

# Corporate Governance Report

Last Update: March 31, 2026

## McDonald's Holdings Company (Japan), Ltd

CEO and President, Representative Director, Thomas Ko

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## I. Basic views on corporate governance, capital structure, corporate profile and other basic information

### 1. Basic views

[Updated]

Our Group (McDonald's Holdings Company (Japan), Ltd. ("The Company" hereafter) and its Subsidiary McDonald's Company (Japan), Ltd. ("The Subsidiary" hereafter), "Our Group" hereafter) consider the sustainable growth of our Group and the enhancement of corporate value as important management issues, while building good relationships with all stakeholders, including shareholders, customers, local communities, employees, franchisees, and suppliers, as well as ensuring sound and transparent management. To that end, important management decision-making and supervisory functions are separated from the business execution function to establish a timely and efficient management and execution system and engage in realizing a transparent business model at a high level with enhancement of supervisory function by Independent Outside Directors, who account for a third of the Board of Directors of the Company.

### Reasons for non-compliance with certain principles of Japan's Corporate Governance Code

As the company listed on the Standard Market of the TSE, we implement all of the principles of the Corporate Governance Code for the Standard Market. Also, we implement all of the principles of the Corporate Governance Code for the Prime Market other than the latter part of the Principle 3.1.3 (disclosure based on the TCFD recommendations or an equivalent framework).

### Disclosure based on each principle of Corporate Governance Code

[Updated]

【Principle 1.4 Cross-Shareholdings】

The Company doesn't hold shares of other listed companies as cross-shareholdings.

【Principle 1.7 Related Party Transactions】

The appropriateness of transactions is confirmed through the following procedures. Transaction contracts are generally subject to review by the Legal Division, and in addition, transactions with directors are subject to Board approval in accordance with applicable laws and regulations as well as the regulations of the Board of Directors. Important transactions with major shareholders, etc., are subject to Board approval in accordance with the regulations for the Board of Directors.

【Principle 2.4 Ensuring Diversity, Including Active Participation of Women】

➢ "People Business"··· It is the people themselves that support the growth of a company. Because we believe in this, at McDonald's we value a way of working that enables people to grow and play an active part in the business. To realize this, our Group is committed to providing opportunities for growth, enhancing talent, and recognizing contributions through our People Promise with all staff. We aim to create a workplace where a diverse team of people across gender, age, personality, and background can fully realize their strengths and contribute to business growth as a team. To realize these values, our Group has been implementing a variety of inclusion initiatives such as promoting career development of women. We will continue to listen to our people through the cross-company "Open Door! Team" project\*1 in the Subsidiary, and other means to implement inclusion in ways unique to McDonald's and further the growth and development of our business. These measures include the (1) active involvement of diverse individuals, (2) diverse ways of working, and (3) career development of individual staff.

\*1 "Open Door! Team": an inclusion promotion project team consisting of volunteers from within the Subsidiary.

[Supplementary Principle 2.4.1 Ensuring diversity in the promotion to core human resources]

(1) Ensuring diversity

> Customers' needs are diverse and continue to change at a rapid pace. To continue to meet the needs of customers in this era of change, we believe our organization needs to have diverse teams and value a culture that actively accepts diversity. Our group is working towards the realization of a diverse workplace with various personalities and backgrounds, including gender, age, nationality, etc.

<Promotion of women in management roles>

> Our Group has continued to promote women's advancement. For instance, the Subsidiary launched JWLN (Japan Women's Leadership Network) to collaborate with the global community and build an in-house network in 2008. The proportion of women in various positions as well as those in management position has been increasing, offering a greater opportunity to play an active role in the business. Also, from 2019, the "Open Door! Team", a project run by volunteers to promote career development of women, has been in action to listen to the voices of staff, aiming to create a work-friendly environment, while fostering people growth and career development. Currently, female members account for 57.1% (4 of 7) of the board of directors and 100% (1 of 1) of auditor of the Subsidiary. 25.3% of management positions are held by women (as of December 2024), and we have been taking actions to reach 40% by 2030.

(For Reference)

■ "Job satisfaction for all" on the company's official website

<https://www.mcdonalds.co.jp/sustainability/people/>

■ General business owner action plan based on the Women's Achievement Promotion Act (April 2025 - March 2026)

[https://positive-ryouritsu.mhlw.go.jp/positivedb/planfile/202403291414204495832\\_1.pdf](https://positive-ryouritsu.mhlw.go.jp/positivedb/planfile/202403291414204495832_1.pdf)

<Promotion of foreign nationals to management>

> Our Group is continuing with new graduates and midcareer hires regardless of their nationality. Recently, we have been hiring around 5 international graduates every year. Currently, there are more than 30 foreign nationals and 5 of them are playing an active role as managers. McDonald's is a global company, and as such we want to continue to expand the opportunities for talented individuals of any nationality to fill positions and play an active role in our business.

<Promotion of midcareer hires to management positions>

> Talented midcareer hires are working at our Group's restaurants and offices. In recent years, midcareer hires account for about 60% (57.9% in 2025) of total annual hires. Also, 65% (in 2025) of management positions are filled by midcareer hires and they are actively driving our business. Our Group is planning to continue to hire people with experience and knowledge in specialized fields to fill various functional needs and positions.

(2) Policy for people development and optimal work environment for diversity

> We are taking actions to create a workplace where people from diverse backgrounds can play an active role and develop an organization to promote respect for individuality, prevent isolation, offer support, and accept one another.

■ Local salaried employee system :

In September 2021, we introduced a system of limiting the workplace, working hours, and positions for restaurant employees who want to work at McDonald's with peace of mind according to their individual lifestyles.

■ Flextime program (for staff and selected restaurant employees), variable working hour program (restaurant employees)

■ Support system for restaurant managers (assigning restaurant managers to lead improvements in working environment to enable restaurant managers to promote greater work-life balance)

■ Support for childbirth, childcare, and nursing care (Shorter working hours program, and childcare and nursing care leave program, etc.)

■ Open recruitment for part-time staff · Evaluation training program

**[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]**

The Subsidiary has adopted a defined contribution pension plan and in cooperation with the trust bank, we strive to regularly review the product lineup, monitor operational performance, enhance employee education, etc.

**[Principle 3.1 Full Disclosure]**

(i) Management Principles, etc.

<Business Principles>

At McDonald’s, our purpose is to feed and foster communities by bringing delicious food and smiles not only to our customers but also to our employees and local communities. Founded on QSC&V (Quality, Service, Cleanliness and Value), McDonald’s values are shared and embodied by all employees with the mission of “making delicious feel-good moments easy for everyone.”

<Business Policies>

Our basic policy is to ensure food safety and security and to provide customers with the best possible restaurant experience, including convenience, the highest quality, service, cleanliness and value at all the McDonald’s restaurants including those owned by the franchisees.

In addition, we will build good relationships with all stakeholders, including shareholders, customers, local communities, employees, franchisees, suppliers, etc., and ensure the soundness and transparency of management, and will work to achieve sustainable growth and enhance corporate value as an important management issue. We understand that sustainable growth and financial security of the franchisees are crucial elements of our Group’s stable and predictable revenue generation. In addition to complying with laws and regulations, to fulfill our responsibilities with respect to various Environmental, Social and Governance (ESG) issues, we will continue to focus on our restaurant operations, procurement of food and materials, reduction of environmental impact, and contribution to local communities, and will leverage our strengths and scale to achieve the Sustainable Development Goals (SDGs), set as a global agenda by the United Nations.

<Business Strategies>

(1) Key Business Performance Targets

We aim to increase corporate value through continuous growth and improved profitability, and use the following items as key performance indicators.

Growth: All store sales growth rate

Profitability : Operating income growth rate, operating margin

Investment efficiency: ROE

(2) Medium- to Long-Term Corporate Management Strategy

To continue to be “The Most Beloved Restaurant Brand in Japan”, aiming for sustainable growth through strengthening and expanding franchise business rooted in the community. The Medium-term Management Plan covering fiscal years 2025 through 2027 is as follows.

1. Areas of Focus

- Menu/Value
- Restaurants portfolio/digital
- Sustainability/People

2. Financial Targets

All store sales	Average yearly growth rate +4 to +6%
Operating income	Average yearly growth rate +4 to + 6% Operating income margin: 13%
ROE	11% or more

For more information on the Medium-term Management Plan for fiscal years 2025 to 2027 please refer to the following

[https://ircms.irstreet.com/contents/data\\_file.php?template=2095&brand=74&data=445674&filename=pdf\\_file1.pdf](https://ircms.irstreet.com/contents/data_file.php?template=2095&brand=74&data=445674&filename=pdf_file1.pdf)

<Financial strategy, allocation of management resources>

We aim to secure adequate funds for business activities, maintain liquidity, and achieve a sound financial position by generating stable operating cash flow. Our policy is to allocate working capital and capital investment mainly from own funds generated through business activities, and to procure funds through borrowings and other means as necessary.

We allocate management resources to investments to achieve sustainable growth and improved profitability over the medium to long term.

In addition, the basic policy of the company is to return appropriate profits to shareholders stably and continuously while comprehensively taking into account such factors as business result trends and the balance of cash flow with the target dividend on equity ratio set at 3% for FY2027.

Our basic policy is to distribute the surplus once a year as a year-end dividend, and the decision-making body for the distribution of this surplus is the General Meeting of Shareholders.

#### (ii) Basic Views and Guidelines on Corporate Governance

Our Group consider the sustainable growth of our Group and the enhancement of corporate value as important management issues, while building good relationships with all stakeholders, including shareholders, customers, local communities, employees, franchisees, and suppliers, as well as ensuring sound and transparent management.

The management decision-making and supervisory functions are separated from the business execution function to establish a timely and efficient management and execution system and engage in realizing a transparent business model at a high level with enhancement of supervisory function by Independent Outside Directors, who account for a third of the Board of Directors of the Company.

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#### (iii) Board Policies and Procedures: Remuneration of Senior Management and Directors

In order to ensure transparency and objectivity in the Company's decision-making regarding remuneration for directors, the Company has voluntarily established the Compensation Committee, which is chaired by an independent outside director. The Compensation Committee determines compensation in accordance with the policy established by the Board of Directors.

The policy in determining the remuneration of Directors is as follows.

##### 1. Basic Policy

The remuneration of the Company's directors shall be linked to the Company's business performance in order to fully function as an incentive to sustainably increase the Company's corporate value.

The basic policy is as follows.

- To determine compensation of individual members at a level that is appropriate in light of their respective responsibilities and competitive in comparison with other companies in the same industry and companies of the same size in other industries.
- While developing excellent talents within the Company, compensation level is set at competitive and effective level which enables to attract diverse outstanding talents as board members from in and out of the country. Specifically, compensation for executive Directors shall consist of basic compensation as fixed compensation and performance-based compensation including stock price linked compensation, etc. Outside board members who are responsible for supervisory functions shall be paid basic compensation in consideration of their duties.
- As a general principle, the Company shall not provide remuneration to any director who is affiliated with, and receives compensation from, overseas McDonald's Group entities.

##### 2. Policy to determine the compensation amount, etc. for each individual as basic compensation (including policies to determine the timing or conditions for offering compensation, etc.)

Basic compensation (monetary) for board members of the Company shall be fixed monthly compensation which shall be determined in accordance with their roles, responsibilities, years of service and other factors, taking into consideration the level of other companies, business performance of the Company, the level of

employee salaries and evaluations in a comprehensive manner. The basic compensation shall be paid at a fixed time every month, and no special conditions shall be set for payment.

3. Policy to determine the content of performance-based compensation, etc. and the method for calculating the amount (including policies to determine the timing or conditions for offering compensation, etc.)  
 Performance-based compensation, etc. consists of (i) compensation reflecting performance indicators (KPI) to raise awareness towards the improvement of business performance for each fiscal year and (ii) compensation using a pseudo-share format of the company's shares to raise awareness towards the improvement of corporate value over the medium-to-long term. Furthermore, (ii) is classified into two categories as follows: Phantom RSU (ii-1), and Phantom PSU (ii-2). (i) The amount calculated in accordance with the degree of achievement against the target value and evaluations shall be paid at a certain time every year. Target performance indicators and their values shall be set so that they are consistent with the targets for the relevant fiscal year. For (ii)-1, the number of pseudo-shares to be granted at a certain time each year will be determined in accordance with roles, responsibilities, and evaluations, and upon exercising one's right, cash compensation will be provided in a calculated amount based on the Company's stock price. For (ii)-2, the number of pseudo-shares to be granted at a certain time each year will be determined in accordance with roles, responsibilities, and evaluations, and upon exercising one's right, cash compensation will be provided in a calculated amount based on the Company's stock price on the day of exercising the right and the average of the Company's achievement of performance indicators during the three fiscal years from the grant year (including the grant year).

4. Policy to determine the ratio of the amount of monetary compensation or the amount of performance-based compensation, etc. to the amount of compensation, etc., of individual board members  
 The ratio of compensation for each type of executive Director shall be determined within the range of the following percentage table based on the level of compensation against companies of a similar business scale or in a related industry or business category, and shall be composed by comprehensively taking into account the role and responsibilities of each individual by the Compensation Committee under delegation from the Board of Directors.

Table of percentages for each role (When each individual's basic compensation is set at 100)

	Basic Compensation	Performance-based Compensation (1) Single Year	Performance-based Compensation Phantom RSU (2)-1 Medium to Long-term	Performance-based Compensation Phantom PSU (2)-2 Medium to Long-term
Representative Director	100	40-80	20-100	13-25
Inside Director	100	30-70	15-100	8-25
Outside Director	100	0	0	0

Notes:

1. The ratio of performance-based compensation ( (1) and (2) ) is when the target is 100% achieved (the standard amount is applied).
2. Even within the same job title, the percentage of compensation by type will be determined for each individual.
3. When the Compensation Committee decides that there is a reasonable ground, performance-based compensation can be granted exceeding the above.

5. Matters relating to the determining of details of individual compensation, etc. of board members  
 The amount of compensation for each individual shall be determined by the Compensation Committee in accordance with the above policy based on the delegation from the Board of Directors.

(iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of Director and Audit & Supervisory Board Member candidates;

A proposal for appointment/dismissal of the senior management and nomination of Director and Audit & Supervisory Board Member candidates shall be created by representative directors, based on the required qualifications for directors and Audit & Supervisory Board Member and the policy on the composition of the

Board of Directors as determined at the Board of Directors, which is mentioned at the [Supplementary Principle 4.11.1] of this report. After deliberation of the proposal by the Nomination Committee and obtaining consent of the Audit & Supervisory Board specially for nomination of Audit & Supervisory Board Member candidates, the proposal shall be resolved by the Board of Directors.

(v) The reasons for the appointment of individual candidates for Directors and Audit & Supervisory Board Members of the Company are as follows.

Thomas Ko

Mr. Thomas Ko has served as director or vice president of strategy & insights, CFO, managing director of several McDonald's companies or markets overseas for many years, and has led the Asia business of International Development Licensed markets of McDonald's Corporation as the Business Unit Lead since 2020. He has a wealth of experience and extensive insight into McDonald's business strategy. He contributed to the improvement in performance of the the Subsidiary, through strategic planning as a Vice President in the past. Based on his wealth of experience and insight, we have judged that he can contribute to the enhancement of the corporate value of the Company and have elected him as a director.

Fusako Znaiden

Ms. Fusako Znaiden, after serving as brand manager and head of marketing of several companies, has served as the Chief Marketing Officer of Subsidiary of the Company since 2018, and in addition, as a director of the Company (since 2023) and Subsidiary (since 2022), and she has been instrumental in improving the value of the McDonald's brand, driving marketing activities, and contributing significantly to the Company's growth. Based on her past performance in these positions and her extensive knowledge of marketing and McDonald's business, we have judged that she can continue to contribute to the enhancement of the corporate value of the Company and have elected her as a director.

Yukiko Saito

Ms. Yukiko Saito, after serving as the head of human resources of other companies, has served as the Chief People Officer of the Subsidiary of the Company since 2021 and a director of the Subsidiary since 2023, and has contributed significantly to the deepening and development of the people business, which is the foundation of McDonald's. Based on her past performance in these positions and her extensive knowledge of HR and McDonald's business, we have judged that she will be able to contribute to the enhancement of the corporate value of the Company and have elected her as a director.

Nikolaus Piza

Mr. Nikolaus Piza has served as Chief Financial Officer, Managing Director and other positions at McDonald's overseas or other companies, and has abundant experience and achievements as CFO as well as extensive insight into finance and McDonald's business. Based on his wealth of experience and knowledge in these positions, we have judged that he will be able to contribute to the enhancement of the corporate value of the Company and have elected him as a director.

Dario Baroni

Mr. Dario Baroni has served as officer responsible for finance, Managing Director and other positions at McDonald's overseas and other companies, and has abundant experience and achievements as a business manager as well as extensive knowledge of finance and McDonald's business. Based on this rich experience and knowledge, we have judged that he will be able to contribute to the enhancement of the corporate value of the Company and have elected him as a director.

Joseph Chiczewski

Mr. Joseph Chiczewski has served as officer in charge of finance, Managing Director and other positions at McDonald's overseas and other companies, and has abundant experience and achievements as a business manager as well as extensive knowledge of finance and McDonald's business. Based on this rich experience and knowledge, we have judged that he will be able to contribute to the enhancement of the corporate value of the Company and have elected him as a director.

Tetsu Takahashi

As a lawyer, Mr. Tetsu Takahashi has served as a partner of a law firm and as an outside director and outside audit & supervisory board member of several companies, and has a wealth of experience as a lawyer and as

an outside director, as well as extensive insight into corporate legal affairs, compliance and corporate governance, etc. Based on this wealth of experience and insight, he has given valuable advice and opinions on the Company's management from an independent and objective perspective as an outside director of the Company since 2022, and therefore we have judged that he can continue to contribute to the enhancement of the effectiveness of the supervisory function of the Board of Directors of the Company and have elected him as an independent outside director.

Yuko Tashiro

Ms. Yuko Tashiro is a U.S. certified public accountant who has served as a partner of an auditing firm, Chief Financial Officer of several companies, and a Representative Director, and has abundant experience and achievements as an accountant and manager, as well as a wealth of insight regarding finance and other fields. Based on this wealth of experience and insight, she has given valuable advice and opinions on the Company's management from an independent and objective perspective as an outside director of the Company since 2023, and therefore we have judged that she can continue to contribute to the enhancement of the effectiveness of the supervisory function of the Board of Directors of the Company and have elected her as an independent outside director.

Akiko Nakajo

Ms. Akiko Nakajo has served as representative of Japanese subsidiaries and Outside Director of several companies, and has a wealth of experience as a business manager as well as extensive insight into corporate digital transformation and use of technology etc. Based on her past performance in these positions and her extensive knowledge, we have judged that she will be able to contribute to the enhancement of the corporate value of the Company and have elected her as an independent outside director.

Sonoko Kajiyama

Ms. Sonoko Kajiyama is a certified public accountant who has worked for a big accounting firm and internal audit teams of global companies, has led an internal audit department of a global corporation as senior vice president, and has abundant experience as an accountant and auditor, as well as a wealth of insight regarding finance, accounting, and auditing. Based on this wealth of experience and insight, we have judged that she can contribute to the enhancement of the supervisory and auditing functions, etc. of the Audit & Supervisory Board of the Company and have therefore elected her as an independent outside Audit & Supervisory Board Member.

Amy Rourke

Ms. Amy Rourke, as a lawyer of Scotland, UK and New South Wales, Australia, has advisory experience in wide areas including franchising, commerce and complicated international transactions etc., at several companies as well as McDonald's Corporation. Additionally, she has experience in supporting franchising strategy etc. as a member of the Legal Department at the Subsidiary in the past. Based on these factors, we have judged that it is appropriate to elect her as Audit & Supervisory Board Member.

Yoshiyuki Honda

Mr. Yoshiyuki Honda is a certified public accountant and a U.S. certified public accountant who has been engaged in auditing business, has also served as CFO and representative director and representative executive officer of several companies, and has abundant experience as CFO and manager, as well as expert knowledge on corporate accounting and finance, and extensive insight on corporate management. Based on this experience and insight, he has given valuable advice and opinions from an independent and objective perspective as an outside Audit & Supervisory Board Member of the Company since 2016, and therefore we have judged that he can continue to contribute to the enhancement of the supervisory and auditing functions, etc. of the Audit & Supervisory Board of the Company and have elected him as an independent outside Audit & Supervisory Board Member.

Makiko Hamabe

Ms. Makiko Hamabe has been engaged in corporate communications and investor relations for many years and has abundant experience and achievements in dialogue with stakeholders, as well as extensive insight into ESG and sustainability issues. Based on this wealth of experience and insight, she has given valuable advice and opinions from an objective standpoint as an outside Audit & Supervisory Board Member of the Company since 2023, and therefore we have judged that she can continue to contribute to the enhancement of the supervisory and auditing function, etc. of the Audit & Supervisory Board of the Company and have

elected her as an independent outside Audit & Supervisory Board Member.

**[Supplementary Principle 3.1.3 Sustainability Initiatives]**

Under the supervision of the Board of Directors, our Group aims to balance resolution of social issues and sustainable business operations through promotion of initiatives led by Officers in charge and cross-functional projects. The Representative Director, President and CEO is the chief executive responsible for promoting sustainability and oversees and manages the progress of relevant initiatives.

As an internal promotion system for sustainability, the Corporate Relations (CR) Division, under the supervision of the VP in charge of Sustainability & ESG (Officer of the CR Division -- Officer in Charge hereinafter) at the Subsidiary, plans and develops the company-wide sustainability strategies/plans and monitors the progress of each initiative. The relevant information is reported to the CEO through the Officer in Charge and is also periodically (at least once a year) reported to the Board of Directors. Based on the report, the Board of Directors oversees matters to ensure that the execution of the sustainability strategy contributes to the sustainable growth of the company. Under this supervisory structure, measures for each important issue discussed by the CR Division are being addressed through the establishment of individual projects.

Our Group's sustainability initiatives and investments in human capital, etc. are disclosed on the Business Strategies, Sustainability Report, and Annual Securities Report, as well as on the following website.

<https://www.mcdonalds.co.jp/sustainability/>

**[Supplementary Principle 4.1.1 Scope of delegation to management]**

In accordance with the regulations of the Board of Directors and internal rules, the Board of Directors shall resolve matters regarding the Annual General Shareholders Meeting and Board of Directors, business plans, commencement of important new business and expansion or downsizing of business, other than those stipulated by laws and other important business operations, and delegates other matters to the President and Representative Director and other members of the management team.

**[Principle 4.8 Effective Use of Independent Directors]**

Three directors, or more than one-third of the Company's nine directors, are independent outside directors. In addition, 3 Audit & Supervisory Board Members of the Company's 4 Audit & Supervisory Board Members are independent outside Audit & Supervisory Board Member. Opinion exchange meetings are held regularly with both members to exchange opinions and share perceptions based on independent and objective positions, as well as to exchange opinions with the Representative Director, President and CEO of the Company.

**[Principle 4.9 Independence Standards and Qualifications for Independent Directors]**

Based on the requirements for independent directors and Audit & Supervisory Board Members set forth by the Tokyo Stock Exchange, the Company shall determine that the Company's Directors and Audit & Supervisory Board Members possess sufficient independence from the Company, in addition to the requirements for Outside Directors or Outside Audit & Supervisory Board Members set forth in the Companies Act, when all the following requirements are satisfied. The Company does not appoint a person who does not satisfy the items set forth below as an Outside Director or Outside Audit & Supervisory Board Member, even if the Director or Audit & Supervisory Board Member satisfies all the requirements for Outside Directors or Outside Audit & Supervisory Board Members set forth in the Companies Act.

1. Individuals who have not satisfied either of the following conditions (A) through (G) for the past three fiscal years:

(A) An entity for which the Company or its Subsidiary (the "Company Group") is a major client\*1 or business personnel\*2 thereof.

(B) A major client of the Company Group\*3 or business personnel thereof.

(C) A major shareholder (directly or indirectly holding a voting interest of 10% or more) of the Company or business personnel thereof.

(D) A consultant, accounting expert or legal expert who has received compensation in the form of a large amount of money or other assets\*4, other than officer's compensation from the Company Group (or an individual belonging to an entity such as a corporation, association, or other group that has received such assets).

(E) An independent auditor of the Company Group (or an individual belonging to a corporation, association or other group that serves as an independent auditor of the Company Group).

(F) Business personnel of another company in cases where the business personnel of the Company Group

have been appointed as outside officers of such other company.

(G) An entity which has received a large amount of money or other assets as donation from the Company Group or business personnel thereof.

2. The individual is not a relative\*5 of a person who meets either of the following conditions "a." or "b."
  - a. An individual who satisfies any of the foregoing conditions (A) through (E) in Section 1 above for one of the past three fiscal years. However, the business personnel stipulated in conditions (A) through (C) shall refer only to key business personnel\*6. Condition (D) or (E) shall apply only to persons with specialized qualifications, such as certified public accountants and lawyers.
  - b. Key business personnel of the Company Group in the current fiscal year or any of the past 3 fiscal years. (In the case of outside auditors, key business personnel include non-executive directors)

Notes.:

1. An entity for whom the Company Group is a major client refers to a supplier the trading amount with the Company Group, which exceeds the higher of ¥100 million or 2% of the consolidated net sales of the supplier group, in the most recent fiscal year.
2. Business personnel refers to the executive directors, executive officers, other officers who execute the operations of corporations, etc., ordinary employees and others who conduct business operations.
3. A major client of the Company Group refers to an entity that satisfies any of the following conditions:
  - (1) A client the Company Group's trading amount with which exceeds 2% of the Company Group's consolidated net sales, in the most recent fiscal year.
  - (2) An entity from which the Company Group has borrowed funds, where the total amount of the Company Group's borrowings from the financial institutions exceeds 2% of the Company Group's consolidated total assets in the most recent fiscal year.
4. A large amount of money or other assets refers to a monetary compensation value per fiscal year which exceeds the higher of ¥10 million or 2% of the entity's net sales in the most recent fiscal year.
5. Relatives refer to spouses, relatives within the second degree of kinship and those with whom a livelihood is shared.
6. Key business personnel refer to business personnel such as executive directors, executive officers and other officers who execute the operations of corporations, etc., as well as those who execute key operations, such as division managers.

[Supplementary Principle 4.10.1 Authority and Role of the Nomination Committee and Compensation Committee]

The Board of Directors of the Company shall establish the Nomination Committee and the Compensation Committee. The Nomination Committee shall deliberate on appointment/dismissal of senior management and nomination of directors and Audit & Supervisory Board Members, and shall communicate the results of its deliberations to the Board of Directors for its deliberation and resolution, and each director shall make decisions with reference to such results. The Compensation Committee shall determine the specific amount of compensation, calculation method and other conditions for Directors based on the policy established by the Board of Directors and under the delegation by the Board of Directors.

The majority members and the chairpersons of the Nomination Committee and the Compensation Committee shall be appointed from independent directors, in order to ensure their independence.

[Supplementary Principle 4.11.1 Policy on Diversity of the Board of Directors, etc.]

At the Board of Directors of the Company, we aim for enhancing effectiveness of Board of Directors and a healthy and sustainable expansion of McDonald's business in the Japanese market by formulating the Board in a balanced manner: directors who also serve as executive officers in key strategic areas of the group, directors with experience in overseas McDonald's-affiliated companies, and independent outside directors who oversee management from an objective standpoint, each with clearly defined roles and requirements. Our directors and Audit & Supervisory Board Members need to have a diverse and high level of knowledge, experience, and ability in order to supervise the execution of business and make important decisions. In particular, we believe that it is necessary to incorporate a wide range of knowledge and experience in business management including marketing, human resources, global business and society and environment, and specialized knowledge in the areas of IT and digital, law and compliance, and finance and accounting in addition to knowledge of McDonald's Business. We have established concrete requirements for each skill, which have been referred at the selection of directors and Audit & Supervisory Board Members. Based on the

above, we have prepared a skill matrix and analyzed the skills of the current directors and Audit & Supervisory Board Members, and confirmed that the current directors and Audit & Supervisory Board Members meet the above requirements. The skill matrix is provided at the end of this report.

From the perspective of diversity and inclusion, we also believe it is important to maintain diversity in terms of gender, nationality, and background. In order to enable active and substantive deliberations, the maximum number of Directors and Audit & Supervisory Board Members shall be ten (10) and four (4), respectively, as stipulated in the Articles of Incorporation.

【Supplementary Principle 4.11.2 Status of concurrent positions of directors and Audit & Supervisory Board Members】

The number of concurrent positions held by the Company's directors and Audit & Supervisory Board Members at other listed companies is kept within reasonable limits.

The status of important concurrent positions held by the Company's directors and Audit & Supervisory Board Members are provided at the end of this report.

【Supplementary Principle 4.11.3 Evaluating the Effectiveness of the Board of Directors】

The Company analyzes and evaluates the effectiveness of our Board of Directors at a board meeting once each year from the following points of view and based on the responses of individual Directors and Auditors to a questionnaire survey to improve the functions of the Board.

- ① Roles and functions of the Board of Directors
- ② Size and composition of the Board of Directors
- ③ Operations of the Board of Directors
- ④ Maintenance of internal control, etc.
- ⑤ Utilization of independent outside directors
- ⑥ Relationships with shareholders and investors

The Company made analysis and assessment in 2025 by using a third-party organization, and concluded that the Board of Directors in 2025, as a whole, played its roles and responsibilities with effectiveness. In 2026, the Company plans to promote discussions on medium- to long-term issues and internal controls and oversight on the implementation of sustainability strategies among other topics, to further strengthen the functions of the Board of Directors.

【Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members】

We provide explanations of legal responsibility as directors or Audit & Supervisory Board Members, and our systems and businesses upon assumption of directors and Audit & Supervisory Board Member role, and also provide such explanations at appropriate opportunities thereafter. We also invite independent outside Directors and Audit & Supervisory Board Members to attend the Kick-off Meeting, a business briefing session including franchisees and business partners at the beginning of the year, as well as various other briefing sessions held by our Group, and invite them to participate in product tastings, in order to deepen their understanding of our Group's business and products. In addition, the Company will take necessary measures, including providing and mediating opportunities and supporting expenses, to enable directors and Audit & Supervisory Board Members to attend external training, etc., when necessary.

【Principle 5.1, Supplementary Principle 5.1.2 Policy for Constructive Dialogue with Shareholders】

The Company's policy on the development of systems and initiatives to promote constructive dialogue with shareholders is as follows.

(i) General dialogue with shareholders

The Company promotes IR communication by appointing Chief IR Officer (CIRO) from among its corporate officers, who oversees overall dialogue with shareholders.

(ii) Organic cooperation between divisions

CIRO shares information as appropriate with the relevant divisions and ensures organic cooperation among the divisions in our Group.

(iii) Enhancement of the means of dialogue

The Representative Director and President, Chief Financial Officer or CIRO provide explanations to shareholders and investors at the Annual General Shareholders Meeting and at the financial results briefings at the conclusion of the fiscal year and for the second quarter. In addition, IR staff responds to inquiries from

shareholders and investors on an individual basis.

(iv) Feedback on the dialogue with shareholders

CIRO shares the details of dialogue with shareholders and investors with the Board of Directors, Representative Director and other senior management as appropriate.

(v) Information management

The Company manages information in accordance with the regulations of the Financial Instruments and Exchange Act, other applicable laws, and the timely disclosure regulations of the stock exchange. Within our Group, we have established regulations for preventing insider trading and handling confidential information, and we manage information based on these rules. In individual dialogues with shareholders and investors, we strictly avoid providing information regarding undisclosed material facts and provide explanations based on disclosed information and information publicly available. Dialogue activities are carried out under the information management framework described above, with the IR department at the center coordinating with legal, finance, and other relevant functions as needed. Important dialogue content and feedback from the market are appropriately shared with management and the Board of Directors, and mechanisms are in place to utilize this information for business improvement. Additionally, to ensure fairness of information in individual dialogues, it is a basic principle to broadly inform investors of key points and important information through timely disclosure and other means.

【Principle 5.2 Establishing and disclosing business strategies and business plans】

The company discloses the Medium-term Management Plan as described in “I. 1. Principle 3.1 (i)” of this report.

[Actions to implement management that is conscious of cost of capital and stock price.] [English disclosure available].

In order to meet the expectations of our stakeholders, we are working to ensure sustainable growth over the medium to long term, while also ensuring sufficient financial stability and improving capital efficiency, thereby ensuring a continuous and stable return on capital that exceeds our cost of capital. Details of these efforts are disclosed in the following Medium-term Management Plan.

[https://ircms.irstreet.com/contents/data\\_file.php?template=2095&brand=74&data=445674&filename=pdf\\_file1.pdf](https://ircms.irstreet.com/contents/data_file.php?template=2095&brand=74&data=445674&filename=pdf_file1.pdf)

## 2. Capital structure

Foreign shareholding ratio

More than 30%

## Major shareholders

Name / Company name	Number of shares owned	Percentage(%)
MCDONALD'S RESTAURANTS OF CANADA LIMITED	33,575,000	25.25
MCD APMEA SINGAPORE INVESTMENTS PTE. LTD.	13,385,000	10.07
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	1,838,031	1.38
STATE STREET BANK AND TRUST COMPANY 505001	1,281,268	0.96
JP MORGAN CHASE BANK 385781	1,244,100	0.94
CUSTODY BANK OF JAPAN, LTD. (ACCOUNT IN TRUST)	800,100	0.60
THE MASTER TRUST BANK OF JAPAN, LTD. (ACCOUNT IN TRUST)	739,800	0.56
MCDONALD'S GROUP STOCKS SOCIETY	682,700	0.51
JPMORGAN SECURITIES JAPAN CO., LTD.	675,428	0.51
JP MORGAN CHASE BANK 385864	559,400	0.42
Controlling shareholder (except for parent company)	None	
Parent company	None	

## Supplementary information

None

## 3. Corporate profile

Listed stock market and market section	Tokyo Standard
Fiscal year-end	December
Type of business	Retail
Number of employees (consolidated) as of the previous fiscal year-end	More than 1,000
Net sales (consolidated) in the previous fiscal year	More than ¥100 billion and less than ¥1 trillion
Number of consolidated subsidiaries as of the previous fiscal year-end	Less than 10

## 4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder

None

## 5. Other special circumstances that may have material impact on corporate governance

None

## II. Business management organization and other corporate governance systems regarding decision-making, execution of business, and oversight in management

### 1. Organizational composition and operation [Updated]

Organization form	Company with Audit & Supervisory Board
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#### Directors

Maximum number of Directors stipulated in the articles of Association	10
Term of office of Directors stipulated in the articles of Association	2 years
Chairperson of the board	President
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors <span style="background-color: #FFD700;">[Updated]</span>	3
Number of Independent Directors	3

#### Outside Directors' relationship with the Company (1) [Updated]

Name	Attribute	Relationship with the Company *										
		a	b	c	d	e	f	g	h	i	j	k
Tetsu Takahashi	Lawyer											
Yuko Tashiro	CPA											
Akiko Nakajo	From another company											

\* 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

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

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive 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 or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i. Executive of a company, between the Company and which Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

## Outside Directors' relationship with the Company

[Updated]

Name	Designation as Independent Director	Supplementary information of the relationship with the Company	Reasons for appointment
Tetsu Takahashi	○	-	<p>As a lawyer, Mr. Tetsu Takahashi has served as a partner of a law firm and as an outside director and outside audit &amp; supervisory board member of several companies, and has a wealth of experience as a lawyer and as an outside director, as well as extensive knowledge of corporate legal affairs, compliance and corporate governance, etc. Based on this wealth of experience and knowledge, he has given valuable advice and opinions on the Company's management from an independent and objective perspective as an outside director of the Company since 2022, and therefore we have judged that he can continue to contribute to strengthening the effectiveness of the supervisory function of the Board of Directors of the Company and have elected him as an independent outside director.</p> <p>Also, he is listed as an independent director in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, he will not cause any possible conflicts of interest with general shareholders.</p>
Yuko Tashiro	○	-	<p>Ms. Yuko Tashiro is a U.S. certified public accountant who has served as a partner of an auditing firm, Chief Financial Officer of several companies, and a Representative Director, and has abundant experience and achievements as an accountant and business manager, as well as a wealth of knowledge of finance and others. Based on her wealth of experience and knowledge, she has been making useful comments from an independent and objective perspective as an Outside Director of the Company since 2023 and, and therefore we have judged that she can continue to contribute to strengthening the effectiveness of the supervisory function of the Board of Directors of the Company and have elected her as an independent outside director.</p> <p>Also, she is listed as an independent director in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, she will not cause any possible conflicts of interest with general shareholders.</p>

Akiko Nakajo	○	—	<p>Ms. Akiko Nakajo has served as representative of Japanese subsidiaries and Outside Director of several companies, and has a wealth of experience as a business manager as well as extensive insight into corporate digital transformation and use of technology etc. Based on her past performance in these positions and her extensive knowledge, we have judged that she will be able to contribute to the enhancement of the corporate value of the Company and have elected her as an independent outside director.</p> <p>Also, she is listed as an independent director in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, she will not cause any possible conflicts of interest with general shareholders.</p>
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Voluntary establishment of committee(s) corresponding to a nominating committee or remuneration committee

Established

Voluntary establishment of committee corresponding to	Name of committee	Number of total members	Full-Time member (X)	Internal Director (X)	Outside Director (X)	Outside Expert (X)	Others (X)	Chairman
nominating committee	Nomination committee	5	0	2	3	0	0	Outside Director
remuneration committee	Compensation committee	5	0	2	3	0	0	Outside Director

## Supplementary information [Updated]

The Nomination Committee and the Compensation Committee have been established as optional advisory bodies under the Board of Directors to ensure objectivity and transparency in matters such as the selection/dismissal of Director and remuneration of Directors. The members of these committees are selected by the Board of Directors and a majority of the members of these committees are Independent Outside Directors. These committees are chaired by Independent Outside Directors.

The Nomination Committee deliberates on the selection and dismissal of Directors and Audit & Supervisory Board Member, and the Board of Directors makes decisions on the selection and dismissal of Directors and Audit & Supervisory Board Member, referring to the results of the deliberations.

The members of the Nomination Committee are as follows:

Yuko Tashiro (Chairperson of the Nomination Committee / Independent Outside Director), Thomas Ko (Representative Director, President), Dario Baroni (Director), Tetsu Takahashi (Independent Outside Director), Akiko Nakajo (Independent Outside Director)

In Addition, remuneration for Directors is determined by the Compensation Committee. The remuneration decision for the Director who is a member of the Compensation Committee will be made by the other

members of the Compensation Committee. The Compensation Committee determines the specific amount of remuneration or calculation method and other conditions for Directors based on the policy established by the Board of Directors and the delegation from the Board of Directors.

The members of the Compensation Committee are as follows:

Tetsu Takahashi (Chairperson of the Compensation Committee / Independent Director), Thomas Ko (Representative Director, President), Nikolaus Piza (Director), Yuko Tashiro (Independent Outside Director), Akiko Nakajo (Independent Outside Director)

## Audit & Supervisory Board

Establishment of Audit & Supervisory Board Member Board	Established
Maximum number of Audit & Supervisory Board Members stipulated in the Articles of Association	3
Number of Audit & Supervisory Board Members	3

## Cooperation among Audit & Supervisory Board, Independent Auditors and Internal Audit Function

[Updated]

Ernst & Young ShinNihon LLC, the Independent Auditor, Internal Auditing department and the Audit & Supervisory Board are responsible for reporting the results of statutory audits based on the Corporate Law and the Financial Instruments and Exchange Act. In addition, collaborations are made including a mutual exchange of information and opinions as required, striving to secure the effectiveness and efficiency of audits.

Appointment of Outside Audit & Supervisory Board Member	Appointed
Number of Outside Audit & Supervisory Board Member	[Updated] 4
Number of Independent Audit & Supervisory Board Member	3

## Outside Audit & Supervisory Board Members' relationship with the Company: 1

Name	Attribute	Relationship with the Company *											
		a	b	c	d	e	f	G	h	i	j	k	
Sonoko Kajiyama	CPA												
Yoshiyuki Honda	CPA												
Makiko Hamabe	From another company												

\* Categories for "Relationship with the Company"

"○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category

"△" when the Audit & Supervisory Board Member fell under the category in the past

"●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive of the Company or its Subsidiary

b. Non-executive Director or accounting advisor of the Company or its subsidiaries

c. Non-executive Director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow Subsidiary company of the Company

f. 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 property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between the Company and which Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

**Outside Audit & Supervisory Board Members' relationship with the Company: 2**

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary information of the relationship with the Company	Reasons for appointment
Sonoko Kajiyama	○		<p>Ms. Sonoko Kajiyama is a certified public accountant who has worked for a big accounting firm and internal audit teams of global companies, has led an internal audit department of a global corporation as senior vice president, and has abundant experience as an accountant and auditor, as well as an extensive knowledge of finance, accounting, and auditing. Based on her wealth of experience and knowledge, we have judged that she can contribute to strengthening the supervisory and auditing functions, etc. of the Audit &amp; Supervisory Board of the Company and have therefore elected her as an independent outside Audit &amp; Supervisory Board Member.</p> <p>Also, she is listed as an independent Audit &amp; Supervisory Board Member in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, he will not cause any possible conflicts of interest with general shareholders.</p>
Yoshiyuki Honda	○	-	<p>Mr. Yoshiyuki Honda is a certified public accountant and a U.S. certified public accountant who has been engaged in auditing business, has also served as CFO and representative director and representative executive officer of several companies, and has abundant experience as CFO and business manager, as well as extensive knowledge on corporate accounting and finance and corporate management. Based on this experience and knowledge, he has given valuable advice and opinions from an</p>

			<p>independent and objective perspective as an outside Audit &amp; Supervisory Board Member of the Company since 2016, and therefore we have judged that he can continue to contribute to strengthening the supervisory and auditing functions, etc. of the Audit &amp; Supervisory Board of the Company and have elected him as an independent outside Audit &amp; Supervisory Board Member. Also, he is listed as an independent Audit &amp; Supervisory Board Member in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, he will not cause any possible conflicts of interest with general shareholders.</p>
Makiko Hamabe	○	—	<p>Ms. Makiko Hamabe has been engaged in corporate communications and investor relations for many years and has abundant experience and achievements in dialogue with stakeholders, as well as extensive knowledge of ESG and sustainability issues. Based on this wealth of experience and knowledge, she has given valuable advice and opinions from an objective standpoint as an outside Audit &amp; Supervisory Board Member of the Company since 2023, and therefore we have judged that she can continue to contribute to strengthening the supervisory and auditing function, etc. of the Audit &amp; Supervisory Board of the Company and have elected her as an independent outside Audit &amp; Supervisory Board Member. Also, she is listed as an independent Audit &amp; Supervisory Board Member in the Tokyo Stock Exchange, based on our judgment that she meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, she will not cause any possible conflicts of interest with general shareholders.</p>

## Independent Directors/Audit & Supervisory Board Members

Number of Independent Directors/Audit & Supervisory Board Members	6
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### Other matters relating to Independent Directors/Audit & Supervisory Board Members

[Updated]

The Company's Board of Directors has established standards and qualifications for determining the independence of Outside Directors and Outside Kansayaku.

The details are as stated in "[Principle 4-9] Independence Standards and Qualifications for Independent Directors" above.

The Company designates all outside directors who fulfill the qualifications for Independent Directors as Independent Directors in accordance with the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company.

## Incentives

Incentive policies for Directors	Introduction of performance-linked compensation system (including the stock price linked incentive) and others
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### Supplementary information

None

Recipients of stock options	-
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### Supplementary information

None

## Director's remuneration

Disclosure of individual Directors' remuneration	Selected Directors
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### Supplementary information [Updated]

In fiscal year 2025, Directors receiving a consolidated remuneration of 100 million yen or more include Representative Director Thomas Ko. Breakdown of remunerations are as follows:

Thomas Ko, Representative Directors whose total remuneration, etc. on a consolidated basis totaled 100 million yen or more. Thomas Ko's remuneration consisted of monthly remuneration of 45 million yen, stock-price-linked remuneration of 8 million yen, performance-linked remuneration of 48 million yen, and retirement benefits of 6 million yen paid by the reporting company. McDonald's Company (Japan), Ltd., a consolidated subsidiary of the Company, paid 71 million yen in monthly remuneration, 8 million yen in stock-price-linked remuneration, 16 million yen in performance-linked remuneration, and 9 million yen in retirement benefits.

Policy on determining remuneration amounts and calculation methods	Established
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### Disclosure of policy on determining remuneration amounts and calculation methods

[Updated]

Regarding the remuneration amount for Directors, an overall approach is taken to review the Company's performance, the Director's position and responsibilities to determine the amount within the limit approved at the general meeting of shareholders. During the 47th Ordinary General Meeting of Shareholders held on March 28, 2018, a decision was made to set the remuneration amount for Directors at 1.2 billion yen per year or lower (including 60 million yen for outside directors, but excluding the portion of compensation as an

employee and remuneration for directors paid by a Subsidiary of the Company of which the directors concurrently hold the office of director). Monthly remuneration, stock price linked remuneration, performance linked remuneration are provided within the limits based on Article 361, Paragraph 1 of the Company Act.

## **Supporting system for Outside Directors and/or Outside Audit & Supervisory Board Members**

[Updated]

Legal Division is the contact for Outside Directors, and a Full-Time Audit & Supervisory Board Member, Internal Auditing department and Legal Division are the contacts for Outside Audit & Supervisory Board Members, providing information and explanation of the Company or the overall group necessary for the auditing process.

Also, Ernst & Young ShinNihon LLC, the Independent Auditor, Internal Auditing department and the Audit & Supervisory Board are responsible for reporting the results of statutory audits based on Corporate Law and the Financial Instruments and Exchange Act. In addition, collaborations are made including a mutual exchange of information and opinions as required, striving to secure the effectiveness and efficiency of audits.

## **2. Matters on functions of business execution, auditing, oversight, nomination and remuneration decisions: overview of current corporate governance system**

[Updated]

The Company is a company with Board of Directors, Audit & Supervisory Board Member Board and Independent Auditors.

The Group adopts the executive officer system and separates the Directors and the duties performed by the executive officers. The Board of Directors, made of nine individuals including four Independent Directors, makes important business decisions, executes and supervises the duties of a Director. Executive officers are responsible for the implementation of an agile operation.

Also, the Company has setup the "Executive Management Team (EMT)", consisting of the CEO and other members selected by the CEO, within the Subsidiary, an operating company. EMT receives reports as required from executive officers and collaborates with them to ensure a smooth execution of the business, and makes business decisions to the extent set by the Board of Directors of the said company to ensure a speedy decision-making process.

Nominations of candidates for Directors and Audit & Supervisory Board Members are deliberated in advance by the Nomination Committee, and decisions are made by the Board of Directors with reference to the results of such deliberations.

Remuneration for Directors is determined by the "Compensation Committee", an optional advisory body and chaired by an Independent Outside Director.

Regarding the Company's internal audit organization, an independent Internal Auditing department under direct control by the CEO, is established. The scope of internal audit includes the Company and its consolidated subsidiaries. Through this and based on the risk-approach concept, identification of latent or obvious risks that may exist in individual business processes and auditing of the business and assets are made. Its mission is to make contributions in the areas of compliance in laws and regulations, maintain company assets, streamline the operation and strengthen internal control functions.

Specifically, an audit is conducted based on an annual internal audit plan approved by the CEO and report the results to the head of the audited division. The Internal Auditing department and the audited division discuss a remediation plan, and Internal Audit submits the audit report to the CEO and Audit & Supervisory Board Member after the agreed remediation plan is made. A time frame for remediation is set for the audited division, and a follow-up audit is made promptly after the set time to check the remediated results and ensure the effectiveness of internal audits.

Regarding audits conducted by Audit & Supervisory Board, the Board consisting of one Full-Time and three Outside Audit & Supervisory Board Members is set up to monitor the business. Further, close collaborations are made with Internal Auditing department to conduct strict audits in accordance with "Auditing Standards for Audit & Supervisory Board."

Also, Ernst & Young ShinNihon LLC, the Independent Auditor, Internal Auditing department and the Audit & Supervisory Board are responsible for reporting the results of statutory audits based on Corporate Law and the Financial Instruments and Exchange Act. In addition, collaborations are made including a mutual exchange of information and opinions as required, striving to secure the effectiveness and efficiency of audits.

The Company has entered into an agreement with each Director (excluding executive directors, etc.) and each Audit & Supervisory Board Member to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under the said agreement is the amount stipulated in laws and regulations.

[Updated]

### 3. Reason for adoption of current corporate governance system

The Company has selected a company with Audit & Supervisory Board that has the dual check function of supervision by the Board of Directors and legality audits by Audit & Supervisory Board for business execution. Under the system of a company with Audit & Supervisory Board, the Company has appointed several independent outside Directors for the purpose of receiving advice, etc. from an independent and objective standpoint, and strengthening the supervisory function.

In addition, the majority of the members of the Compensation Committee and the Nomination Committee, which are advisory bodies to the Board of Directors, are Independent Outside Directors and the Independent Outside Directors chair these committees to ensure objectivity and transparency in the remuneration of Directors and the selection/dismissal of Directors.

Regarding business execution, the Board of Directors, the decision-making body of the business and supervision body of the operation, and the business execution body of executive officers are separated to ensure a management system that can respond quickly to changes in business environment.

### III. Implementation of measures for shareholders and other stakeholders

#### 1. Measures to vitalize the general meeting of shareholders and enable smooth exercise of voting rights

	Supplementary information
Scheduling AGMs avoiding the peak day	To ensure convenience of our shareholders, AGM is scheduled in the afternoon to avoid the peak day and selects a day to avoid overlapping with that of other companies.
Measures to Improve the Voting Environment of Institutional Investors Such as Participation in Electronic Voting Platform	The Company participates in the Voting Rights Electronic Exercise Platform for institutional investors operated by ICJ Co., Ltd.
Providing Convocation Notices (summary) in English	The convocation notice in English is provided on the Company's website and the website of the Tokyo Stock Exchange.
Exercise of voting rights via the Internet	We have introduced the exercise of voting rights via the Internet
Other	AGM is introduced in both video images and in writing on the Company's official website. The Company also provide live streaming of AGM on the day of AGM (participatory virtual AGM)

#### 2. IR activities [Updated]

	Supplementary information	Briefing by the representative directors
Regular briefings for retail investors	Full-year financial results and Q2 financial results announcements.	Yes
Posting of IR materials on website	Presentation in a video format, together with their scripts, are provided at both the full-year financial results and Q2 financial results briefings. In addition, various relevant materials including the monthly sales report and earnings summary, are also posted as well.	
Establishment of department and/or manager in charge of IR	The Investor Relations Department has been established under Vice President and Chief IR Officer (CIRO).	

#### 3. Measures to ensure due respect for stakeholders [Updated]

	Supplementary information
Stipulation of internal rules for respecting the position of stakeholders	These are stipulated in the "Code of Business Conduct."
Implementation of environmental activities, CSR activities etc.	Led by the Communications & CR Division, we conduct a variety of social contribution activities as part of our corporate social responsibility initiatives. These include environmental conservation efforts such as energy and waste management and reducing environmental impact, support for Ronald McDonald House Charities Japan, a public interest incorporated foundation, support for kids' sports, food education, and community engagement. Sustainability & ESG Department is set up in McDonald's Company (Japan), Ltd., a consolidated subsidiary company. As part of the Company's social responsibilities, the Department conducts energy & waste management, implements

environmental conservation activities including the reduction of environmental impact, and engages in various social contribution programs such as supporting the Ronald McDonald House Charities, supporting kids sports, providing food education and giving back to our communities.

In line with the main objectives of the SDGs, McDonald's Japan will continue to be committed to realizing a sustainable society and better environment with a focus on the four areas of "Our Planet," "Food Quality & Sourcing," "Our Planet," "Community Connection," "Job, Inclusion and Empowerment." and "Community Connection," "Job, Inclusion and Empowerment." The efforts to address such issues are communicated to our stakeholders through our annual Sustainability Report, to help ensure an appropriate disclosure of information.

Development of policies on information provision to stakeholders

In compliance with the information disclosure guidance of the Tokyo Stock Exchange, we strive to disclose information in a timely and appropriate fashion. Also, "Insider Trading Prevention Regulations" have been formulated and used by the Legal Division to provide reminders to the employees.

## IV. Matters related to the internal control system

### 1. Basic views on the internal control system and the progress of system development

[Updated]

Systems of the Company Group to ensure the execution of duties of the Directors is in accordance with the laws and regulations and the Article of Association of the Company, and to ensure appropriateness of the operation of the Company are as follows:

#### **(1) System for preservation and management of information relating to the execution of duties by Directors**

- (a) Minutes of meetings of the Board of Directors and minutes of general shareholders' meetings, financial statements and business reports, minutes of meetings of the Executive Management Team (hereinafter referred to as "EMT") of the consolidated Subsidiary, records of preliminary examination and approval based on Delegation of Authority Guidelines, minutes of meetings of the Audit & Supervisory Board, documents relating to activities of Audit & Supervisory Board members, and other documents designated by the Board of Directors and Audit & Supervisory Board (including those in an electromagnetic form) shall be preserved and managed for 10 years together with their pertinent materials.
- (b) The Document Preservation and Management Rules shall be developed to prescribe periods and methods to preserve documents regarding business execution according to the importance of documents. All employees must be familiarized with the rules and each division shall establish its daily document management criteria and implement necessary training and education regarding the rules and criteria.

#### **(2) Rules and Other Systems for Management of Risks of Losses**

- (a) The Enterprise Risk Management Committee is responsible for securing risk management in accordance with Enterprise Risk Management Committee Regulations, which stipulate the details of risk management for the Company Group, and a member or members in charge of compliance and risk management in each division shall ensure risk management, including the development and implementation of action plans in the division. To assure preliminary risk assessment procedures will be conducted properly, the Delegation of Authority Guidelines shall specify whether preliminary assessment of individual departments or EMT is needed and the Company ensures that all employees sufficiently understand the guidelines.
- (b) An Internal Auditing department shall be established as a function independent from business execution departments to audit business processes in individual departments for risk identification and prevention as well as for business process improvement.
- (c) When necessary, an emergency task force shall be formed with a necessary number of members to address and deal with massive such risks as major accidents, disasters and scandals. Risks that should be addressed by and specific tasks and authorities of the task force shall be defined in Crisis Management

Regulations and Large-Scale Disaster Response Headquarters Regulations.

- (d) According to Crisis Management Regulations, considering the nature of the Company's business, the Company shall (1) enhance the reporting structure to the management team by setting up the Emergency Hotline system in accordance with Emergency Hotline Regulations to establish the risk management system to deal with emergencies in restaurants and (2) specifically set forth the roles of each department for each level of emergencies and the methods of how to deal with emergencies by setting the Rules on Emergency Level Management and Stock Recovery of Restaurant Commodities' and Products' Quality with regard to the methods of how to deal with emergencies in restaurants.

### **(3) System to Ensure the Efficiency of Directors in the Execution of their Duties**

The "Rules for the Board of Directors" and "Detailed Regulations for the Board of Directors" shall define the matters to be resolved and to be reported at meetings of the Board of Directors. Each member of the Board shall ensure appropriate allocation of authorities and proper decision making in accordance with the "Rules on Segregation of Duties" and "Delegation of Authority Guidelines" for efficient and proper execution of his/her duties. Each member of the Board shall also make proposals as needed to the Board and the Representative Director in order to establish the system to ensure efficient reporting to the Board of Directors concerning the decision of the Company's managerial policies, consideration and decision of important matters, and the enhancement and operation of the Company's compliance system and risk management system.

### **(4) System to Ensure that the Directors and Employees Execute their Duties in Compliance with Laws and Regulations and Articles of Association of the Company**

- (a) The Enterprise Risk Management Committee shall be established with the Representative Director and CEO of the consolidated Subsidiary as its chairman and vice president in charge of legal, vice president in charge of human resources, Chief Restaurant Officer (CRO) and Chief Financial Officer (CFO) of the consolidated Subsidiary as committee members. The Enterprise Risk Management Committee shall have authority to conduct the surveys and to provide guidance necessary to maintain that the Directors and employees of the Group execute their duties in compliance with laws and regulations and the Articles of Association. Authorities and activities of the Enterprise Risk Management Committee shall be specified in the Enterprise Risk Management Committee Regulations.
- (b) A handbook, Standards of Business Conduct shall be developed to describe compliance in plain language and distributed to all employees in electric format. Each employee will be required to submit a written oath to assure their compliance with the standards.
- (c) Training needed to secure compliance shall be provided to Directors, vice presidents, staff members and other relevant employees and contents of training shall be decided depending on their positions and responsibilities.
- (d) The "Delegation of Authority Guidelines" shall be developed to specify approval authorities of Directors and employees concerning business execution of the Company Group based on their positions and responsibilities, and to specify the necessity of prior approval of relevant departments or EMT and of resolutions or reporting at meetings of the Board of Directors. In addition, the EMT Rules shall be formulated to ensure EMT will examine important business execution decisions in advance. All employees shall be familiarized with the above guidelines and rules.
- (e) An internal auditing department shall be established as a function independent from business execution departments to audit business processes of each department and find and prevent misconduct and improve business processes.
- (f) The above initiatives shall be actively disclosed to shareholders, investors, and society as well as to Directors and employees in order to notify the compliance system and secure its transparency.

### **(5) System to Ensure Appropriateness of Operations in the Group**

To maintain the appropriateness of operations performed throughout our entire group including The Subsidiary., which is a member of the Company Group shall implement procedures to ensure appropriateness of operations in their companies in accordance with the Internal Control Regulations, and shall maintain a reporting system to ensure that any matter deemed important for maintaining appropriateness of operations is reported to the Company.

### **(6) Matters related to Assistants to Audit & Supervisory Board Member Appointed by the Audit & Supervisory Board Member**

The Board of Directors shall appoint employees who have sufficient expertise and knowledge to perform

assistant work for the Audit & Supervisory Board as assistants to the Audit & Supervisory Board as soon as practically possible upon the request of the Audit & Supervisory Board Member. Directors and employees shall extend equal assistance and cooperation to the assistants in conducting investigation, auditing and other relevant activities to those they would extend to the Audit & Supervisory Board.

**(7) Matters related to Securement of Independence of Assistants to Audit & Supervisory Board Member from Board of Directors**

The assistants to the Audit & Supervisory Board Member will not belong to the Board of Directors' chain of command and order and assist the auditor independently from the Board. Reassignment of and disciplinary actions and other measures against the assistants shall be reported to and approved by the Audit & Supervisory Board prior to their implementation.

**(8) System for Directors, Employees and Others to report to Audit & Supervisory Board Members and other systems for reporting to Audit & Supervisory Board Members**

- (a) Internal Auditing, Treasury and Legal Services departments shall immediately report to the Audit & Supervisory Board Members on any violation of law or regulation or potential serious damage to the Company that they find in their respective business execution.
- (b) Directors shall disseminate the reporting obligations described above in the Company.
- (c) In the event that the Enterprise Risk Management Committee is notified of a fact which allegedly violates laws and regulations, corporate ethics, etc., or is likely to cause significant damage to the Company through the whistle-blower hotline or by any other means, and as a result of the fact-finding investigation such material fact that violates laws and regulations or is likely to cause significant damage to the Company is found, the Enterprise Risk Management Committee shall report such fact to the Audit & Supervisory Board Members.
- (d) Directors and employees must promptly report on items regarding business execution at the request of the Audit & Supervisory Board Members.
- (e) The Audit & Supervisory Board Members will receive a report as needed on audits conducted by the Internal Auditing department and may request additional auditing or improvement of operations or other measures that they determine necessary.

**(9) System to ensure that those who reported to the Audit & Supervisory Board Members do not receive any disadvantageous treatment due to the report**

According to the "Internal Control Regulations", the Company shall not give any disadvantageous treatment to the Group's officer/employee who has reported to the Audit & Supervisory Board Members of the Group on the basis of the fact that such officer/employee has so reported.

**(10) Policy concerning the processing of expenses and other treatments arising from Performance of Duties of the Audit & Supervisory Board**

According to the "Internal Control Regulations", the Company shall quickly process the expense or debt when the Audit & Supervisory Board requests for advance payment of expenses arising from its execution of duties.

**(11) Other Procedures to Ensure Effective Auditing by the Audit & Supervisory Board**

- (a) The Audit & Supervisory Board may work together with the consolidated Subsidiary's Internal Auditing department and the Accounting Auditor to conduct audit. The Full-Time Audit & Supervisory Board Member and a person designated by the Full-Time Audit & Supervisory Board Member may attend any meeting that discusses important business execution (regardless of the type of the meeting), express their views and ask for explanation at the meeting.
- (b) The Audit & Supervisory Board Members shall supervise the Accounting Auditor and may receive separate reports on audits conducted by the Accounting Auditor to secure independence of the Accounting Auditor from Directors.
- (c) To maintain the appropriateness of operations performed throughout our entire group including the Company, The Subsidiary., which is a member of the Company Group, shall implement procedures to ensure appropriateness of operations, equivalent to those stipulated in the Internal Control Regulations, and shall maintain a reporting system to ensure that any matter deemed important for maintaining appropriateness of operations is reported to the Company.  
The Internal Control Regulations stipulate that the internal audit department and each division in charge of the consolidated Subsidiary can directly report to the Audit & Supervisory Board Members of the Company

and the prohibition of disadvantageous treatments, obligations to cooperate with the assistants to the Audit & Supervisory Board Members, and processing of expenses arising from execution of auditing duties etc.

## 2. Basic views on excluding organized crime and the progress of system development

The Group has no relations whatsoever with corporate extortionists, organized crime groups and other anti-social forces, and it will continue to firmly refuse any unjust demands from such anti-social forces. In case when an organized crime group or such threatens us by using product complaints as an excuse for the purpose of receiving illegal monetary gains, we will deal with the principles of “we are not afraid of organized crime groups”, “we will not pay to the organized crime groups” and “we will not make use of the organized crime groups.”

The principal ideas of rejecting the above anti-social forces are listed in the “Standard of Business Conducts” handbook.

In addition, prior to initiating transactions with new business partners, the Company conducts compliance checks to confirm that the counterparties to such transactions do not fall under the category of antisocial forces.

## V.Other

### 1. Adoption of anti-takeover measures

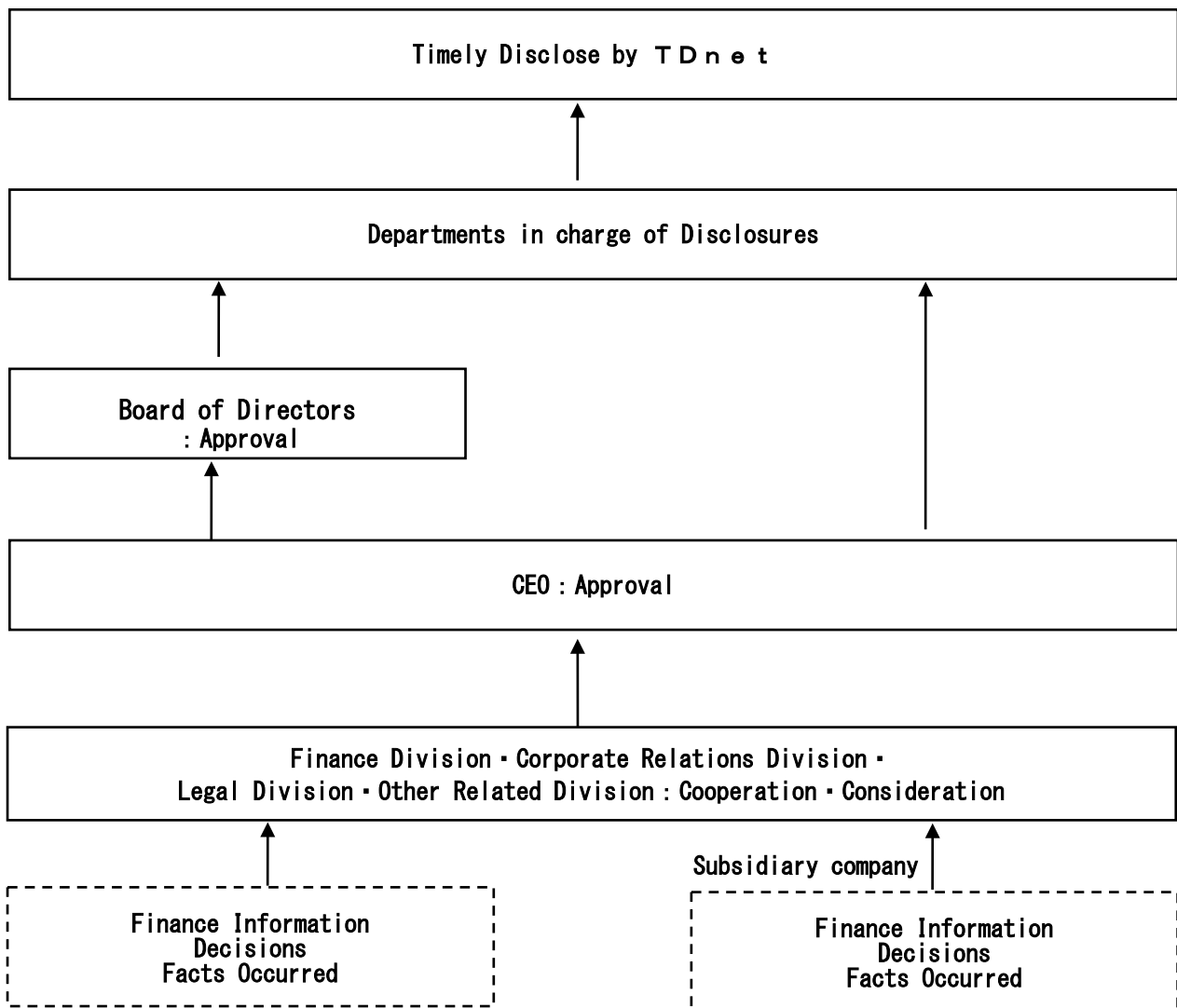
Adoption of anti-takeover measures	Not adopted
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#### Supplementary information

None



<Chart of the Timely Disclosure System of the Group>



The main knowledge and experiences that the Company expects from each Director and each Audit & Supervisory Board Member (Skill matrix)

Name	Position	Corporate Management	Marketing	IT/Digital	Law/Compliance	Finance/Accounting	Human Resources	Global Business	Social/Environment	McDonald's Business
<b>Thomas Ko</b>	Representative Director, President and CEO	●				●		●		●
<b>Fusako Znaiden</b>	Director		●					●	●	●
<b>Yukiko Saito</b>	Director						●			●
<b>Nikolaus Piza</b>	Director	●			●	●		●		●
<b>Dario Baroni</b>	Director	●	●					●		●
<b>Joseph Chiczewski</b>	Director	●				●		●		●
<b>Tetsu Takahashi</b>	Independent Director	●			●					
<b>Yuko Tashiro</b>	Independent Director	●				●		●		
<b>Akiko Nakajo</b>	Independent Director	●		●				●		
<b>Sonoko Kajiyama</b>	Full-time Independent Audit & Supervisory Board Member				●	●		●		
<b>Amy Rourke</b>	Audit & Supervisory Board Member				●			●		●
<b>Yoshiyuki Honda</b>	Independent Audit & Supervisory Board Member	●		●		●		●		
<b>Makiko Hamabe</b>	Independent Audit & Supervisory Board Member					●			●	

(Note: This skills matrix does not represent all knowledge and experience).

The status of important concurrent positions held by the Company's directors and Audit & Supervisory Board Member

<b>Position in the Company</b>	<b>Name</b>	<b>Name and position of the company at which you hold concurrent positions</b>
Representative Director, President and CEO	Thomas Ko	Representative Director, President and CEO, McDonald's Company (Japan), Ltd.
Director	Fusako Znaiden	Director, Senior Vice President and Chief Marketing Officer (CMO), McDonald's Company (Japan), Ltd. Orion Breweries, Ltd., Part-time Director STEM Girls Ambassadors
Director	Yukiko Saito	Director, Vice President and Chief People Officer (CPO), McDonald's Company (Japan), Ltd. Board Member, Ronald McDonald's House Charities Japan
Director	Nikolaus Piza	CFO, International Developmental Licensed Markets Segment, McDonald's Corporation
Director	Dario Baroni	President, International Developmental Licensed Markets Segment, McDonald's Corporation
Director	Joseph Chiczewski	Managing Director and CEO, McDonald's Australia
Independent Director	Tetsu Takahashi	Executive Partner Lawyer, EST Partners Law Office Outside Director (Audit & Supervisory Committee Member), Nomura Real Estate Holdings, Inc.
Independent Director	Yuko Tashiro	Director, NPO Mirai Kaihatsu Kenkyujo Chairperson, the specified nonprofit organization FTJ
Independent Director	Akiko Nakajo	External Director, SoftBank Corporation Advisor, Japan Institute for Health Security
Full-Time Independent Audit & Supervisory Board Member	Sonoko Kajiyama	Statutory Auditor, McDonald's Company (Japan), Ltd. Outside Audit & Supervisory Board Member, Itochu Enex Co., Ltd. Outside Director, Sony Financial Group Inc. Outside Director (Audit & Supervisory Board Member), Yokogawa Bridge Holdings Corp.
Audit & Supervisory Board Member	Amy Rourke	Director, Franchise and Business Counsel – Japan, China and HK, McDonald's Corporation
Independent Audit & Supervisory Board Member	Yoshiyuki Honda	Director, Sumida Corporation
Independent Audit & Supervisory Board Member	Makiko Hamabe	Representative, Makiko Hamabe Office Independent Non-Executive Director, Deloitte Tohmatsu Group Japan LLC and Deloitte Touche Tohmatsu LLC