

Integrated Report 2023

Royal Holdings Co., Ltd.

Royal Holdings Co., Ltd.

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ROYAL



The Royal Credo

Royal is in the business of providing food services. In return for the customer’s patronage, we must provide:

- Delicious food
- Cleanliness in food preparation and handling
- Cheerful service to provide pleasant atmosphere

Royal’s reward in following these principles will be a fair profit and continued prosperity.

Established in June 1956



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Editorial Policy

The Royal Group’s Integrated Report 2023 has been published as a means to communicate the Group’s medium- to long-term value creation from both a financial and non-financial perspective. It is our hope that this report will create a better understanding among all stakeholders regarding our dedication to initiatives aimed at realizing a sustainable society, and the Group’s long-term corporate value creation. This report has been prepared with reference to the Integrated Reporting Framework produced by the Value Reporting Foundation (VRF) and Guidance for Collaborative Value Creation produced by the Ministry of Economy, Trade and Industry. For more comprehensive and detailed information, please visit our website.
<https://www.royal-holdings.co.jp/en/>

Scope of Reporting

This report covers a total of 10 companies, including Royal Holdings Co., Ltd., six consolidated subsidiaries, and three equity-method affiliates (as of December 31, 2022). In instances where the scope of data presented varies from the above, the target organizations in question are specified individually.

Period of Reporting

This report primarily covers fiscal 2022 (January 1, 2022–December 31, 2022). However, it may also include information for January 1, 2023, and beyond.

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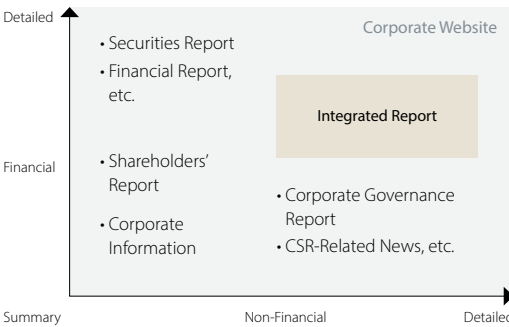
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Forward-Looking Statements

Statements in this integrated report with respect to forecasts and other data are based on the Company’s judgments in light of the latest information available at the time of this report’s publication. For that reason, due to various changing factors, future results or forecasts stated in this report are not guaranteed. Furthermore, information stated in this report may be subject to future change without prior notice. Therefore, we request that this report, and the information contained within, be used at the discretion of the reader after confirming with information obtained by other means. The Company does not assume responsibility for any damages incurred as a result of this report.

Information Provision Framework



The 70-Year History of the Royal Group



Kyoichi Egashira Founder (1923–2005)

Our Founder's Philosophy Recognition of the Legitimacy of Japan's Food and Drink Industry

To cultivate Japan's food and drink industry into a legitimate way to improve lives. With this aspiration close to our hearts, we have worked vigorously since our founding to create stores, restaurants, and other establishments indispensable to their communities by maintaining three traits: delicious food and proper service; comfortable and clean interiors; and a healthy, cheerful image. We have held this aspiration, which has fueled our aim to be the highest-quality food and drink company in Japan, since our founding 70 years ago, and we will continue to pursue it in the future.

1956



Development of a Technique to Prepare Frozen Food

Entry into the Frozen Food Manufacturing Business

In 1956, our founder, Mr. Egashira, developed a new technique for preparing frozen cakes. In 1962 he opened a restaurant in the then-new Fukuoka Building, a large building located in Tenjin Chikagai (an underground shopping mall) in Fukuoka Prefecture.

In those days, delivering refrigerated products from a main factory day after day was an arduous process. Mr. Egashira was introduced to the new concept of freezing food by an article about food preservation on Roald Amundsen's South Pole expedition, and he decided to try it himself.

1951 Founding

Launched an in-flight catering and tea service at Itazuke Air Base (currently Fukuoka Airport)
Constructed a bakery in Katakasu, Fukuoka

1953

Opened French restaurant Royal Nakasu (currently Hananoki) in Higashi Nakasu, Fukuoka

1959

Opened Royal Shintenchō, a family restaurant with a jointly established confectionery shop

1962

Adopted a central kitchen system and launched our industrial-use frozen meal manufacturing business

1973



High Quality Food and Services for Airports, Service Areas, and Parking Areas across Japan

Opened First Highway Restaurant in Mekari Parking Area on the Kanmon Expressway

The Royal Group has been involved with airport restaurants and shops since its establishment, and in 1973, around when private vehicle ownership became popular, the Group opened a restaurant and shop at a highway parking area. In 1990, the Group established Royal Marriot & Sc Co., Ltd. (now Royal Contract Service Co., Ltd.) and has worked to develop food menus that make use of local ingredients around airports and highway facilities across Japan.

1969



The Birth of Fukuoka Central Kitchen

The Royal Group introduced a central kitchen preparation method in which sauces and other ingredients are prepared at a factory and final preparation is done at each establishment before serving. Central kitchens produce food based on the idea that every meal should deliver warmth, as if made by a chief chef. Therefore, these kitchens provide a steady supply of different products developed with great care, from the selection of ingredients to the refinement of flavors and preparation, while taking advantage of our freezing techniques.

1971

Opened the first Royal Host, a suburban family restaurant, in Kurosaki, Kitakyushu

1983

Listed on the First Section of the Tokyo Stock Exchange
Established Tokyo Food Facility in Funabashi, Chiba

2019



Restaurant-Quality Ingredients and Preparation at Home

Beginning of Full-Scale Development of Royal Deli Frozen Meals for Home Use

We have begun offering our Royal Deli brand of frozen meals for home use, taking advantage of the freezing techniques we have developed over several years. This gives our customers the opportunity to enjoy our carefully cultivated, restaurant-quality menu of international foods from the comfort of their own homes.

1991

Opened the first Sizzler, a restaurant featuring a salad bar and grilled dishes

2005

Switched to a holding company framework and changed name to Royal Holdings Co., Ltd.

2006

Made TEN CORPORATION (currently Royal Food Service Co., Ltd.) a consolidated subsidiary

2008

Opened the first Royal Garden Cafe in Kita-Aoyama, Tokyo

2013

Opened the first overseas franchise store of Tendon Tenya

2015

Established a manufacturing line dedicated to halal meals at the Fukuoka Central Kitchen Factory

1995



Comfortable Accommodations Placed Consistently among the Top of Hotel Rankings

Opening of the First Roynet Hotel (Currently Richmond Hotel) in Higashi-Osaka, Osaka

We operate the Hotel Business segment taking full advantage of the hospitality skills we have cultivated over many years in the Restaurant Business segment. In 2004 we established RNT Hotels Co., Ltd., which operates hotels around the country. Our goal is to "provide hotels that are friendly to both people and nature while constantly improving for the sake of our guests," which we achieve through spacious rooms, well-equipped facilities, and a universal design.

2022



Operation of Ebina Service Area (Outbound), Boasting Some of the Strongest Sales in Japan

Highway Royal Co., Ltd. Becomes a Consolidated Subsidiary due to Acquisition of Additional Shares

Part of our growth strategy involves further expansion of our highway-related business. To that end, we have gradually acquired shares of Seijo Food-Compass Group Inc. (currently Compass Group Japan Inc.), beginning in February 2020. This company, which operates restaurants, food courts, and shops at service areas (SAs) and parking areas (PAs), became a consolidated subsidiary after the acquisition of additional shares in December 2022.

2021 Celebrated our 70th anniversary



Entered into a capital and business alliance with Sojitz Corporation

Opened the first Lucky Rocky Chicken, a buttermilk fried chicken establishment, in Musashi Koyama, Tokyo

Established subsidiary in Singapore via a joint venture agreement with Sojitz Corporation

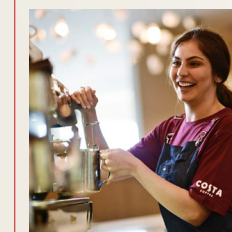
2022

Transitioned to the Prime Market segment of the Tokyo Stock Exchange following market segment revisions

2023

Singapore-based Royal Sojitz International Pte. Ltd., a joint venture of Royal Holdings Co., Ltd. and Sojitz Corporation, entered into a joint venture agreement with YOTEI PTE. LTD., operator of Singapore locations of Tendon Tenya.

2023



A Café Management Company Established by Royal Holdings Co., Ltd. and Sojitz Corporation

Full-Scale Introduction of Costa Coffee to the Japanese Market

Royal Holdings Co., Ltd. and Sojitz Corporation have established Sojitz Royal Café Corporation as a joint venture company aimed at operating and expanding their café business. Sojitz Royal Café will introduce Costa Coffee's authentic, high-quality coffee—hand-brewed by baristas—and expand store locations in Japan to meet the diversifying needs of café customers, enrich people's lives, and realize sustainable growth.

The Royal Group Today

The Royal Group’s Business

Groupwide

Consolidated Net Sales **¥104,015** million

Consolidated Ordinary Income **¥2,156** million

Notes: 1. Consolidated net sales include net sales from other businesses. 2. Net sales for each segment include intersegment sales.



Net Sales (Fiscal 2022)

Ordinary Income (Fiscal 2022)

¥53,523 million

¥3,881 million

Group Company

Royal Food Service Co., Ltd.

Business Summary

Development and operation of a wide variety of eating and drinking establishments, including chains such as the hospitality-themed restaurant Royal Host, tempura and tempura bowl specialist Tendon Tenya, salad bar and grill Sizzler, pizza restaurant Shakey’s, as well as beer gardens, cafés, and a variety of other specialty establishments.



Net Sales (Fiscal 2022)

Ordinary Income (Fiscal 2022)

¥23,175 million

¥1,189 million

Group Company

RNT Hotels, Co., Ltd.
(Equity-method affiliate: K&R Hotel Development Co., Ltd.)

Business Summary

Operation of Richmond Hotels and other business hotels across Japan.



Net Sales (Fiscal 2022)

Ordinary Income (Fiscal 2022)

¥23,103 million

¥1,241 million

Group Company

Royal Contract Service Co., Ltd.
Highway Royal Co., Ltd.

Business Summary

Highway Royal receives contracts from corporations to operate a wide variety of eating and drinking establishments. These establishments are tailored to their locations, which include airport terminals, highway service areas (SAs) and parking areas (PAs), convention centers, office buildings, medical and nursing care facilities, department stores, and government offices.



Net Sales (Fiscal 2022)

Ordinary Loss (Fiscal 2022)

¥10,236 million

¥153 million

Group Company

Royal Co., Ltd.

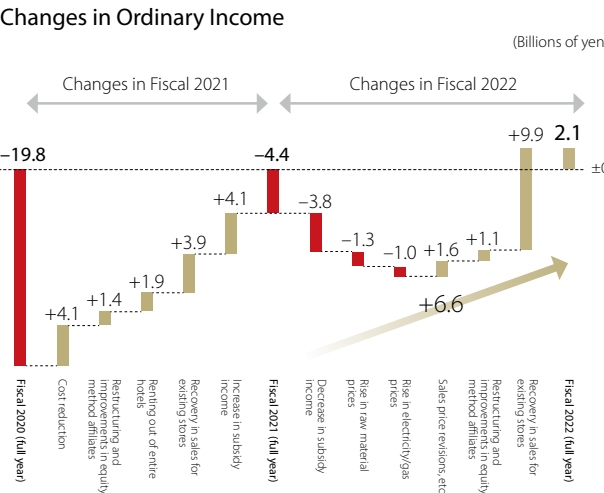
Business Summary

Food manufacturing, purchasing, logistics, and other infrastructure-related functions for Group businesses, in addition to manufacturing meals for sale by large retailers and other companies outside the Group, and Royal Deli brand frozen meals for home consumption.

Consolidated Results for Fiscal 2022

In fiscal 2022, net sales continued to increase significantly year on year despite the ongoing impact of COVID-19, due to the relaxing of various COVID-related restrictions and the resulting recovery in demand within each business segment.

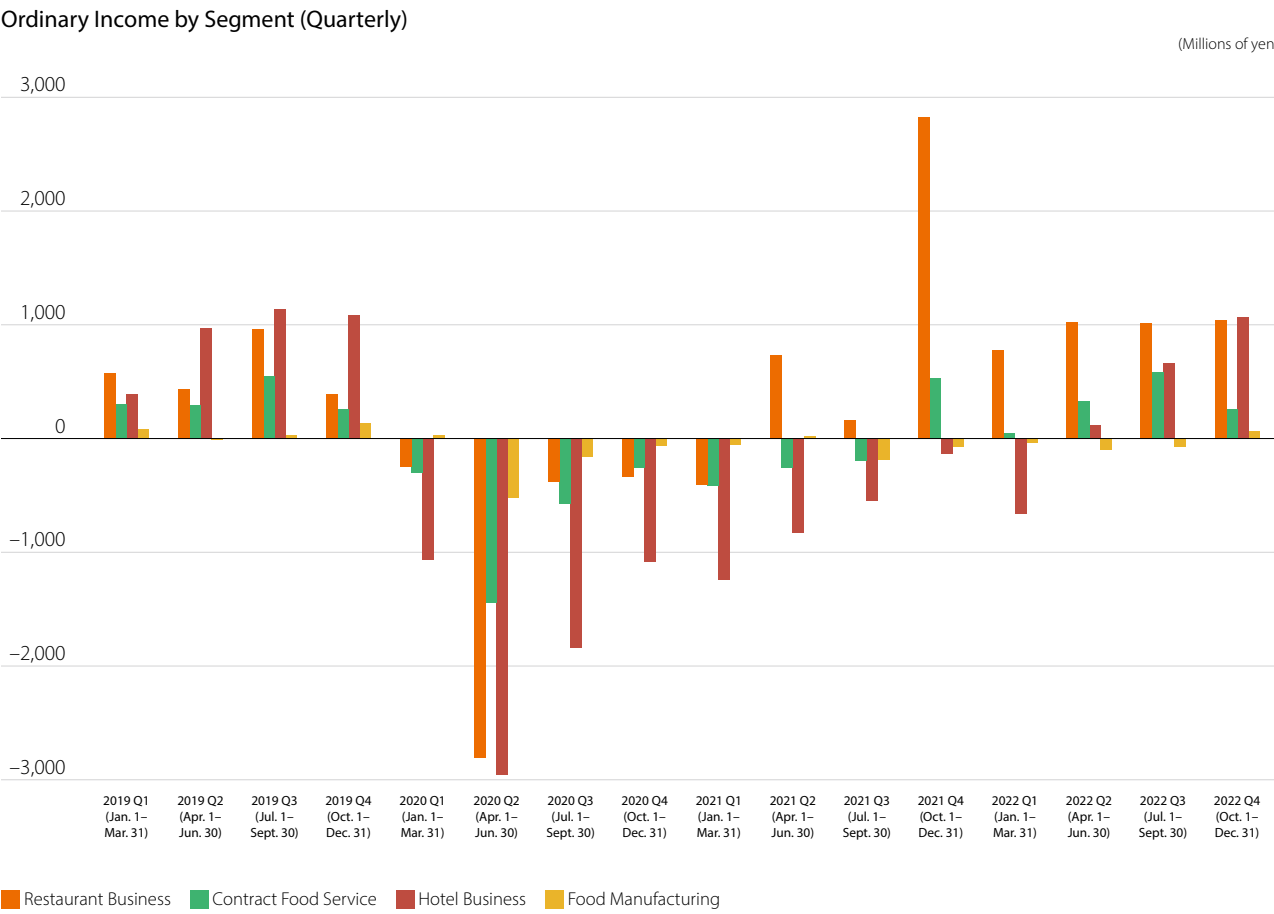
Notably, ordinary income for the fourth quarter of fiscal 2022, from October 2022 to December 2022, exceeded that of the fourth quarter of fiscal 2019, which was prior to the COVID-19 pandemic. Moreover, ordinary income has been positive for three consecutive quarters. Ordinary income shifted from ordinary loss in fiscal 2022, even when excluding subsidy income.



Fiscal 2022 Results by Segment

From the second quarter of fiscal 2022 onward, the Restaurant Business, Contract Food Service, and Hotel Business segments remained positive.

Ordinary income in the Restaurant Business segment for the fourth quarter (October to December) of fiscal 2022 exceeded that of fourth quarter 2019, pre-COVID-19 pandemic, while ordinary income for the Contract Food Service and Hotel Business segments recovered to levels on par with the fourth quarter of fiscal 2019.



Message from the Chairperson

We will continue to meet the expectations of all our stakeholders while staying true to the value that only the Royal Group can provide



Sure Steps forward Amid Unsure Business Conditions

Fiscal 2022, the inaugural year of Medium-Term Management Plan 2022–2024, was a year of high uncertainty, bringing with it the spread of COVID-19, the Russian invasion of Ukraine, and other events. That being said, management conditions for the Royal Group made a turn for the better in the second half of the year, and I am happy to say that this is the first year in some time that we made a clear shift upward in performance. The COVID-19 pandemic hit all our businesses and hit them hard. We posted major losses for two years straight, making a v-shaped recovery in fiscal 2022 essential, and I believe that what we were able to achieve constitutes a definite step forward. However, we intend to make Groupwide efforts to formulate and implement fitting countermeasures to combat soaring prices—particularly for energy and food—and labor shortages.

Even before the COVID-19 pandemic, we were hard at work to diversify the Group's businesses to minimize the impact of risks caused by the unique fluctuations that occur from business to business. But even with a well-functioning portfolio like we had at the time, we were unable to mount a proper response to the waves created by an event like the pandemic—the kind of event that shakes society to its core. As a result, all our businesses suffered greatly. To prevent this from happening again, our portfolio cannot revert backward; our portfolio needs to evolve and move forward. Put more specifically, we are working to evolve our portfolio according to the following three perspectives.

1. Evolution of the Portfolio Itself

I believe our businesses were so roundly affected by the pandemic because, despite being diverse, they all shared a fundamental risk in depending on “the flow of people.” Therefore, the first perspective we will adopt involves incorporating and increasing the ratio of businesses in our portfolio that do not depend on this flow. One concrete example of this perspective at work is the growth of Royal Deli, a non-facility-based business that sells frozen meals.

2. Evolution of the Businesses Within Our Portfolio

The second perspective involves an evolution of the individual businesses that make up our portfolio, thereby increasing its resilience. The Group's businesses include several “stopover-type” facilities such as hotels, highway service areas (SAs), and airport restaurants. This is an issue, since a large percentage of these facilities run into problems when the flow of people is interrupted. To mitigate this issue, we need to transition these businesses from stopover-type businesses to businesses that fulfill a certain purpose. This perspective aligns with our value-added strategy for Royal Host and the renovation of the Richmond Hotel in Oshiage, Tokyo.

3. Organic Integration of Our Portfolio

The third perspective requires us to integrate the contents of our portfolio so that it operates as a single organic unit, increasing customer value. Until now, we have managed our portfolio with an emphasis on risk avoidance, but I believe that in the future it will be essential for us to utilize an integrated portfolio to increase value for customers.

The Group's locations are frequented by a great many people. I believe that if we utilize the information obtained at these locations beyond the scope of individual businesses, we can raise customer satisfaction to even greater levels. One initiative we are taking in this regard is the development of a customer relationship management system, driven by our current efforts to unify customer IDs.

Shifting from a Time for Defense to a Time for Offense

I believe we need to treat soaring commodity prices and other present-day changes in the external environment as structural changes, as opposed to temporary ones, and take countermeasures accordingly. At the same time, there is only so much one company can do within its own walls, meaning companies need to adopt a broader point of view, which can include working together with others. As a result, we entered into a capital and business alliance with Sojitz Corporation in March 2021, and have since been conducting business with their support in a variety of areas. I believe that our partnership with Sojitz Corporation was particularly beneficial in helping us overcome higher raw materials costs and other obstacles, allowing us to achieve a profitable fiscal 2022. In January 2023, we established Royal Café Corporation with Sojitz Corporation as a joint venture company with the goal of operating and managing a café business. In addition, Royal Sojitz International Pte. Ltd., a joint venture based in Singapore established with Sojitz Corporation in August 2021, entered into a joint venture agreement with YOTEI PTE. LTD., operator of Singapore locations of Tendon Tenya, in an effort to establish a base for directly managed stores overseas. Until fiscal 2022, we focused on utilizing our alliance in a defensive manner due to the strong impact of the pandemic, but I look forward to showing what our alliance can achieve adopting an offensive approach moving ahead.

Employee Growth is Company Growth

We work in the service industry. In the service industry, value is generated through human capital, namely the people who serve customers directly—the employees. Therefore, investing in human

capital is essential for sustainable company growth. However, I regret to say that prolonged deflation has led to us paying too much attention to the cost side of labor. For this reason, it is crucial we return to the original idea that elucidates the value of human resources; employee growth is company growth. In addition, as Japan's population continues to decline, human resources are expected to dwindle over the long term, bringing into question the role that people will play in the workforce going forward. Therefore, we will make an active effort to make digital technology a part of our human resource investments. This will allow us to establish an environment that affords our employees more leeway when providing services and meeting the needs of customers.

The Royal Group's Purpose, Realized through Food and Hospitality

In the past, several companies conveyed their policies as a “vision” but this has since shifted, and these policies are now framed as a company's reason for being, or “purpose.” I take this as a reflection of companies basing their direction entirely on growth of scale. Capitalism was originally based on the idea that things are finite, but then the premise changed to the idea that one day things will be infinite. So, companies began promoting activities that would proliferate with no end in sight. When faced with environmental issues, dwindling resources, and difficulties in acquiring human resources, companies must once again grapple with the idea of finiteness and the sense of crisis that follows. This has forced companies to question their reason for being, which is why I believe “purpose” has become the word of choice.

We at the Royal Group conduct business rooted in food and hospitality, and the COVID-19 pandemic presented a true challenge to our purpose. As the pandemic slips into the past, people are resuming their pre-pandemic lives, and the daily routine of meeting, talking, and sharing meals with people, in-person, is returning. If, in these moments, we can offer our customers delicious food served with hospitality, I believe our purpose will be made valid. Bearing this in mind, we will continue to meet the expectations of all our stakeholders while staying true to the value that only the Royal Group can provide.

May 2023
Tadao Kikuchi
Chairperson

Tadao Kikuchi

Message from the President

Fiscal 2022, a Year for Adaptability

Fiscal 2022, my first year serving as president of Royal Holdings, was a year that required us to adapt to a variety of unexpected changes, including, in addition to COVID-19, growing risks regarding geopolitics and exchange rates, and rising prices. Amid these conditions, we embarked upon Medium-Term Management Plan 2022–2024, which aims to move us from “revitalization and transformation” to “growth.” Under this plan, we promoted measures according to a series of categories that I will explain further in this message. In addition to steady implementation of these measures, each and every employee worked with even greater solidarity with one another toward our goal of growth, striving to recover performance while tackling issues in both new and existing businesses. Thanks to these efforts, we achieved net sales of ¥104.9 billion and an operating income of ¥2.1 billion. What is more, we posted a positive ordinary income for the full fiscal year, the first time we have done so since the start of the COVID-19 pandemic.

In Japan, restrictions aimed at preventing the spread of COVID-19 have been rolled back, meaning more and more customers are enjoying eating out, much like before the pandemic. Fiscal 2022 was a year in which people could once again enjoy high-quality food and hospitality, much more so than the previous year when the pandemic had more power over our activities. We intend to ride this wave forward to further growth for the Royal Group.

A Strong Start for Medium-Term Management Plan 2022–2024

As I mentioned, fiscal 2022 was also the first year of Medium-Term Management Plan 2022–2024, which puts forth a vision of providing food and hospitality regardless of time and place. One of the major features of the plan is the division of our business segments into categories, each with its own strategies. In fiscal 2022, we rebuilt our business portfolio, based on the issues found in our previous portfolio, and implemented a variety of measures in the existing domains and business creation domains for each category. For more details, please refer to page 37 of this report.

Categories 1 and 2 cover the Restaurant Business, Contract Food Service, and Hotel Business segments. In the Restaurant Business segment, we responded to the recovery in demand at existing restaurants such as Royal Host and Tendon Tenya by offering menus with high added value alongside renovating these establishments and their kitchens. We also introduced tablet-based ordering and self-checkout systems to reduce the burden on

employees while still acquiring more workers to respond to this rapid uptick in demand. We intend to keep utilizing digital technology as a means to increase productivity. In regard to the Contract Food Service segment, we expect an increase in customers using airports and service areas (SAs) as restrictions ease up, so we are actively working to renovate establishments and convert business formats in order to further recover sales.

As for the Hotel Business segment, recovery has been slower than in the Restaurant Business segment. This is partly due to border control measures restricting foreign tourists, which were not fully lifted until October 2022. Even so, we are currently in the process of reviewing the roles our hotels will need to fill post-pandemic. For instance, at the Richmond Hotel Premier Tokyo Schole, which was renovated and then reopened in December 2022, room interiors are categorized into four themes—art, travel, children, and food—and the facilities and atmosphere of each room are designed to match these themes.

In categories 3 and 4, which cover the Food Manufacturing segment, we have been working to expand sales channels and develop commercial products for Royal Deli, launched in 2019. In addition to expanding sales in the highly competitive frozen food market, in the future we intend to expand the functions of our outlet shops and utilize food trucks, both of which are challenges we will take on from the perspective of reducing food loss.

Overseas Business and Foodstuff Development segments comprise Category 5. In this category, we are building momentum for business expansion overseas, taking advantage of the overseas network of Sojitz Corporation, with whom we have entered into a capital and business alliance. As of March 2023, Tendon Tenya operates 32 overseas establishments spanning five countries and regions. We plan to accumulate know-how in overseas franchising, which we can then apply toward building a foundation for direct business management, eventually allowing us to manage overseas Royal Host establishments in the future.

Among our category-specific measures, we are also promoting a DX-based initiative aimed at developing establishments inspired by fresh, new ideas unbound by the restrictions of our existing businesses. We have other DX-based initiatives to be achieved by 2024 that include reviewing Group processes involving the procurement of raw materials, production control, logistics and sales, streamlining establishment operations, and developing services that can be used throughout the Group via a shared system. Please refer to page 47 of this report for details.

Formulation of Materiality Based on The Royal Credo

Drawing from the Royal Credo, we conduct sustainability management with the goal of being a company rooted in the local community and society, with the empathy and support of all stakeholders. In order to further promote this form of sustainability management, we gathered the opinions of experts, members of management, and a variety of stakeholders, while also referencing the GRI framework to determine our materiality, identifying five material issues in 2023: 1) human resources, 2) food and hospitality, 3) resources and the environment, 4) local communities, and 5) governance. Regarding human resources, we intend to invest actively, positioning employee growth as our top priority, while aiming to maintain and improve sound labor practices and work environments, normalize diversity and inclusion, and promote other initiatives. As for food and hospitality, we will focus on being health-conscious and improving the added value of food services as ways to help create a brighter society. In terms of resources and the environment, we aim to reduce CO₂ emissions further by reducing food waste, promoting recycling, and implementing energy-saving measures. For local communities, we will promote social contribution activities in line with the diversifying local and social needs. Lastly, for governance, we will build a trustworthy system for food procurement, product labeling, and information management, and work to strengthen stakeholder engagement. Throughout working toward these materiality-based initiatives, we aim to achieve sustainable growth for the Group as a whole.

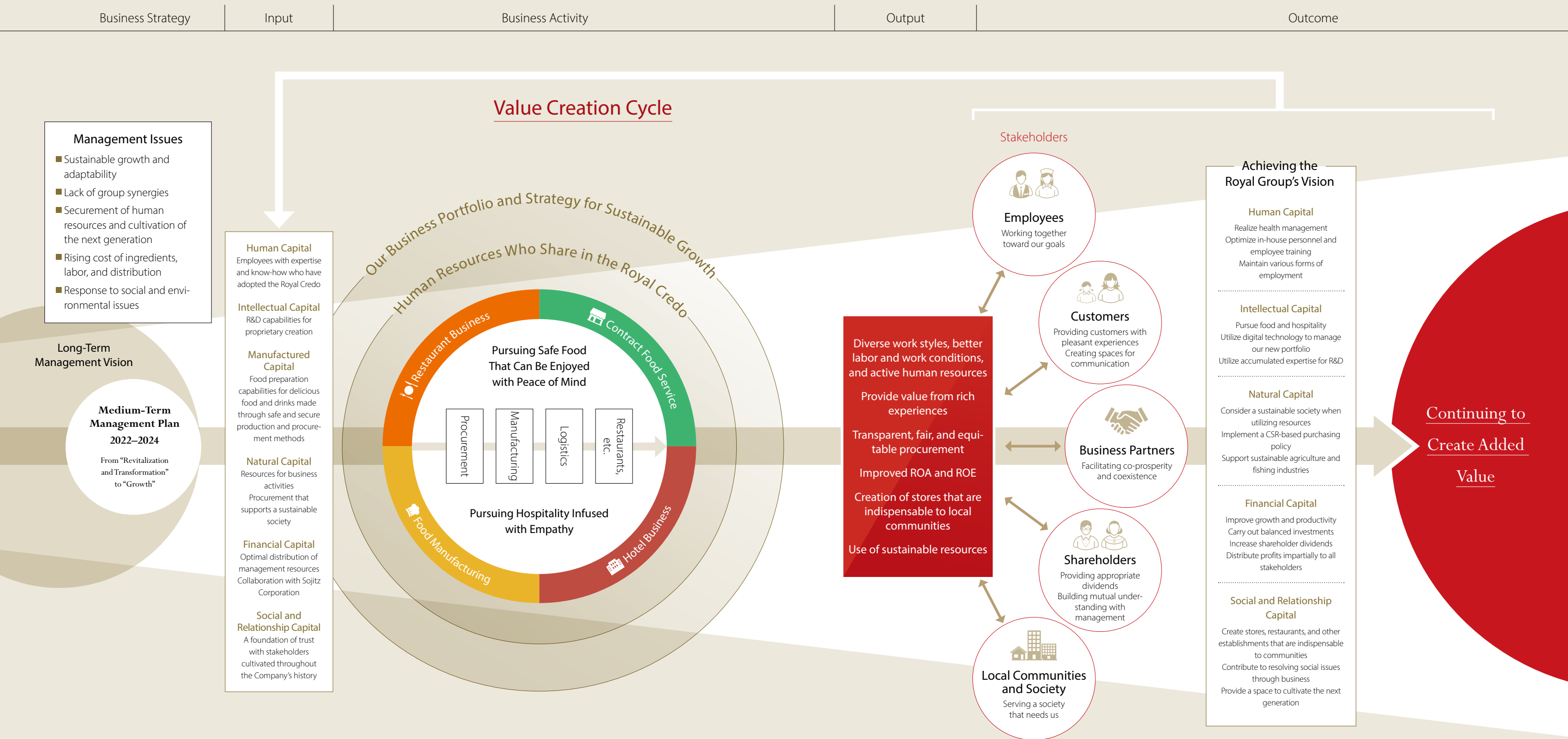
The Royal Group is committed to becoming a vital part of local communities by providing high-quality food and hospitality and by resolving social issues through its business. At the same time, it will also invest actively in its existing businesses and in the creation of new businesses as part of a dual-axis approach to management. Although we celebrated our 70th anniversary in 2021, Medium-Term Management Plan 2022–2024 lays the foundation for our 100th anniversary in the years to come. We will make effort after effort to solidify this foundation, and we aim to continue our contributions to local communities by providing high-quality food and hospitality, not only in Japan, but around the world.

May 2023
Masataka Abe
President and Representative Director

Masataka Abe

We aim to continue contributing to local communities by providing high-quality food and hospitality, not only in Japan, but around the world.





The Royal Group’s Value Creation Model

The Royal Credo was crafted in 1956. Since then, the Royal Group has maintained this credo as the cornerstone of its corporate activities in order to be a business group trusted by society. We will continue to make efforts to ensure that all employees of the Royal Group are united through a shared goal of satisfying customers and are highly committed to their various roles. Through these efforts, we will realize the sustainable growth of the Group and take gradual steps toward continuing to create added value.

■ **Safe and Delicious Food That Can Be Enjoyed with Peace of Mind and Hospitality Infused with Empathy**
To ensure customer satisfaction, we must provide safe and delicious food that can be enjoyed with peace of mind. In addition to daily education and training, this requires care to make sure every corner of an establishment is well-maintained and a smile that makes customers feel welcome.

■ **Human Resources Who Share in the Royal Credo**
Each and every employee constantly thinks about how to satisfy our customers, acts with spirit and feeling, and continuously polishes their performance. We aim for sustainable growth as an entire Group, with our shared Royal Credo as the cornerstone.

■ **Our Business Portfolio and Strategy for Sustainable Growth**
To solve the issues found in previous portfolio management that were brought to light during the COVID-19 pandemic, we have highlighted management from three perspectives, aiming to create new value and growth for the Group. These perspectives are 1. Evolution of the portfolio itself, 2. Evolution of the businesses within our portfolio, and 3. Organic integration of our portfolio.

List of Directors

(As of March 29, 2023)



Tadao Kikuchi Chairperson

1998 Joined The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
 1997 Secretariat, Office of the Secretary of The Nippon Credit Bank, Ltd.
 2000 Joined the Tokyo Branch of Deutsche Bank Group
 2003 Director, Global Corporate Finance of Deutsche Bank Group
 2004 Joined the Company; Executive Officer, Head of Corporate Planning Department, and Head of Legal Office of the Company
 2007 Director, Head of Corporate Planning Department, Head of Legal Affairs, and Head of Group Management Department of the Company

2009 Director, Head of Administration Headquarters, Head of Corporate Planning Department, and Head of Legal Affairs of the Company
 2010 President & CEO of the Company
 2016 Chairperson & CEO of the Company
 2016 Chairperson of Japan Foodservice Association
 2018 Outside Director of QB Net Holdings Co., Ltd.
 2019 Chairperson of the Company (present)
 2020 Distinguished Professor of Graduate School of Management, Kyoto University (present)

2021 Outside Director and Audit and Supervisory Committee Member of QB Net Holdings Co., Ltd. (present)

Important positions held at other companies

Outside Director and Audit and Supervisory Committee Member of QB Net Holdings Co., Ltd.
 Distinguished Professor of Graduate School of Management, Kyoto University



Masataka Abe President and Representative Director

1993 Joined the Company
 2009 General Manager, Business Department of CENTRESTA Co., Ltd. (currently Royal Contract Service Co., Ltd.)
 2016 General Manager, Business Planning Department of Royal Contract Service Co., Ltd.
 2017 General Manager, Metropolitan Sales Department of Royal Contract Service Co., Ltd.
 2018 Director and General Manager of Royal Contract Service Co., Ltd.

2019 President and Representative Director of Royal Contract Service Co., Ltd.
 2021 Executive Officer and Deputy General Manager, Joint Project Management Project Office of the Company
 2022 Executive Officer and Chairperson of Executive Officer Liaison Committee of the Company
 2022 President and Representative Director of the Company (present)



Tomoatsu Kimura Managing Director

1982 Joined Sony Corporation (currently Sony Group Corporation)
 1988 Joined Mitsui Trust Bank, Limited (currently Sumitomo Mitsui Trust Bank, Limited)
 1989 Joined The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)
 2005 Accounting Manager of The Nippon Credit Bank, Ltd.
 2006 Vice President of Royal Management Co., Ltd.
 2007 Executive Officer and Accounting Manager of the Company
 2011 Director and Accounting Manager of the Company

2013 Director and Head of Financial Planning Division of the Company
 2019 Managing Director in charge of Financial Planning of the Company
 2020 Outside Auditor of HUB CO., LTD.
 2022 Managing Director of the Company (present)



Ryutaro Hirai Outside Director

1982 Joined Nissho Iwai Corporation (currently Sojitz Corporation)
 2003 General Manager, Corporate Planning Department of Nissho Iwai American Corporation
 2007 General Manager, Corporate Planning Department of Nissho Iwai American Corporation and General Manager, Los Angeles Branch of Sojitz Corporation of America
 2009 General Manager of Human Resources & General Affairs of Sojitz Corporation
 2013 Executive Officer of Sojitz Corporation

2015 Managing Executive Officer of Sojitz Corporation
 2017 President & CEO of Asia & Oceania region of Sojitz Corporation, Managing Director of Sojitz Asia Pte. Ltd., and General Manager, Singapore Branch of Sojitz Corporation
 2019 Senior Managing Executive Director of Sojitz Corporation
 2020 Executive Vice President of Sojitz Corporation
 2020 Representative Director and Executive Vice President of Sojitz Corporation (present)

2022 Outside Director of the Company (present)

Important positions held at other companies

Representative Director and Executive Vice President of Sojitz Corporation
 Representative Director, President & CEO of Sojitz Professional Share Co., Ltd.
 Director of Metal One Corporation
 Director of Sojitz Asia Pte. Ltd.
 Director and Chairman of Sojitz Australia Ltd.
 Director of Sojitz Korea Corporation
 Director of Sojitz Taiwan Corporation



Hiroto Murai Outside Director

1989 Joined Nissho Iwai Corporation (currently Sojitz Corporation)
 2005 Executive Director of AAPICO Hitech Public Company Limited (Thailand)
 2010 Operation Manager, Machinery Section, Automotive Department 2 of Sojitz Corporation
 2012 Operation Manager, Corporate Planning Department of Sojitz Corporation
 2014 Assistant Section Manager, Automotive Department of Sojitz Corporation
 2015 Vice Division Leader, Automotive Division of Sojitz Corporation

2016 Division Leader, Automotive Division of Sojitz Corporation
 2018 Executive and Division Leader, Automotive Division of Sojitz Corporation
 2020 Division Leader, Retail & Consumer Service Division of Sojitz Corporation
 2021 Outside Director of the Company (present)
 2022 Managing Executive Officer COO, Retail & Consumer Service Division of Sojitz Corporation (present)

Important positions held at other companies

Managing Executive Officer COO, Retail & Consumer Service Division of Sojitz Corporation
 Outside Director of JALUX Inc.
 Director of Sojitz Foods Corporation
 Outside Director of The Marine Foods Corporation



Mari Tominaga Director and Full-Time Audit & Supervisory Committee Member

1976 Joined the Company (left in 1982)
 1987 Joined the Company
 1990 Director of the Company (resigned in 1998)
 1998 Executive Officer and Head of Air Catering Department of the Company
 2003 Director of the Company
 2008 Full-Time Auditor of the Company
 2011 Managing Director of Egashira Foundation (public interest)
 2012 Director and Advisor to the Company

2020 Director and Audit & Supervisory Committee Member of the Company (present)

Important positions held at other companies

Managing Director of Egashira Foundation (public interest)



Hideo Ishii Outside Director and Audit & Supervisory Committee Member

1978 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)
 2002 General Manager of Human Resources and Human Resources Training Office of Mizuho Securities Co., Ltd.
 2004 General Manager of Main Office Corporate Banking Department No. 1 of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
 2007 Executive Officer, General Manager of Fukuoka Corporate Banking Department

2008 Managing Executive Officer of KOWA REAL ESTATE CO., LTD. (currently NIPPON STEEL KOWA REAL ESTATE CO., LTD.)
 2010 Senior Managing Director of KOWA REAL ESTATE CO., LTD.
 2013 President of Japan Investor Solutions & Technologies Co., Ltd.
 2018 Outside Director and Audit & Supervisory Committee member of the Company (present)
 2018 Outside Director of ARATA CORPORATION (present)

Important positions held at other companies

Outside Director of ARATA CORPORATION



Hitomi Nakayama Outside Director and Audit & Supervisory Committee Member

1991 Registered as an attorney at law; joined Daini Tokyo Bar Association; joined the Kasumigaseki-Sogo Law Offices
 1994 Became partner at Kasumigaseki-Sogo Law Offices (present)
 2011 Became Vice-Chair of Daini Tokyo Bar Association
 2013 Managing Director of Japan Federation of Bar Associations
 2016 Auditor of Japan Electric Meters Inspection Corporation (present)
 2017 Outside Auditor of Teijin Limited (present)

2020 Outside Director and Audit & Supervisory Committee Member of the Company (present)

Important positions held at other companies

Partner at Kasumigaseki-Sogo Law Offices
 Outside Auditor of Teijin Limited
 Auditor of Japan Electric Meters Inspection Corporation



Mayumi Umezawa Outside Director and Audit & Supervisory Committee Member

2002 Joined Tokyo Office, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
 2006 Registered as certified public accountant
 2006 Opened Mayumi Umezawa CPA Office; Director of Umezawa Accountant Office (currently Mayumi Umezawa CPA Office) (present)
 2007 Joined McDonald's Holdings Company (Japan), Ltd.
 2012 Finance Manager, Disney Store Department of The Walt Disney Company (Japan), Ltd.











































2016 Representative Director of Accounting Labo (currently Accounting Labo Co., Ltd.) (present)
 2016 Outside Audit & Supervisory Board Member of Retty, Inc.
 2017 Outside Director and Audit & Supervisory Committee Member of Retty, Inc.
 2019 Supervisory Director of Japan Hotel REIT Investment Corporation (present)
 2021 Outside Director of Wellness Communications Corporation (present)

2022 Outside Director and Audit & Supervisory Committee Member of the Company (present)

Important positions held at other companies

Director of Mayumi Umezawa CPA Office
 Representative Director of Accounting Labo Co., Ltd.
 Supervisory Director of Japan Hotel REIT Investment Corporation
 Outside Director of Wellness Communications Corporation

Skill Matrix

	<div><div>Chairperson</div><div>Tadao Kikuchi</div><div>Male Reappointed</div></div>	<div><div>President and Representative Director</div><div>Masataka Abe</div><div>Male Reappointed</div></div>	<div><div>Managing Director</div><div>Tomoatsu Kimura</div><div>Male Reappointed</div></div>	<div><div>Outside Director</div><div>Ryutaro Hirai</div><div>Male Reappointed Outside</div></div>		<div><div>Outside Director</div><div>Hiroto Murai</div><div>Male Reappointed Outside</div></div>	<div><div>Director and Full-Time Audit & Supervisory Committee Member</div><div>Mari Tominaga</div><div>Female</div></div>	<div><div>Outside Director and Audit & Supervisory Committee Member</div><div>Hideo Ishii</div><div>Male Outside Independent</div></div>	<div><div>Outside Director and Audit & Supervisory Committee Member</div><div>Hitomi Nakayama</div><div>Female Outside Independent</div></div>	<div><div>Outside Director and Audit & Supervisory Committee Member</div><div>Mayumi Umezawa</div><div>Female Outside Independent</div></div>
Company management and business operations										
Sales and marketing										
Finance and accounting										
Human resources, labor, and human resource strategy										
Legal affairs and risk management										
Planning and development, innovation, and DX										
Sustainability										
International experience										

Messages from Outside Directors

Ryutaro Hirai

Outside Director



During the meetings of the Board of Directors in fiscal 2022, members exchanged candid opinions regarding social needs and the Group's business outlook, extending to matters discussed at the executive officer level that had yet to be formally proposed.

I believe these exchanges assisted in making governance over the Group more transparent and effective. Of these talks, I am most focused on building a foundation for future business overseas. With the easing or ending of restrictions put in place in Japan and overseas to prevent the spread of COVID-19, an important question for the Royal Group in terms of its regrowth is how it will grow its Overseas Business going forward. To

achieve this growth, I believe that the Group must take advantage of Sojitz Corporation's overseas network and work toward the timely launch of directly-managed Royal Host establishments while also sowing the seeds for future projects. These on-the-ground challenges and others like them are absolutely essential and I intend to support the Group in its endeavors.

Moreover, in fiscal 2022, the Company announced an investment policy directed at its human capital that includes an increase in workers' base pay. As part of reforming its human resource system, the Company has conducted interviews with members of the Human Resource Department. In addition, it has also introduced systems and initiatives from sources outside the Company, such as Sojitz Corporation. Going forward, I will continue to utilize my many years of experience at Sojitz Corporation related to overseas business, human resources, and compliance, and share whatever knowledge is needed to help the Royal Group develop further.

Hiroto Murai

Outside Director



Since its founding, the Royal Group has implemented strict measures to ensure food safety and hygiene based on the Royal Group Code of Conduct. In addition, as a corporate group centered on food-related business, it continues to engage in corporate management that maintains compliance with relevant laws and regulations as a given, but is also based on high ethical and moral standards.

In fiscal 2022, Royal Holdings formulated Medium-Term Management Plan 2022–2024. Under its guidance, the Group is working steadily to emerge from the dire management crisis created by the spread of COVID-19 and to implement an aggressive strategy toward regrowth. As part of

its medium-term management plan, the Group needs to have an accurate understanding of the traits of its Existing Domains and Business Creation Domains, then investigate the potential multitude of risks scenarios originating from inside and outside the Group. From there, it needs to acquire a quantitative grasp of the risks and assess measures to reduce them. This process is vital for the Group to better ensure regrowth takes place. In addition, as part of resolving issues with existing businesses and the growth strategy for increasing future earnings, the Group needs to review whether each individual measure has been checked for feasibility and whether progress is being monitored properly.

As for me, I will make full use of my breadth of businesses experience acquired at trading companies to keep putting forth proposals to improve the effectiveness of these measures and contribute to the achievement of the Group's goals within their defined timeline.

Hideo Ishii

Outside Director and
Audit & Supervisory
Committee Member



During the meetings of the Board of Directors held in fiscal 2022, several discussions took place, with topics examined from multiple angles based on each director's knowledge base. In addition, the Executive Officer Liaison Committee, established in fiscal 2021, has expanded its agenda beyond discussions on isolated matters to include broader and strategic themes. As a result, issues that affect management to its core are being shared among executive officers, which I believe has a positive effect on management. I also believe that the committee, and the discussions that take place therein, give the executive officers a chance to hone their skills.

Much as in 2022, I have high expectations for the Company's DX strategy. In particular, in fiscal 2022, the Company launched two initiatives that take advantage of technology under its Innovations project: a micro-size store, and a new customer experience (CX). In the future, it will need to extensively investigate DX trends, not only in Japan but also in countries that are leading the charge. I also believe that the Company needs to foster an environment that heightens employee interest in DX and facilitates the sharing of knowledge.

The Royal Group is promoting a number of challenging initiatives, aimed at medium- to long-term development, including the above-mentioned innovations. I would like to make as many useful proposals as I can to help these initiatives bear fruit, pulling from my experience of reviewing multiple business plans at banks.

Hitomi Nakayama

Outside Director and
Audit & Supervisory
Committee Member



In fiscal 2022, we had discussions at the meetings of the Board of Directors about how the Company can boldly take on challenges in new domains while keeping its finger on the pulse of changes in society and consumer behavior. Some examples include expanding collaborations with Sojitz Corporation and opening Costa Coffee establishments. In addition, the Executive Officers Liaison Committee has evolved from its original purpose as a space for sharing information into a forum for each executive officer to analyze issues facing the Group as a whole, beyond their own areas of responsibility.

As in 2022, I will continue to keep a close eye on the Company's diversity and inclusion initiatives, particularly its efforts to promote the active participation of women. At the 2022 Royal Group President's Meeting, a case was made to increase the number of women in management positions. An environment that enables women at different life stages to put their best foot forward at work is a comfortable one for other employees as well. Making such an environment a reality will boost innovation and competitiveness as a Group. In that vein, the Company should further reinforce its efforts related to the Nadeshiko Project, an initiative started in 2017 that promotes the development of workplaces where women can work comfortably. As a group with strong brands, it also faces considerable reputational risks. I remain committed to expressing opinions that will help enhance brand strength and ensure appropriate action in emergencies, using my experience in legal affairs, compliance, and risk management. I hope that by offering proposals based on these perspectives, I can increase the competitiveness of the Royal Group.

Mayumi Umezawa

Outside Director and
Audit & Supervisory
Committee Member



During the meetings of the Board of Directors that took place in fiscal 2022, a number of discussions focused on human capital. These talks ranged from discussing the true essence of human resources to focusing on specific measures. These talks were driven in particular by the results of the Royal Group's Employee Satisfaction Survey, which were shared with the Board.

Key to improving employee satisfaction is creating an environment where each employee can achieve personal growth. The Group conducts business with companies, in addition to customers. This allows employees to acquire a wide range of experiences, and by extension, develop indi-

vidual skills. To that point, I will continue to dig into human capital as an important topic for discussion so that the Group can provide even more value not only to its customers but to its employees as well.

Fiscal 2023 will see the establishment of the Marketing Office, which will be the launching point for Groupwide initiatives for managing customer relationships. However, unified branding as a Group is still a work in progress. To this point as well, I will leverage my many years of experience in consumer goods to offer recommendations from a boots-on-the-ground perspective. In addition, I will help promote management that is mindful of the full spectrum of stakeholders by bringing diverse perspectives to Board discussions based on my age, gender, and position, namely as a consumer who is also a mother with children.

Messages from Employees, Our Support Structure for the Future

Theme The Dreams You Want to Achieve with the Royal Group



I want to be the best version of myself as I experience life events and work as a Royal member.

As a manager, I envision a restaurant filled with the smiles of customers and employees. Personally, I love serving customers and watching my staff grow, so work is one of the things I do to enrich my life. After taking on the manager position, there were plenty of days when I felt frustrated, but I stuck to my motto of "Don't be afraid to fail, just keep trying!" I want to work together with staff while sharing the kind words we receive from customers, and make myself a vital part of the Company's growth.

Restaurant Business Haruna Ohshima, Royal Garden Cafe, Shibuya Location

I want to use my study abroad experience and one day be an active part of Richmond Hotels' overseas locations.

Right now, I work as a hotel front desk chief, which requires me to view things from a broad perspective while I work. There are many parts of the job that are difficult and put my own immaturity front and center, but at the same time the work feels very worthwhile and has a lot of charm. As we welcome different guests day-in and day-out, I am constantly reminded of the importance of teamwork, and that hotel operations are only possible through the combined strength of everyone working together. It makes me feel so thankful to have people who support me in this way. In the future, I want to better refine how I carry myself, brush up my knowledge as a working adult, and give it my best shot to make my dreams come true, one day at a time.

Hotel Business Rieko Nomura, Front Chief, Richmond Hotels Premier Tokyo Schole



I want to flourish in my role with the Company's support and maintain a work-life balance like my senior colleagues.

I work in the development department at the Group's factory, which serves an important role as the Group's back kitchen. I am in charge of the production process for products that replicate the sample meals created by the hands of a chief chef. This direct involvement in the process of moving from a sample to mass production and then to sales is something unique to my department, so my heart skips a beat whenever I see a customer holding one of our products in an establishment. In my position, I used to struggle with bringing veteran workers together, but over time I have learned to foster a sense of unity, and now those prior hardships serve me well in my current work. Looking ahead, I would like to boost the level of my knowledge and grow by reaching new milestones in my life.

Food Manufacturing Miyu Tanibuchi, Product Development Section, Fukuoka Central Kitchen Factory



I want to work in an overseas subsidiary while taking on more challenges to advance my career.

I am in charge of the Group's expansion overseas and the efforts to bring overseas brands to Japan, as well as contract negotiations for overseas businesses and management accounting for local subsidiaries. With each passing year, my work feels more rewarding and affords me valuable experiences, thanks to business trips abroad and more opportunities to talk business with partner companies. I joined the Company during the COVID-19 pandemic, which means my training was conducted online. Although this was difficult, I find myself using this experience when conducting business outside of Japan. As a first goal, I would like to set up a new overseas business and learn all sorts of things, such as how overseas business progresses and expands, and at the same time, I want to push on toward my dreams.

Overseas Business Mizuki Koga, Overseas Business Development Department

I want to be part of the team that turns Royal Group into an organization with sustainable growth.

From the very moment I joined the Royal Host Business Department, I was assigned to be an acting store manager, meaning every day was stressful, hurried, and full throttle. But all the while I received the advice of those with more experience and the support of my fellow members, who lent me open ears when I needed to share my worries or concerns. Thanks to them, I was able to make it through those hard times to where I am today. Since I am in my 20s now, I want to make full use of the Company's corporate culture, which encourages people to challenge themselves, and increase my experience and knowledge further. By the time I turn 30, I want to be able to play a key part in the Group's projects, develop into someone worthy of trust from customers, employees, and the Company, and increase the brand power and added value of the Group.

Restaurant Business Yu Takayama, Manager, Royal Host, Okurayama Location



I want to join company management so I can help establish an enriching career path for people of all ages.

As a store manager, my motto is "give every customer a tempura bowl that brings them happiness and excitement." During the rotation training held in my first year after joining the Company, I had a great opportunity to take in the various businesses in the Royal Group and learn about the strengths and weaknesses of each one. Our work is made possible by people. I want to join the Company's management team in the future, so I can help make the Company an appealing place where employees can grow together while still having good work—life balance, where they can all shine with positivity and work with excitement, and where they can achieve their dreams.

Restaurant Business Shunji Ohno, Manager, Tendon Tenya, Akihabara Location

I want to use food as a way to make everyone involved happy!

I work in the production of cakes and other products at the Tokyo Food Facility. In 2023, I was made the head of development for products under national brand names, and I am hoping to develop products that customers will love over the years to come. I don't get many chances to interact with customers face to face, so it makes me very happy when customers say our products are "tasty" or "cute" on social media. I want to use food as a way to make various stakeholders, such as customers, business partners, and co-workers, happy, and I am confident the Royal Group can do this.

Food Manufacturing Yuki Kubo, Line Leader, Milchof Cake Production Line, Tokyo Food Facility



I want to keep shining at a company where I can work cheerfully, happily, and with pride.

Every day, I strive to improve the level of service and operation at our establishments so that our customers can head for their destinations with a smile on their faces. After joining the Company, I worried over how to be an ideal employee and how to build trust with customers and my fellow workers, but the guidance and support of my boss and senior colleagues helped me overcome these troubles. I also drew confidence from the positive results of the busy season, made possible through greater teamwork that put a premium on communication with employees. In the future I would like to keep improving myself, achieve growth, and help make the Company the most attractive in the industry.

Contract Food Service Kotaro Tsunomachi, Manager, Royal Host, Haneda Airport Location

I want to become a chief chef with management skills and be a positive and essential part of the Company.

As a member of the opening staff for the Backlot Cafe, which opened in June 2023 as part of The Making of Harry Potter Warner Brothers Studio Tour in Tokyo, I enjoy work each day as I try to figure out the best ways to do my job. Running a restaurant that sees around 10,000 people a day and uses large equipment not seen in a regular restaurant has its difficulties for sure, but to me it is uplifting to know that I am providing customers with delicious meals, served quickly and at just the right temperature. I don't have much experience yet, but I want to be someone who can help out the Company, and so I am going to keep my mind open to acquiring management skills, improving communication, and being more sensitive.

Contract Food Service Asaka Makiguchi, Backlot Cafe, Warner Bros. Studio Tour Tokyo—The Making of Harry Potter



Corporate Governance

Basic Stance

Drawing from the Royal Credo, the Royal Group has positioned, as high priority management issues, thorough compliance with laws and regulations and adherence to corporate ethics. These are necessary to achieve sustainable growth and generate corporate value over the medium to long term.

Specifically, as a food-centered organization, the Group has been deeply committed to food safety and hygiene since its founding. At the same time, the Royal Group is also a hospitality-centered organization. As such, in July 2005 the Group formulated the Royal Group Code of Conduct, which is shared with all executives and staff and strives for sensible corporate management underpinned by appropriate compliance, high ethics, and strong morals. Going forward, the Group will continue to review its systems and structure in order to ensure effective corporate governance under a fair and transparent system.

Corporate Governance Structure

The Company has established a General Meeting of Shareholders, a Board of Directors, an Audit & Supervisory Committee, and an Accounting Auditor, which serve as corporate bodies as stipulated under the Companies Act.

In addition, the Company has introduced the executive officer system, appointing executives entrusted with the oversight of businesses, subsidiaries, or other meeting bodies of the Group. It has also established the Management Council, comprising of directors and executive officers, to discuss management issues and other matters concerning the Group. Moreover, it has established the Executive Officer Liaison Committee, which is composed of the president and executive officers.

In order to ensure that directors can execute their duties in an efficient manner, the Company utilizes a system in which major issues and initiatives are discussed during meetings of the Executive Officer Liaison Committee, after which important items are reported to the Management Council or the Board of Directors for discussion and decision-making. Other decisions are delegated to the representative director or the relevant officer based on internal regulations. This helps speed up the decision-making process while optimizing management.

Internal Control System

The Company maintains a basic policy regarding its internal control system. The Company makes concrete developments to this system and executes business in accordance with this policy and from the viewpoint of ensuring compliance, risk management, and operational efficiency.

The Company has also adopted a holding company structure for the purpose of building a flexible and adaptable management system. Under this structure, the Company has established a system with several checks to ensure proper internal control, in which the directors of the Company, executive officers, or corresponding persons of similar rank are appointed to Group subsidiaries as members of their Board of Directors, while members of the Audit & Supervisory Committee or the Audit & Supervisory Committee Office serve as auditors at each subsidiary. In addition, subsidiaries are obligated to report management information and any other important information on a regular basis.

Moreover, the Internal Audit Department conducts internal audits of Group companies, and the Audit & Supervisory

Committee audits the execution of the duties of directors, ensuring appropriate operations Groupwide.

Furthermore, in addition to the Royal Credo, the Company has established the Royal Group Code of Conduct and the Royal Group Guidelines. These are standards that directors and managerial employees across the Group should observe at all times while also striving to foster awareness of compliance Groupwide. At the same time, the Company has set up the Compliance Helpline for internal and external use and, under the guidance of the Helpline Committee, implements corrective measures and measures to prevent recurrence, should such actions be necessary, of any items of concern.

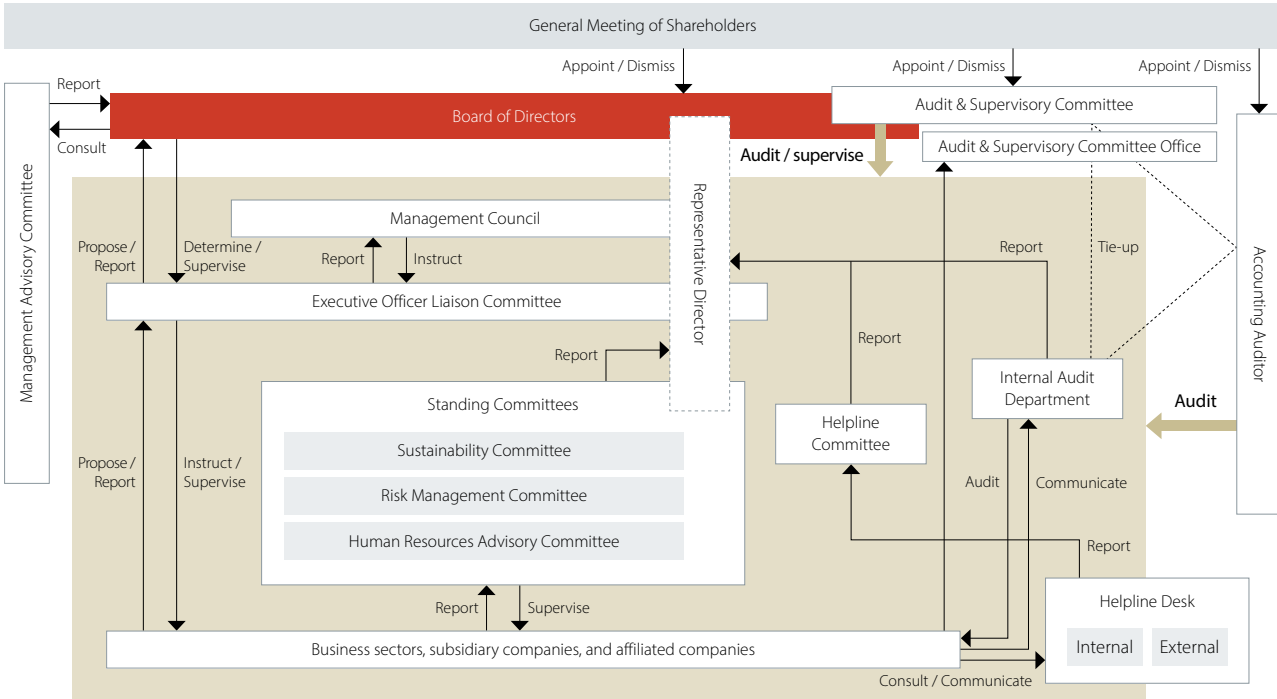
The Company has also established a risk management system to deal with a variety of risks in a precise manner, under which the Risk Management Committee evaluates and analyzes risks for the entire Group, investigates countermeasures, and endeavors to minimize losses.

Internal Audits

The Company has established the Internal Audit Department, which comprises five members that work under the head of the department to conduct audits based on the Company's annual audit plan and the instructions of representative directors as a means to ensure that operations throughout the Group are both legal and socially responsible.

In addition, as a corporate group that centers its operations on food, Royal Holdings has established the Quality Assurance Promotion Department. Eight members work under the head of the department to formulate quality assurance standards for the entire Group and to conduct quality assurance audits.

Corporate Governance Structure (As of March 30, 2023)



Composition and Description of the Board of Directors and Other Meeting Bodies

Name	Description
Board of Directors	The Board of Directors, chaired by Chairperson Tadao Kikuchi, consists of nine directors, five of whom are independent outside directors. Of these five, three members serve concurrently on the Audit & Supervisory Committee. The Board of Directors serves as the highest authority over management and decision-making related to business execution, meeting 13 times a year as a general rule with the ability to hold additional meetings if necessary. It decides on important management-related issues and oversees business execution and progress.
Audit & Supervisory Committee	The Audit & Supervisory Committee consists of four directors who serve concurrently as Audit & Supervisory Committee members, including three independent outside directors who have specialized knowledge in fields such as law, accounting, finance, and corporate management. The committee conducts audits of operations and assets; directors' execution of duties; and compliance with laws, regulations, the Articles of Incorporation, etc. The committee is a supervisory body that monitors management and business execution. To fulfill this role, the committee receives reports pertaining to relevant matters, holds discussions, and makes resolutions.
Management Advisory Committee	The Management Advisory Committee consists of four non-executive directors who serve concurrently on the Audit & Supervisory Committee, three of whom are independent outside directors. The Management Advisory Committee advises the Board regarding nomination and remuneration decisions for directors and designated executive officers, and ensures the validity and transparency of the decision-making process.
Management Council	The Management Council is chaired by President Masataka Abe and comprises nine directors, including five outside directors who attend on a voluntary basis, and 11 executive officers. The council meets once a month in principle to discuss the Group's current situation and management issues, aiming to maximize corporate value.
Executive Officer Liaison Committee	The Executive Officer Liaison Committee is chaired by President Masataka Abe and comprises the president and 11 executive officers. The committee meets weekly in principle to discuss and share information regarding the Group's management-related issues and important investments in an effort to promote initiatives that will increase corporate value.



Board of Directors



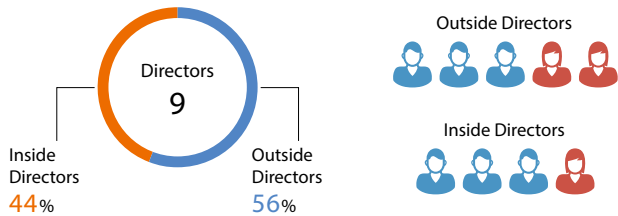
Management Advisory Committee



Executive Officer Liaison Committee

Composition of the Board of Directors

To become the Group with the highest quality food and hospitality in Japan, the Group aims for a Board of Directors capable of handling down objective and resolute judgments pertaining to management issues, doing so from diverse and independent points of view. Therefore, every effort is made to ensure the Board is diverse, comprising of members with a variety of perspectives, a wealth of experience, and high-level skills, and that the number of members is kept at an appropriate level.



Reasons for Appointing Outside Directors

Appointing outside directors to the Board of Directors serves to enhance corporate governance by improving management transparency and ensuring objectivity. The Company maintains its own criteria for the independence of its outside directors. These criteria are stated in the “Criteria for Determining the Independence of Outside Directors” section in the Company’s Basic Policy on

Corporate Governance. Outside directors are appointed based on their career history and relationship with the Company to ensure they have sufficient independence to perform their duties from a viewpoint that is separate from Company management.

Name	Reason for Appointment
Ryutaro Hirai	Mr. Hirai has been appointed for his wealth of business experience across several fields, including sales, human resources, general affairs, and overseas operations, gained from many years working at trading companies. It is expected that he will maximize collaborative ties with Sojitz Corporation and the Group and thereby contribute to the expansion of the Group's business and improvement of its corporate value.
Hiroto Murai	Mr. Murai has been appointed as an outside director for his wealth of business experience from many years working at trading companies. It is expected that he will continue to maximize collaborative ties between Sojitz Corporation and the Group and thereby contribute to the expansion of the Group's business and improvement of its corporate value.
Hideo Ishii	Mr. Ishii has been appointed as an outside director and Audit & Supervisory Committee member for his many years of experience working for financial institutions and his wealth of experience and insight as a manager. It is expected that he will continue to make appropriate recommendations regarding the general management of the Company.
Hitomi Nakayama	Ms. Nakayama has been appointed as an outside director and Audit & Supervisory Committee member for her specialized knowledge and ability to provide opinions as a lawyer. It is expected that she will continue to make appropriate recommendations regarding the overall management of the Company.
Mayumi Umezawa	Ms. Umezawa has been appointed as an outside director and Audit & Supervisory Committee member for her wealth of specialized knowledge related to finance and accounting and her experience as a certified public accountant. It is expected that she will make appropriate recommendations regarding the overall management of the Company.

Director Compensation

The total compensation amount for each officer category, the total amount by type of compensation, and the number of officers eligible for compensation are as follows.

(Fiscal 2022)

Type of officer	Total compensation amount (millions of yen)	Compensation by type (millions of yen)		Number of officers eligible for compensation
		Basic compensation	Bonus	
Directors (excluding Audit & Supervisory Committee members and outside directors)	134	79	55	6
Directors (Audit & Supervisory Committee members)	25	25	–	5
Outside directors	14	14	–	4

Note: Two outside officers are not compensated for their role and have therefore not been included in the number of officers.

Overview of Stock Remuneration System for Directors

At the 74th Annual General Meeting of Shareholders, the Company resolved that it would introduce a performance-linked stock compensation plan, in which company shares and money equivalent to said shares would be paid in accordance to the completion of goals set within the Company’s medium-term management plan.

The system creates a clear link between director compensation, the Company’s performance, and its stock value. It has been introduced with the goal of incentivizing directors to reach the

targets put forth in the Company’s medium-term management plans and to have directors share the same benefits and risks that affect all shareholders when the stock price rises and falls. These factors will raise director motivation to improve medium- to long-term results and increase corporate value.

These targets also incorporate the SDGs, therefore the system also reflects the Company’s commitment to a sustainable society.

Evaluation of the Effectiveness of the Board of Directors

The Company collected opinions from each director evaluating the effectiveness of the Board of Directors in fiscal 2022. These opinions were analyzed and evaluated at the March 2023 meeting of the Board of Directors. The Company will use this evaluation to improve the functions of the Board.

Target	All members of the Board of Directors in fiscal 2022 (including concurrent members of the Audit & Supervisory Committee)
Evaluation and analysis method	Open questionnaire
Description of questions	Questions were provided under five main categories ① Board composition ② Board operations ③ Meeting agenda and contents ④ Supporting systems ⑤ Other issues and opinions
Overview of results	① Board composition • The level of diversity and number of members of the Board of Directors is appropriate to the scale and nature of the Company’s business. ② Board operations • Although the Board of Directors is generally well-managed and features meaningful discussions, there is room for improvement regarding the timely distribution of meeting materials and the securing of time for deliberating agenda items. ③ Meeting agenda and contents • The selected number of agenda topics are appropriate. • Further discussion is expected on the progress of the Company’s medium-term management plan, major risks, risk management systems, development of a succession plan, and other items. ④ Supporting systems • The secretariat and other management systems are in place to support the Board of Directors, and directors, including outside directors, have opportunities to obtain necessary information. • The Company also ensures cooperation between the Audit & Supervisory Committee, the Internal Audit Department, and other relevant bodies. The Audit & Supervisory Committee is given adequate opportunity to collect information. • The Executive Officer Liaison Committee is expected to serve as a forum for discussing major issues concerning business execution, and will thereby stimulate discussions on issues that affect the entire Group.

For details on the Group’s implementation of the Corporate Governance Code, please refer to the latest Corporate Governance Report. Corporate Governance Report (Japanese only) <https://www.royal-holdings.co.jp/material/images/ir/governance.pdf>

Message from an Executive Officer



Akitsugu Tominaga

Executive officer in charge of corporate planning and legal affairs, Head of the Corporate Planning Department, Head of the Legal Office

Royal Holdings established the Executive Officer Liaison Committee for executive officers to work together in discussing and investigating issues and initiatives that concern business execution. In fiscal 2022, this committee performed its function effectively from the perspective of enhancing governance. Specifically, the committee facilitated the sharing of a variety of information regarding execution of the Company’s business among officers in a way that was both timely and appropriate, leading to sound decisions made with a sense of urgency. The committee also helped with separating management and execution, in that the Board of Directors made decisions regarding important managerial policies for the Company, whereas the Executive Officer Liaison Committee held discussions on topics that looked into each policy and presented their findings to the Board of Directors to continue the discussion.

The real challenge for the committee is setting the topics on its agenda. Since business and management conditions change with each passing moment, the pressing question becomes whether the committee can have the foresight to autonomously and accurately determine what the Company currently needs to investigate and what decisions need to be made. When it comes to business execution, mounting a response to everything that comes our way is a daunting task. There are many questions to consider, such as “In which directions are the food and drink and hotel industries headed?” “Will the global economy be further impacted by geopolitical risks?” “What is the next stage after human capital management and sustainability management?” and “How will AI and quantum computing affect our daily lives?” But I believe the Royal Group needs to look at these questions and set a timely and fitting agenda to discuss them, forming the basis for business operations. This is what will lead to high-quality, “true” governance.

Message from the Executive Officer in Charge of Financial Planning

Review of Fiscal 2022

In June 2022, I, Satoru Kushida, was appointed as head of the Financial Planning Division. Here, I will report on the results of fiscal 2022 and the financial conditions of the Group, and explain our outlook going forward. Our performance in the first year of Medium-Term Management Plan 2022–2024 was affected by highly uncertain business conditions, which included priority measures lasting from January to March aimed at preventing the prolonged spread of COVID-19 as well as a jump in prices, particularly for energy and food. In addition, spread of COVID-19 in the summer of 2022 led to heavy concern arising at the end of September, the close of the third quarter, over the prospect of falling short of our yearly earnings forecast.

However, as we entered the fourth quarter, external conditions changed due to domestic travel opening up, clearing the fog and giving us a clear path forward. As time passed, the flow of people has recovered, and our business performance has made a steady comeback. As a result, we achieved profit levels exceeding our forecasts. I chalk this up to the Royal Group's concerted efforts to "improve the profitability of existing businesses," which is one of the tenets of Medium-Term Management Plan 2022–2024. In terms of the Restaurants Business and Contract Food Service segments, this meant pursuing higher added value by improving our menus and services, and our continued and earnest efforts to this end brought with them the support of our customers. I believe this allowed us to rein in the effect of higher costs to within our expected range, as shown by the average level of spending per customer. In the Hotel Business segment, we reviewed our approach to managing revenue and worked to optimize room prices per unit while simultaneously keeping a close eye on customer trends. In the Food Manufacturing segment, we increased profitability primarily through the use of stock keeping units* (SKUs) and cost reductions. I believe that the reasons we were able to achieve these results under such strenuous conditions are the efforts made by every Royal Group employee, every day, and the capital and business alliance we entered into with Sojitz Corporation in 2021.

Comparing income and expenditures between the fourth quarter of fiscal 2019, pre-pandemic, and the fourth quarter of fiscal 2022, when our performance recovered, one finds that in fiscal 2022 cost of sales and SG&A

ratios both decreased while operating profit margin increased 3.2%. These trends suggest that the improvements we made to our income and expenditure structure, which generated improved results in fiscal 2021, continued to bear fruit in fiscal 2022. In addition to improving our top line, this included structural reforms made in response to COVID-19, such as closing unprofitable locations, reorganizing our businesses, and reducing fixed expenses. One of the indicators we use to calculate productivity, added value per person, improved 104% from fiscal 2019.

Regarding the balance sheet, total assets at the end of fiscal 2022 stood at ¥123.5 billion, an increase of ¥13.8 billion compared to the end of the previous fiscal year, for reasons that include making Highway Royal Co., Ltd. a consolidated subsidiary. With regard to borrowings, although funds for the acquisition of additional shares of Highway Royal Co., Ltd. were procured as planned, there were scheduled repayments of existing borrowings, and overall borrowings decreased. Shareholders' equity increased approximately ¥10.3 billion, to approximately ¥44.2 billion. This increase was due to the issuance of approximately ¥8.3 billion in new shares to Sojitz Corporation after it exercised its stock acquisition rights, in addition to recording approximately ¥2.7 billion in net profit, dividend payments of approximately ¥0.5 billion, and other factors. As a result, shareholders' equity ratio rose 4.8%, recovering to 35.8%, bearing in mind that the fiscal 2024 goal under our medium-term management plan is a shareholders' equity ratio in the area of 40%. In addition, our fixed assets to long-term capital ratio increased by 3.2 percentage points, due to the significant increase in fixed assets, which stems from the mark-to-market valuation and goodwill recorded in line with the consolidation of Highway Royal Co., Ltd. Despite this increase in the ratio, it still remains below 100%, indicative of a sound financial base.

*The minimum unit used in order placement and inventory management.

Balance Sheet			
(Millions of yen)			
	End of Fiscal 2021	End of Fiscal 2022	YoY Change
Total assets	109,767	123,570	13,803
(Reference) Of which were cash and deposits	23,113	25,653	2,540
Interest-bearing debt	59,033	55,427	−3,606
Borrowings	25,960	24,312	−1,647
(Net debt)	(2,846)	(−1,341)	(−4,187)
Lease obligations	33,073	31,114	−1,958
Shareholders' equity	33,999	44,293	10,293
Shareholders' equity ratio	31.0%	35.8%	4.8pt
Fixed long-term conformity ratio	88.2%	91.4%	3.2pt



Satoru Kushida

Executive officer in charge of financial planning and sustainability and CSR planning, Head of Financial Planning Division, Head of Sustainability and CSR Planning Division

Outlook for Fiscal 2023

In the first quarter of fiscal 2023, the Group continued to ride the wave of the fourth quarter of fiscal 2022 and exceeded results forecasts. Net sales were ¥1.8 billion lower than the pre-pandemic first quarter of fiscal 2019, but profits were ¥680 million higher. We have our customers and their continued support to thank for this, as well as the improvements to our income and expenditure structure implemented during the pandemic, which involved closing unprofitable locations and reducing fixed expenses.

However, looking to the rest of fiscal 2023, we will need to pay close attention to surging prices and geopolitical risks; I believe that we need to steer carefully through the thick fog of uncertainty ahead. Our plan for the year accounts for price hikes of ¥2.0 to ¥3.0 billion and ¥700 million earmarked for investment in human capital, both of which will lead to a lower profit than fiscal 2022. However, we intend to revise our menus and implement other effective countermeasures while keeping a close eye on

fluctuating prices, absorb the aforementioned factors that would decrease profits, and achieve an ordinary profit of ¥3.0 billion.

To achieve the goals of Medium-Term Management Plan 2022–2024 From "Revitalization and Transformation" to "Growth," we need make a steady effort to execute our ¥19.6 billion investment plan. In fiscal 2022, we mainly invested in existing business areas, but we plan to invest the ¥9.0 billion allotted to fiscal 2023 by allocating 60% to existing businesses and 40% toward business creation. In terms of existing businesses, these investments will focus on the Hotel Business segment as a source of profit, while investments in business creation will include investments in new businesses. In the Hotel Business segment, these investments will be used to renovate and expand facilities in order to bring in more visitors. For new businesses, we intend to establish joint ventures with Sojitz Corporation and operate businesses that combine their network with our contents.

Investments by Category (Results from Fiscal 2022, Outlook for Fiscal 2023)

(Billions of yen)

			Results from Fiscal 2022	Outlook for Fiscal 2023	Investment
Existing Domains	Facility-Based Businesses	Category 1	1.8	5.1	New establishments, hotel renovations, CRM, establishment systems
	Non-Facility-Based Businesses	Category 3	0.2	0.9	Factory manufacturing lines
Business Creation Domains	Facility-Based Businesses	Category 2	0.9	2.1	New Tendon Tenya locations, hotel renovations, innovations, operation of new café chain
	Non-Facility-Based Businesses	Category 4	0	1.0	Frozen meal manufacturing lines, support for business openings
	Overseas Business Foodstuff Development	Category 5	0	0.1	Directly-managed establishments in Singapore
Total			2.9	9.3	

In fiscal 2023 and fiscal 2024, the latter part of Medium-Term Management Plan 2022–2024, the Group intends to exercise its preferred shares acquisition clause, pay back the ¥12.0 billion bridge loan taken out to acquire shares of Highway Royal, and invest aggressively toward growth in line with its plans. This will require us to procure a large amount of funds.

For immediate funding, we will procure funds aimed at preventing hiccups in repaying short-term debt by using long-term loans with scheduled repayments as funds to repay bridge loans in advance. For the medium

term, we recognize the need to find a procurement method that matches the scale of our growth strategy investments. In fiscal 2023, we anticipate cash flows from operating activities amounting to roughly ¥9.5 billion. We will also add a portion of cash and deposits on hand equivalent to roughly 20% of total assets as of the end of fiscal 2022. Our plan going forward is to allocate approximately 60% of these funds to growth investments and the remaining 40% or so to repay interest-bearing debt and return profits to shareholders.

Looking Forward

We need to remain cognizant of the changing conditions that affect the management of the Group, be they the rising prices of raw materials and energy, waning consumer sentiment, or otherwise. At the same time, we need to recognize several issues that exist in terms of sustainability management and invest actively in human capital, enhance hiring and employee retention, respond to climate change, coexist with local communities, and increase engagement. We intend to address each of these issues in earnest, while making a steady push forward with the measures of Medium-Term Management Plan 2022–2024 to ensure sustainable growth rooted in the Royal Credo.

Assuming these uncertain times will still be uncertain in fiscal 2024, the final year of the plan, we need to 1) invest in business creation domains to ensure steady expansion and 2) maintain the positive effects of the improvements to our income and expenditure structure. These steps will keep the Group on the path toward growth. For the second step, the Financial Planning Department will continue to take appropriate measures in a timely manner by ferreting out unprofitable establishments and businesses, looking into prevention measures, and confirming the Group's ratio of businesses at break-even points. In doing so we intend to bring the Group's corporate value to even greater heights.

The Royal Group's Sustainability Management

Message from an Executive Officer



Satoru Kushida

Executive officer in charge of financial planning and sustainability and CSR planning, Head of Financial Planning Division, Head of Sustainability and CSR Planning Division

A business involved in food and hospitality such as ours is the sum of three elements: the blessings of the earth, a happy, healthy society, and the understanding of all stakeholders. Recently, there have been efforts to create a sustainable society on a global scale. For companies to survive, is absolutely essential that they work in earnest to resolve sustainability issues and actively share their results. As a food company, we strive to combat climate change in order to preserve the abundance of the blessings of the earth, both on the land and in the sea. We also try to realize a happy, healthy society by providing products produced with health in mind. Additionally, we promote the creation of a top-notch workplace that gives each of our employees—vital human capital—the ability to grow as individuals.

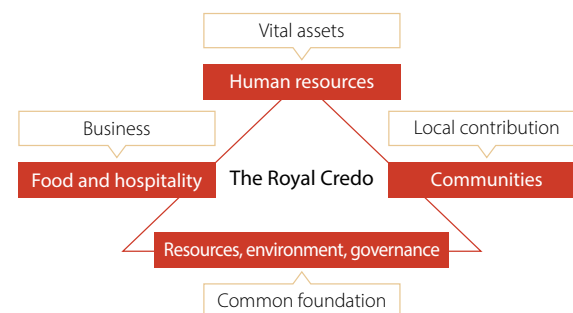
In fiscal 2022, under the Group's Basic Sustainability Policy, we held several discussions with experts, identified our materiality, and made progress toward disclosure in line with TCFD recommendations. In fiscal 2023, we will delve deeper into our materiality-based initiatives and measures to get one step closer toward our ideal vision for the Group. We will gain the understanding of all stakeholders from a sustainability management perspective through these initiatives and measures, and with this understanding, we will achieve both growth and sustainability.

Basic Sustainability Policy

As a corporate group focusing on food and hospitality, the Royal Group will actively address social and environmental issues through its business activities, thereby contributing to the creation of a bright future and a sustainable society as it enhances its ties with each stakeholder.

Royal Group's Vision for Value Creation

We intend to create social value by keeping the Royal Credo as our cornerstone and holding strong relationships with our stakeholders in high regard. In that same vein, we are working to generate economic value while accumulating intangible assets and building popularity by providing food and hospitality. By generating both social and economic value, we aim to improve corporate value and cement ourselves as a corporate group that will stand the test of time.

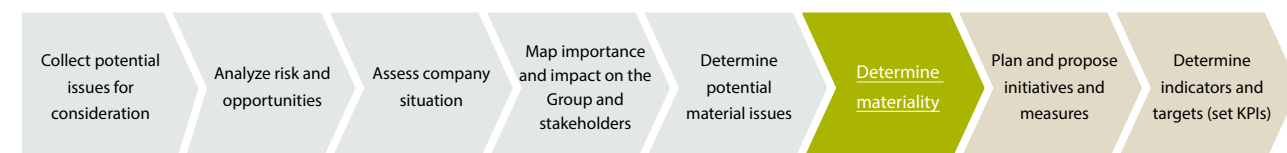


The Royal Group's Materiality

Materiality and Material Issues

In February 2023, we examined and investigated a variety of social issues, as they concern both the Royal Group's business and its stakeholders, and confirmed the materiality of five issues (material issues). Going forward, we will promote Groupwide activities based on a full awareness of stakeholder issues, and continue the process of permeating and deepening sustainability management.

Process of Determining Materiality



Identification of Target Social Issues for the Royal Group

In order to address a variety of social needs and demands, we highlighted which social issues the Royal Group should focus its efforts on based on social issues and important issues affecting customers, business partners, and other stakeholders. After giving consideration to the Royal Group's business domains and its customers, we identified 68 target issues.

Measuring Importance and Determining Material Issues

Following these steps, we worked with the secretariat and outside experts to measure the importance of each issue. In addition, we held discussions with company management and measured the degree of importance from a business perspective, and also identified potential material issues to be addressed as they pertain to stakeholders and the Company.



Materiality and Medium-Term Management Plan 2022–2024

Determining Materiality

We narrowed down these issues to five, prepared proposals for their materiality based on key themes, and held repeated discussions with experts. After deliberations and resolutions by the Executive Officer Liaison Committee, which is attended by executive officers, the Management Committee, which is attended by outside directors, and the Board of Directors, we have determined the materiality of five material issues that the Royal Group should address.

Material Issues	Materiality	Medium-Term Management Plan 2022–2024 Fiscal 2024 Targets		Applicable SDGs and Targets
		Initiatives	Goals	
Human Resources	Position employee growth as our top priority and aim to maintain and improve sound labor practices and work environments, normalize diversity and inclusion, and promote other human resource initiatives.	Increase the ratio of women in managerial positions Promote employment of people with disabilities Promote health management	Achieve a 20% ratio of women in managerial positions Employ people with disabilities at each Group company Maintain legally mandated employment ratio of 2.5% for people with disabilities Maintain certification as an excellent corporation under the Certified Health & Productivity Management Organization Recognition Program	3.4 5.5 8.5 10.2
Food and Hospitality	We will prioritize food safety and security, focus on being health-conscious, and improve the added value of food services as ways to create a brighter society.	—	—	3.4 3.9 12.4 9.2
Resources, Environment	We aim to reduce CO ₂ emissions further by developing systems to reduce food waste and promote recycling, and by continuing to implement energy-saving measures.	Reduce food losses and waste Respond to climate change	Reduce food losses and waste by 10% (compared with fiscal 2016) Formulate a policy to reduce Scope 1 and Scope 2 emissions Ascertain total emissions (including Scope 3)	7.3 12.3 12.5 13.1 13.2 14.1 15.1 15.2 17.17
Communities	Promote social contribution activities that meet the diversifying needs of local communities and society in general.	Promote Community-Based CSR activities	Continue initiatives that include food and other types of education, reconstruction support, and CSR activities that correspond to changes in the social environment.	2.4 11.7 11.a 4.4 17.17
Governance	Build a trustworthy system for food procurement, product labeling, and information management, and strengthen stakeholder engagement.	Improve governance	1) Comply with the principles of Japan's revised Corporate Governance Code 2) Continue to evaluate the effectiveness of the Board of Directors and implement measures based on the results 3) Continuously improve the effectiveness of the Company's auditing function 4) Increase completeness and transparency of disclosure to stakeholders 5) Continue to promote food safety and strict hygiene management	2.4 10.3 16.4 16.5 8.4 8.7 12.2 12.3 12.4 12.5

The Royal Group's Human Resource Strategy

Message from an Executive Officer



Kenji Ohsaka

Executive Officer in charge of DX Project, systems and human resource planning
President and Representative Director, Royal Management Co., Ltd.

We are investing actively in human resources, aiming to become a team of professionals that continue to evolve and provide food and hospitality of the highest quality in Japan. In the past, human resources were regarded as one economic resource among “people, things, and money” and investments in people were treated as costs. Now, we see employee growth and company growth as one and the same, and human resources are treated as an important form of capital that generates new value for companies and society. To maximize the value of human capital, we are promoting human resource initiatives in terms of four V's. These four V's are: 1) Variety, or diversity of human resources and work styles; 2) Value, or the increase of employee experience, knowledge, and motivation levels; 3) Vitality, or work-life balance made possible via employee health and a comfortable workplace; and 4) Visualization, or the image created by quantifying and understanding the results of measures based on V's 1–3, which can lead to further improvements.

The ideal the Royal Group should work toward is to be the first choice of employees in terms of job satisfaction and how well the Group allows them to execute their duties. At the same time, we must maintain our virtuous cycle in which the growth of each employee leads to the growth of the company. Investment in human resources leads to job satisfaction for employees, which helps improve customer satisfaction, and as a result, the Royal Group can continue to grow in a sustainable manner. We aim to harness this virtuous cycle to become a leader in the industry.

Basic Stance

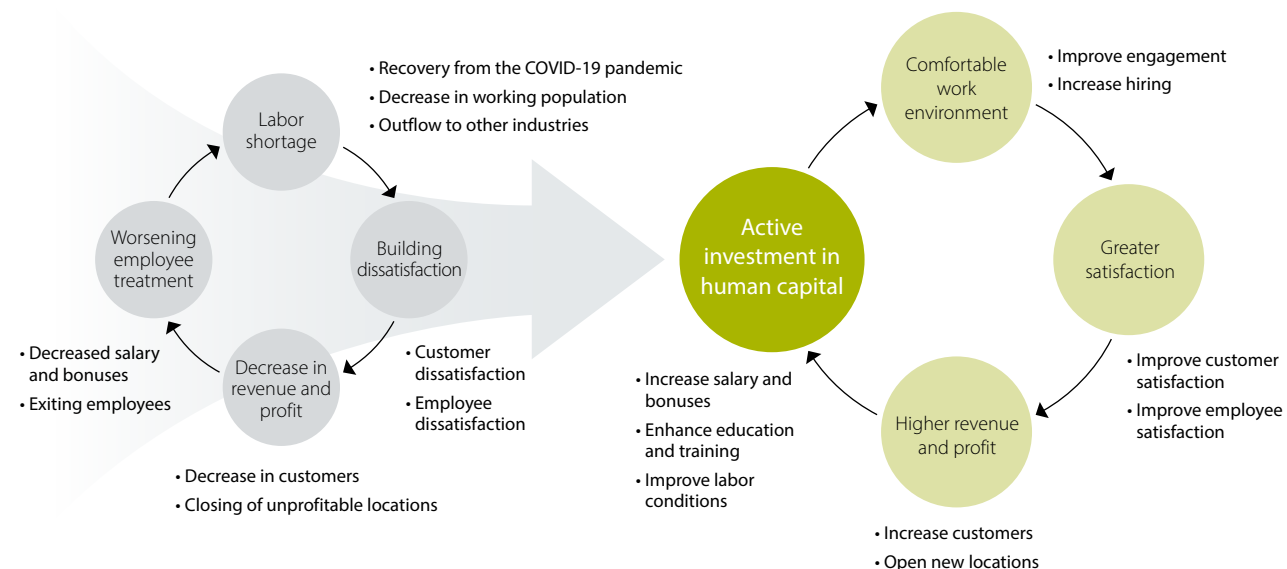
We, the Royal Group, regard all human resources as a source of added value, and we will actively invest in both securing and training human resources and improving working environments as a top priority. We will also strive to improve the position of the restaurant industry in the labor market and become an industry leader.

Vision for the Future

Risks—Downward Spiral

Vision—Virtuous Cycle Aimed at Growth

Employee Growth = Company Growth



Medium-Term Management Plan 2022–2024

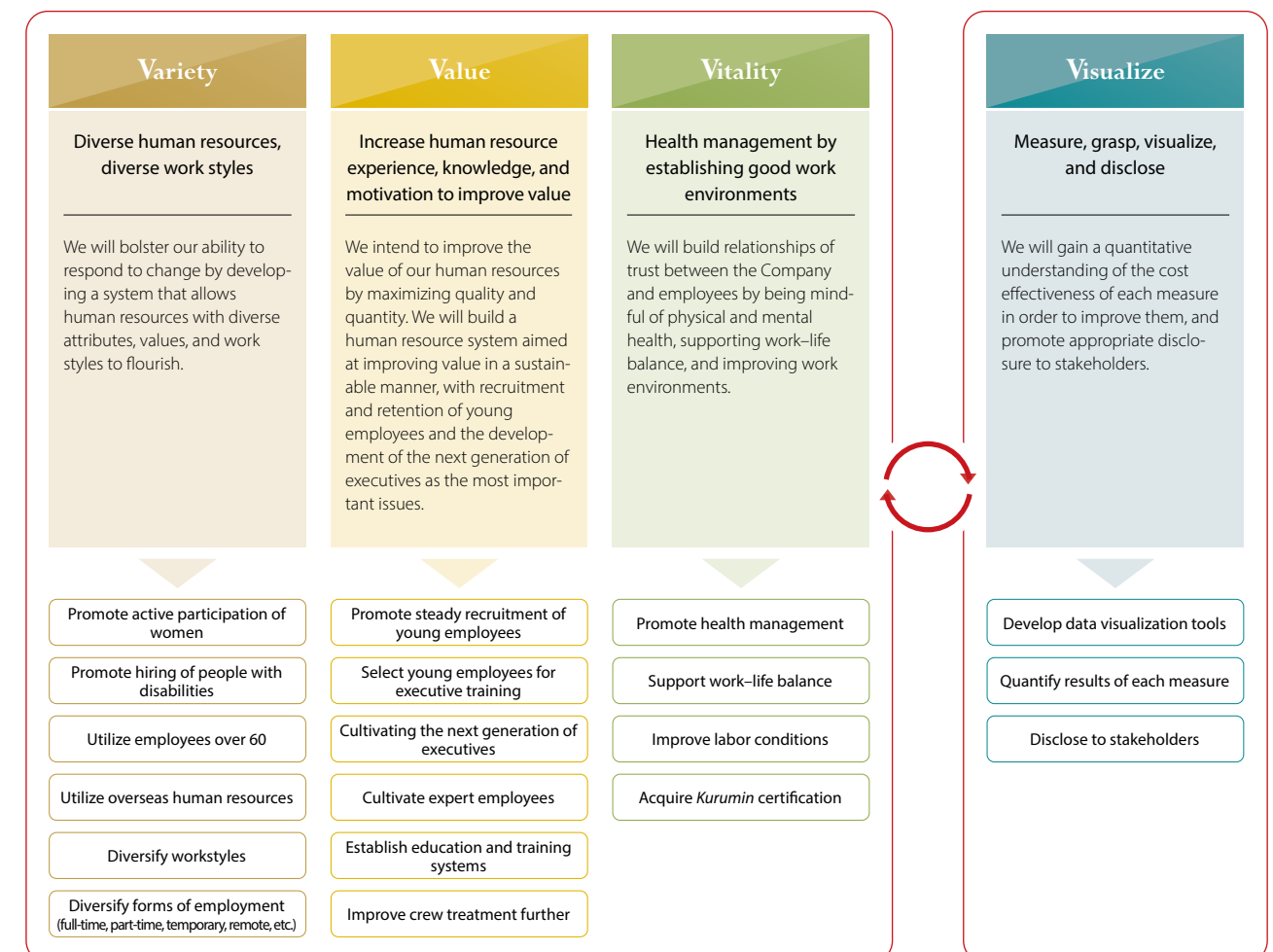
As part of Medium-Term Management Plan 2022–2024, we have formulated a human resource strategy rooted in four V's, aiming to become a team of professionals that continue to evolve and provide food and hospitality of the highest quality in Japan.

The Royal Credo

Our Aims

Become a team of professionals that continue to evolve and provide food and hospitality of the highest quality in Japan.

A Human Resource Strategy Rooted in the Four V's (The V4 Strategy)



Priority Measures and Targets

We have set the following as priority measures within Medium-Term Management Plan 2022–2024, and are working to achieve the targets stated below.

	Priority Measures	2022 Results	2024 Targets
Variety	<ul style="list-style-type: none"> • Increase the ratio of women in managerial positions • Increase the ratio of employees that take paternal leave • Promote employment of people with disabilities and maintain legally mandated employment ratio • Close gender pay gap 	Ratio of female managers 11.9% Ratio of employees that take paternal leave 54% Ratio of employees with disabilities 2.69% Gender pay gap (full-time employees) 24%	Ratio of female managers 20% Ratio of employees that take paternal leave 70% Ratio of employees with disabilities 2.7% Gender pay gap (full-time employees) 20%
Value	<ul style="list-style-type: none"> • Establish education and training systems • Cultivate the next generation of executives and managers • Promote steady recruitment of young employees 	Formulated a position-based education program Created a group of candidates for executive and managerial positions Employees that left the Company within three years 49%	Number of training participants approx. 2000 Number of employees that received personnel transfers approx. 100 Employees that left the Company within three years 20%
Vitality	<ul style="list-style-type: none"> • Maintain certification as an excellent corporation under the Certified Health & Productivity Management Organization Recognition Program • Improve labor conditions 	Rate of employees completing annual medical examinations 100% Rate of second stage examinations 60% Maintained certification as an excellent corporation under the Certified Health & Productivity Management Organization Recognition Program Ratio of employees that fully utilized annual paid leave 11.4%	Rate of employees completing annual medical examinations 100% Rate of second stage examinations 70% Maintain certification as an excellent corporation under the Certified Health & Productivity Management Organization Recognition Program Ratio of employees that utilized annual paid leave 50%

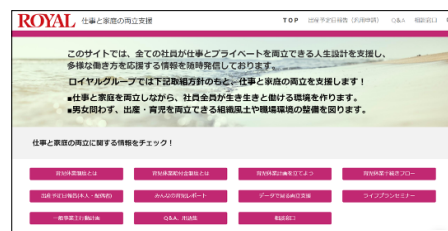
Initiatives to Increase the Ratio of Women in Managerial Positions

In fiscal 2022, we conducted skill development training for managerial candidates. Of the participants, 43% were women, and we will make an active effort to appoint these women to managerial positions.



Initiatives to Increase the Ratio of Employees that Take Paternal Leave

We have set up a page on the Company intranet that promotes support for balancing work and family life, featuring reports from employees who have taken childcare leave. These examples help alleviate hesitance toward utilizing paternal leave and spread awareness of the various support systems at employees' disposal.



Initiatives to Promote Employment of People with Disabilities

The Royal Group works proactively to accept students with disabilities, under cooperative systems with special needs schools, to provide practical training at its establishments. Even after people with disabilities join the Group, we maintain regular contact with them in an effort to create an environment where they can work with peace of mind.

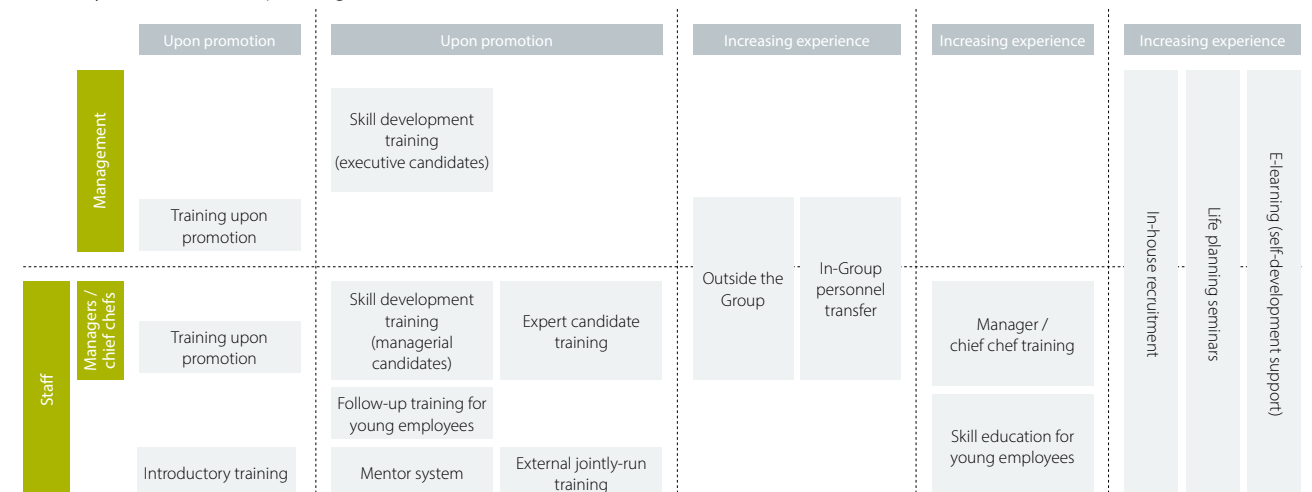


Employment Rate of People with Disabilities

	June 2015	June 2016	June 2017	June 2018	June 2019	June 2020	June 2021	June 2022
Employment rate	2.25%	2.37%	2.53%	2.59%	2.65%	2.68%	2.76%	2.69%
Number of employees	151	158	169	167	166	171	141	136

Education and Training System

The Royal Group revised its human resource system in April 2023. Under this new system, we have revamped position-based education and training, creating opportunities for employees to acquire the knowledge and skills needed for their level of employment. We also intend to create opportunities for employees to gain a range of experience through in-Group personnel transfers, developing human resources who can carry the torch of Group management in the future.



Initiatives to Promote Health Management

The Royal Group unveiled its Health Management Declaration in June 2022. Under the Group's system for promoting health management, headed by the president, we are working in tandem with each operating company, the health insurance society, and the labor union to implement a variety of measures.

The Royal Group's Health Management Declaration

Employee health is an important asset of the Royal Group. Therefore, we must help each and every employee and their family members lead lives with good physical and mental health, thereby establishing a lively workplace. We will work to maintain and improve employee health, and, by doing so, generate sustainable growth for the Royal Group.

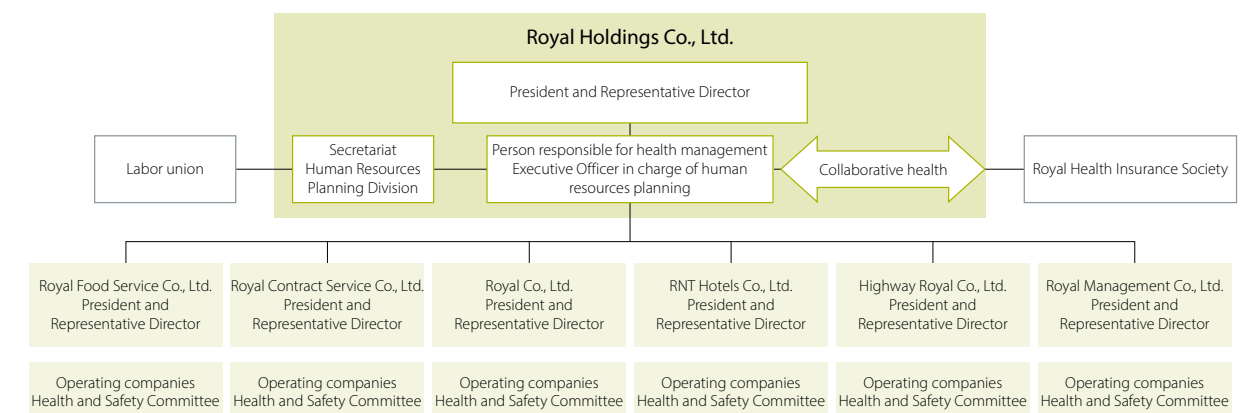
Masataka Abe
President and
Representative Director
June 1st, 2022

Please visit our corporate website for basic information and a visual representation of our strategy regarding health management.
<https://www.royal-holdings.co.jp/assets/pdf/sustainability/management/health-management-map.pdf>

Priority Items

- ✓ Achieve 100% rate of employees completing annual medical examinations
- ✓ Address presenteeism
- ✓ Prevent aggravation of high blood pressure, diabetes, and other lifestyle-related diseases, eliminate smoking, establish exercise habits
- ✓ Protect mental health
- ✓ Support work-life balance (restrict long working hours, encourage employees to take annual paid leave, support child and nursing care)

	2017	2018	2019	2020	2021	2022
1 Rate of employees completing annual medical examination	100%	100%	100%	97.7%	97.8%	100%
2 Rate of anomaly observation for medical examination	65.1%	64.7%	67.1%	70.3%	72.5%	74.7%
3 Rate of second stage examinations	69.0%	76.3%	85.0%	61.5%	58.8%	60.7%
4 Smoking rate	32.6%	31.2%	29.4%	26.7%	26.2%	26.8%
5 Stress check submission rate	89.8%	84.3%	82.2%	79.7%	84.1%	77.4%
6 Ratio of stress checks showing high stress	16.9%	16.8%	17.7%	12.4%	14.8%	18.7%

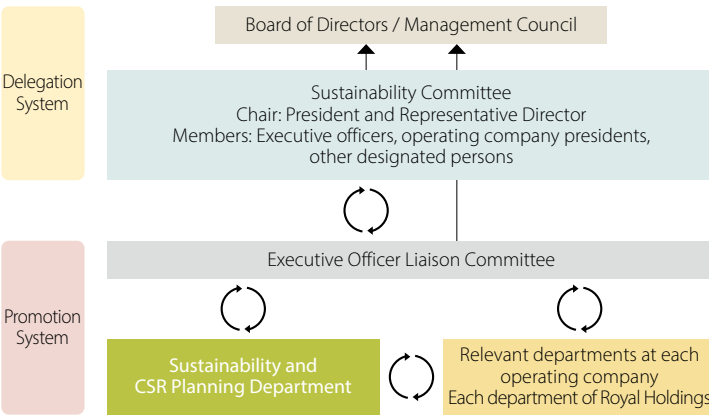


Materiality-Based Initiatives

Promotion System

To promote sustainability management within the Royal Group, the executive officer in charge of sustainability and CSR planning submits agenda items to the Executive Officer Liaison Committee, a forum for discussion among executive officers, where the items undergo repeated discussion and a course of action is determined in line with decision-making standards. These proceedings are reported to the Management Council and the Board of Directors.

System for Promoting Sustainability and Addressing Sustainability Issues



Initiatives to Realize our Vision for Fiscal 2024

Management and executives-in-charge promote action plans based on repeated discussions from their respective viewpoints, and tackle a variety of issues. This process helps achieve sustainable corporate growth while resolving social issues. We are also dedicated to growing as a company that has a notable presence within society. Separate action plans are developed for each initiative and measures to be promoted, primarily by the executive-in-charge. The Executive Officer Liaison Committee confirms the progress of these measures on a regular basis.

Material Issues	Materiality	Vision for Fiscal 2024	Initiatives
Human Resources	Position employee growth as our top priority and aim to maintain and improve sound labor practices and work environments, normalize diversity and inclusion, and promote other human resource initiatives.	Be the company of choice for employees and lead the industry via active investment in securing human resources, training them, and improving working environment	<div>Creation of a comfortable working environment</div> <ul style="list-style-type: none">Improve labor conditionsIncrease the ratio of women in managerial positionsPromote employment of people with disabilitiesPromote health managementPromote steady recruitment of young employees <div>Active investment in human resources</div> <ul style="list-style-type: none">Cultivate the next generation of executives and expert employeesEstablish education and training systems for all employees
Food and Hospitality	We will prioritize food safety and security, focus on being health-conscious, and improve the added value of food services as ways to create a brighter society.	Be a company that consistently provides high quality, from planning to development to operations	<div>Food safety and security</div> <ul style="list-style-type: none">Continuously update quality assurance system in accordance with quality assurance standards <div>Health-consciousness</div> <ul style="list-style-type: none">Provide products produced with health in mind <div>Improvement of added value</div> <ul style="list-style-type: none">Improve hospitality mindset furtherImplement training for treating customers betterProvide value via "hospitality with technology"Reflect customer feedback in company services

Material Issues	Materiality	Vision for Fiscal 2024	Initiatives
Resources, Environment	We aim to reduce CO ₂ emissions further by developing systems to reduce food waste and promote recycling, and by continuing to implement energy-saving measures.	Be a company that remains mindful of the environment, reduces food losses and waste, and works toward a decarbonized society.	<div>Reduction of food waste</div> <ul style="list-style-type: none">Step up current efforts to reduce food wasteFocus on efforts such as separating waste to improve food recycling.Reevaluate the adequacy of the current rules for determining sell-by dates and expiry dates <div>Reduction of CO₂ emissions</div> <ul style="list-style-type: none">Focus on reducing electricity and gas usage (Scope 1 and 2 emissions) ⇒ Promote energy-saving activitiesActively use renewable energy —Investigate use of green electricity and generation of renewable energy <div>Supply Chain</div> <ul style="list-style-type: none">Reduce environmental impact through development of supply change management (SCM) system —Revamp supply chain systemOptimize amount of physical resources through automated ordering and other digital technologyReorganize logistics basesReduce environmental impact through procurement and joint delivery in collaboration with other companies in the industry
Communities	Promote social contribution activities that meet the diversifying needs of local communities and society in general.	Be a company that remains an essential part of local areas by deepening cooperative ties with the community and its economy	<div>Coexistence and co-prosperity with local communities</div> <ul style="list-style-type: none">Promote initiatives that help revitalize regions —Emphasize local production for local consumptionCommunicate with the local community through sales of outlet productsConduct collaborative industry—academic projects and other activities to help cultivate the next generationProvide learning opportunities by holding classes at local elementary and junior high schoolsContinue activities that provide assistance during disastersProvide lodging for people separated from their homes during disasters, support reconstruction efforts
Governance	Build a trustworthy system for food procurement, product labeling, and information management, and strengthen stakeholder engagement.	Be a company that maintains strong Group governance worthy of praise from its stakeholders	<div>Maintain governance system</div> <ul style="list-style-type: none">Spread greater awareness of governance through training and other methodsConduct diligent CSR procurement, in line with the Group's Basic Purchasing Policy, and in compliance with laws and regulationsContinue disclosure that can win customer trustPromote comprehensive measures to prevent information leaks <div>Enhance risk management</div> <ul style="list-style-type: none">Handle a range of management risks, natural disasters, workplace accidents, and man-made disasters in an appropriate manner —Eliminate the factors that hinder achievement of management goals, improve corporate value, and fulfill social responsibilities



Chief chef training



Vocational lecture at a junior high school

The Royal Group's Response to Climate Change

Governance

One of the elements tackled by our Basic Sustainability Policy is environmental issues, one of which is climate change. We believe that by challenging ourselves with new efforts in these areas, we can evolve as a group to become an indispensable part of society. The Sustainability Committee discusses and investigates issues related to climate change, reporting and offering proposals to the Board of Directors on a regular basis. Through this process, we are working to integrate our response to climate change into our management strategy.

Governance and Risk Management System Related to Climate Change



Risk Management

Our climate change response is integrated into our Companywide risk management system, led by the president. Risk in terms of Group activities is managed by the Risk Management Division, while response and investigation into these and other Companywide risks are handled by the Risk Management

Committee, which is chaired by the executive officer in charge of risk management. Any risks identified and assessed are reported to the Board of Directors to determine the basic policy for any countermeasures.

Strategy

When identifying and assessing the future impact of climate change in cases where such impacts and countermeasures are unclear, the Group references scenarios produced by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). Based on these scenarios, we have

developed two hypothetical scenarios; one in which the world is subject to worsening global warming, and one in which the world achieves carbon neutrality by 2050 after efforts toward decarbonization. Using these two hypotheticals, we conducted a scenario analysis for 2030.

4°C Scenario	1.5°C Scenario
Global warming worsens In this scenario the average global temperature rises 4°C by the end of the 21st century, compared with the Industrial Revolution. Since climate change policies will not be strengthened beyond the regulations in effect as of 2021 and the transition to decarbonization has not been promoted, the impact of global warming increases as does the scale and frequency of disasters.	Efforts are made toward decarbonization In this scenario, the rise in the average global temperature is kept within 2°C by the end of 21st century, compared with the Industrial Revolution. The impact of transition risks increase as aggressive environmental policies are promoted in an effort to achieve carbon neutrality.
(Referenced scenarios) IPCC: RCP 8.5/4.5 IEA 2021: STEPS	(Referenced scenarios) IPCC: RCP 2.6 IEA 2021: SDS / NZE2050

Indicators and Targets

Achieving carbon neutrality by 2050 is one of the world's top priorities, as evidenced by the adoption of the Paris Agreement in 2015 and the global agreement to achieve the 1.5°C target at COP26 in 2021. The Royal Group is also promoting activities to reduce greenhouse gas (GHG) emissions with the goal of achieving Scope 1 and 2 carbon neutrality by 2050, with a 2030 interim goal of reducing emissions by 46% compared with 2013 levels.

Scope	Volume of Emissions (t-CO ₂)
	Fiscal 2021
Scope 1	18,029.8
Scope 2	62,106.2
Scope 1+2	80,136.0

Identified Risks and Opportunities

Initiatives	Impact in Fiscal 2030					Current Initiatives and Response Policies
	Factors	Impacts	Assessment			
			Classification	4°C Scenario	1.5°C Scenario	
Impact of the transition to a decarbonized society	Carbon pricing	<ul style="list-style-type: none">Increased business operation costs due to introduction of carbon taxIncreased spending to reduce GHG emissions	Risk	Low	High	<ul style="list-style-type: none">✓ Set CO₂ reduction targets and promote efforts to reach them✓ Introduce green electricity
	Stronger recycling regulations	<ul style="list-style-type: none">Increased requirements to reduce food loss and improve food recycling due to stricter regulation	Risk	Low	Medium	<ul style="list-style-type: none">✓ Sell food remaining from manufacturing processes (cake cuttings, ice cream etc.) via food trucks✓ Introduce services for taking home leftovers
	Changes in energy prices	<ul style="list-style-type: none">Soaring electricity prices due to switching to electricity derived from renewable sources, etc.Increased transportation costs due to changes in demand for fossil fuels	Risk	Medium	Medium	<ul style="list-style-type: none">✓ Upgrade to LED lighting✓ Introduce gas cogeneration system✓ Promote SCM reforms, including collaboration between companies
	Change in customer behaviors	<ul style="list-style-type: none">Changes in the flow of people mindful of decarbonization (decrease in business trips, greater need for local production for local consumption, etc.)Growing interest in ethical consumption	Risk	Low	Medium	<ul style="list-style-type: none">✓ Disclose region of origin for ingredients used in dishes✓ Develop dishes based on local production for local consumption concept and deploy by region
	Change in raw materials prices	<ul style="list-style-type: none">Tighter regulations for agriculture and livestock industries and lower production due to promotion of decarbonizationSmaller harvest, lower production, and decline in quality in agriculture, livestock, and fishing industries due to global warming	Risk	High	Medium	<ul style="list-style-type: none">✓ Develop and deploy alternative menus✓ Formulate and implement a Basic Purchasing Policy
Physical impact of global warming	Intensification of natural disasters	<ul style="list-style-type: none">Losses from damage to offices, production sites, or establishmentsDisruption of the supply chainFewer opportunities for customers to leave homes and less demand for eating out	Risk	High	Medium	<ul style="list-style-type: none">✓ Enhance business continuity plan (BCP)
	Rise in average global temperature	<ul style="list-style-type: none">Increase in air-conditioning costs at establishments	Risk	Low	Low	<ul style="list-style-type: none">✓ Switch to high-efficiency equipment at establishments✓ Upgrade to LED lighting
		<ul style="list-style-type: none">Increased demand for delivery servicesGreater demand for eating at home	Opportunity	Medium	Low	<ul style="list-style-type: none">✓ Expand sales of frozen meals for home use✓ Improve convenience of delivery services

Based on the results of this analysis, the Royal Group is looking into countermeasures and promoting initiatives in preparation for a future full of uncertainty. Current initiatives include the introduction of green electricity and gas cogeneration systems at some establishments, hotels, and headquarters in an effort to reduce the Group's environmental impact. The Executive Officer Liaison Committee will also continue discussions regarding initiatives aimed at reducing food loss and improving our food recycling rate, and will promote effective countermeasures. In addition, we will remain committed to

thorough management of our disaster response, focusing on countermeasures such as having become the first in the restaurant industry to acquire the DBJ BCM (Business Continuity Management) Rating, and utilizing analysis to reconfirm response capabilities of locations identified as having a high hazard risk. We will also work actively to create opportunities based on the world's response to environmental issues. This includes meeting the demand for home-cooked and ready-made meals in anticipation of the frequent abnormal weather conditions associated with global warming.



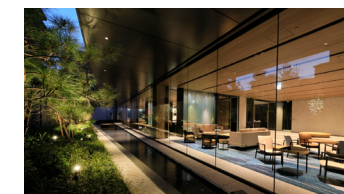
Expanding sales of Royal Deli frozen meals for home use



mottECO packaging for taking leftovers home



Food truck with a menu that uses ingredients that would otherwise be thrown away



Hotel with energy-saving features



Introduce green electricity

Medium-Term Management Plan 2022–2024

From “Revitalization and Transformation” to “Growth”

Though we are faced with a harsh business environment, we formulated Medium-Term Management Plan 2022–2024 with the intention of brightening local communities and society and providing high-quality, high-value-added products in line with the changing times. The plan has a vision of providing food and hospitality regardless of time and place. The plan also aims to pursue revitalization and transformation to form a clear path toward growth, and then expand business and increase corporate value.

Vision

Provide food and hospitality regardless of time and place

MISSION Contribute to local communities and society

VALUE High quality, high added value, and responsiveness to the times

Key Financial Targets for Fiscal 2024

▶ Net sales	¥136.0 billion	▶ EBITDA	¥14.0 billion	▶ Earnings per share	Approx. ¥80
▶ Ordinary income	¥6.5 billion	▶ Equity ratio	Approx. 40 %	▶ Return on equity	Above 8 %

Business Portfolio in Our Medium-Term Management Plan

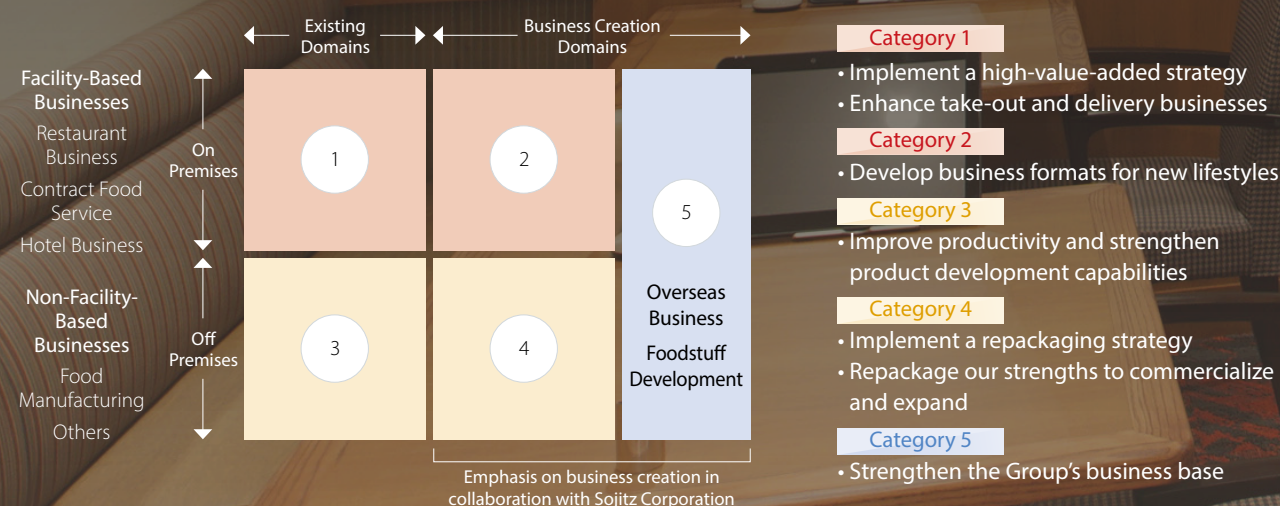
The business portfolio that we have maintained to date was categorized by business type and format, and we aimed for sustainable growth by working on priority measures by business segment. We thought this portfolio was rock-solid, but the COVID-19 pandemic exposed cracks in this facade; namely, a portfolio dependent on the flow of people, increasing fixed expenses, and a lack of resilience in each business segment.

In response, we have redesigned our portfolio to fix these cracks and continue our pursuit of sustainable growth.

First, we have divided each business segment according to whether they are facility-based businesses (on premises) or non-facility-based businesses (off premises). These were then divided further into existing domains and business creation domains to form four categories. We also added a fifth category for new business domains to form five categories.

▶ Businesses are classified as facility-based businesses (on premises) or non-facility-based businesses (off premises) and then divided further into existing domains or business creation domains. An additional fifth category, namely overseas business and foodstuff development was made for new business domains.

▶ Under existing domains, strategies and operations are explored in depth.



From “Revitalization and Transformation” to “Growth”

Improve the Profitability of Existing Businesses

- Further enhance the added value in customer experiences
- Create new customer experiences through CX strategies
- Improve productivity through capital investment and system investment
- Reduce costs through supply chain management (SCM)

Create Strategic Businesses

- Collaborate with Sojitz Corporation
- Foster growth fields (Royal Deli, takeout and delivery services, meals catered to businesses)
- Promote overseas expansion

Respond to Changes

- Create new markets in each business segment
- Open stores with an eye on the future
- Develop new business models through DX strategies
- Promote human resource development and growth

Results and Plans by Category

	Fiscal 2022 (Results)	Fiscal 2023 (Plan)
Category 1 (Facility-Based Businesses in Existing Domains)	<ul style="list-style-type: none"> • Promoted a high-value-added strategy through menu-related measures and renovations • Resumed operations at establishments in airport international terminals • Revitalized existing brands by changing business formats 	<ul style="list-style-type: none"> • Recommence opening establishments in the Restaurant Business (opened new Royal Host establishments for the first time in four years) • Open establishments in entertainment facilities. Redouble efforts as a business domain with potential for growth.
Category 2 (Facility Based Businesses in Business Creation Domains)	<ul style="list-style-type: none"> • Renovated hotels to offer experiences that meet leisure demands • Tested operations of new fast food business format • Open next-generation establishments 	<ul style="list-style-type: none"> • Investigate development of new chains through joint ventures with Sojitz Corporation • Utilize DX to accelerate store openings (tempura establishments, etc.)
Category 3 (Non-Facility-Based Businesses in Existing Domains)	<ul style="list-style-type: none"> • Improved factory productivity through initiatives to reduce food losses and waste, etc. • Consolidated product development functions to form a subsidiary handling the Food Manufacturing segment 	<ul style="list-style-type: none"> • Minimize labor needed on manufacturing lines by updating and upgrading equipment • Optimize sales prices and product composition through controlling the budget for manufacturing costs
Category 4 (Non-Facility-Based Businesses in Business Creation Domains)	<ul style="list-style-type: none"> • Expand sales for Royal Deli frozen meals • Strengthen B-to-B businesses by selling products to major retailers and food manufacturers 	<ul style="list-style-type: none"> • Develop and improve Royal Deli frozen meals and other national brand (NB) products • Strengthen B-to-B businesses by selling products to major retailers and food manufacturers
Category 5 (Overseas Business and Foodstuff Development)	<ul style="list-style-type: none"> • Opened seven Tendon Tenya franchise locations overseas (31 stores total as of the end of fiscal 2022) • Royal Holdings, Sojitz Group, and Unitec Foods entered into a strategic business alliance agreement regarding a plant-based meat business (January 2022) 	<ul style="list-style-type: none"> • Increase the number of countries where Tendon Tenya and overseas franchise locations operate • Expand directly-operated restaurants, using Singapore as a hub

Category 1 (Facility-Based Businesses in Existing Domains)



Naoki Ikuta

Executive Officer in charge of the Restaurant Business segment, President and Representative Director of Royal Food Service Co., Ltd.

Message from an Executive Officer

In the Restaurant Business segment in fiscal 2022, we revised product prices to counter the rapid rise of raw materials and utility costs, and worked to provide products with high added value at Royal Host establishments. This resulted in an increase in average spending per customer. Furthermore, the relaxing of restrictions put in place during the COVID-19 pandemic led to a considerable increase in the number of customers visiting existing establishments, which in turn boosted sales to pre-pandemic levels.

On the other hand, the rising prices are expected to affect personal consumption in the future, due to a greater desire among consumers to save money. Our response in Category 1 is to leverage a business plan based on creating new customers, achieving a high QSCA* level, and improving work environments in order to recover profitability and reform our income and expenditure structure. Specifically, we made aggressive investments toward improving our menus to create new Royal Host customers and also toward renovating kitchens to improve productivity. In addition, we are working to improve employee engagement by conducting employee satisfaction surveys in order to grasp the current state of the organization and visualize the progress of improvements.

In the future, we will continue to provide high value-added products under brands such as Royal Host and Tendon Tenya. At the same time, we will also work on how we pitch these brands in order to open doors to new challenges. In fiscal 2023, it will be important to improve our ability to respond to the ever-changing times and improve our brand strength. Therefore, we will enhance collaboration across the Group, develop a system that enables each business to flesh out existing businesses while also venturing into new domains, and ultimately help grow the Royal Group's business.

* Quality, Service, Cleanliness, and Atmosphere

Greater Value from Customer Experience and Productivity Through Our High-Value Added Strategy and Renovation

Restaurant Business

We offer special and regular menus that make use of seasonal ingredients and ingredients with high added value. At Royal Host, this means customers can enjoy Western cuisine from its menu of long-beloved meals prepared in the Royal tradition. At Tendon Tenya, customers are treated to limited-time menus tailored to the season.

Our Royal Host establishments also provide value in the form of a positive customer experience, thanks to high-quality beverage counters that customers can enjoy according to their own tastes. In April 2023, we opened Royal Host Hikarigaoka IMA, the first opening of a directly managed establishment in about four years. This establishment features semi-private rooms, tablet-based ordering, and new kitchen equipment with the hope that it can win over the local community.



▶ Royal Host Meal from the Royal Host 50th Anniversary special menu



▶ Tendon Tenya Menus with seasonal flavors



▶ Royal Host Glass washer (installed in approx. 130 stores as of May 2023)



▶ Royal Host Beverage counter



▶ Royal Host Hikarigaoka IMA location



▶ In-store shop showcase at Royal Host Hikarigaoka IMA location



Norihisa Sasaki

Managing Executive Officer in charge of the Contract Food Service segment, President and Representative Director of Royal Contract Service Co., Ltd.

Message from an Executive Officer

In the Contract Food Service segment, we are targeting growth in existing domains, which involves spreading out our locations to increase scale and selecting and focusing on key locations to build a foundation for business continuity. In fiscal 2022, we opened three establishments in airports and service areas (SAs). We also converted the business formats of seven existing establishments in order to unify their brands and develop these brands using external resources. In fiscal 2023, we plan to open 10 new establishments. On the other hand, we also closed 11 establishments, including offices and specialty establishments, after reorganizing our portfolio. Overall, food and labor costs decreased, while profit margins increased.

One issue we face going forward is a limited number of human resources, meaning we need to focus on human resource development to maximize them. Due to the nature of B-to-B businesses, it is crucial to cultivate human resources who can propose appealing plans to clients, have the flexibility to use resources outside the Group, and are able to conduct product-related negotiations with stakeholders. To that end, it is important to clarify the responsibilities of each position and create a support system that ensures that human resources can fulfill their respective responsibilities. These efforts will allow us to achieve QSCA to a high level, expand business scale, and increase profitability. In doing so, we aim to be a corporate group where every employee aspires to grow.

Revitalize Existing Establishments

Restaurant Business

In the Restaurant Business segment, we changed the business formats of existing establishments, which resulted in opening two specialty establishments in Fukuoka City, Fukuoka Prefecture.

▶ APETITO CAFE Metro (Fukuoka City, Fukuoka Prefecture)

This establishment reopened as a café capable of meeting a variety of needs. The café features salads and deli meats in a “make your own plate” format, while also offering take-home products of frozen breads and baked goods, Western-style sweets, and Royal Deli frozen meals for home use.

▶ Mrs. Elizabeth Muffin, Hakata Station Ming location (Fukuoka City, Fukuoka Prefecture)

We converted this former APETITO CAFE and seller of Royal-brand bread, sandwiches, and Western sweets to a Mrs. Elizabeth Muffin location, a specialty establishment featuring American-style muffins baked carefully on site.



▶ Products for sale at the Mrs. Elizabeth Muffin Hakata Station Ming location

Contract Food Service

In the Contract Food Service segment, we are working actively to resume operations at establishments in airport international terminals and to convert establishments with existing brands to new business formats or to the Royal Host brand.

▶ Royal Host, Nagoya Hoshigaoka location (Mitsukoshi Isetan, Hoshigaoka, Aichi Prefecture)

We are working to convert department store restaurants to Royal Host locations in light of their ability as a business format to respond to a variety of food-related needs. This will enable these restaurants to serve a wider range of customers.

▶ KOGANEIRO NO BUTA, Nasu Kogen SA location (Tohoku Expressway, Tochigi Prefecture)

We have opened establishments at SAs under brands already active at airport terminals. These SA establishments offer meals utilizing local ingredients.

▶ Chinese Cuisine Manshoen (Kagoshima Airport, Kagoshima Prefecture)

We are utilizing external resources and developing a business format that allows customers to enjoy restaurants that are popular in the local area from within an airport.



▶ Royal Host, Nagoya Hoshigaoka location



▶ KOGANEIRO NO BUTA, Nasu Kogen SA location (Tohoku Expressway, Tochigi Prefecture)

Hotel Business

At Richmond Hotels, we upgraded guest room facilities with updated showers and beds, offering a greater level of comfort to customers.



▶ ReFa FINE BUBBLE showerhead, Airweave mattress, and clothing steamer

Category 2 (Facility-Based Businesses in Business Creation Domains)



Kohei Motoyama

Executive Officer in charge of Hotel Business segment, President and Representative Director of RNT Hotels Co., Ltd.

Message from an Executive Officer

Under Category 2, the Hotel Business segment is developing business formats that accommodate new lifestyles. To date, the Hotel Business's main source of income has been limited service hotels with food and beverages (F&B), but recent shifts in lifestyle and macroeconomics are expected to shrink demand. To ensure stable demand in this new era, we reopened the former Richmond Hotel Premier Tokyo Oshiage as Richmond Hotel Premier Tokyo Schole. Under this new banner, we will offer customers a variety of experiences, making the hotel experience itself the most appealing point.

As for other Richmond Hotels, we intend to clarify their target audience, ranging from business-focused customers to leisure-focused customers. To do this, we will categorize each one based on a comprehensive assessment of their location, guest room layouts (single, twin, etc.) and customer attributes. In the future, we will drive up competitiveness in each market by providing added value that suits each type of customer.

An important factor in future growth is how we utilize the Group's resources to create added value that only it can create. Being in charge of investor relations at Royal Holdings for four years has given me a good understanding of the strengths of the Restaurant Business, the Contract Food Service, the Food Manufacturing, and the Overseas Business segments, in addition to the Hotel Business segment. I plan to use this knowledge and experience to help generate even greater synergy within the Group.

Next-Generation Initiatives



Restaurant Business

At Tendon Tenya, we have developed NEW Tenya, a next-generation establishment with stress-free services that allow customers to order and pay in their own time. To improve operations, we are introducing kitchen displays that provide kitchen information in order to increase the customer turnover rate during peak hours.



▶ Semi-self checkout registers

▶ Tendon Tenya Equia Kitasenju location



▶ Tablet ordering

▶ Kitchen display



Contract Food Service

The Contract Food Service segment operates next-generation cafes and restaurants in collaboration with OryLab Inc., which develops and provides the remote-controlled avatar robot, "OriHime."

OriHime enables people who have difficulty going out, due to intractable diseases, disabilities, or other reasons, to serve customers, thereby providing support for remote work. Workplaces equipped with OriHime will help realize a future where everyone can maintain their connection with society.



▶ OriHime robot avatar

Develop Business Formats for New Lifestyles



Hotel Business

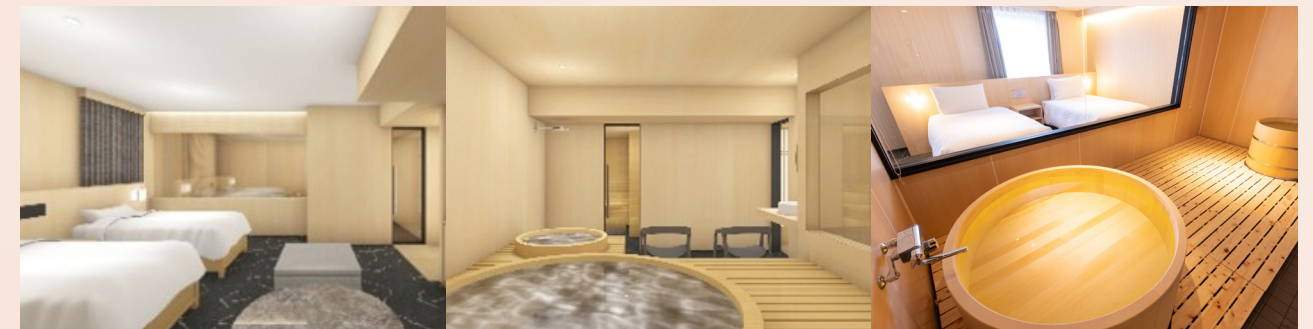
In the Hotel Business segment, we held the grand opening of the Richmond Hotel Premier Tokyo Schole, the first experience-based hotel under the Richmond Hotel brand. The word "schole" is a Greek word that refers to spending one's time in one's own way, or put more simply, "leisure." In the spirit of schole, we want visitors to enjoy culture to their heart's content, whether that means immersing one's self in a hobby, or relaxing in a sauna. The hotel's SHARE LOUNGE combines the convenience of a shared office with the comfort of a lounge, while rooms on the Concept Floor each feature a theme, such as "BOOK," "Video," "Game," and "Japan." The hotel also features a sauna, which is a resting place for healing. Customers can choose rooms and spaces according to their specific likes and various needs.



▶ SHARE LOUNGE—a space for sharing ideas



▶ Concept Floor—where people encounter new culture



▶ Spa Premier Twin Bedroom, featuring a healing sauna room

Category 3 and 4 (Non-Facility-Based Businesses in Existing and Business Creation Domains)



Atsuko Fujita

Executive Officer in charge of the Food Manufacturing segment, President and Representative Director of Royal Co., Ltd.

Message from an Executive Officer

In Category 3 of the Food Manufacturing segment, which refers to Existing Domains, we are focused primarily on improving productivity and strengthening our development capabilities. To be more specific, we integrated our two bread factories in Tokyo and Fukuoka, improving our profit margin in fiscal 2022 by 8% compared to the previous fiscal year. In terms of internal sales, we have consolidated various departments across the Group's operating companies that fulfill the same purpose, including planning and development departments, as well as purchasing, logistics, and Royal Deli departments, and have constructed an organizational structure in collaboration with factories. These efforts have helped strengthen product development capabilities.

Within Category 4, which targets Business Creation Domains, we see Royal Deli as a strength of the Royal Group. Therefore, we are working to expand the brand via our repackaging strategy while also working with Sojitz Corporation to boost business with major retailers and other B-to-B businesses. Using these tactics, we aim to achieve net sales under the Royal Deli brand amounting to ¥3.0 billion in fiscal 2025.

However, one issue that has come to light is the greater burden on factory production and manufacturing departments as a result of recovering consumption. To counter this phenomenon, we are implementing four projects to improve production efficiency: 1) enhancing internal sales, 2) strengthening cost controls per stock keeping unit (SKU)*, 3) improving factory productivity, and 4) enhancing external sales. These efforts will help the Food Manufacturing segment serve as an even stronger engine for the Royal Group's sustainable growth.

* The minimum unit used in order placement and inventory management.

Improve Productivity



Food Manufacturing (Category 3)

In order to reduce food loss and waste, we utilize food trucks for outlet sales of factory products. We also changed the business format of Royal Factory's direct sales store, the Fukuoka Food Factory. Prior to renovation, the store sold factory-made bread and sweets. Post-renovation and reopening, the store sells non-standard products and frozen meals that are approaching their expiration date. These products are sold at outlet prices.



Food truck



Outlet products for sale (Royal Factory direct sales store)

Strengthen Product Development Capabilities



Food Manufacturing (Category 3)

We are working to achieve rapid and high-quality product development by transferring and consolidating the product development departments of other operating companies to the Food Manufacturing segment. We also aim to reduce the number of product items, stabilize quality, and improve factory utilization rates by using common ingredients and standardizing menus across the Contract Food Service segment.



Royal Host seasonal dessert
Sweet Strawberry 1st Season Sundae



Product Development Department

Implement a Repackaging Strategy



Food Manufacturing (Category 4)

We are implementing a repackaging strategy that involves increasing sales of Royal Deli frozen meals, which feature a collection of international dishes carefully developed by the Royal Group. These meals allow people to enjoy the true flavor that comes with quality ingredients and careful preparation.



CLASSIC Yoshoku—Western food with a Japanese twist
Enjoy classic Western dishes prepared in the traditional Royal way—dishes long adored by a multitude of people over the Group's long history.



Asian Cuisine
Feel like a traveler in Asia as you enjoy these local dishes from India and the rest of Asia.



American Cuisine
Taste the variety of flavors unique to America, the land of freedom.



European Cuisine
Enjoy popular European dishes that preserve the delicious taste of the ingredients.



Italian Cuisine
Feel free to partake in Italian culture and its love for food from the comfort of your home.

Expand B-to-B Business



Food Manufacturing (Category 4)

To promote B-to-B business, we have started selling private brand (PB) products to major retailers alongside products developed in collaboration with major food manufacturers. In addition, we are promoting the planning and proposal of repackaged products for mass retailers, smaller-scale retailers, e-commerce, and hotels in order to develop new customers in other business categories.



AEON TOPVALU CO., LTD.
Professional's Recipe series



Nissin Seifun Weina Inc.
Ao no Dokutu pasta sauce for frozen foods



Category 5 (Overseas Business and Foodstuff Development)



Satoshi Fujioka

Executive Officer in charge of Overseas Business and design and development of establishments

Message from an Executive Officer

To strengthen the Group's business foundation, we have positioned the acquisition of business opportunities in overseas growth markets as one of our Group strategies. To promote this strategy, we are working to develop business overseas by expanding our franchise business and also establishing a base for directly-managed business. In the overseas franchise business, we opened seven Tendon Tenya establishments in fiscal 2022, bringing our total to 31. In terms of directly-managed overseas business, we are preparing to develop our first directly-managed overseas Royal Host establishment in Singapore as a joint venture, as announced in March 2023. Compared to the Japanese market, there are an increasing number of growth markets overseas where population is on the rise and consumer purchasing power is expected to follow suit. With that said, each market brings with it unique issues that need to be understood and addressed, such as their respective food preferences and lifestyles. At the same time, we also need to address global issues, such as securing labor and conducting business from a perspective of sustainability. Therefore, we plan to work with business partners familiar with local markets, update business models in keeping with changes in these markets, and utilize technology to improve operational efficiency. Taking these steps will promote Overseas Business and better enable customers outside Japan to enjoy the food and hospitality that the Royal Group has to offer.

Expand Overseas Franchise Business and Establish a Base for Directly-Managed Business Overseas



Overseas Business

In August 2021 we established Royal Sojitz International Pte. Ltd., a Singapore-based joint venture with Sojitz Corporation as part of Overseas Business aimed at establishing a foundation for directly-managed overseas business. We also entered into a joint venture agreement with YOTEI PTE. LTD., operator of Singapore locations of Tendon Tenya, as part of our effort to expand our overseas franchise business. In the future, we will ramp up operations of directly-managed restaurants and the domestic operations of overseas brands.

Expand Tendon Tenya franchise chain

- Ramp up store openings in existing countries of operation

Note: Operate establishments using new models suited to changing market conditions

- Enter new countries and regions

Establish a foundation for directly-managed restaurants business

- Develop business via Royal Sojitz International
- Collaborate with Sojitz Corporation

Make new breakthroughs

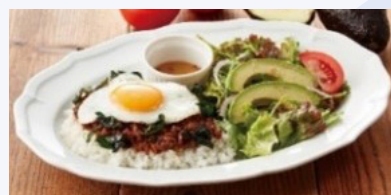
- Expand Group-owned content overseas
- Expand overseas brands within Japan
- Discover collaborative business opportunities with local partners

Take Part in Food Technology



Plant-Based Meat Business

In January 2022, Royal Holdings, Sojitz Group, and Unitec Foods entered into a strategic business alliance agreement regarding a plant-based meat business. We have developed NIKUVEGE brand soy meat that does not use animal ingredients, and we offer it at a competitive price and quality at Royal Host restaurants. In addition, Royal Garden Cafe Aoyama served pasta, hamburgers, and other menu items using NIKUVEGE on a limited-time basis.



▶ Thai-style spicy rice made with NIKUVEGE



▶ Meals at Royal Garden Cafe Aoyama made with NIKUVEGE

Increase the number of Tendon Tenya overseas franchise locations

7 locations in fiscal 2022

Note: Opened first location in Guangdong Province of China

➡ 32 locations (as of March 31, 2023)

📍 Guangdong, China 1 location

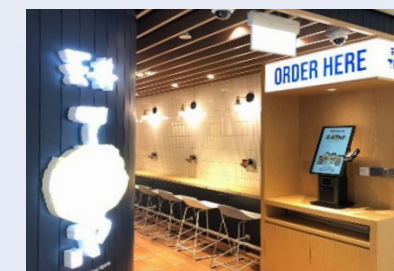
📍 Hong Kong 5 locations



▶ Tendon Tenya Tuen Mun location

📍 Thailand 12 locations

📍 Singapore 3 locations



▶ TENYA Parkway Parade

📍 Philippines 11 locations



▶ TENYA Mitsukoshimall Food court

▶ TENYA Glorietta

Special Feature

The Royal Group's DX Strategy

The vision put forth by Medium-Term Management Plan 2022–2024 is “providing food and hospitality regardless of time and place.” We intend to use digital technology as a means to achieve this vision.

In response to the demand for high quality and added value that has come to be expected of the Royal Group, we have built a platform that can offer a quick and flexible response to changes in structure and the environment. This takes our existing high-quality services and adds deeper, more evolved digital capabilities, giving customers an experience that provides new forms of enjoyment and satisfaction.

On the other hand, we also plan to implement work style reforms for employees and develop various means to increase their engagement. Our DX initiatives entail a new challenge, one that will be taken up by every employee and operating company as we look to reform the Group for the next generation. This new formation will carry on the positive culture that we have cultivated alongside our customers, while also building the foundation for a new business model that takes full advantage of technology.

We will fulfill our social responsibility by giving back the high quality service that we can achieve through digitalization as a token of our appreciation. At the same time, we will build and promote digital platforms that enable sustainable growth so that we can improve the value of our corporate culture and contribute to society.

Hiroaki Ohsawa

Royal Management Co., Ltd.
Head of Systems

Basic Stance

The DX Project aims to make full use of cutting-edge technology as a way to provide new value to customers and optimize operations, while also tackling food loss, food waste, and other social issues. As an example, we intend to develop and commercialize DX establishments—new types of establishments that take advantage of digital technology. By verifying the efficacy of these establishments, we hope to improve our existing businesses and build a resilient business portfolio.

**Build a new portfolio management system that responds to change
and grow sustainably by fully utilizing digital technology**

	Goals of the DX Project	Current situation and future plans
New Business Format	<p>< Target Innovations ></p> <ul style="list-style-type: none"> New CX and revenue model Utilize an environmentally friendly model 	<ul style="list-style-type: none"> Opened first “microstore”, a compact-format establishment, in December 2022 (Komagome Tendon) Opened TEN Labo in April 2023, a location that utilizes various types of cutting-edge technology Endeavor to further digitalize technology-based locations (consider use of robot operation)
Customer Relationship Management	<ul style="list-style-type: none"> Create a model to provide food and hospitality that people will invite others to enjoy Utilize a common authentication ID to provide returns to customers in the form of services Acquire input to forecast the market, identify needs, and develop new products and services 	<ul style="list-style-type: none"> Determined detailed conditions for points system, and launched system Launched electronic discount coupons for employees in May 2023 Launch first phase of CRM in fiscal 2024 Develop a data utilization platform system that uses AI
New Store Management	<ul style="list-style-type: none"> Reduce the amount of indirect operations Reform store operations through digital technology Improve accuracy of store management through AI technology 	<ul style="list-style-type: none"> Finalized proof of concept at existing test locations Began verification of proof of concept at innovation (test) stores Determine business requirements and initiate system development, aiming for launch in fiscal 2024
Supply Chain Management	<ul style="list-style-type: none"> Comprehensive management from raw material procurement to sales Procurement based on demand forecasts Optimization of production and inventory management 	<ul style="list-style-type: none"> Launched unified master data management system (cost and purchasing loss board) that handles data ranging from purchased products to finished products Formulated plan to revise logistics system in fiscal 2023 Started verification testing for automated ordering system
Updated Shared Infrastructure	<ul style="list-style-type: none"> Improve and reform scalability, availability, and reliability assurance Develop infrastructure while considering easy connectivity between systems Enhance data utilization infrastructure 	<ul style="list-style-type: none"> Utilize enterprise architecture to visualize data pertaining to the entire Royal Group Formulate plan to restructure network in order to increase convenience at establishments and headquarters Began investigation of next-generation points of sale (POS) for operating companies



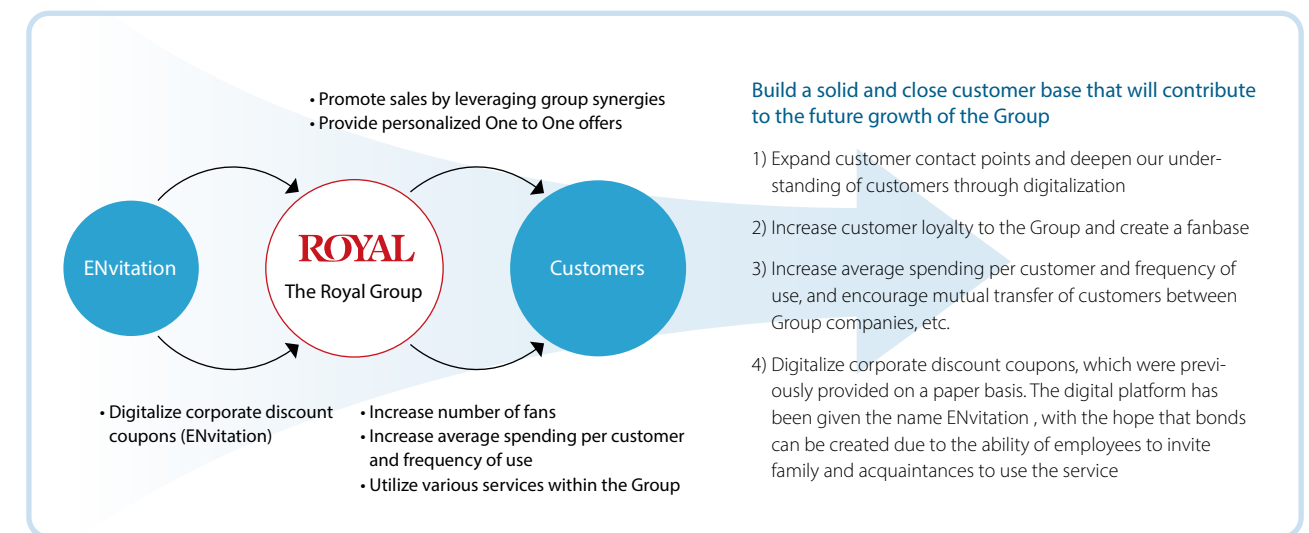
Forward-Facing Challenges

The Royal Group is working to take on two challenges that will lead it forward into the future. We have utilized a backcasting approach to tackle these challenges, working backward from our ideal vision of the future. Using this approach, we will try to create new CX utilizing, highly efficient and high value-added microstores and technology. Our aim is to achieve three goals: 1) establish a new profit model, 2) create new customers (endeavor to provide new value,) and 3) create value by improving the employee experience (work-style reforms.)

	Microstores A one-of-a-kind experience	New CX by Utilizing Technology Be chic and cool with your favorite tempura dish
Purpose	<ul style="list-style-type: none"> Build a business model with high added value by selecting the most productive areas and adding value 	<ul style="list-style-type: none"> Solve structural problems in the restaurant industry Enhance value created through customer experience (customer creation and individualized response) Enhance value created through employee experience
Current situation	<ul style="list-style-type: none"> Openings of short-term, low-investment locations Operation of highly productive, labor-saving locations that require little space Elimination of indirect store operations to focus on cooking and customer service 	<ul style="list-style-type: none"> Use of tokens for personal homepages, personalized tablet experiences, etc. Community-building with customers, establishments, and producers Use of automated ordering and automated work scheduling
Future	<ul style="list-style-type: none"> Develop a variety of specialty products Develop a wide range of highly productive business formats 	<ul style="list-style-type: none"> Equip robots with AI-driven cooking capabilities and automate ordering and food preparation Enhance community-wide value (CX and EX) Establish restaurant platform, connect with producers

Customer Relationship Management (CRM) —Build a Solid and Close Customer Base that Will Contribute to the Future Growth of the Group

We have begun planning and designing Group member programs (points programs and status programs) in order to create medium-to long-term relationships that are closer than ever before.

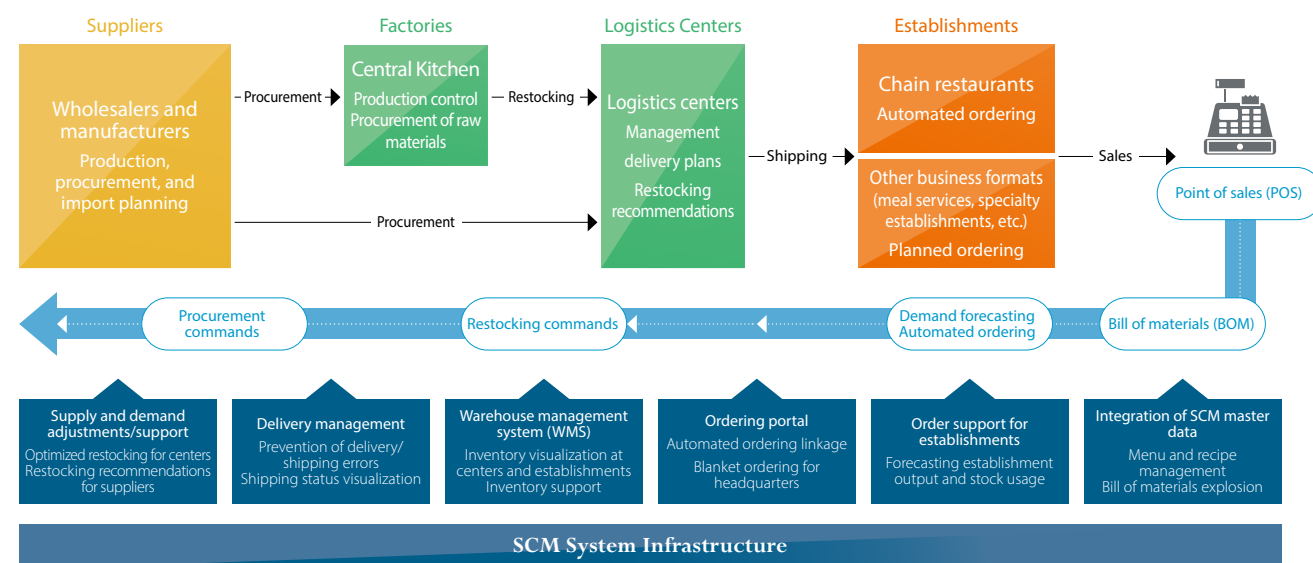


Supply Chain Management (SCM) —Promote Reforms Across the Group

We began SCM in 2021, and we are taking it a step further in Medium-Term Management Plan 2022–2024. We are moving forward with reforms that will integrate supply chain frameworks, reorganize system infrastructure and logistics bases, and aid collaboration between companies in the same industry. We aim to leverage these efforts to build an efficient and stable supply chain that can mount a flexible response to fluctuations in supply and demand.

Our Vision for SCM System Infrastructure (Establishments, Factories, Logistics Centers, and Suppliers in a Streamlined Supply Chain)

Starting from the point of sale (POS), we will develop an SCM system infrastructure that can manage requirements for development, automated orders, demand forecasting, inventory management, and restocking commands. The resulting system will be able to provide efficient and flexible support for the supply chain, from procurement and manufacture to restocking inventory and delivery to establishments.



Our Vision for 2025 = Our Strategic Goal

- Resilience** ▶ A flexible supply chain that can adjust to changes in supply and demand
- Efficiency** ▶ An efficient supply chain that eliminates waste, overburden, and unevenness
- Fairness** ▶ A sustainable supply chain that addresses social issues

We aim to realize a sustainable supply chain—one that combines resilience, efficiency, and fairness—by 2025 through the SCM reforms put forth in Medium-Term Management Plan 2022–2024. To that end, we are systematically executing the following 10 strategic actions as projects that cross departmental lines.

Strategic Actions

- 1 **Consolidate procurement routes and increase competitiveness and transparency**
(optimize procurement costs, conduct multiple purchases, hold regular bidding competitions)
- 2 **Engage in development purchasing and vertical merchandising**
(strengthen ties with upstream supply chain, refine quality and cost of goods)
- 3 **Promote joint purchasing and logistics**
(conduct joint purchasing with other companies and joint logistics for local and remote areas)
- 4 **Engage in sustainable procurement**
(promote decarbonization, reduction of food loss and waste, responsible procurement, and the White Logistics Movement)
- 5 **Promote DX in the supply chain**
(visualize, automate, and optimize management of supply chain operations)
- 6 **Enhance supply-demand adjustment and inventory management**
(eliminate unsold inventory and losses from product shortages, improve turnover)
- 7 **Reorganize logistics bases and networks**
(optimize bases, procurement logistics, and delivery costs)
- 8 **Optimize logistics management system**
(introduce cost centers and pay-as-you-go contracts, manage KPIs, and transition to third-party logistics)
- 9 **Enhance risk management, safety, and security**
(prevent quality risks and logistics accidents, implement HACCP, audits, and internal controls)
- 10 **Promote SCM, human resources, and organizational development**
(develop human resources with SCM skills and leaders for the next generation, develop planning and operational systems)

Special Feature

Profit and Growth for All (PGA) —

A Joint Committee with Sojitz Corporation



Profit and Growth for All (PGA) is a joint committee between the Royal Group and Sojitz Corporation. To promote growth of the Royal Group, the committee applies a Plan-Do-Check-Act (PDCA) cycle to each topic discussed during its meetings. Specifically, the committee has held wide-ranging discussions regarding all five categories highlighted under Medium-Term Management Plan 2022–2024, pertaining to the enhancement of existing business, the creation of new businesses, and overseas expansion. Thanks to the work of the committee, in fiscal 2022 we made preparations to open a Royal Host establishment in Singapore, and began utilizing NIKUVEGE plant-based meat manufactured by the Sojitz Group. The committee also conducted a simulation of the rising costs and their impact, then revised menus and prices based on the results, doing so in a prompt fashion.

On the other hand, the challenge going forward will be making rapid decisions amid drastically changing conditions in a way that can be accepted by other members of the Group. To make this possible we will utilize quantitative data to an even greater extent, and foster a data-driven business culture. In addition, in order to maximize the synergy between the Royal Group and Sojitz Corporation, we will set ambitious shared goals and promote each other's activities. Alongside expanding overseas business further, we will use fiscal 2023 to explore new initiatives that take advantage of our know-how and business foundation in the Business Creation Domains of Category 4. Not only will these actions increase the Royal Group's profits, they will also help revitalize the restaurant industry as a whole going forward.

Masatoshi Kuno

Executive Officer in charge of marketing,
Head of Strategy Department
and Marketing Office

Efforts Related to the Capital and Business Alliance with Sojitz Corporation

During PGA meetings, members of Sojitz Corporation and the Royal Group apply their respective points of view and knowledge to discuss ways to improve the Group's performance and corporate value. Following is a table of activities and achievements accomplished since establishing the alliance in 2021.

Theme	Categories	Theme Activities and Achievements
Supply Chain Management	1 2 3 4 5	Promoted efforts to reduce procurement costs, visualize rising costs, review prices based on visualization, execute SCM reform projects (ongoing), engage in competitive purchasing in league with the Sojitz Group to reduce costs, etc. The Group collaborated with Sojitz to launch products containing NIKUVEGE plant-based meat
Royal Deli	4	Promoted efforts to enhance and review growth strategy, utilize existing channels, and expand channels, etc.
Central Kitchen	1 3 4	Promoted activities to strengthen external sales and increase the procurement ratio of CK products at each Group company; the Group collaborated with Sojitz to expand external sales in cooperation with major retailers
In-Flight Meals	—	Worked to expand business for non-airline companies during the COVID-19 pandemic as part of a joint business with Sojitz; promoted activities to expand business in anticipation of pandemic recovery
Contract Food Service	1	The Group conducted activities in collaboration with Sojitz Group companies to expand business overseas, aiming to improve average spending per customer at service areas and parking areas
Overseas Business	5	The Group conducted activities to expand business overseas in collaboration with Sojitz, including activities to expand overseas franchises in Japan, and carrying out the joint plan to open a Royal Host in Singapore
Customer Experience	5	Conducted activities to improve customer experience at Richmond Hotels, Royal Host establishments, and other Group businesses, increasing customer loyalty and return rates
Hotel Business	1	Promoted stronger measures to improve value for customers, revisions to pricing strategy, and measures to better capture demand for leisure activities

Risk Management

Basic Stance

In an effort to maintain and improve corporate value, the Royal Group looks at the factors that could impede achievement of its management goals from a top-down vantage point and addresses a variety of management risks such as natural disasters, man-made disasters (accidents, etc.), and changes in the social landscape in a prompt and accurate manner.

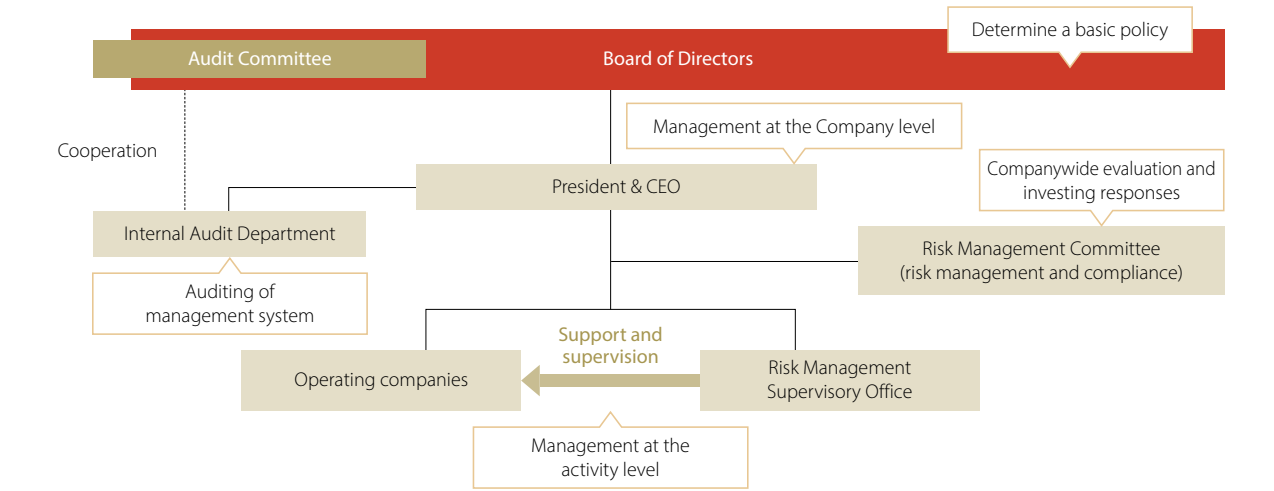
Major Risks and Measures

ISO 31000: 2018, an international standard for risk management, defines risk as “the effect of uncertainty on objectives.”The representative risks that have a major effect of uncertainty on the Group’s business, as well as the Group’s countermeasures, are as follows.

Risk Category	Risks Identified	Measures
Strategy and Planning	▶ External Factors <ul style="list-style-type: none">• Unstable economic trends• Intensifying competition• Labor shortages• Unstable situations overseas• Increasing frequency and scale of natural disasters• Spread of epidemics	Strengthen management capabilities through the Risk Management Supervisory Office Manage external risks via the Risk Management Committee Ensure compliance with regulations
	▶ Management Strategy <ul style="list-style-type: none">• Lower earnings due to investments and acquisitions• Continuity of new businesses gained through investments and acquisitions• Inability to collect security deposits from lease agreements	Enhance corporate governance structure
Business Operations and Management Infrastructure	▶ Supply Chain <ul style="list-style-type: none">• Fluctuations in the cost of ingredients and other items• Increased demand for food safety from society• Shortage of human resources in logistics• Increased dependence on Company production facilities and business partners• Increased demand for quality assurance from society	Develop solid connections between production, quality assurance, and business partners
	▶ Legal Affairs, Compliance, and Governance <ul style="list-style-type: none">• Stricter labor laws and regulations• Strengthening of various regulations• Delayed compliance and insufficient guidance• Decline in profitability due to changes in accounting and taxation systems, etc.	Utilize the Financial Planning Division, the Human Resources Planning Division, and the Legal Affairs Office to collect and analyze information
	▶ Company Assets <ul style="list-style-type: none">• Leaked technology and techniques due to improperly trained human resources• Increased occurrence of accidents and injuries due to aging facilities	Implement systemized human resource development and promote facility maintenance
	▶ Information Systems <ul style="list-style-type: none">• Loss of trust due to personal information leaks• Loss of trust and decline in profitability due to leaks of confidential information• Suspension of store operations due to suspension of payment functions	Promote thorough management of the Human Resources Division, the Corporate Communication Division, and the System Division
	▶ Sales and Marketing <ul style="list-style-type: none">• Decline in competitiveness due to insufficient consideration of our brand strategy	Rebuild existing brands
Global Trends	▶ Response to SDGs <ul style="list-style-type: none">• Poor evaluation of SDG-related initiatives• Increased costs as a result of response• Greater demand on company resources to enhance the system for responding to SDGs	Select target items within the SDGs, visualize progress toward addressing these items, and disclose information

Risk Management System

The Risk Management Committee holds regular meetings in order to isolate and identify risks, conduct an analysis, provide an assessment, develop a response, and then conduct monitoring. These efforts help ensure effective risk management as a whole. In light of the recent business conditions, the Group also established the Risk Management Supervisory Office, which is tasked with developing a comprehensive response to risks that are of growing concern, such as labor shortages, food safety and security, natural disasters, and cybersecurity. This response includes preparing systems to respond to a variety of risks and addressing major risk cases.



Message from an Executive Officer

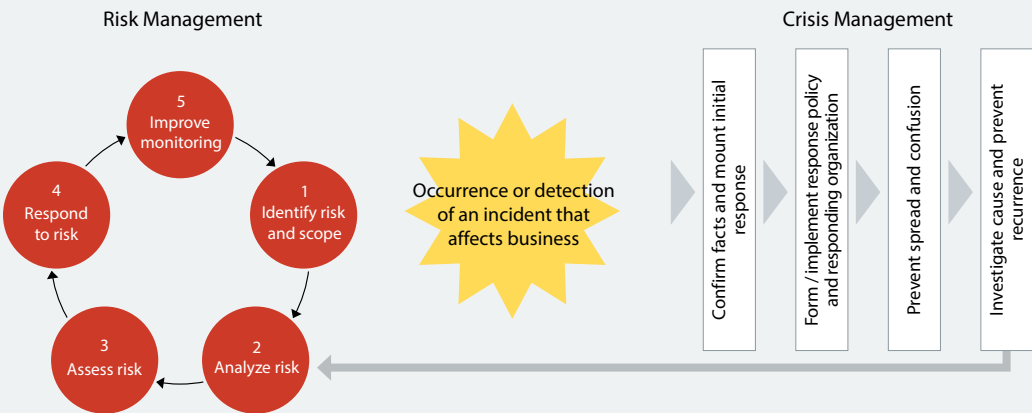


Kenichiro Uehara
Executive Officer in charge of risk management supervision, Head of the Risk Management Supervisory Office and Customer Service Office

The Company’s risk management consists of two systems: risk management for normal conditions and crisis management for emergencies. In the former, we employ a PDCA cycle in which we formulate and implement response plans based on our risk assessments, while also conducting monitoring to make improvements. Conversely, we use the latter system to respond to incidents that are either unexpected or exceed our expectations. This system enables us to quickly and accurately grasp the situation and circumstances, and systematically determine response policies. In addition to suppressing the impact, we strive to investigate the cause and prevent recurrence, and incorporate measures into normal risk management as necessary.

In fiscal 2022, we conducted drills in preparation for disasters, and worked to ensure that employees at headquarters and establishments were fully informed about COVID-19 countermeasures implemented in line with government and industry guidelines. In addition, we continue to monitor risks that could affect human life. Specifically, to ensure a quick response to natural disasters, which are growing both in frequency and scale, and to prevent accidents caused by aging equipment, we will inspect and maintain facilities on a daily basis. We have also introduced e-learning for employees from fiscal 2023 as a way to increase knowledge.

We will continue to implement risk management for normal situations while also remaining mindful of our initial response should an emergency occur, and make sure our systems remain sustainable.



Food Safety and Security



$$\left(\begin{array}{c} \text{Safety} \\ \text{Confirmation} \end{array} + \begin{array}{c} \text{A Trusted} \\ \text{System} \end{array} \right) \times \begin{array}{c} \text{Continuous} \\ \text{Improvement} \end{array} = \text{Security}$$

Our Approach to Food Safety and Security

Based on the Royal Credo and the Royal Group Code of Conduct, we have adopted the following basic approach regarding food safety and security.

1. Confirm safety and develop a system that earns the trust of stakeholders
2. Improve this system continuously to ensure an appropriate response to changes in internal and external environments
3. Make steady efforts toward 1 and 2 to foster peace of mind (security) among stakeholders

Safety Confirmation

Groupwide Initiatives

The Group has established the "Royal Group Quality & Food Safety Standards," covering purchasing, design and development, logistics, cooking, and manufacturing. In addition, we have established the Quality Assurance Promotion Department, an organization under the direct control of the president, to ensure that these processes are interconnected and function as a Group system. This department also works to obtain information on changes in internal and external environments and makes corresponding revisions to the Royal Group Quality & Food Safety Standards, sets new guidelines and standards, and disseminates them within the Group.

A Trusted System

Continuous System Improvement

To facilitate the full and mandatory implementation of HACCP programs, the Group prepared a hygiene management system in June 2021. Under this system, the Quality Assurance Promotion Department conducts unannounced audits of each operating company's stores to confirm their effectiveness. At the same time, we conduct annual audits based on a systems approach for purchasing, design development, logistics processes, and our manufacturing processes.

Based on the results, we categorize and identify issues by site, operating company, and process, then make continuous efforts to improve. In the Manufacturing Division, the Tokyo Food Facility

IT Initiatives and Food Allergy Labeling

Since 2005, the Group has been digitizing raw material specifications, starting with the Manufacturing Division. This helps ensure accurate information disclosure, which is particularly important from the perspective of customers with food allergies. In addition, all ingredients have been organized in a standardized digital format with the 28 allergens designated under Japan's Food Sanitation Act appropriately highlighted. With this data, we are developing a system that generates a uniform list of the allergens present at each establishment and in each product.

Additionally, information on all products manufactured at the Tokyo Food Facility and Fukuoka Food Facility is converted into data, including raw material and product specifications, to ensure accurate food and allergen labeling.

(excluding its bread and dressing department) and the Fukuoka Central Kitchen have acquired certification under international standard FSSC 22000*1 in an effort to improve food safety.

We have also formulated our own guidelines regarding food defense and conduct regular inspections every year, mainly in the manufacturing division of each operation company, and we are working to improve both hardware and software.

*1 Food Safety System Certification 22000. An international standard for food safety management systems.

Message from an Executive Officer



The Quality Assurance Department remains vigilant of changes in the business environment as part of its constant work to better ensure food safety and security, aiming to increase corporate value and raise the level of trust bestowed upon the Group by its stakeholders.

The Royal Group strives to guarantee the quality required in the upstream and downstream stages of the supply chain, such as design, purchasing, manufacturing, shipping, and sales. As part of this effort, we need to adopt a buyer perspective and take the initiative to protect against defects and problems. In addition, it is our responsibility to further increase the level of quality in all of these processes as a means to build more customer trust.

This trust, as well as the sense of security that allows customer to continue patronizing Royal Group establishments, are essential to both the Group's growth and its very survival. To that end, we focus meticulously on appropriate hygiene management and quality control based on Hazard Analysis and Critical Control Points (HACCP*), and make continuous improvements. We ensure that all employees remain ever-aware of compliance, and we require that operating companies produce a monthly report on internal quality assurance. This and other efforts ensure that we can collect and closely manage information sufficient to maintain and improve Group transparency and strong quality assurance going forward. We will continue to promote and develop quality assurance initiatives in these ways, so that both the Royal Group and its members can enjoy the "continued prosperity" stated in the Royal Credo.

* A sanitation control method for ensuring food safety.

Masanori Ariyoshi

Executive Officer in charge of quality assurance promotion and internal audits,
Head of Quality Assurance Promotion Department

Continuous Improvement

Systems at Each Subsidiary

The Group's operating companies formulate and implement their own regulations based on the Royal Group Quality & Food Safety Standards. In addition to the audits conducted by the Quality Assurance Promotion Department, operating companies conduct regular independent and internal audits. The results of these audits are shared with the Quality Assurance Promotion Department and used to support continuous improvements.

All operating companies also maintain their own respective quality assurance departments. These departments are required to submit monthly reports to the Quality Assurance Promotion Department detailing quality assurance within their organization. In addition, those in charge of these departments must fulfill established competency requirements and participate in training conducted by the Quality Assurance Promotion Department. These steps serve to maintain and improve the level of quality assurance of the Group as a whole.

Inspection Validity

The Group has established an Inspection Office within the Quality Assurance Promotion Department to conduct a variety of objective inspections*2. To ensure suitable food inspections, we acquired ISO/IEC 17025: 2005*3 in 2013 for our Hygiene Inspection Laboratory in Tokyo, among other efforts.

*2 Inspections include microbiological inspections, physical and chemical inspections, food allergen inspections, radioactive substance inspections, nutritional component analysis, and foreign object inspections

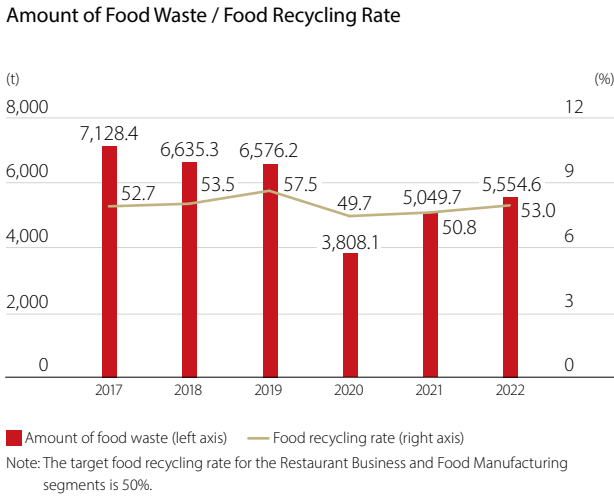
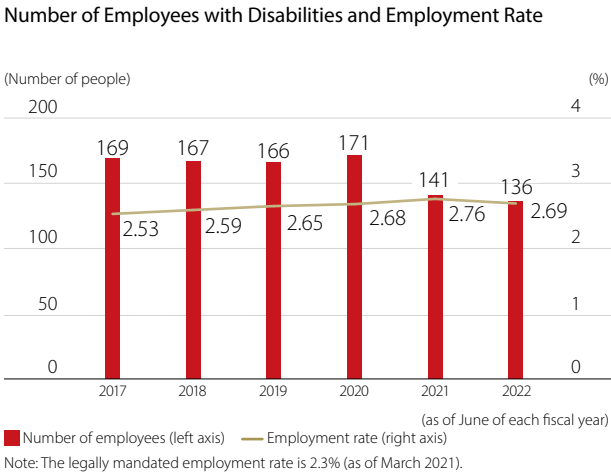
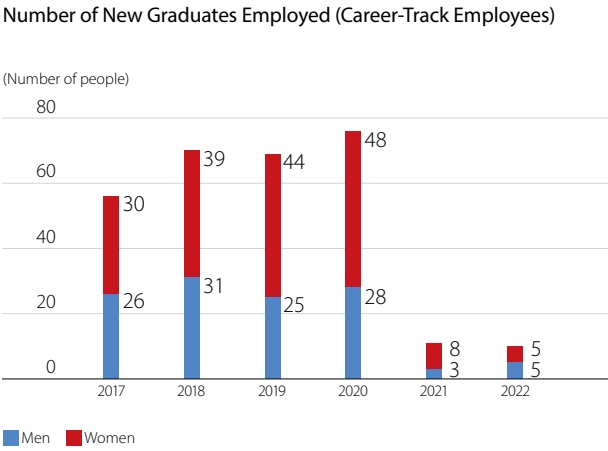
*3 An international standard granted by a third-party certification body to determine whether a laboratory possess the competency to produce accurate measurements as part of conducting product inspections, analysis and other forms of testing or calibrations.

Products covered by certification: Processed foods for the Group manufactured at the Tokyo Food Facility of Royal Co., Ltd.
Certified inspections: Viable count, coliforms, staphylococcus aureus, Escherichia coli (E. coli)

Financial and Non-Financial Highlights (Fiscal 2012–2022)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Results (Millions of yen)											
Net sales	114,957	120,730	124,857	130,327	133,025	135,563	137,701	140,578	84,304	83,975	104,015
Operating income (loss)	2,623	3,498	4,417	4,899	5,222	5,952	5,709	4,648	(19,269)	(7,366)	2,192
Ordinary income (loss)	2,817	3,761	4,579	5,021	5,205	6,056	5,765	4,639	(19,855)	(4,498)	2,156
Profit (loss) attributable to owners of parent	1,137	1,663	1,866	2,728	2,377	3,533	2,791	1,923	(27,532)	(2,873)	2,754
Financial Position (Millions of yen)											
Total assets	76,759	79,583	81,916	90,912	94,070	97,138	99,262	102,540	105,896	109,767	123,570
Net assets	40,741	43,338	44,588	46,634	48,234	51,973	51,125	52,028	21,011	33,999	44,808
Per-Share Information (Yen)											
Earnings per share	29.49	43.14	48.40	70.79	62.18	93.06	73.71	51.54	(737.44)	(68.60)	52.86
Net assets per share	1,040.71	1,107.98	1,138.48	1,198.16	1,247.30	1,343.02	1,336.77	1,361.56	559.62	640.47	833.31
Dividend per share	12	14	16	20	20	26	28	28	0	5	10
Cash Flows (Millions of yen)											
Cash flows from operating activities	6,038	7,377	8,206	8,179	9,212	9,350	8,478	9,849	(7,234)	(1,886)	7,389
Cash flows from investing activities	(1,964)	(5,453)	(4,931)	(5,081)	(5,961)	(4,279)	(6,121)	(5,941)	(9,918)	2,061	(8,552)
Cash flows from financing activities	(4,480)	(2,031)	(3,395)	(3,366)	(2,650)	(2,580)	(4,591)	(4,774)	26,590	9,070	3,702
Management Indicators (%)											
Return on equity	2.9	4.0	4.3	6.1	5.1	7.2	5.5	3.8	–	–	7.0
Return on assets	3.6	4.8	5.7	5.8	5.6	6.3	5.9	4.6	–	–	1.8
Equity ratio	52.3	53.7	53.6	50.4	50.3	52.5	50.3	49.6	19.7	31.0	35.8

Non-Financial Data



Corporate Data (As of December 31, 2022)

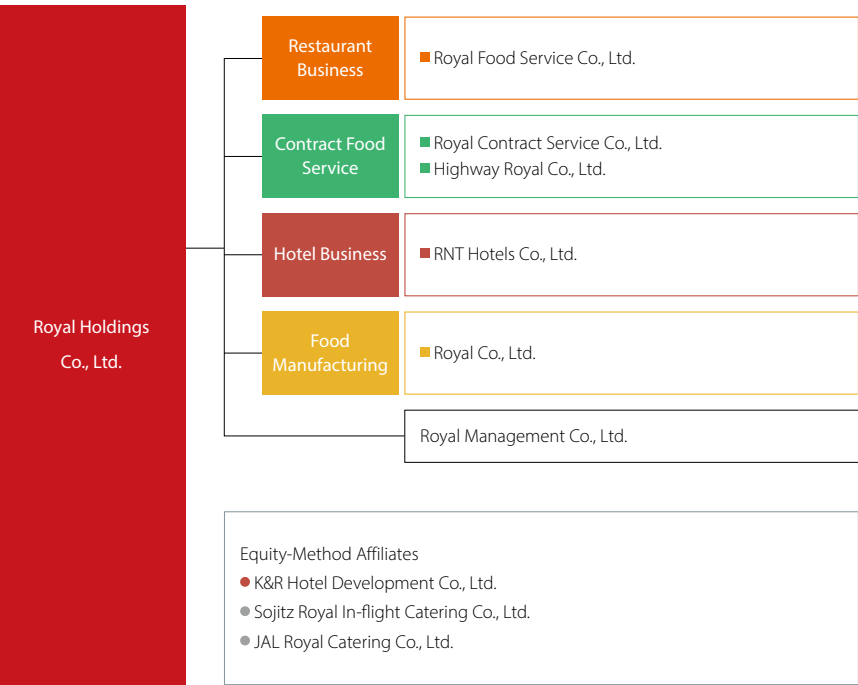
Company Information

Company Name	Royal Holdings Co., Ltd.
Date of Establishment	April 1950
Capital	¥17,830,138,262
Number of Employees	1,875 (Consolidated)
Head Office	3-28-5 Naka, Hakata-ku, Fukuoka-shi, Fukuoka, 812-0893
Tokyo Headquarters	1-34-6 Sakurashimmachi, Setagaya-ku, Tokyo, 154-8584
	URL: https://www.royal-holdings.co.jp/en
Business	Pure holding company that oversees and manages Group operations

Investor Information

Market Listing	Tokyo Stock Exchange, Prime Market segment; Fukuoka Stock Exchange
Securities Code	8179
IPO Date	August 1978
Total Number of Authorized Shares	120,000,000
Total Number of Issued Shares	49,861,862
Number of Shares per Unit	100
Number of Shareholders	26,118

Group Overview

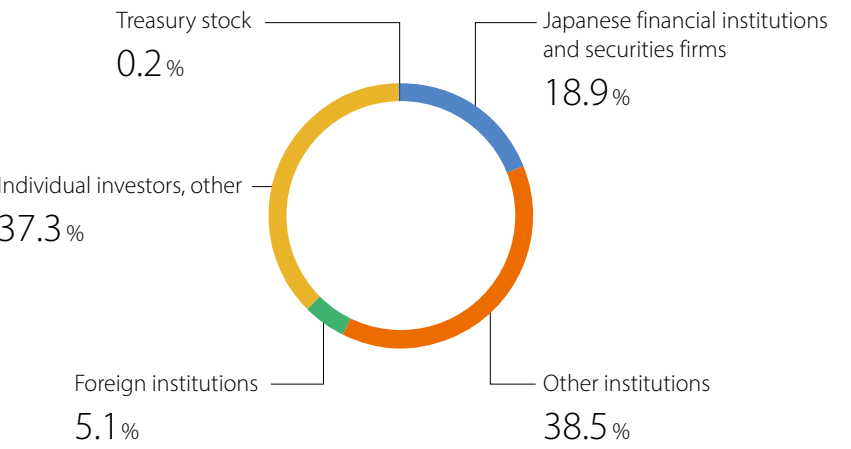


Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Shareholding Ratio (%)
Sojitz Corporation	9,933	19.97
The Master Trust Bank of Japan, Ltd. (Trust account)	3,707	7.45
Egashira Foundation (public interest)	2,452	4.93
Kilroy Kosan Co., Ltd.	1,624	3.26
DUSKIN CO., LTD.	1,400	2.81
Custody Bank of Japan, Ltd. (Trust account)	1,140	2.29
THE NISHI-NIPPON CITY BANK, LTD.	952	1.91
Nippon Life Insurance Company	803	1.61
HANEWFOODS INC.	692	1.39
Isetan Mitsukoshi Holdings Ltd.	681	1.37

Note: The Company owns 118,000 shares of treasury stock.

Breakdown of Shareholders by Investor Type



Stock Price

Note: January 2019–May 2023

