter of Corporate Behavior, the Company stipulates communicating not only with shareholders but also with society on a wider scale, disclosing corporate information actively and fairly. In accordance with these policies, the Company has established the Group Regulations on Disclosure Control.

IV. Matters Relating to the Internal Control System

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

The Company's basic policies on internal control systems are as follows.

1. System to ensure that the execution of duties by directors and employees conforms to laws, regulations, and the Company's articles of incorporation
   (1) The Skylark Group Charter of Corporate Behavior based on the Company's corporate philosophy has been established by resolution of the Board of Directors as a guideline to be observed by all officers and employees, and has been thoroughly disseminated throughout the company as a standard for individual behavior.
   (2) The Company has established a Board of Auditors. Under the audit policy determined by the Board of Auditors, each auditor audits the execution of duties by directors through such means as attendance at meetings of the Board of Directors, and investigations into the state of the execution of duties.
   (3) In order to strengthen the Group's compliance system, the Company has established the Skylark Group Internal Reporting System for whistleblowing. In accordance with the Detailed Rules for Skylark Group Internal Reporting System Operation, the Company receives whistleblowing reports from all officers and employees of the Group through a dedicated telephone number and website, etc., and endeavors to ensure early detection, correction and prevention of recurrence of violations of laws, internal regulations and other rules.

2. System to store and manage information relating to the execution of duties by directors
   (1) Information related to the execution of duties by directors is appropriately stored and managed based on the Board of Directors Regulations and the Group Documentation Management Regulations.
   (2) Documents necessary for the execution of duties by directors, including the minutes of General Meetings of Shareholders, minutes of meetings of the Board of Directors, and approval / decision-making documents concerning important matters for the operation of business are stored and managed in an easily searchable manner, so that directors and auditors may always access such documents.

(3) Confidential information is appropriately managed based on the Group Information Security and System Management Regulations.
(4) Personal information is strictly managed based on laws and regulations and the Detailed Rules for Personal Information Management.

3. Regulations and other systems for managing the risk of loss
(1) The outline of risks to be addressed is determined pursuant to the Group Risk Management Regulations, and various risks are addressed through a series of processes while comprehensively developing individual rules, manuals, etc.
(2) The greatest risk for the restaurant industry is food-related accidents. In order to prevent such accidents from occurring, the Group endeavors to ensure safety by establishing regulations for purchasing management and providing suppliers with guidance on food safety and hygiene management. In addition, the Company has established the Quality Control Group as a division responsible for hygiene management, checking food safety at restaurants / stores and factories, and providing employees with guidance on hygiene management, etc.
(3) With respect to risks of confidential information leaks, etc., pursuant to the Group Information Security and System Management Regulations, the Company has established the Information Security Committee, and takes measures such as managing information-related equipment / devices and documents thoroughly, and providing officers and employees with education on information security.
(4) With respect to other risks, each responsible department develops individual regulations, guidelines and manuals, and conducts training, etc., while the Group Risk and Compliance Committee keeps a cross-organizational watch on the state of risks and takes appropriate measures on a company / group-wide basis.
(5) The Group Risk and Compliance Committee, which is composed of the Chairman, President & CEO and all executive officers, meets at least once a year to deliberate on important matters related to the Group's compliance and to determine basic policies.

4. System to ensure the efficient execution of duties by directors
(1) Flexible decision-making and execution of duties is ensured while avoiding administrative overlaps by clearly and appropriately determining decision-making authority of officers and employees, and areas of operations in which each department should be involved, etc., in the Decision-Making Authority Regulations and Job Authority Standards.
(2) The Company has a Board of Directors consisting of a small number of members, which makes prompt management judgments through regular meetings of the Board of Directors held every month, and extraordinary meetings of the Board of Directors held as needed.

5. System to ensure the reliability of financial reporting
(1) Internal control over financial reporting is evaluated, maintained and improved based on the Financial Instruments and Exchange Act and other applicable domestic and foreign laws and regulations.
(2) Each division and affiliated company of the Company shall endeavor to ensure the appropriateness of financial reports upon the execution of its business operations through checks by segregation of duties and daily monitoring, etc.

6. System to ensure the adequacy of operations within the Skylark Group
(1) The Company requests for each Group company to execute its duties in a sound manner, pursuant to the Skylark Group Charter of Corporate Behavior.
(2) The Company manages affiliated companies pursuant to regulations such as the Group Rules for Management of Affiliated Companies, and requires each affiliated company to submit regular reports and materials with regard to its business conditions. In

addition, while dispatching directors and auditors to important affiliated companies and supervising their business operations to ensure their appropriateness, the Company makes efforts to gain an understanding of management issues at affiliated companies.

(3) In order to control the risk of loss at affiliated companies, the Group Risk and Compliance Committee ascertains and identifies risks throughout the entire Group, requests each affiliated company to report its status of risk control, and gives instructions about how to deal with risks if needed. Additionally, if any event affecting the management of the Group occurs at an affiliated company, the Company requests the affiliated company to report the event immediately to the chairperson of the Company's Risk and Compliance Committee, and provides assistance suitable to each case.

(4) In order to execute the duties of the entire Group in a swift and agile manner, the Group Executive Officers' Meeting, which is comprised of members appointed by the Chairman, President & CEO reports and deliberates on important matters, including matters relating to duties of the entire Group. The Group Executive Officers' Meeting is held every week, in principle. In addition, the Group Executive Officers' Meeting establishes Group committees (the Personnel & System Committee and Policy & Investments Committee) as subordinate organizational units as needed, in order to report and consider specific group-wide matters such as those relating to the personnel system for the entire Group, major policies, and important contracts. Members of these committees are determined by the Group Executive Officers' Meeting, and meet on a monthly basis, in principle. The Company requests each affiliated company to take the most suitable measures based on the resolutions made by the Group Executive Officers' Meeting and Group committees.

(5) The Company has organized the Group Compliance Meeting, which is comprised of the compliance promotion managers appointed by affiliated companies, and holds meetings as needed. At these meetings, the members check and report matters such as the state of promotion of the compliance system including measures for the prevention of violations within affiliated companies, and the status of investigations and corrective measures in relation to specific violating acts.

(6) The Audit Group performs audits of affiliated companies periodically.

7. System regarding employees required by auditors to assist them in the performance of their duties when an auditor requests the assignment of such employees

In cases where auditors request the assignment of employees to support the execution of their duties, the Company assigns such employees and the specific details for the assignment are discussed with auditors.

8. Matters regarding the independence of employees assigned to assist with the duties of auditors from directors, and matters concerning measures to ensure the effectiveness of the directions given to such employees

The consent of auditors is required for the appointment and transfer of employees who support the execution of auditors' duties. Such employees execute their duties under the directions and orders of auditors without concurrently assuming any post related to the execution of the Company's business.

9. System which enables directors and employees to make reports to auditors and other systems regarding reports to the auditors

(1) In cases where any officer or employee of the Group discovers any fact which may cause significant damage to the management of the Company or its affiliated companies, and any act of dishonesty or violation of laws, regulations or articles of incorporation by an officer or employee, and also in cases where he or she is requested by an auditor to report a matter necessary for the Group's audits, he or she shall report such matters to

the auditor immediately.

(2) Officers and employees of the Group shall report to auditors regularly about the operation status of the Skylark Group Internal Reporting System for whistleblowing.

(3) If any of officer or employee of the Group makes a report to auditors pursuant to the items above or any other report, it is prohibited to treat him or her disadvantageously on the basis of the report, and this prohibition of disadvantageous treatment is thoroughly implemented at affiliated companies.

10. Systems to ensure that audits by auditors are performed effectively

(1) Based on the audit policy, audit plan and audit standards determined by the Board of Auditors, auditors shall attend important meetings such as the Board of Directors meetings, verify and monitor the execution of duties by directors by such means as reporting and hearing from accounting auditors, directors, and the Audit Group, etc.

(2) Auditors ensure a system that enables efficient and effective audits by exchanging opinions and information with the Company's accounting auditors and external law firms, etc., as needed.

(3) Directors cooperate with the audits performed by auditors, and procure the budget for various expenses required for audits in order to ensure their effectiveness. Auditors may demand that the Company pay any expenses paid in an urgent situation or on a temporary basis, or any other expenses which are not included in the budget, after such expenses have actually been paid after the fact. In such cases, the Company shall swiftly pay such expenses, except in cases where the Company recognizes that there was no need to incur such expenses in light of the duties executed by auditors.

11. Basic stance and state of implementation for eliminating antisocial forces

(1) For the purpose of eliminating antisocial forces, the Company has established a basic policy of never engaging in any relationship with antisocial forces, stating in the Skylark Group Charter of Corporate Behavior, which specifies behavior standards for all officers and employees that "the Company will take a tough stance against antisocial individuals and groups which negatively impact social order and sound corporate activities."

(2) The general affairs division shall act as the department with overall responsibility for countermeasures against antisocial forces, and develop a system for emergency internal reporting (whistleblowing) while building up a daily close connection with advisory attorneys and other specialized external agencies. The division shall also take the central role in developing relevant regulations and running awareness-raising activities through calls to attention and training sessions, etc.

2. Basic Stance and State of Implementation for Eliminating Antisocial Forces

The Group's basic views toward the elimination of antisocial forces are stipulated in the Skylark Group Charter of Corporate Behavior (the behavior standard for all officers and employees). The Group has defined a basic policy of not having any relationship with antisocial forces whatsoever, stating that it "shall absolutely eliminate relations with antisocial forces and groups that pose a threat to the order and safety of civil society."

With regard to internal structure, the Company has established the Group Risk and Compliance Committee as a meeting body for compliance and risk management. Under this committee, the General Affairs Group is responsible for operations relating to antisocial forces. The General Affairs Group has established Detailed Group Rules for Handling of Antisocial Forces as internal regulations, and thorough responses to antisocial forces such as preliminary research on business partners and addition of provisions regarding the elimination of antisocial forces to agreements have been implemented pursuant to these rules. Moreover, the Company requires affiliated companies to respond in the same way, and conducts checks via the Group Compliance Committee as needed.

With regard to cooperation with external organizations, the Company is a member of TOKUBOUREN (a public interest incorporated foundation in the Tokyo Metropolitan Police

Department to prevent special organized crimes) and the Tokyo Center for Removal of Criminal Organizations [Public Interest Incorporated Foundation], and endeavors to gather information regarding antisocial forces. The Company also elects persons responsible for preventing illegitimate claims and notifies the local police station, and has developed systems for liaising with police departments.

V. Other Matters

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted

Supplementary Explanation

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2. Other Matters Concerning the Corporate Governance System

In order to ensure the completeness, appropriateness, and timeliness of information disclosures, the Company has established the Group Regulations on Disclosure Control concerning the control of and procedures for information disclosure, and has ensured that personnel within the Company and affiliated companies are thoroughly informed and familiarized with them.

Furthermore, in order to provide timely and appropriate information disclosure, the Company has established the Disclosure Committee which assists in the design, implementation, assessment, and maintenance of controls and procedures for information disclosure, to enable the Chairman, President & CEO to exercise control over operations relating to timely disclosure in cooperation with the Managing Director of the Finance Division, who is responsible for information handling.

Company procedures for timely disclosure information are as follows.

(a) Information regarding decisions

The secretariat of the Disclosure Committee obtains information regarding matters to be discussed in important meetings such as meetings of the Board of Directors, checks whether there are any material facts subject to timely disclosure, reports said facts to the person responsible for handling of information (if any are applicable), and holds a meeting of the Disclosure Committee.

Based on the results of deliberations by the Disclosure Committee, information disclosure is carried out by the PR office after such matter is resolved at a meeting of the Board of Directors, or approved by the Chairman, President & CEO.

(b) Information regarding occurrences of material facts

In case that such an event occurs, the division and affiliated company where the event occurred make a report to the secretariat of the Disclosure Committee. The secretariat makes a report to the person responsible for information handling, and the PR office promptly announces the fact after a meeting of the Disclosure Committee, and based on the results of deliberations.

(c) Information regarding account settlement / business results

Disclosure materials including financial results information (summary of financial results and quarterly financial results] are prepared by the Finance Division's Financial Reporting and Control Group. Based on the results of deliberations by the Disclosure Committee, results are disclosed by the PR office after a resolution of the Board of Directors, within 45 days after account settlement.

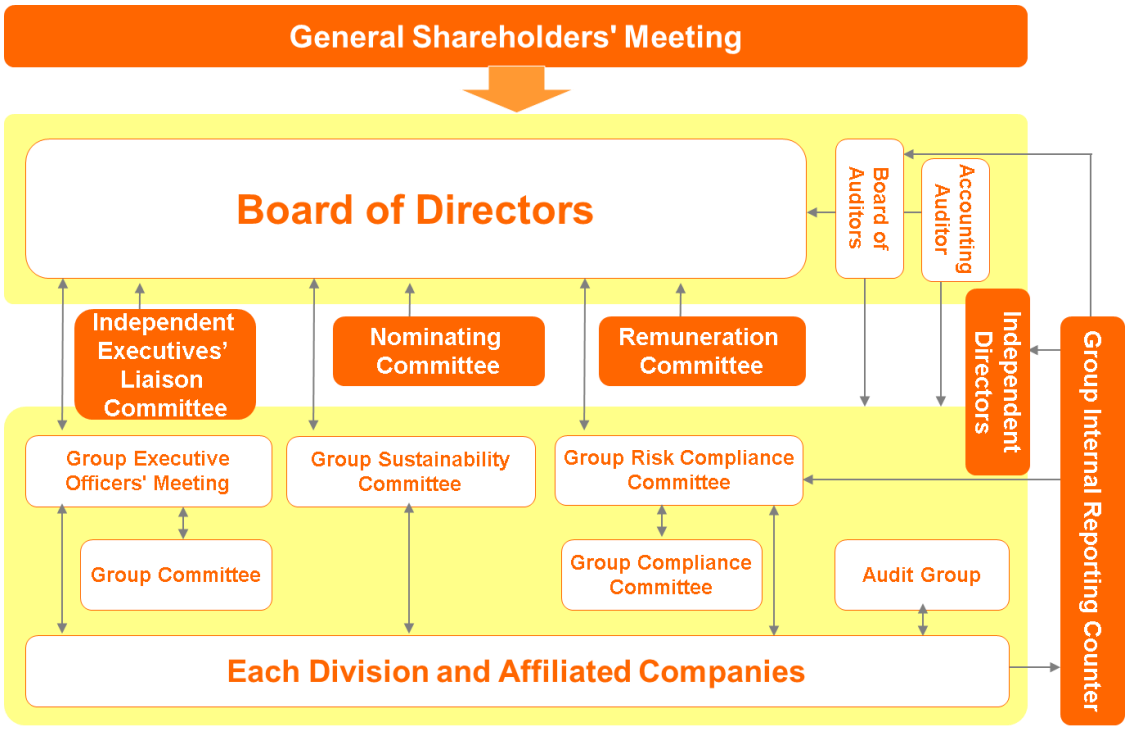
**Reference material "Diagram 2"

[Exhibit "Reason to select Directors and Auditors"]

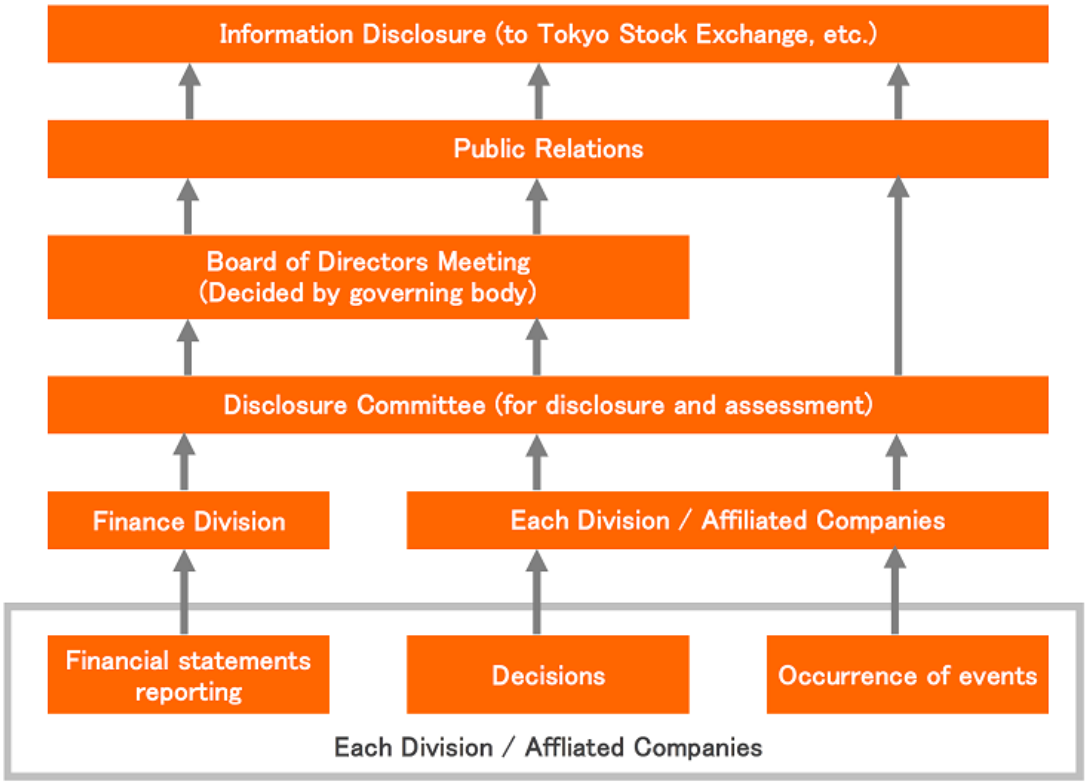
Corporate Director Makoto Tani	After joining the Company in 1977 and gaining sales experience at restaurants, he held posts including General Manager of the Sales Division and President and Representative Director of NILAX Inc., and has served as President and Chief Executive Officer of the Company since 2008. He was appointed for his extensive business experience in the Group and insight regarding overall management, business management, and management and operation of family restaurants, in addition to having an intimate knowledge of consumer marketing in the restaurant market.
Corporate Director Minoru Kanaya	He was appointed as a director in view of results achieved in supervising the Company's Finance, Administration and Human Capital Management divisions since 2008, together with his wealth of experience and insights from working at securities companies, which the Company believes that he will leverage for the Company's growth strategy.
Corporate Director Toshiaki Ookawara	After joining the Company in 1980 and gaining sales experience at restaurants, he served as Corporate Director of Skylark Restaurants Co., Ltd.—the Group's most important operating company—from 2016. Since December 2018, he has served as President of Skylark Restaurants Co., Ltd. He was appointed as a Corporate Director in view of his wealth of experience and insights from his involvement in the operation of the restaurants business, which the Company believes he will leverage for the Group's management.
Corporate Director Atsushi Nishijo	The Company has appointed him as an Outside Director to draw on his experience during employment at a trading company and his deep insight as a company manager, for the benefit of the Company's management, and to provide objective and far-sighted advice and supervision that contribute to the benefit of the Group's stakeholders.
Corporate Director Fumio Tahara	The Company has appointed him as an Outside Director based on his extensive experience and insights from the Ministry of Agriculture, Forestry and Fisheries, and industry associations. Although he does not have experience of direct involvement in corporate management, the Company believes that he will leverage his extensive experience and insights as mentioned above for the benefit of the Company's management, and to provide objective and far-sighted advice and supervision.
Corporate Director Ayako Sano	The Company has appointed her as an Outside Director based on her practical experience at a securities company, her wide-ranging insights as an attorney, and her tax-related experience. Although she does not have experience of direct involvement in corporate management, the Company believes that she will leverage her extensive practical experience and insights as mentioned above for the benefit of the Company's management, and to provide objective and far-sighted advice and supervision.
Auditor Makoto Suzuki	He has been appointed as an Auditor based on his extensive operational experience at Skylark since joining the Company in 1979, including sales experience at restaurants, as a departmental General Manager, Manager of the President's Office, and Manager of the Internal Audit Office, and his insights into company management.
Auditor Mitsuhiro Nagata	The Company has appointed him as an Outside Auditor to leverage his operational experience at financial institutions, as well as his extensive experience and wide-ranging insights as an attorney, and has determined that he will appropriately audit the Company's management.
Auditor Tatsuya Aoyagi	The Company has appointed him as an Outside Auditor to leverage his extensive experience as a certified public accountant and certified tax accountant and his knowledge of accounting and finance, and has determined that he will appropriately audit the Company's management.

Auditor Toshiko Sawada	She has extensive practical experience at the Ministry of Economy, Trade and Industry (METI), including experience with consumer protection policy, and a wealth of experience and insights in EC and Internet transactions as an expert committee member for METI, the Consumer Affairs Agency and other government agencies, as well as various industry associations. Although she does not have experience of direct involvement in corporate management, the Company believes that she will leverage her extensive practical experience and insights as mentioned above to manage risks and audit the Company's management from a customer perspective.

[Reference material “Diagram 1”]



[Reference material “Diagram 2”]



[END]