

# Integrated Report 2024

Royal Holdings Co., Ltd.

## Royal Holdings Co., Ltd.

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**ROYAL**

# Contents

## Cover Story

### Our Value Creation Story

The 70-Year History of the Royal Group	03
The Royal Group Today	05
The Royal Group, Unchanging, Ever-changing	07
Message from the Chairperson	11
Message from the President	13
The Royal Group's Value Creation Model	15

## Menu Item 1

### Our Growth Strategy

Medium-Term Management Plan 2022–2024	17
The Royal Group's Financial Strategy	19
The Royal Group's Human Resource Strategy	21
The Royal Group's Innovation Strategy	23
Alliance with Sojitz Corporation	27
Restaurant Business and Contract Food Service (Category 1 and 2)	29
Hotel Business (Category 1 and 2)	31
Food Manufacturing (Category 3 and 4)	33
Overseas Business (Category 5)	35

## Menu Item 2

### Our Sustainability Management

The Royal Group's Sustainability Management	37
The Royal Group and Materiality	39
Materiality-Based Initiatives	41
Human Resources	41
Food and Hospitality	45
Resources and Environment	49
Communities	54

## Menu Item 3

### Our Management Foundation

Corporate Governance	55
Risk Management	59
List of Directors	61
Skills Matrix	63
Messages from Outside Directors	65

## Menu Item 4

Financial and Non-Financial Highlights	67
Corporate Data	69

## 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 a pleasant atmosphere

Royal's reward for following these principles will be a fair profit and continued prosperity.

Established in June 1956

### Editorial Policy

The Royal Group's Integrated Report 2024 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 11 companies, including Royal Holdings Co., Ltd., six consolidated subsidiaries, and four equity-method affiliates (as of December 31, 2023). In instances where the scope of data presented varies from the above, the target organizations in question are specified individually.

Note: On January 1, 2024, Royal Contract Service Co., Ltd. absorbed Highway Royal Co., Ltd.

### Period of Reporting

This report primarily covers fiscal 2023 (January 1, 2023–December 31, 2023). However, it may also include information as of and beyond January 1, 2024.

### 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.

## Development of a Technique to Prepare Frozen Food

Entry into the Frozen Food Manufacturing Business

1956



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 Rold Amundsen's South Pole expedition, and he decided to try it himself.

## 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

1973



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.

The Royal Group continues to expand the range of settings in which we can provide our one-of-a-kind food and hospitality

## Restaurant-Quality Ingredients and Preparation at Home

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

2019



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.

The First Directly-Managed Overseas Royal Host Restaurant

2024



\* Image is a rendered photo

We opened the Royal Host Singapore Jewel restaurant, our first restaurant to be directly-managed by the Group located in Jewel Changi Airport, a large commercial facility connected to Singapore's Changi International Airport. Just like we do in Japan, we will continue to provide delicious food made with the greatest of care, love, and effort, offered with the spirit of hospitality, in a comfortable space, striving to create a restaurant beloved by people in various places.

1956

1969

1973

1995

2019

2024

## 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

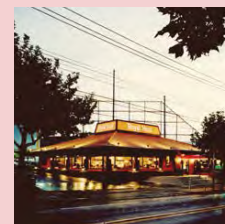
Adopted a central kitchen system and launched our industrial-use frozen meal manufacturing business

## 1970

Opened four establishments, including a steakhouse and cafeteria restaurant, in the America Zone of the Osaka World Expo

## 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

## 1991

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

## The Key to the "Royal Group Flavor"

The Birth of Fukuoka Central Kitchen

1969



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.

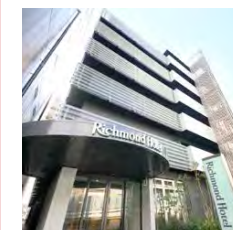
Therefore, these kitchens provide a steady supply of different products developed with great care, from the selection of ingredients to the refinement of flavors and preparation, while taking advantage of our freezing techniques.

## Comfortable Accommodations Placed Consistently among the Top of Hotel Rankings

Opening of the First Roynet Hotel

(Currently Richmond Hotel) in Higashi-Osaka, Osaka

1995



We operate the Hotel Business segment by 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.

## 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

## 2021 Celebrated our 70th Anniversary



Entered into a capital and business tie-up 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

Established Sojitz Royal Cafe Corporation, and made a full-scale launch of Costa Coffee cafés to the Japanese market



## 2024

Royal Contract Service Co., Ltd. absorbed Highway Royal Co., Ltd. to further expand the highway-related business, part of the Group's growth strategy.



# The Royal Group Today

## The Royal Group's Business

Groupwide	Consolidated Net Sales	¥138,940 million	Consolidated Ordinary Income	¥5,266 million
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Notes: 1. Consolidated net sales include net sales from other businesses.  
2. Net sales for each segment include intersegment sales.



Net Sales (Fiscal 2023)	Ordinary Income (Fiscal 2023)
¥61,874 million	¥4,198 million

Group Company

Royal Food Service Co., Ltd.  
(Equity-method affiliate: Sojitz Royal Cafe Corporation)

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 2023)	Ordinary Income (Fiscal 2023)
¥29,514 million	¥2,787 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 2023)	Ordinary Income (Fiscal 2023)
¥43,548 million	¥2,257 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.

\* On January 1, 2024, Royal Contract Service Co., Ltd. absorbed Highway Royal Co., Ltd.



Net Sales (Fiscal 2023)	Ordinary Income (Fiscal 2023)
¥11,854 million	¥186 million

Group Company

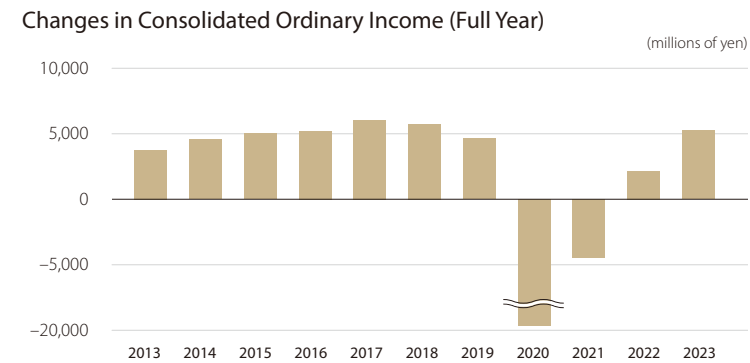
Royal Co., Ltd.

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.

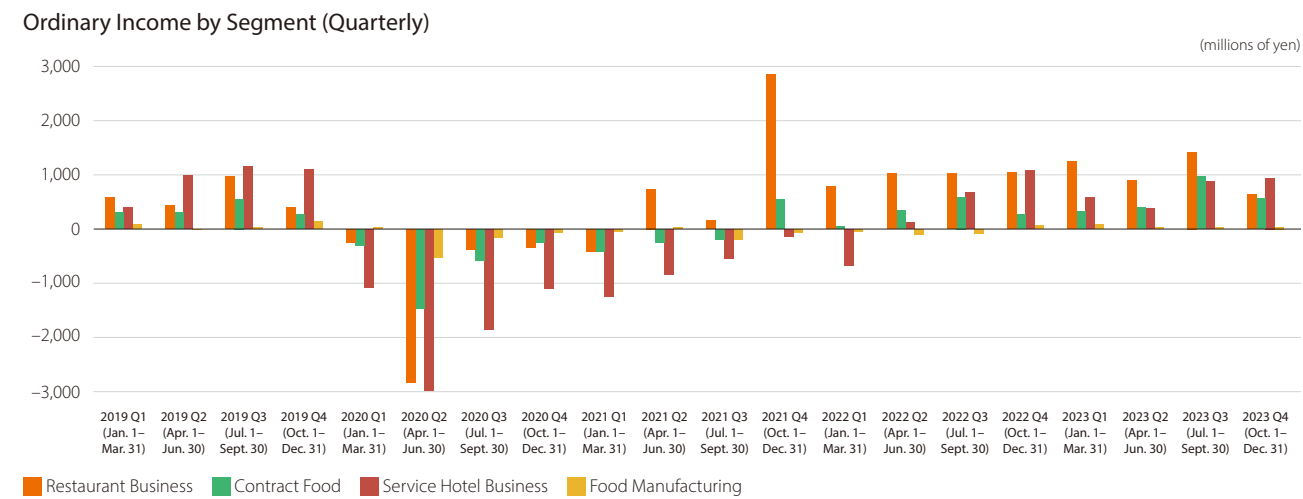
## Consolidated Results for Fiscal 2023

Net sales remained strong in each business segment following the reclassification of COVID-19, from a Class 2 infectious disease to Class 5, under the Infectious Diseases Control Act. The inclusion of Highway Royal Co., Ltd. as a consolidated subsidiary resulted in an increase in sales of ¥11.7 billion. Operating profit for the fiscal year 2023 (January to December) increased significantly compared to the previous fiscal year, due to increased sales and improved profitability at existing stores, and has recovered to the level of fiscal 2019, before the COVID-19 pandemic.



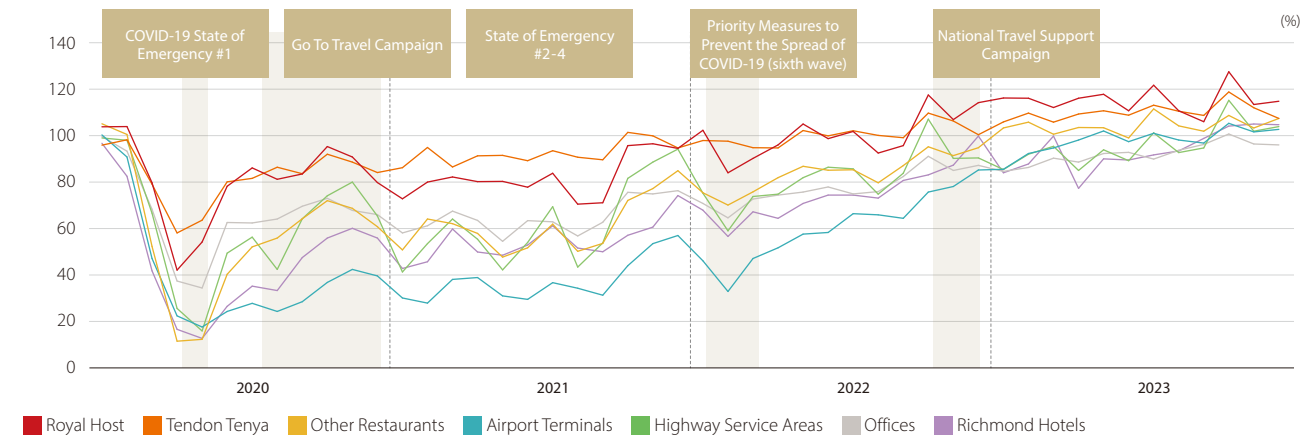
## Fiscal 2023 Results by Segment

Sales and profits increased year on year for our main business segments: the Restaurant Business, Contract Food Service, Hotel Business, and Food Manufacturing. Notably, ordinary income recovered from an operating loss in the previous fiscal year to positive figures, while the Hotel Business saw a significant increase in profits. The Contract Food Service segment also achieved greater profits due to added revenue from new acquired bases. As a result, all four of the aforementioned segments have had above-zero ordinary income for five consecutive quarters.



## Net Sales for Existing Stores (Compared with Fiscal 2019)

Since October 2022, sales at Royal Host and Tendon Tenya have exceeded their 2019, pre-COVID, levels, continuing now for 15 consecutive months. This achievement, combined with the performance of other restaurants such as Sizzler, is indicative of the positive trajectory of our restaurant businesses. Net sales for hotels, highway service areas, and airport establishments also rose to pre-COVID levels in line with the recovery in tourism.





# The Royal Group, Unchanging

## Food and Hospitality

Since its founding, the Royal Group has committed to providing safe and delicious food, which can be enjoyed with peace of mind, in order to please its customers.

Driven by our desire to give our customers an enjoyable experience, we intend to keep offering new value through the pursuit of delicious flavors and heartfelt service.

## Respect for People

Since its founding, the Royal Group has been committed to improving the lifestyles of citizens through food and hospitality. This sentiment is embodied in the Royal Credo, which calls for delicious food, cleanliness in food preparation and handling, and cheerful service to provide a pleasant atmosphere.

We hope that by cultivating human resources that can perform these tasks, we as a company can provide the highest quality food and hospitality in Japan.

### The Pursuit of Food Safety, Security, and Quality, Plus Heartfelt Hospitality

#### Achieving High Quality

The Royal Group develops products with the mentality of providing meals to many people, but making sure each one maintains the flavor of a single meal prepared lovingly by a head chef. Each and every product we develop is infused with love, whether tried and true favorites based on the recipes built up since our founding, or original, carefully crafted products. No matter the case, the goal is to leave our customers satisfied. Furthermore, in keeping with the Royal Credo, we have established a system to comprehensively oversee food safety and security across the entire Group in accordance with the Royal Group Quality & Food Safety Standards. This ensures that the products we provide are always safe and delicious. The Royal Group is deeply committed to both flavor and strict quality control, and strives to provide food that meets the needs of the times.

#### Human Resources Brimming with Hospitality

The Royal Group put forth its Declaration to be a Hospitality-Based Company in July 1995. We want customers to enjoy delicious, high-quality food with pleasant service. We always act with maximum customer satisfaction in mind, so they can spend their valuable time with their loved ones in a comfortable space. This is what we mean by the "spirit of hospitality." Each employee adheres to the Royal Credo and the Royal Group Code of Conduct, and focuses their thoughts and actions, day in, day out, toward demonstrating the hospitality of the Royal Group, regardless of industry, business type, job type, or position. As a hospitality-focused Group, we hope to create establishments beloved by the local community to which they belong.

### A Group of Always-Evolving Professionals Dedicated to the Highest Quality Food and Hospitality in Japan

#### A Comfortable Work Environment

We believe it is extremely important to create an environment that fosters pride in one's work. The Group is unified in promoting a variety of initiatives to this end. For instance, the Group promotes health management, conducting annual medical examinations with a 100% attendance rate in addition to a follow-up system supported by industrial physicians and public health nurses. Moreover, we have employees take our Employee Satisfaction Survey, after which employee feedback is reflected by management. We also hold life planning seminars for each age group and continue to promote diversity and inclusion. In addition, we hold roundtable discussions across Japan and hold R-sessions, a type of Group networking event, as spaces for communication that go beyond the borders between operating companies and organizations. We hope that by stimulating discussion between employees, we can foster a culture where people understand, accept, and respect each other.

#### The Ability to Develop Human Resources

The Royal Group provides a variety of training opportunities, including rank-based training, to teach the knowledge and skills required for each establishment and corporate division. The executive chef also leads training for head chefs to ensure that the flavors, history, and head chef ideals cultivated over the Group's existence are properly passed down. We believe that by applying the knowledge and skills acquired in each department and collecting more experience, we will get ever closer to becoming the "perfect professionals" who can truly satisfy their customers. Additionally, we hold Special Thanks events to recognize stores and other businesses that have received praise from customers, and Case Study Presentations where colleagues working across the country can share the results of day-to-day work. With these efforts and other initiatives at each operating company, we are working to improve the skills and motivation of all employees.



# The Royal Group, Ever-Changing

The Royal Group is currently considering its vision for the next 10 years.

We believe that changes in the external environment over the next 10 years will have a major impact on the Royal Group. Securing, developing, and retaining human resources is a major competitive advantage in terms of corporate growth and innovation. For these reasons, the Royal Group is handling changes in the external environment by returning to its roots, believing in the importance of human resource-centered management, and is currently discussing this approach as part of a project to create “Royal, 10Years from Now.” It is ramping up its talks about the future, as they are key to becoming the company of choice for all stakeholders.





# 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

Chairperson

Tadao Kikuchi

## My job: To create an environment where people can fully demonstrate their on-site capabilities

In my mind, the most important concept in management is one called a “going concern.” When a company is considered a going concern, it has the resources to continue operations indefinitely. When I worked in the financial world of banking and securities, I stood close to the heart of management and saw banks collapse and companies fall into bankruptcy. This experience taught me that the most important thing for a company is its ability to continue going forward, no matter the challenges it faces.

The spread of COVID-19 instilled this feeling in me even more deeply. We found ourselves in a situation where we had lost about 60% of our equity capital in just one year and we had to act quickly. In times like these, the biggest risk is to act too late in response to a changing situation. In March 2021, we signed a capital and business tie-up with Sojitz Corporation and have been conducting business with their support in many different domains.

In the majority of our businesses, value is created on-site. When customers visit our establishments and feel satisfied by our services, they come back again and again. This repeat business is where corporate value is born. I believe that the strength of our Group lies in our on-site capabilities. Creating an environment where these capabilities—namely, delicious food and overflowing hospitality—are on full display is the part of my job I have always held dear.

## Becoming the company of choice for all stakeholders

Another important factor in operating as a going concern is to be the company of choice for all stakeholders.

Baked into capitalism is a system whereby the growth of a company increases the satisfaction of all stakeholders. If more stores attract more customers, customer satisfaction will rise, salaries will increase, and business partners will enjoy greater business volume. This will increase share prices, making shareholders happier. Conversely, when a company’s growth stops, satisfaction among all stakeholders drops. When customer satisfaction declines, employee salaries stagnate, business partner purchases decrease, and the share price falls. Furthermore, this

can sometimes lead to conflicts of interest among stakeholders, which can have an adverse effect on both employees and business partners. To date, I believe the background to all of this has been that customers and shareholders were in a position to choose where they offer their business, while employees and business partners have had their services chosen. This situation is about to change dramatically.

We are experiencing a paradigm shift in the form of supply constraints. Due to these supply constraints, employees and business partners are now changing from the ones being chosen to the ones doing the choosing. In other words, we cannot survive unless we become a company chosen by all stakeholders. I believe this will be a key direction for management going forward.

## An emboldening shift from defense to offense

Having recorded considerable losses for two consecutive years in fiscal 2020 and 2021, the first step of our current medium-term management plan was to achieve a profit in fiscal 2022, then find a way to return to pre-COVID fiscal 2019 levels of performance, by fiscal 2023. Thanks to our various initiatives and the hard work of each and every employee, I am happy to say that performance in fiscal 2023 surpassed that of fiscal 2019. On the other hand, I also believe that were other major external factors in play, such as inbound demand and revenge spending, where consumers rush to spend money on something they were denied during an adverse economic event. There is no reason to smugly believe that external factors are in any way sustainable, so my takeaway from fiscal 2023 is that we must remain vigilant.

The business environment has changed significantly since the current medium-term management plan was formulated. Now that we are in the final year of the plan, we are moving from deflation to inflation, and interest rates are beginning to rise. This, combined with global geopolitical risks and Japan’s increasing importance in relations between the United States and China, all add up to a dramatic change in circumstances. In the face of such changes, we need to change as well. So, how will we change, then? We must make an emboldening shift, going from defense to offense. I believe that a shift to an offensive approach both domestically and overseas will be a linchpin element of the next medium-term management plan.

The Royal Group had been diversifying its businesses even before the COVID-19 pandemic. However, our business portfolio, which had been thriving up until then, was unable to cope with the shockwave of COVID-19—one that affected the whole of society—and all of our businesses suffered greatly as a result. To avoid this happening again, we have gone beyond returning our portfolio to its former state and have also worked to evolve our portfolio management from three perspectives, focusing on “evolution of the portfolio itself,” “evolution of the businesses within our portfolio,” and “organic integration of our portfolio.”

For example, if the yen continues to weaken, the Restaurant Business segment will be hit hard by rising raw material costs, but hotels and airports where the segment operates will see greater inbound demand. On one hand, an advantage we have is a wide range of businesses, which we can come together to respond to external changes. On the other hand, we must always keep in mind that all of our businesses were suspended due to the COVID-19 pandemic as we try to piece together our next business strategy. This, I believe, is our next challenge.

## What must change, what must not

Practicing the Royal Credo is something that will always remain important. When I think about the future of the Group, it is clear to me that this must never change. What does need to change, however, is the diversity of our work.

As I stated before, everything hinges on first becoming the company of choice for all stakeholders. If people do not want to work for us, we will not survive. We must also change our way of thinking to ensure that a diverse range of people will choose the Royal Group as their workplace of choice. Hiring a diverse range of workers means that we can better satisfy a diverse range of customers, and we need to create a business model that makes this possible.

Up until now, we had a set idea of who would work best at our Royal Host establishments. Put more simply, we chose people that suited the Company. However, going forward, we must become a company that is more welcoming to a diverse range of people, meaning we must reframe our thinking and adjust our environment to one that suits the workers.

Now that we are facing supply constraints, we will not survive unless we transform ourselves into a company that recognizes different types of value. The Group operates a wide range of businesses, so I think it will be easier to achieve this goal if we take advantage of our portfolio. Up to this point, our portfolio has tended to be customer-oriented. As we move forward, we will need to adjust this portfolio, both from the perspective of customer diversity and worker diversity. I believe that this tactic will raise customer satisfaction, increase corporate value, and meet the expectations of our stakeholders.

## The Royal Group and sustainability management

Taking a page from the Royal Credo, the Group promotes sustainability management with the goal of being a company rooted in the local community and society, with the empathy and support of all stakeholders.

I believe that companies that deal in food have a great responsibility to society. When we look at the SDGs, we see that many of them involve food. Whether we like it or not, the pursuit of food has had negative effects on society in many ways, including environmental destruction. It is the responsibility of companies in the food industry to change this, and doing so is essential to becoming a company of choice within society.

No one wants to work for or invest in a company that continues to have a negative impact on the environment or society. Therefore, as a company involved with food, it is necessary for us to not only fulfill our social responsibilities, but also to leverage our business to help resolve social issues. This is a key process for the Group’s survival and is connected to becoming a going concern.

Another point worth mentioning; companies used to express their policies as a “vision,” but now they express them as a “purpose.” A vision focuses on the future. For example, when a company aims to become a trillion-yen company in 10 years’ time, they are trying to give clarity to a future that is uncertain. A purpose, on the other hand, expresses a company’s reason for being in the present. To me, this reframe is a reflection on what was a tendency to focus on growth in scale alone. Capitalism, which has finiteness cooked into its recipe, has begun to presume infiniteness, which has led to growth with no assumed barrier. However, finiteness has crept back into the minds of companies as a sense of crisis as they are faced with environmental problems, food shortages, and other social issues. As result, companies are looking at their own reasons for being, and I believe that this is why the word “purpose” is coming into wider use. This progression is very much related to the idea of being a going concern.

## We must change to preserve the unchangeable

The Company has always maintained a culture of unity—a good quality cultivated since its founding. Because of this, both our businesses and our workforce will likely become more diverse in the future. I think it’s good to bring in people from outside the Company, and the mix of different people creates flexibility. This flexibility is our greatest weapon in further reinforcing those things we have tried to uphold to date.

During the COVID-19 pandemic, I briefed our employees online, on a number of occasions, to explain our situation, and the one phrase I tried to emphasize most was “timeless and trendy.” In the words of Japanese haiku poet Matsuo Basho, trends come and go, but there is also a timeless essence to things that should never be changed—that is, unchangeable. To preserve the unchangeable, we need to incorporate the new, and what is new is constantly changing. The trendy nature of constantly changing things is at the heart of being timeless. I think this is an idea that is very relevant to the Royal Group. As we look to the future, then, we must embrace change—for the growth of the Group and to protect the very things that are important to us.

May 2024

# Message from the President

We strive to grow internationally as a food and hospitality-centered Group that always offers high quality experiences and settings.

President and Representative Director

Masataka Ono



## Fiscal 2023: A Year of Rapid Improvements in the External Environment

Fiscal 2023 was a year in which society and the economy sought ways to move forward in the aftermath of the COVID-19 pandemic, while at the same time a sense of caution and anxiety still remained. However, with the re-classification of COVID-19 as a Class 5 infectious disease under the Infectious Diseases Control Law, restrictions on behavior were relaxed and socio-economic activity began returning to Previous norms. Additionally, the domestic economy received a boost from a recovery in personal consumption caused by improved employment rates and increased income, as well as an uptick in inbound demand. The Royal Group took full advantage of this more favorable external environment, which made it possible to recover performance to pre-pandemic levels. We achieved net sales in fiscal 2023 of ¥138,940 million, up 33.6% from the previous fiscal year, and operating profit of ¥6,074 million, up 177.1% from the previous fiscal year.

With that being said, the domestic economy remains uncertain going forward due to the deteriorating situation in the Middle East, the prolonged invasion of Ukraine, and other geopolitical risks, in addition to fluctuations in exchange rates and the prices of food and other resources due to climate change and other causes. Although demand is on the mend, the environment surrounding the restaurant industry is still a pressure cooker, with raw material and logistics costs remaining high and further labor shortages occurring in spite of said recovery. The Royal Group is not exempt from these conditions, and we continue to bear the brunt of the labor shortage on our front lines. This, combined with the whirlwind recovery in business at our existing stores, has caused delays in store openings. Due to the rising cost of raw materials, we also faced some challenges related to capital investment and renovation work, which had been curtailed due to the impact of COVID-19 and other factors.

## Progress of the Medium-Term Management Plan: A Clear Sense of the Effectiveness of Measures in Each Category

In response to the challenges that have emerged during the COVID-19 pandemic—such as a portfolio dependent on the flow of people, increasing fixed expenses, and a lack of resilience in each business

segment—the Group launched Medium-Term Management Plan 2022–2024 in February 2022, aiming to move from “revitalization and transformation” to “growth.” The plan puts forth a vision of providing food and hospitality regardless of time and place and, to that end, we have divided our business portfolio into five categories, each containing special measures aimed at targeting two priority issues: improving the profitability of existing businesses and creating strategic businesses.

To improve the profitability of existing businesses in Category 1, facility-based businesses in existing domains, we continued promoting our high-value-added strategy by offering high-value-added menus and renovating our establishments and kitchens, aiming to meet the demand of customers who had long been waiting for the chance to dine out and travel again. Thanks to these efforts, we were once again able to show customers the value and joy of eating out.

In Category 2, facility-based businesses in business creation domains, we opened three directly-managed NEW Tenya versions of our Tendon Tenya establishments in the Kansai region. These next-generation establishments utilize digital technology to achieve operational efficiency. In addition, we began operations of a Costa Coffee chain of cafés as a joint café business venture with Sojitz Corporation. As of March 2024, there are 7 cafés in operation.

In Category 3, non-facility-based businesses in existing domains, we revived the Good JAPAN campaign after a three-year hiatus. The campaign, in which we team up with producers to introduce delicious domestic ingredients to our menu items, is part of our efforts to strengthen product development and supply chain management (SCM). This project was originally undertaken by the Planning and Development Department and the Purchasing Department, who visited producers all over Japan and found ingredients that could be used to create new dishes using Royal Host’s product development capabilities and the skill of its chefs. This time, we rolled out this project across the entire Group, with each brand offering menus using tasty Japanese ingredients.

In Category 4, non-facility-based businesses in business creation domains, we have positioned our Royal Deli brand of restaurant-quality frozen meals as a key business as part of our repackaging strategy. This involves efforts to raise brand power in expanding sales channels such as installing refrigerated vending machines at Mitsui Repark and

Richmond Hotel locations, providing sales at department stores, and providing eat-in sales at cafés and airports and highway service areas.

In Category 5, overseas business and ingredient development, we aim to expand our overseas franchise business and lay groundwork for more directly managed overseas business. We partnered with Sojitz Corporation to open Royal Host’s first directly-managed overseas establishment in a large commercial facility adjacent to Changi International Airport in Singapore, in July 2024.

In order to provide delicious and sustainable plant-based meat products, we also entered into a strategic business partnership agreement with Sojitz Corporation and Unitec Foods Co., Ltd. in 2022 regarding a plant-based meat business, and the three of us are working together to develop and sell products using NIKUVEGE, a soy meat that does not contain animal ingredients. We are expanding NIKUVEGE product sales from Royal Host establishments to other Group stores, and in 2023 we have offered competitive prices and quality at 244 stores.

## Investing in Human Capital —Continuous Investment for a Continuous Growth Cycle

We still have an issue, however, with securing a workforce. To tackle this issue, we have used our Basic Policy on Investing in Human Capital, announced in 2023, as the basis for the Group’s continued efforts to increase workers’ base pay, improve the treatment of managers and head chefs (including employees over 60), and increase opportunities for education and training. We have also improved working environments by increasing the number of days that Royal Host establishments are closed, while also reviewing business hours and promoting health and productivity management. To address the shortage of labor in the field, we are actively promoting mid-career hiring and rehiring former employees. Furthermore, we are working to create an environment that is mindful of diversity and inclusion and allows a wide range of human resources to succeed, so that the Group, too, can succeed.

In previous years, we also implemented proactive wage improvements, education, and training, after these issues were highlighted in our Employee Satisfaction Survey. In fiscal 2023, we received proof that these efforts were working in the form of improved results in the corresponding survey items. Investment in human capital is not a temporary measure that we are taking in the wake of COVID-19, but rather an ongoing investment that will ensure stable staff recruitment and power a cycle of growth. It is something we will ramp up further as we go forward.

## Harnessing DX for portfolio management that leads to sustainable growth

We are taking a variety of steps aimed at building a new form of portfolio management that will make full use of digital technology, be adaptable in the face of change, and facilitate sustainable growth. As part of our Innovations project, we are continuing the work to develop an AI-driven food preparation support system, which included opening a TEN Labo as a DX-based store in Kinshicho, Tokyo in April 2023. Regarding SCM, we have begun a verification trial for automated ordering using integrated SCM master data (point of sales and bill of materials data), with the aim of introducing it to 10 stores in fiscal 2023 and to all Royal Host and Tenya stores in fiscal 2024. Moving to our network infrastructure, we launched a project that allows us to visualize our entire system. In addition, we are also developing a new establishment management system called Polaris, which will streamline our operations. These are just some of the investments in our medium-term management plan that are moving ahead as envisioned.

In June 2024, we added to these efforts by launching the app MyRoyal, which functions across the Group in an effort to bring together the various customer IDs to a single point, the goal of which is to build a customer relationship management (CRM). By expanding our

contact points with customers and deepening mutual understanding, we will be able to implement projects that give customers even more to enjoy, thereby further increasing customer loyalty and fan base.

Our innovation strategy is meant to benefit both customers and employees. For customers, we will provide new and improved forms of satisfaction, enjoyment, and convenience on top of our traditional services. For employees, we will create systems that will make business processes more visible and efficient, make our work systems more flexible, improve work–life balance, and promote individual fulfillment and growth.

## Sustainability Management that Steadily Addresses Five Material Issues

With the Royal Credo as its cornerstone, the Group promotes sustainability management with the goal of being a company rooted in the local community and society, with the empathy and support of all stakeholders. To develop sustainability management further, we have identified five material issues for fiscal 2023: 1) human resources, 2) food and hospitality, 3) resources and environment, 4) communities, and 5) governance, and are undertaking various initiatives to address each one.

As one of our environmental initiatives, the Company joined the mottECO consortium, comprising six business operators and one municipal government for a total of seven organizations. The consortium makes efforts to advance the mottECO Project, short for the “Project for introducing and disseminating the mottECO initiative through collaboration between a municipal government and business operators,” aimed at reducing food waste. Under the mottECO initiative, if a customer is unable to finish their food when dining out, they are provided with a container that they can use to take their food home. The purpose of the initiative is to promote and raise awareness of the idea of taking uneaten food home, which is still relatively unfamiliar to Japan. In fiscal 2023, the seven organizations involved in the consortium won the Minister of the Environment Award at the FY 2023 Food Loss and Waste Reduction Promotion Award organized by the Ministry of the Environment and the Consumer Affairs Agency.

We are also working on reducing food waste through the Mottainai Project, which involves turning scraps generated within the factory into products, selling food left over from manufacturing processes and imperfect products at food trucks and local events, and donating to children’s cafeterias and other facilities through local food banks. Thanks to these efforts, in fiscal 2023 we reduced food losses and waste by 12.9%, in comparison with fiscal 2016, and have achieved our target for fiscal 2024, which was a 10% reduction from fiscal 2016.

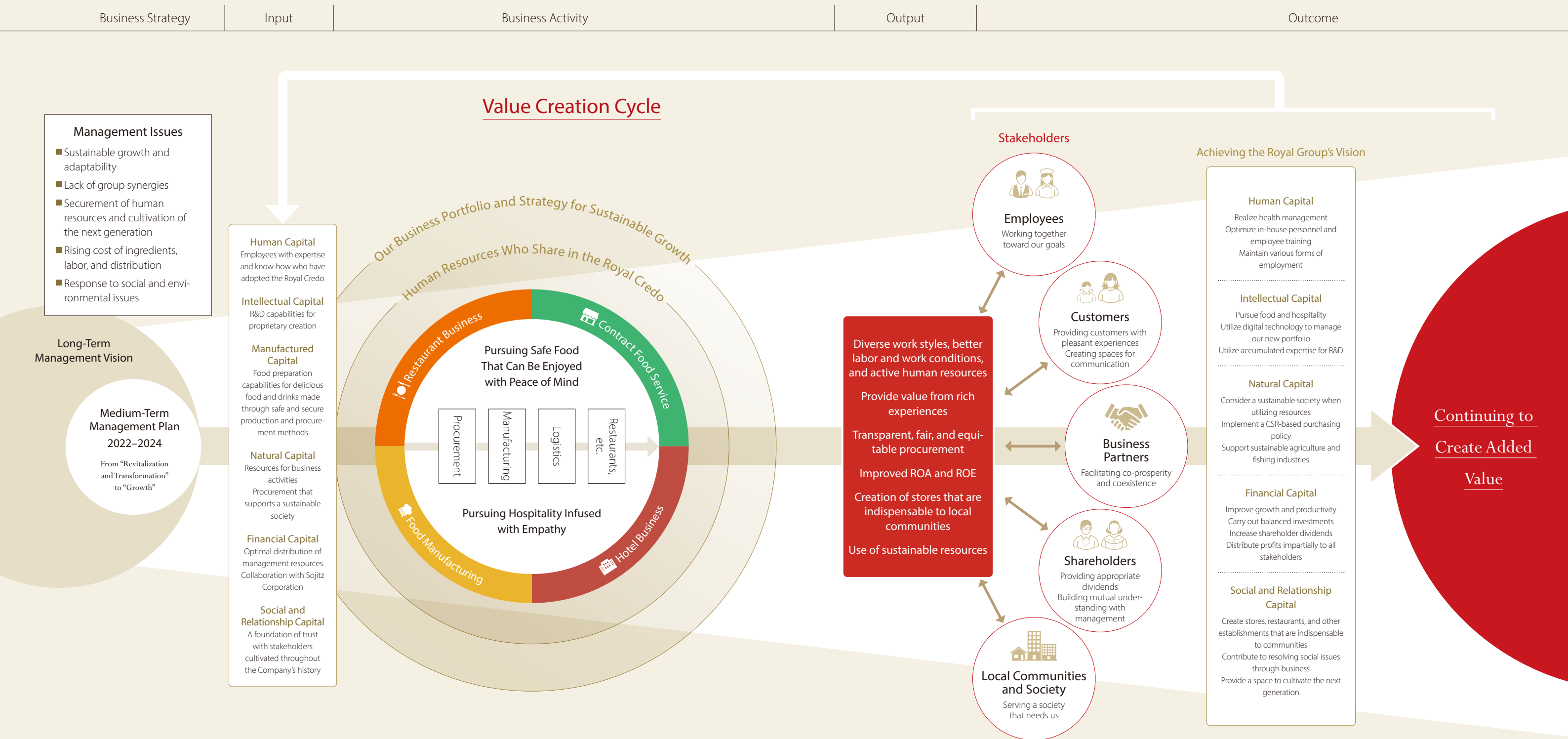
Our goal is to address these material issues steadily to achieve sustainable growth for the Group.

## To our stakeholders

It is our hope that by providing high-quality food and hospitality and by using our business to resolve social issues, we can be a needed and trusted Group for all stakeholders, be they customers, employees, shareholders, business partners, the local community, or society. We aspire to become an indispensable fixture in each community, providing high-quality services and holding fast as a food and hospitality company that all customers can enjoy with peace of mind. Furthermore, we will manage our business with a dual focus on proactively investing in existing businesses while cultivating new business domains. We will not limit our growth to Japan, but will boost operations of directly-managed businesses overseas, providing high-quality food and hospitality in countries around the world, and aiming to be a company that continues to contribute to each of our local communities.

May 2024





## 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.

## 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

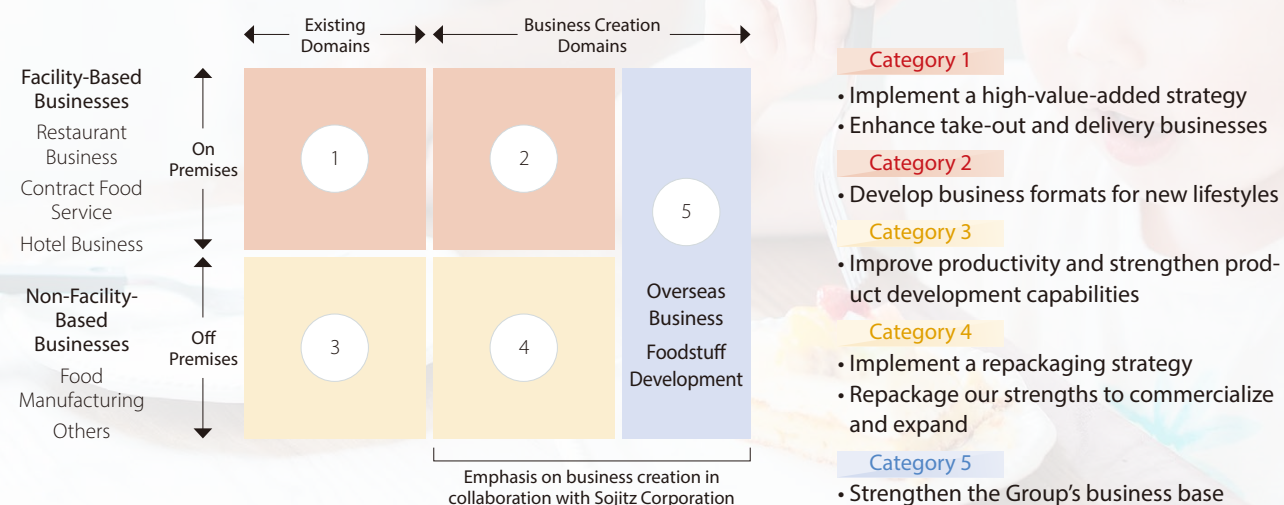
The business portfolio that we have maintained to date was categorized by business type and format, and we aimed for sustainable growth by working on priority measures by business segment. We thought this portfolio was rock-solid, but the COVID-19 pandemic exposed cracks in this facade; namely, a portfolio 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 then added a fifth category for new business domains.

✓ 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.



## A Stronger Management Structure Through Organizational Change

In order to strengthen its management structure, the Company made organizational changes effective March 27, 2024, which included establishing the Business Promotion Division, Sustainability Division, and Overseas Business Division.

The plan puts forth a vision of providing food and hospitality regardless of time and place by tackling two priority issues: improving the profitability of existing businesses and creating strategic businesses. To improve the profitability of existing businesses, we will provide products with high added value, open new stores, improve the value of customer experience through renovations, increase operational efficiency through DX, and improve purchasing power, product development capabilities, and productivity in the Food Manufacturing segment. To create strategic businesses, we will address various increases in costs, strengthen individual businesses, and realize synergies between businesses through the operation of café chains, expanding sales channels for frozen foods, strengthening overseas businesses, and other efforts. Additionally, we will continue to leverage our capital and business tie-up with Sojitz Corporation to conduct business across a variety of fields.

## Business Promotion Division

- ✓ Create synergies between businesses and promote integrated marketing and branding activities
- ✓ Enhance investment in human capital by promoting cross-business recruitment, education, and training
- ✓ Transform management structure in a way that will further enhance purchasing and logistics development (Royal Co., Ltd.)

## Sustainability Division

- ✓ Promote initiatives that help improve corporate value in keeping with our Basic Sustainability Policy
- ✓ Promote innovation within existing businesses and create new businesses while remaining mindful of sustainability
- ✓ Integrate sustainability activities with business activities and integrate internal and external communications.

## Overseas Business Division

- ✓ Enhance our overseas management structure to facilitate development of directly-managed businesses in addition to franchise businesses
- ✓ Promote faster decision-making toward expanding overseas business expansion and operational agility via overseas subsidiaries.
- ✓ Ensure we offer the same level of food and hospitality overseas as we do in Japan

## Message from the Managing Executive Officer

In fiscal 2023, revenues in each business segment recovered and exceeded pre-COVID-19 levels, following its downgrade from a Class 2 infectious disease to a Class 5. However, we still have issues with staffing and future business expansion requires the development of reliable human resources.

To ensure that we continue to offer a rich experience through food and hospitality, the Royal Group will promote management centered on its workers, which entails improving its human resource framework and creating an environment that encourages workers to improve their skills. To these ends, we will put forth work styles that accommodate workers at each stage of their lives across our wide range of business segments, give people the means and encouragement to move between business segments, and develop a work environment in which each segment can manifest the different facets of the Royal Credo.

As part of the organizational changes that took place in March 2024, we established a new Business Promotion Headquarters tasked with education, brand management, and support for recruitment, all of which is aimed at maximizing resources. Going forward, we intend to promote diversity and inclusion, create new businesses, and advance Group CRM to increase customer lifetime value and lay the foundation for further expansion.

## Norihsa Sasaki

Managing Executive Officer  
in charge of the Business  
Promotion Headquarters,  
Restaurant Business  
segment, Contract Food  
Service segment, and Food  
Manufacturing segment





# The Royal Group’s Financial Strategy

## Review of Fiscal 2023

Before we look back on fiscal 2023, we must look at an important milestone; the fourth quarter of fiscal 2022, when net sales in the Restaurant Business recovered to 109%, compared with pre-COVID levels in fiscal 2019. As the Restaurant Business led this recovery, our other segments followed, and in the first quarter of fiscal 2023 the combined net sales of our four business segments reached 102% of our combined results from the first quarter of fiscal 2019. The upward trend continued from the second quarter, and in the fourth quarter all four businesses exceeded net sales compared with fiscal 2019. Ultimately, net sales for fiscal 2023 increased by ¥34.9 billion compared with the previous fiscal year. Three factors contributed to this turnaround. The first is an external factor, namely a return in the flow of people. The impact of this factor cannot be overstated. The second factor is the people working in our establishments. These workers truly gave life to our medium-term management plan, which is meant to be the bridge from revitalization and transformation toward growth. The warm greetings from our workers once again provided customers with the strong value that comes from experiencing our food and services. The third factor is tied to the second, in that the extensive contributions made by employees are tied to the active investments we have made in human capital since announcing our intentions to do so in February 2023. The positive attitudes that have come out of these investments have made for an uplifting and enjoyable work environment, and I believe this is one of the reasons for our return to form.

In terms of products and services, the Restaurant Business segment provided the time and space for guests to enjoy an extraordinary experience, be it the special menus from Royal Host that offered its signature twist on cuisine from around the world, or Tendon Tenya,

which captured the seasons with its offerings, or Sizzler dishes, which evoked the feeling of an overseas resort. Put together, these efforts led to an increase in customers. The Hotel Business segment sought to enhance the value customers derived from using their services by giving them the opportunity to enjoy the local character and cuisine of the area during their stay, and by making renovations that emphasized providing a good cultural experience, in addition to convenience and comfort.

As a result, in the fourth quarter, we recorded expenses of approximately ¥1.2 billion for capital investments and human capital investments aimed at sustainable growth, getting us fully ready to move into fiscal 2024.

Thanks to these efforts, we secured a certain level of net income after taxes and our shareholders’ equity ratio recovered to 38%, up 2.2% from the previous fiscal year. In the Hotel Business segment, which plays a key role in our future growth strategy, sales were favorable, increasing ¥6.3 billion year on year, while ordinary profit increased ¥1.59 billion from the previous fiscal year, to ¥2.78 billion. This segment suffered greatly during the COVID-19 pandemic and recorded heavy losses, but with the current recovery in performance the segment is on much more solid ground, putting us in a position to forecast future performance trends with the assumption of further profits ahead.

## Outlook for Fiscal 2024

We have gotten off to a good start in the first quarter of fiscal 2024. Continuing the positive trend from fiscal 2023, many companies have increased their employees’ base salaries following spring labor negotiations, which has eased their attitudes toward consumption, and I believe this shift in mindset had a positive impact on our performance in the first quarter. I expect conditions to remain favorable from the second quarter onward as we continue to experience an influx of tourists.

But much like fiscal 2023, despite good conditions, rising costs might put a pinch on profits. Taking fiscal 2021 as our baseline, costs increased by ¥2.3 billion in fiscal 2022 and ¥2.4 billion in fiscal 2023, compared to fiscal 2022, resulting in a total cost increase of ¥4.7 billion over these two years. Likewise, costs in fiscal 2024 are expected to increase by approximately ¥800 million year on year. In fiscal 2024, the impact of higher fixed costs will be severe—these include rising variable costs such as food ingredients, increased labor costs due to active investment in human resources, and higher depreciation costs from capital investments. This means that even if sales increase, we will be working with a different income and expense structure than before, so we will need to keep a watchful eye on our profits.

In fiscal 2024, we will need to take measures in light of this structural change in order to maintain and, if possible, improve profitability. On this point, I believe we need to develop a range of plans at strategy meetings attended by our executive officers and put them into practice.

As of the announcement of the first quarter financial results, our forecast for fiscal 2024 is net sales of ¥148.0 billion, operating profit of ¥7.0 billion, ordinary profit of ¥6.4 billion, and profit attributable to owners of parent of ¥4.8 billion.

## Approach to Cash Allocation

To quickly summarize our cash allocation in fiscal 2023, cash flows from operating activities brought an inflow of ¥12.5 billion, whereas cash flows from financing activities, shareholder returns, and cash flows from investing activities (including share acquisitions and capital investments) were outflows of ¥4.3 billion, ¥900 million, and ¥6.6 billion respectively, for a total outflow of ¥11.8 billion, and an overall difference of ¥700 million. Cash and deposits at the end of fiscal 2023 was ¥26.4 billion. However, considering the difficulties we experienced during the COVID-19 pandemic, and considering that there is still uncertainty surrounding how the future conditions will unfold in terms of whether there will be another halt in the flow of people or what effects geopolitical situations may have, I believe that holding cash and deposit equal to or higher than roughly 1.5 times monthly sales would be ideal.

On the other hand, for fiscal 2024, we plan to invest a total of ¥13.9 billion, or ¥11.4 billion on a cash flow basis. As part of our fundraising efforts, we had already raised ¥8.0 billion in low-interest, fixed-rate, long-term funds from our banking partners before the Bank of Japan changed its interest rate policy. However, even if we include these funds and combine them with expectations of higher year-on-year cash flows from operating activities for fiscal 2024, this will not cover our cash flows from investing activities and other cash flows from financing activities. Therefore, we will need to keep fundraising if we are to maintain the level of cash and deposits I mentioned earlier. We will determine the timing and amount of fundraising carefully while also monitoring the progress of our investment plan, and we will create conditions that facilitate a variety of fundraising options. To do this, we need to continue our work to maintain and improve financial soundness, and we will continue to track the relevant financial indicators to do so.

## Improvement Measures to Identify Issues Accurately and Ensure Financial Stability

I also believe that our ideal balance sheet is one in which all indicators are at healthy levels, be they indicators of financial soundness—such as shareholders’ equity ratio, current ratio, fixed long-term conformity ratio, and net D/E ratio—ROE as an indicator for growth, or P/B ratio, an indicator that has been under the spotlight in recent days. Also important is to consider how to assess the effectiveness of our investments while bearing in mind the cost of capital. Starting in April 2024, when we undertake new projects of a set size or larger, such as opening a store under a 10-year lease agreement, we will calculate the internal rate of return (IRR) each year over a certain period using the free cash flow generated by the initial investment. We will use the result in comparison with the weighted average cost of capital (WACC) as one of the factors in deciding whether to invest in order to prevent introducing negative factors into the balance sheet. For existing assets, we calculate return on invested capital (ROIC) for assets in each segment and compare it to the cost of capital.

This is to say, the role of the Financial Planning Division in meeting stakeholder expectations is to accurately identify issues highlighted by financial indicators and implement measures to improve them, maintain financial soundness to ensure sustainability, and work closely with the departments that conduct business to ensure growth.

## Indicators of Financial Soundness

	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2023
Shareholders’ equity ratio	49.6%	19.7%	31.0%	35.8%	38.0%
Current ratio	107.2%	54.7%	142.1%	127.7%	142.7%
Fixed long-term conformity ratio*	100.0%	136.0%	88.2%	91.4%	87.6%
Net D/E ratio	0.53	2.32	1.06	0.67	0.52

\* Fixed long-term conformity ratio = fixed assets ÷ (fixed liabilities + shareholder’s equity)

## Growth Indicator

	Dec. 31, 2022	Dec. 31, 2023
ROE	7.0%	8.8%

## P/B Ratio

	Dec. 31, 2019	Dec. 31, 2022	Dec. 31, 2023
P/B ratio	1.8	2.8	2.8

## Investment Plan for Fiscal 2024

As I mentioned, in fiscal 2024 we plan to invest a total of ¥13.9 billion. In growth areas, we plan to operate directly-managed restaurants in Singapore and other parts of Asia, establish a joint venture in North America, and make additional investments in existing joint ventures. In existing areas, this includes investments in new restaurant openings and renovations, conversion of contract establishments to Royal Host and Costa Coffee establishments, and renovations for hotels. In terms of DX, we will invest in the Group’s CRM, SCM, and a new system for managing our establishments.

As for funding and free cash flows, cash flows from operating activities should be roughly on par with cash flows from investing activities, should all things go according to plan. Therefore, we will either draw upon our cash and deposits to cover the excess expenditures made via our cash flows from financing activities, or, as previously mentioned, raise new funds, taking the appropriate action while monitoring how our investment plan rolls out.

## Looking Forward

We have two main challenges as we look to the future; steady implementation of our growth strategy and addressing the shortage of workers. The latter issue is one facing the service industry as a whole, and is not something can be resolved overnight. Rather, it is something that requires a firm response. In addition, a rise in fixed costs will cause a rise in our break-even point, which could become a risk factor for management. Therefore, we will leverage digital technology as a means to improve efficiency.

Thanks to generous support from our stakeholders, the Group’s performance is on track to reach the numerical targets laid out in our current medium-term management plan. My immediate tasks at hand are setting out and executing a clear growth strategy and ensuring our balance sheet remains sound. To make this possible, I fully believe that executive divisions will need to manage business operations. I will do my utmost to work with these divisions, and together we can secure the Royal Group’s future.



Satoru Kushida

Executive officer in charge of financial planning



# The Royal Group's Human Resource Strategy

## Message from an Executive Officer

At Royal Group, we believe that “employee growth” equals “company growth.” We view all human resources as the key to added value and, accordingly, invest proactively in human resources, with securing and developing human resources and improving their working environment positioned as our top priorities.

In our current medium-term management plan, we are aiming to be “a group of always-evolving professionals dedicated to the highest quality food and hospitality in Japan.” To that end, we have formulated a personnel strategy based on four V's: Variety, Value, Vitality and Visualization.

In terms of investment results for fiscal 2023, we raised base pay 6.8% through a uniform increase in base salaries. In addition, we established a position-based education and training system. These efforts amount to investment in human resources that roughly quadruple those of the previous fiscal year. As a result, scores improved in the “salary and treatment” and “education and training” sections of our annual Employee Satisfaction Survey. Continued investment in human resources in fiscal 2024 will generate a virtuous cycle in which employee growth leads to company growth.

Currently, there is a noticeable labor shortage throughout Japan, and the issues of recruiting, training, and retaining workers are also major issues for the Royal Group. In order to achieve sustainable growth, including the expansion of our overseas business, we will continue to hire not only new graduates but also global talent, senior talent, and people with area or time-based restrictions, and create an environment in which this diverse range of people can grow and thrive. In this way, we hope to be a company that is chosen not only by customers but also by employees.



**Kenji Ohsaka**

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

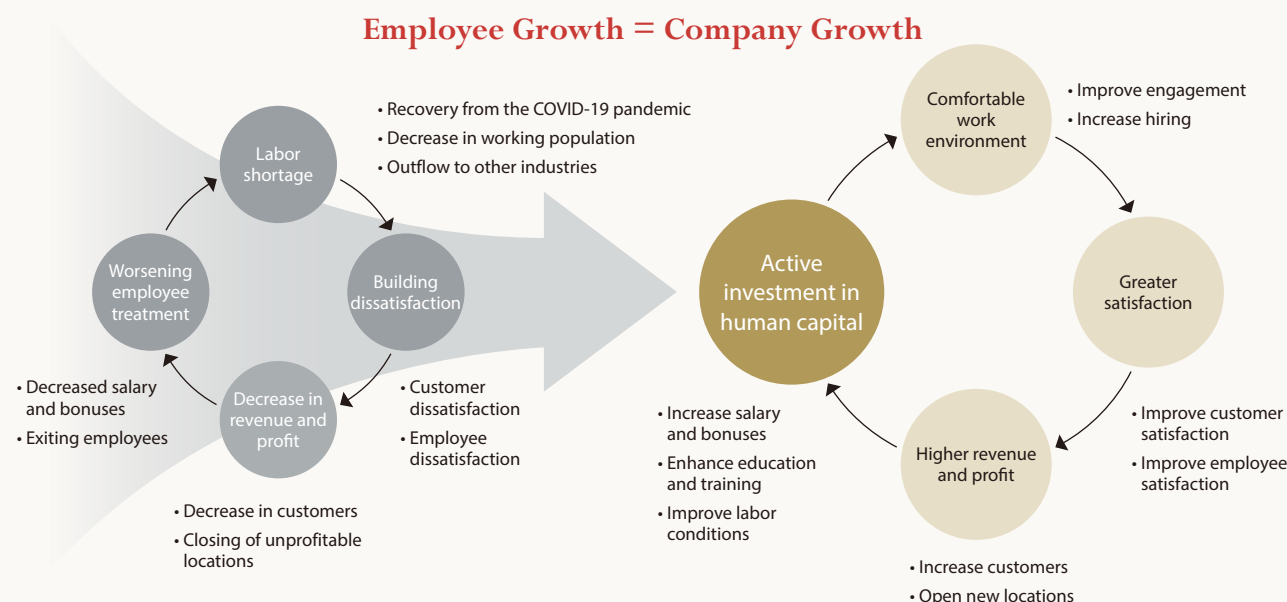
## Basic Stance

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



## The Royal Credo

## Basic Policy on Investment in Human Capital

### Policy on Human Resource Development

### Declaration to Promote Diversity and Inclusion

We strive to be a group of always-evolving professionals dedicated to the highest quality food and hospitality in Japan.

### Declaration to Promote Diversity and Inclusion

1. We will create an environment where all employees respect each other and treat each other fairly.
2. Executives and managers will lead by example and take the lead in supporting employees, especially those with diverse backgrounds.
3. We will foster a culture that respects all perspectives and ways of thinking through internal communication and awareness-raising activities.
4. We will create a work environment free of harassment and discrimination so employees can work safely and comfortably.
5. We will actively hire people with diverse backgrounds and experiences, and provide fair opportunities for hiring, training, and promotion.

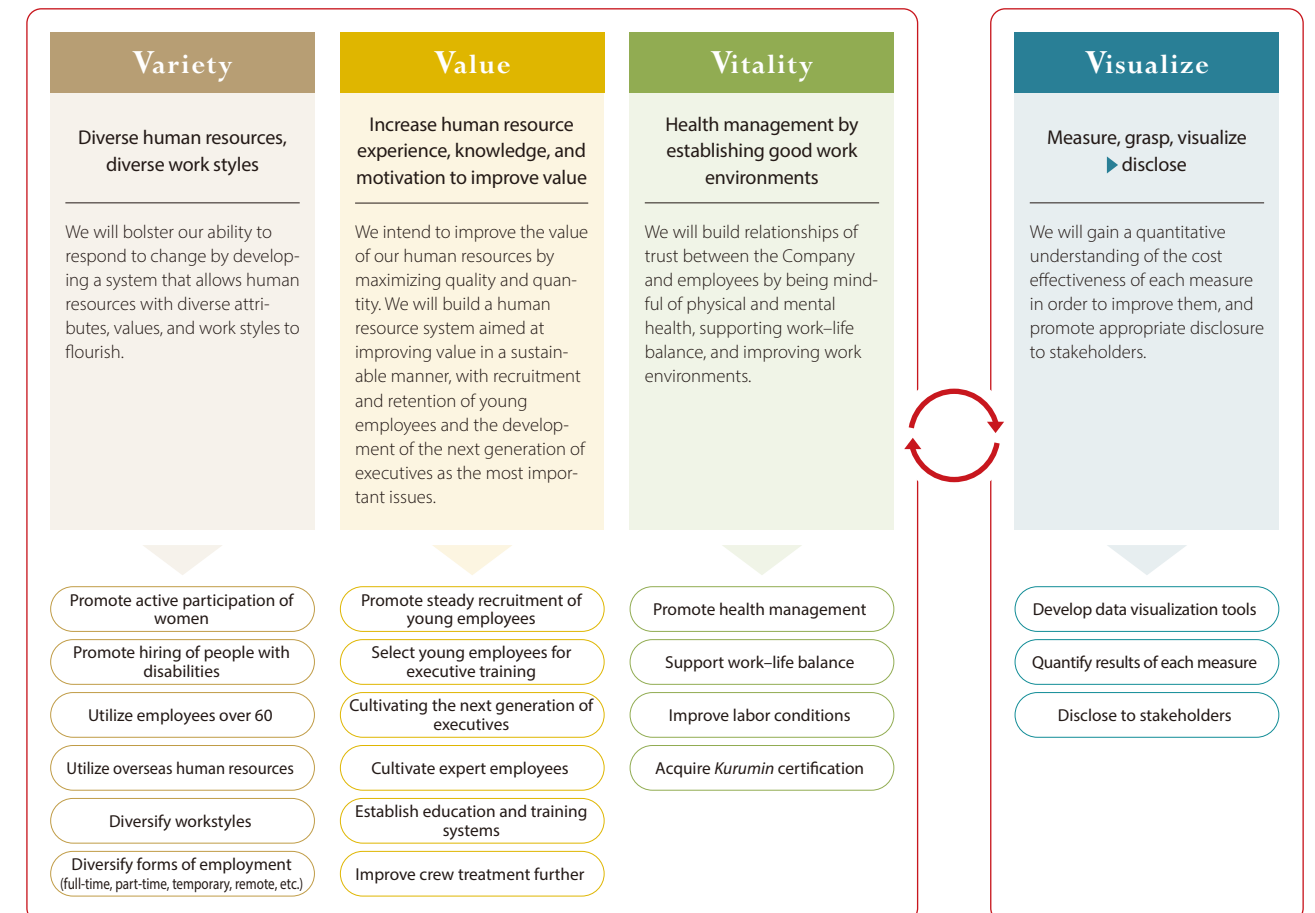
### The Royal Group's Health Management

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.

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



Please refer to the section “Human Resources” on pages 41-44 for details about our specific initiatives.



## Special Feature

## The Royal Group's Innovation Strategy

The goal of our innovation strategy is to take the high-quality services we have always provided and evolve and deepen these services with greater use of digital technology. This will allow us to offer customers new and more satisfying ways to enjoy the Royal Group experience, while also offering employees new ways to work and providing us with new ways to increase engagement. These benefits will contribute to the sustainable growth of the Group.

Under the current medium-term management plan, we are taking steps to integrate store management systems that had previously operated separately for each business, aiming to improve service levels further and reduce indirect work. In fiscal 2023, we will complete a proof of concept at existing test establishments and begin proof of concept at our innovation establishments. This will move us into the phase of foundation building for data-driven management.

Additionally, we are developing a CRM system with a vision of building a Groupwide customer base for the entire Group as opposed to separate customer bases for separate Group businesses. As for SCM, we are promoting the development of more efficient and functional infrastructure, which includes optimizing procurement, production, and inventory management based on demand forecasts.

Innovation will be a means to resolve issues that affect the Group, and make our business more sustainable. However, we will maintain a clear divide between what things need to be changed and what things need to be left unchanged. Going forward, we will synchronize these efforts to work toward both business sustainability and social sustainability, to achieve sustainability transformation (SX), an evolution toward even greater value.



**Naoki Ikuta**  
Executive Officer  
in charge of promoting innovation

The Royal Group will leverage its innovation strategy to tackle social issues, environmental issues, and issues in the service industry, creating value for the Group and improving its corporate value.

Social Value, Environmental Value, Economic Value

Innovation

## Social Issues

Changing social structures  
Declining birthrate and aging population  
Changing consumer sentiment  
Diversity and inclusion  
Evolving technology

## Environmental Issues

Climate change  
Resource depletion  
Biodiversity  
Food waste and food loss  
The use of plastics

## Industry Issues

Geopolitical risks  
Skyrocketing prices for ingredients and materials  
Securing labor  
SCM risks  
Sustainability risks

DX  
Taking the Challenge, Facing the Future

## Message from the Head of Systems

The Royal Group's digital transformation (DX) efforts are a key part of creating a next-generation corporate culture. We are tackling the challenge of creating innovative businesses by bringing together the strengths of the entire Group and focusing on both our employees and customers.

The Royal Group's goal in promoting DX is not only to leverage its hospitality-related strengths toward providing high-quality, high-value-added services but also to promote a full-fledged transformation, including the use of digital technology to visualize and streamline business processes and to create new business models.

Through this initiative, our customers will be able to experience new and improved satisfaction, enjoyment, and convenience in addition to our existing services. Additionally, for employees, we will create a system that harnesses digital technology to make our work systems more flexible and efficient, to support improvements to work-life balance, and to enhance engagement by promoting individual achievement and growth. We will continue to cherish the value that only the Royal Group can provide. At the same time, we will use digital technology as a way to keep creating new value, ensuring we continue to meet the expectations of all our stakeholders.

Going forward, we will continue to promote DX and encourage digitalization by applying it in the right places and situations, thereby improving corporate value and strengthening our human-centered management. We will also make strategic investments in areas such as environmental awareness and regional revitalization, aiming to achieve sustainable growth and to become a leading company in the industries in which we do business.



**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.

For example, in addition to tackling the challenge of developing and commercializing model establishments with new business formats that utilize digital technology, we aim to use verified cases of DX working in practice to encourage the improvement and development of existing businesses and to help build a resilient business portfolio.

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

	Goal	Progress
<b>Venturing into new business formats</b>	Target Innovations: Creation of sustainable businesses • Improve the value of the customer experience • Improve the value of the employee experience • Formulate environmentally-friendly policies	• Opened a microstore (Komagome Tendon), a compact-format establishment, in fiscal 2022 and a DX establishment (TEN Labo) in fiscal 2023 where users can experience NFT-based communication • Plans currently being drafted for new business formats with sustainability, AI, and diversity among the key themes.
<b>Enterprise Architecture (EA) development</b>	• Optimize and develop an IT environment that will achieve the medium-term management plan and enable digital transformation • Visualize the entire Royal Group system • Develop an overall picture of the Royal Group system	• Select priority issues and delve deeper into these issues to develop solutions (currently investigating details) - Integrate management and construct foundation for data-driven management - Strengthen system governance (eliminate duplicate systems and individualized processes)
<b>Management System for Establishments (Polaris)</b>	• Reform store operations through digital activities • Improve efficiency of communication among employees • Improve accuracy of store management by utilizing AI technology	• Work requirements have been finalized and system development is underway • Proof of concept currently underway at existing stores • Full operation for restaurants to begin in the second half of fiscal 2024 • Currently defining product management work requirements for release in the first half of fiscal 2025
<b>Renewal of Shared Infrastructure</b>	• Improve employee convenience • Improve security literacy • Build a sustainable foundation for the changing digital landscape • Respond to diversifying store demands	• High-speed office network to be released in the second half of fiscal 2024 • Currently investigating operating company requirements for introducing next-generation point of sale systems • Currently developing a security infrastructure that meets social needs

## CRM

## Getting Better Connected with Customers



Hiroaki Mada  
Head of Marketing

## The Royal Group's CRM—Launching the MyROYAL Service

The Marketing Department, which was launched in April 2024, is working to create synergies between businesses and engage in integrated marketing and branding activities. As a first step, we launched the “MyROYAL” service, a Customer Relationship Management (CRM) initiative that will help build the Royal Group's customer base. By using MyROYAL at each store, customers can collect loyalty points that can be gifted to family and friends. In addition, users can raise their membership rank by using the service, which opens up special benefits.

Day after day, many customers across Japan enjoy our services across different business formats and brands, yet most are unaware that these are part of the greater “Royal Group.” We believe that if we take the data obtained through MyROYAL for each of these brands and utilize it Groupwide, we can improve customer satisfaction even further. This will allow us to expand our points of contact with customers further, not only on-site but also digitally.

As the Royal Group, we will work to understand our customers better than ever before and accurately grasp their needs to provide each customer with a tailored experience.



## Purpose

From a business perspective, this service will increase recognition for the Royal Group, create opportunities for customers to use the different brands in tandem, and, to this end, leverage digitalization to expand customer contact points, all of which will ultimately increase customer loyalty and build a fanbase. From a management perspective, this will be a means of achieving the “organic integration of our portfolio.”



## Progress

Availability of the Royal Group CRM service will be expanded in separate phases. The launch of the service in June 2024 marked Phase 1, with the Royal Group's membership program, comprising a rank program and a points program usable at Royal Host, Tendon Tenya, and other restaurants.



## Goals

Our hope is that customers will see the Royal Group as their brand of choice. In other words, when customers choose which products to purchase or which services to utilize, we would like, in addition to our individual brands, such as Royal Deli, Sizzler, or Richmond Hotels, for the greater Royal Group brand to be a strong factor in their decision.

The name “MyROYAL” was chosen with the aim of encouraging customers to think of “my Royal” whenever they encounter one of the many contact points the Royal Group has put in place, regardless of the individual brand. We believe that leveraging the strong customer base of each individual brand to develop our unified Group brand will help us create a business portfolio that aims for sustainable growth and enables us to take meaningful steps toward the evolution of our management and business.

## SCM

## Promoting Reforms Across the Group

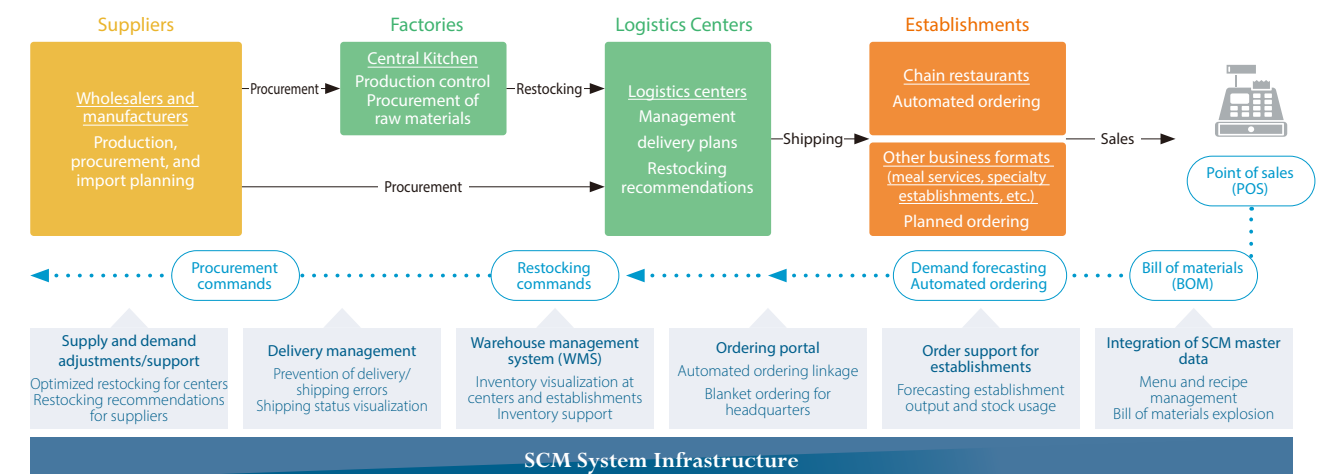


Isamu Kuribayashi  
Royal Co.,Ltd  
Head of Supply Chain  
Management

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.

## 1 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.



## 2 Our Vision for 2025 (Our Vision for the Royal Group Supply Chain)

## Resilience

We strive for a supply chain that can respond flexibly to natural disasters, pandemics, wars, and other sudden changes in the external procurement environment, ensuring an uninterrupted supply to Group stores.

## Efficiency

We strive for a cost-optimized supply chain with a competitive purchasing environment that is transparent and fair and a supply structure that eliminates waste, overburden, and unevenness.

## Fairness

We strive for a sustainable supply chain that complies with laws and regulations, builds win-win relationships with all business partners, and meets social demands such as decarbonization and reducing food losses and waste.

## 3 SCM Mission and Initiative-Driving Themes

## Purchasing Management

- Build robust and efficient procurement routes that appropriately combine centralized and multiple purchasing
- Contribute to safety and security, and address social and environmental issues

## Supply and Demand Management

- Develop demand forecasting tools such as automated ordering, and create a system in which procurement, manufacturing, product planning, and sales can be coordinated seamlessly.
- Eliminate dead stock, defective inventory and stockouts, and help reduce waste from food losses and waste.

## Logistics Management

- Visualize logistics costs and organize efficient logistics bases and transportation routes.
- Addressing Japan's 2024 logistics problem by streamlining the process of drivers entering centers and delivering goods.



## Special Feature

# Alliance with Sojitz Corporation

In March 2021, we signed a capital and business tie-up with Sojitz Corporation. Since then, we have been ramping up and expanding co-creation across several domains. By utilizing the strengths of Sojitz Corporation, the Royal Group, and other partners, we will be able to address industry challenges that the Royal Group would not be able to handle alone.

For instance, in Southeast Asian countries food needs are diversifying in light of economic growth. To address this issue, we are accelerating expansion of business formats in the Overseas Business by combining Sojitz Corporation's business foundation and business development capabilities with Royal's product appeal and its dedication to quality, service, cleanliness, and atmosphere (QSCA). We are also expanding business to countries and regions with large markets outside of Southeast Asia. In the United States, in addition to Sojitz Corporation, we are working together with Choushimaru Co., Ltd., a company with a unique and expert approach to sushi, to open a new type of sushi establishment.

I believe that the key going forward will be to utilize the things that make up our own strengths—our brand, our ability to develop different business formats, our operational capabilities, and QSCA—while also implementing swift strategic investment decisions via our PDCA cycle to showcase our competitiveness and growth potential in the future.

We must develop human resources who have built up experience across the Group's various businesses and can provide high-quality food and hospitality, not only in Japan but also in countries around the world.



**Taizo Nishiyama**

Executive Officer  
in charge of strategy and Overseas Business

## Efforts Related to the Capital and Business Tie-Up with Sojitz Corporation

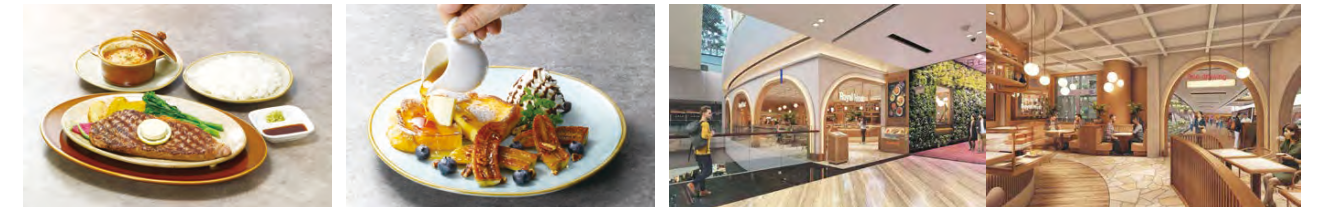
During Profit and Growth for All (PGA) meetings, members of Sojitz Corporation and the Royal Group apply their respective points of view and knowledge to discuss ways to improve the Group's performance and corporate value. Following is a table of activities and achievements accomplished in 2023.

Theme	Categories	Theme Activities and Achievements
Supply Chain Management	1 2 3 4 5	We continued to work with Sojitz Corporation to continue producing plant-based NIKUVEGE products. In addition, we optimized our inventory by building platforms for logistics and systems, implemented procurement cost management that accounts for cost reductions and market influences on purchasing, and promoted vertical merchandising for livestock and fresh produce.
Royal Deli	4	In addition to promoting the improvement of existing channels and the expansion of new channels, as well as increasing the rate of new customers by increasing awareness, we worked to strengthen and update the growth strategy of the Royal Deli brand for a post-COVID society.
Central Kitchen	1 2 3 4 5	To help determine the ideal state of our factories in the future, we tested the feasibility of three potential growth strategies: improving factory productivity, increasing the central kitchen procurement ratio of Group companies, and increasing sales to companies outside the group.
Hotel Business	1 2	We increased the value of existing stores through tangible, intangible, and human-based improvements, and increased profits through revenue management and other data utilization measures.
Overseas Business	5	In Singapore and the United States, we collaborated with Sojitz Corporation, making steady progress toward building a foundation to expand our directly-managed overseas business.
Support for Opening Restaurants	5	We established restaurant support services that take advantage of Royal Group know-how. In May 2024, working with Sojitz Corporation and SRE Holdings Corporation, we launched Omise Craft, a support platform for opening restaurants.
In-Flight Meals	—	Working with Sojitz Corporation, we improved profitability in the aviation business and promoted expansion by creating businesses outside of aviation.
Competition Surveying Subcommittee	—	Our approach to surveying the competition is to conduct strategic analysis centered on overseas expansion and DX, and use our findings to formulate the Company's growth strategy.
Human Resources*	—	We used investment in human capital as our launching point for promoting personnel planning with an eye on Japan's "2030 problem" (the point at which Japan's population decline is thought to become irreversible) and active recruitment from a diverse range of talent (promotion of crew, recruitment of overseas personnel, recruitment of former employees).
Costa Coffee*	2	Costa Coffee, Europe's No. 1 café brand, is now available in Japan. In the wake of the COVID-19 pandemic, we have opened a variety of stores in different locations, found winning patterns, and steadily expanded.

\* Outcomes of activities conducted after January 1, 2024

## Royal Host's First Overseas Directly-Operated Restaurant Opens in Singapore

Royal Host's First Overseas Directly-Operated Restaurant Opens in Singapore In July 2024, Royal Food Services (Singapore) Pte. Ltd., a subsidiary of Royal Sojitz International Pte. Ltd., a Singapore-based company jointly established by Sojitz Corporation and Royal Holdings, opened its first directly-operated overseas store, Royal Host Singapore Jewel restaurant, inside Jewel Changi Airport, a large shopping complex connected to Singapore Changi Airport. Singapore is a global business hub with a wealth of information on the trends in the food and beverage business as well as networking opportunities, and we have been preparing to open a restaurant there as a base for discovering growth businesses. In addition to Royal Host's standard menu items such as onion gratin soup, doria, and hamburg steak, there are also plans to develop and sell original, Singapore-exclusive products. We plan to export sauces and other ingredients prepared at our central kitchen in Japan, which will make it possible to deliver the same, carefully crafted flavors we provide at our domestic establishments. By opening this establishment, Royal Host aims to increase awareness of its brand and gain new fans, which will lead to future overseas expansion.



\* Images are rendered photos.

## Developing our Café Business—Costa Coffee

Costa Coffee\*1 is a coffee brand founded in London in 1971 and currently operating chains in 45 countries. In the UK, it has been ranked as the "Best Branded Coffee Shop Chain in the UK and Ireland" for 12 consecutive years (2010–2021) and is known as Europe's No.1\*2 café brand. Sojitz Royal Cafe Corporation., which was established by our company and Sojitz Corporation, opened six new locations in fiscal 2023 with the aim of expanding Costa Coffee nationwide.

Together, we intend to co-create new products and services, combining the Royal Group's supply chain management and operational know-how in the Restaurant Business with Sojitz Corporation's project management and networks. In doing so, we aim to increase the corporate value of Sojitz Royal Cafe Corporation going forward. Additionally, the company will work closely with Coca-Cola (Japan), Limited, which handles strategic planning and marketing for Costa Coffee in Japan, to further expand its café chain.

\*1 Costa Coffee is a registered trademark of Costa Limited.

\*2 Based on number of stores (Allegra 2021 World Coffee Portal survey)



## Launching Omise Craft, a Restaurant Opening Support Platform

Royal Holdings, Sojitz Corporation, and SRE Holdings Corporation launched the restaurant opening support platform Omise Craft in May 2024, providing one-stop support for opening small and medium-sized restaurants, which suffer from a high closure rate. We will provide the knowledge and know-how of the food and beverage industry, accumulated from many years of running Royal Host and other restaurants, while SRE Holdings will conduct data analysis and system development, utilizing its practical engineering capabilities that have brought about transformation through digital means and AI in various industries, including real estate, finance, and healthcare. As for Sojitz Corporation, it will utilize its project management capabilities and network to support business development and operations. Providing services and solutions to support restaurant openings will enable us to collect and analyze a wide-range of know-how and data on opening and operating restaurants. This will help us build a platform that provides multifaceted and efficient support, covering opening to operational phases with hopes that we can help revitalize the entire industry in the future.





# Restaurant Business

Category 1 and 2

## Message from Segment Leader



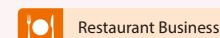
**Kunihiro Kawakatsu**

President and Representative Director of  
Royal Food Service Co., Ltd.

In response to changes in the business environment and structural challenges in the restaurant industry, we are working to improve quality, service, cleanliness, and atmosphere (QSCA) by improving added value and creating value through positive customer experiences. In fiscal 2023, we enhanced development for the ingredients and products of each brand, including the Fusion Selection fair at Royal Host, which features an arrangement of cuisines from around the world. We also worked to improve the quality of the services we provide. While demand has recovered, the business environment remains harsh, fraught with rising costs for raw materials and logistics, labor shortages, and other challenges. We will continue to increase added value and create value through positive customer experiences while making investment in human capital and capital investment in an effort to create added value that is sustainable.

Even as the environment changes in such major ways, our underlying philosophy remains unchanged—provide high added value created by people. Along that same vein, we intend to create a positive working environment and higher engagement from three perspectives: facilities, mechanisms, and systems. This will help us become the company of choice for a diverse range of talent. Furthermore, by fine-tuning each individual brand as a clear and separate offering, we will be able to reach customers with diverse needs across many different situations. By developing new brands on top of these and opening new establishments, we will be able to expand the ways in which we can reach customers. We will continue to cherish the connections we have with the local community, provide high-quality service, and work to create establishments that are indispensable to the area.

## Strategies for High Added Value, Greater Productivity, Revitalization of Existing Business Lines



Royal Host held a fusion-themed food fair featuring cuisine from around the world, with a Royal Host twist drawn from its history and know-how, offering new ways to enjoy meals as one of the ways we continue to offer products with high added value. For example, Tendon Tenya created the Special Tarezuke Tendon series, featuring a tendon drenched in Tendon Tenya's signature sweet and spicy sauce, and the Gochiso Tendon series, featuring a tendon brimming with luxurious seasonal ingredients. This series, along with our seasonal items, are a prominent part of our Tendon Tenya menu. We are also working to revitalize existing business lines. These efforts include opening the new Royal Host LaLa Terrace HARUMI FLAG location and renovating and reopening the Royal Host Kyoto Takashimaya S.C. establishment, and introducing semi-private rooms, tablet ordering, and new kitchen equipment, with the aim of becoming a restaurant that is beloved by the local community.

In addition, we hold a training program called the Food Business Academy for head chefs, which allows us to pass on the basics of ingredient and food preparation, as well as knowledge and techniques, to our restaurant staff.



Royal Host Fusion Selection  
The Tasty British Menu



Tendon Tenya Early Summer Limited Menu



Royal Host LaLa Terrace HARUMI FLAG location



Sizzler Mediterranean Fair Menu



Shakey's, LaLaport Tokyo Bay location



Food Business Academy

# Contract Food Service

Category 1 and 2

## Message from Segment Leader



**Takao Sasaki**

President and Representative Director of  
Royal Contract Service Co., Ltd.

In the Contract Food Service segment, we are taking on a variety of initiatives to ramp up efforts toward new business contracts and revitalize our existing business lines.

In fiscal 2023, we expanded the scale of our business at a steady pace by emphasizing entering into new business contracts, opening five new stores at airport terminals and opening our first Costa Coffee franchise chain establishment. We are also expanding operations within entertainment and sports facilities as part of an active effort to expand into the "entertainment + food and beverage" domain, leveraging our strong product development and operational capabilities. In July 2024, we opened four concession stands within the large, multi-purpose arena LaLa arena TOKYO-BAY in Funabashi City, Chiba Prefecture, and entered a contract to operate concession stands within ZOZO Marine Stadium, our fourth baseball stadium with such a contract. To revitalize existing business lines, we also renovated seven stores at airport terminals and on highways, converting them to different business formats.

As for investment in human capital, we continue to focus on enhancing recruitment efforts in response to labor shortages, while also upgrading our training programs. Accordingly, we are taking steps to hire workers with specific skills as well as mid-career hires, as well as working to further improve the working environment for existing employees. We are making an active effort to collaborate with other company brands and provide many opportunities to learn from the technology and know-how present at other specialty stores. This will enable each business within this segment to expand in new areas and enable us to enhance our support system for employee self-growth, with hopes that a wide range of people will choose us when they look for a place to work.

## Ramping Up Efforts to Enter New Business Contracts; Revitalizing Existing Business Lines



We have ramped up our efforts to enter new management contracts, as shown by opening new establishments at department stores and airport terminals, including openings at Osaka International Airport, the international terminal at Fukuoka Airport, Chubu Centrair International Airport, and others. In March 2024, we also opened new establishments at ZOZO Marine Stadium and four establishments at LaLa arena TOKYO-BAY, expanding our business of restaurant and concession stand operations at sports facilities and convention centers.

Moreover, we have been selected as a candidate to take part in operations of the employee cafeteria during the 2025 World Expo, which will be held at Yumeshima, Osaka from April to October 2025.



Dotonbori Imai Osaka International Airport location



MENSJO Kansai International Airport location



COSTA COFFEE Fukuoka Airport,  
International Passenger Terminal location



Belluna Dome, American Express Premium Lounge



Concession stand, ZOZO Marine Stadium



Cafe & Restaurant Landmark, Nihombashi Mitsukoshi



# Hotel Business

Category 1 and 2

## Message from Segment Leader



**Kohei Motoyama**

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

Hotels that have traditionally focused on providing lodging are expected to face limited growth opportunities due to recent changes in lifestyle and the macro economy. In the Hotel Business segment, some of our hotels focus on providing a range of experiences so that the hotel experience itself becomes the purpose of the stay. In fiscal 2023, we carried out renovations at six hotels with the aim of improving the hotel experience. To make the guest rooms more attractive in this regard, we renovated them to take advantage of the unique characteristics of each hotel and with an emphasis on providing a cultural experience, convenience, and livability over the course of a guest's visit. We also renovated directly-managed restaurants at six hotels, transforming them into appealing establishments that maximize Royal's unique strength in food, such as offering menus that actively incorporate the local cuisine and introducing live kitchens so guests can benefit from the experience of seeing their food prepared fresh. We are also refining the essential value our hotels offer from both hard and soft perspectives, which includes updating the Wi-Fi equipment across all facilities.

Additionally, we are working to build infrastructure that utilizes digital technology to maximize the value of the people we employ, aiming to improve the value of the hotel experience. Going forward, we will take active steps toward systematizing operations that can be performed through digital means, increase the number of points of contact between employees and customers, and create an environment that helps us deliver an even more human-centered and hospitable service. By using the unique value we offer through food and hospitality, we hope to maximize the value of the hotel experience we can provide to our guests and make our hotels an even more appealing choice.

## Improving Productivity and Our Strategy for Added Value



We have renovated six hotel restaurants with the goal of improving the hotel experience for our guests. These renovations include introducing live kitchens and updates that make it possible to deliver the kind of breakfast that can only be had at Richmond Hotels—a meal combining the high quality of the Royal Group with the appeal of local cuisine. We are also gradually renovating our existing hotels to accommodate the various motivations a guest may have for staying at that hotel, based on the specific location, as part of work to better meet customer needs. In addition, we have introduced a revenue management system aimed at optimizing sales prices and are working to enhance profitability and promote greater operational efficiency.

### Food at Richmond Hotel Restaurants



Obihiro Ekimae  
An original seafood bowl for all to enjoy



Premier Sendai Ekimae  
Alcohol served from 6pm, duck soba from 8pm



Yamagata Ekimae  
The local specialty, imoni (simmered potatoes), is served hot at the table



Utsunomiya Ekimae Annex  
Hot food served by the live kitchen



Fukuyama Ekimae  
Madai-zuke, sea bream sashimi marinated in an original sauce



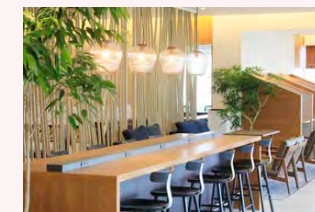
Richmond Hotel Miyazaki Ekimae  
Expansion of the live kitchen

### Renovations

### Improving the value of our hotel experience

By renovating guest rooms with an emphasis on giving our customers cultural experiences, convenience, and livability throughout their hotel stay, plus common areas fitting with the traits and demands of the local area, we aim to provide a comfortable hotel experience and maximize the appeal of each hotel.

Richmond Hotels aim to provide "hotels that are kind to people and nature, and are always evolving for their guests."



Premier Sendai Ekimae (common area)



Aomori (guest room)



Nagasaki Shianbashi (guest room)



Aomori (common area)

### Training

### Richmond Hotel's pursuit and tradition of *omotenashi* (Japanese-style hospitality)

#### ● *Omotenashi* Origins Conference

The *Omotenashi* Origins Conference is a training attended by all staff where they think about what they can do for hotel guests in pursuit of Richmond Hotels' signature *omotenashi*. We conduct customer surveys to help improve the overall experience, and we create videos intended to instill the idea of Richmond Hotels' *omotenashi* into all staff, which are later used for on-site education. This project is run by hotel staff from all over Japan and is designed to aid in the future pursuit of *omotenashi* that makes Richmond Hotels stand out even further from the crowd.

#### ● Richmond Academy

The Richmond Academy divides the country into five regions and provides training that teaches the concepts behind customer service and *omotenashi*. On-site staff act as instructors and pass on Richmond Hotels' *omotenashi* and philosophy to staff working in the same region. Approximately 160 people take the course each year, not only from the Accommodations Department but also from the Food and Beverage Department and Guest Rooms Departments. We are able to maintain the quality of service at Richmond Hotels because the staff embody what they learn through the academy.



### SDGs

### Reducing plastic

#### ● Introduction of amenity bar

We have removed the amenities that were previously provided in guest rooms and installed amenity bars at all 43 hotels, where guests can freely choose what they need at the front desk. In addition, we have started selling the Richmond Hotels Original Travel Kit, which is portable and reusable—just one way we are working together with our customers to contribute to reducing plastic waste.

For more information, please visit Richmond Hotel's website introducing their SDG initiatives. <https://richmondhotel.jp/sdgs/> (Japanese only)



### DX

### Promoting operational efficiency

#### ● Introduction of AI revenue management system

We have introduced an AI revenue management system to visualize sales for each hotel room and prices set by our competitors, helping optimize occupancy rates and room prices.

#### ● Development under Project OWB

OWB is an acronym for "One's Worth Booster," which refers to maximizing the value of people.

We are making developments under Project OWB to improve operational efficiency, with initiatives that include consolidating guest information and digitizing room cleaning instructions.



# Food Manufacturing

Category 3 and 4

## Message from Segment Leader



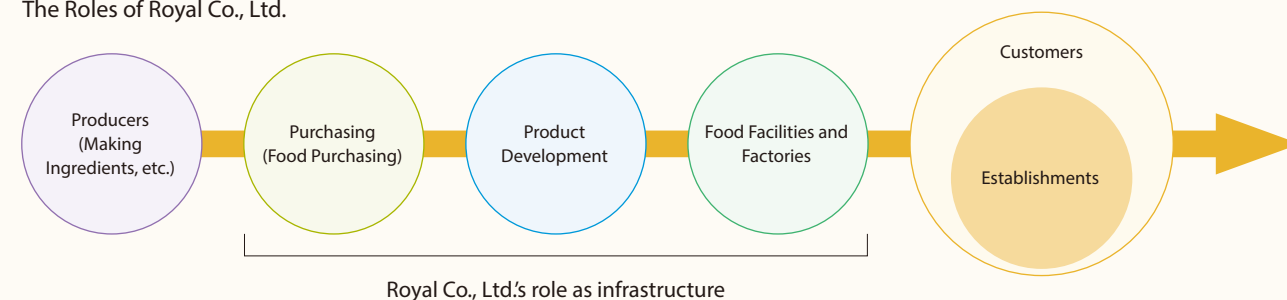
**Masahiro Shiraiwa**  
President and Representative Director of  
Royal Co., Ltd.

Royal Co., Ltd. brings together departments related to merchandising, such as planning and development, SCM (purchasing and logistics), and manufacturing, and serves as the infrastructure for the Royal Group. We also promote the sale of our Royal Deli brand frozen meals and the expansion and strengthening of our B2B business with major retailers. In fiscal 2023, in addition to our tried-and-true business partners, such as major convenience stores, major coffee chains, ready-made meal providers, and restaurant chains, we were able to get new businesses, such as the manufacture and sale of products for major hotels, up and running.

In fiscal 2024, in the Royal Deli business, we plan to increase brand awareness and penetration by investigating and expanding sales channels for unmanned sales of frozen foods through an experimental relocation of vending machines that sell frozen meals, and by expanding the items offered in the Royal Host series, which are Royal Host menu items adapted for home use. In the gift market, we will create a standard brochure with a lineup of popular products, rather than just mid-year and year-end gifts, and gain ground steadily as a gift brand.

In preparation for the next medium-term management plan, the Planning and Development Department will develop products that will increase the value of the Group's brands, while the Manufacturing Division will research new cooking processes and kitchen equipment that are safe and stable while still retaining the benefits of handmade products. In the SCM Division, we will begin work on creating the next-generation SCM by utilizing automated ordering systems in stores and improving the accuracy of inventory management at each logistics center to both prevent stockouts and eliminate dead stock. We endeavor to build an infrastructure that can help resolve issues that arise on-site by instilling the idea among planning, purchasing, manufacturing, and logistics sections that any issue affecting one affects all.

## The Roles of Royal Co., Ltd.



## Enhancing Product Development Capabilities

Food Manufacturing (Category 3)

We are working to integrate the Group's product development and purchasing and logistics functions, which would enable us to standardize products across the business formats specific to each Group company, whether they are purchased through the buying power of the Group's chains or products manufactured at facilities. This will lead to more efficient management of ingredients and smoother factory operations.

## Supporting Domestic Ingredients with the Good Japan Project

In the winter of 2013, Royal Host began a campaign called Good JAPAN, in which we team up with producers in Japan to introduce delicious domestic ingredients to our menu items. Purchasers and members of the Planning and Development Department have visited producers all over Japan experiencing a treasure trove of food, and discovered ingredients that have been introduced in new dishes using the product development capabilities and the efforts of our chefs. Starting in 2023, this project will be rolled out across the Royal Group, with each brand offering menus using tasty ingredients from all over Japan.



## Black Angus Beef Produced by Corn Belt Livestock Producers Practicing Circular Agriculture

Royal Host has begun new procurement of its flagship product, steak, with the aim of ensuring a steady supply while working toward sustainability.

We are leveraging our organizational structure, which integrates product planning and the supply chain, to set up vertical merchandising, especially for fresh produce. In addition, we are establishing contracts with producers in Japan as a matter of course, while also venturing into new territory in the form of new contracts with producers in beef producing areas of the U.S. At the same time as we take these and other measures, we are working to maintain quality in the face of recent, rapid market fluctuations.



## Creating New Value Through Frozen Foods

Food Manufacturing (Category 4)

In June 2023, we opened the Royal Deli Frozen Meal Shop inside the Nihombashi Mitsukoshi Main Store. In addition to Royal Deli products, the store sells original goods, such as special containers for onion gratin soup, tableware, cutlery, and original aprons.



Royal Deli Frozen Meal Shop



## Repackaging Strategy

Royal Deli's range of winter gifts includes gift boxes and cooler bags designed by KIGI, which does work in a wide range of fields, including graphic and art projects for brands such as the product brand KIKOF and the fashion brand CACUMA. We are currently working on fine-tuning the Royal Deli brand to give it greater added value.



Royal Deli gift box



## Product Sets for Every Event

We sell limited edition sets of Royal Deli products, our line of frozen meals for home use that utilize quick-freezing technology to lock in delicious restaurant-quality flavor, for special events such as Mother's Day and Father's Day. These sets are perfect for relaxing at home, entertaining guests, or as gifts for loved ones, and are meant to help people enjoy convenient and fulfilling mealtimes in their daily lives.





## Overseas Business

Category 5

## Message from Segment Leader

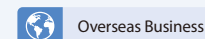


Satoshi Fujioka

Executive Officer in charge of  
Overseas Business and  
In-Flight Catering Business

The Royal Group is working actively to develop businesses in overseas growth markets to create a business portfolio that does not rely entirely on the domestic market, which is facing a declining birthrate, aging population, and a drop in population. In addition to ongoing efforts to expand Tendon Tenya franchise chains overseas, we are now focused on finding business opportunities for the Royal Group to operate food and beverage businesses through our subsidiaries and affiliates in the global market. For example, in Singapore, a market well-suited for a Japanese restaurant business, we established a joint venture, Royal Food Services (Singapore) Pte. Ltd., with Sojitz Corporation in May 2023 to establish a Royal Host chain. In July 2024, we opened our first directly-operated overseas Royal Host restaurant in Jewel Changi Airport, a large shopping complex connected to Singapore Changi Airport. Additionally, as a joint project with Sojitz Corporation siness format utilizing sushi and expand it into a chain in the United States, which is at the forefront of the restaurant market. In March 2023, we established SUSHI-TEN USA Inc. in California, U.S.A., with the preparations to open a store in the state underway. Going forward, we also intend to develop multiple businesses in the growth markets and build a business foundation where people around the world can enjoy our unique food and hospitality so that the Royal Group can grow further.

## Establish Directly-Managed Overseas Businesses and Expand Overseas Franchise Business



In our Overseas Business, we established a joint venture with Sojitz Corporation, Royal Food Services (Singapore) Pte. Ltd., in May 2023 as part of our efforts to establish a base for directly-managed business in Singapore. In July 2024, we opened a Royal Host restaurant inside Jewel Changi Airport, a shopping complex connected to Singapore Changi Airport. In addition, Sojitz Corporation, Choushimaru Co., Ltd., and Royal Holdings Co., Ltd. explored the idea of creating a new type of business format utilizing sushi that would meet the demand of the U.S. restaurant market, and established SUSHI-TEN USA Inc. in March 2024, to set off full-scale business activities locally.

## Accelerating Establishment of a Base for Directly-Managed Overseas Business

Royal Host's expansion in Singapore

Development of a new business format in the U.S.

## Expanding Overseas Franchise Businesses

Continue opening stores in existing countries of operation and introduce new business formats

Expand into new countries

## Making New Breakthroughs

Domestic expansion of overseas brands

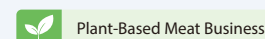
Collaboration with domestic brands outside the Group for overseas expansion

## Enhancing Promotion System

Increasing number of staff who can involved in Overseas Business

Leveraging alliances

## Improving Productivity and Our Strategy for Added Value



In January 2022, Royal Holdings Co., Ltd., Sojitz Corporation, and Unitec Foods Co., Ltd. signed a memorandum of understanding for a strategic business alliance with the aim of providing products using NIKUVEGE, a soy meat developed by Unitec Foods that does not contain animal ingredients, to consumers around the world at competitive prices and quality. In 2023, products using NIKUVEGE were sold at 244 Royal Group stores.

## Expanding Sales at Group Stores (244 Establishments in 2023)

- ✓ Royal Host restaurants ..... 216
- ✓ Other specialty establishments ..... 1
- ✓ Restaurants at airports and highway service areas ..... 5
- ✓ Restaurants at entertainment facilities ..... 2
- ✓ Restaurants at Richmond Hotels ..... 20



Royal Host NIKUVEGE menu:  
Vegetable curry and mixed grain rice



Royal Host NIKUVEGE menu:  
Lasagna plate

Number of Tendon Tenya overseas franchise locations ..... 32 locations (as of March 31, 2024)

Royal Host's first directly-operated overseas restaurant (opened in July 2024)

Hong Kong 6 establishments



TENYA Tai Po

Thailand 12 establishments

Philippines 10 establishments



TENYA SM Mega Mall Food Court



TENYA Glorietta Mall

Singapore 4 establishments



TENYA Parkway Parade

Royal Host, Singapore Jewel location

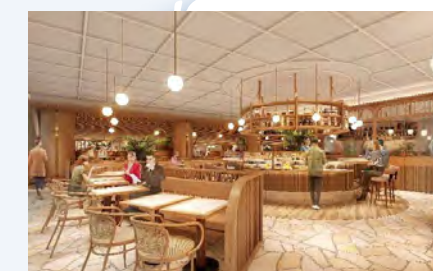


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# The Royal Group's Sustainability Management

## Message from a Director



Atsuko Fujita

Director in Charge of Sustainability Headquarters

When conducting business, economic growth and the creation of social and environmental value go hand in hand. This means that sustainability management is vital for achieving sustainable economic growth. This is especially true in light of the impact business can have on the environment. If we are late to the sustainability management table, not only do we risk losing the trust of society but we also risk affecting recruitment, and this may prevent us from achieving growth as expected. That is why we at the Royal Group are taking the initiative with sustainability management, in terms of the environment and otherwise. We hope that by doing so, we can gain the empathy of all stakeholders, be they customers, employees, shareholders, or business partners.

In fiscal 2023, we identified material issues for the Royal Group, enabling each operating company to tackle them with a shared understanding of the tasks at hand. Ultimately, this allowed us to implement a variety of investments in human capital, which included vigorous recruiting, cultivation of women in management, and employee education and training. With regard to individual material issues, we ferreted out issues specific to each business and are working on addressing them with a view toward an ideal future.

Going forward, I think we will need to break down our current material issues even further and track our initiatives via the Sustainability Committee to allow for a much deeper understanding of sustainability management across the organization. We also intend to increase corporate value by communicating with employees through town hall meetings and actively collaborating with our business partners through local activities, gaining the empathy of our stakeholders as we do so.

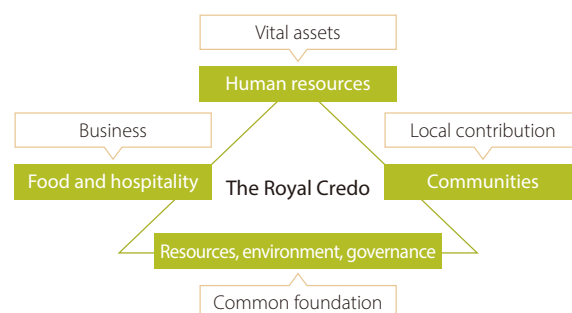
## Basic Sustainability Policy

As a corporate group centered 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

Taking a page from the Royal Credo, we strive to be a company rooted in the local community and society, with the empathy and support of all stakeholders. The importance we place on maintaining good relationships with stakeholders creates social value, and, by providing food and hospitality, we will build a strong collection of intangible assets and good will, both of which generate economic value.

The Group is rooted in its Royal Credo, and we aim to create value by providing good food to our customers—an idea shared across all business segments. In terms of social value, we make a point to serve delicious food with our highest priority placed on quality, hygiene, and safety. This, combined with our top-notch customer service, is how we bring joy to our customers and move toward a brighter society. As for economic value, we work to ensure that our customers are fully satisfied with the social value we provide, which encourages many customers to use our services, resulting in fair profits and our sustainable prosperity as a corporate group.

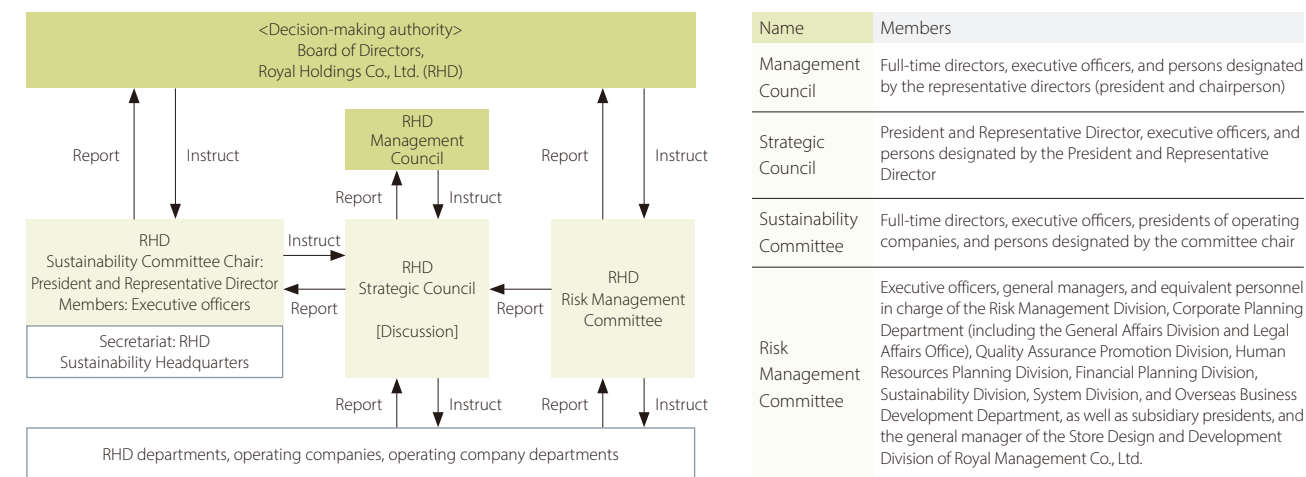


## Sustainability Promotion System

In January 2023, we established the Sustainability Committee, chaired by the President and Representative Director, in order to promote sustainability initiatives. The committee meets twice a year to discuss and check the progress of policies, plans, measures, and initiatives relating to sustainability, which include responses to climate change and human capital, both positioned as important management issues. The committee reports the details of these discussions to the Board of Directors, which is attended by full-time directors, outside directors, and directors who are members of the Audit and Supervisory Committee. The Board then provides advice regarding the various items while supervising execution of the Group's sustainability efforts. After the Board of Directors gives its instructions, the various initiatives are discussed at Strategic Council meetings, with the Representative Director and President and all executive officers as key members, to reach consensus on execution. In addition to reporting to the Board of Directors, major policies are discussed by full-time directors, executive officers, and the other members of the Management Council.

Also, to ensure that specific actions are implemented throughout the Group and that proper efforts are made to enhance Groupwide initiatives, the Sustainability Headquarters and the executive officers in charge of each material issue submit reports to the Strategic Council on a regular basis. After a consensus is reached at the Strategic Council, which serves as a forum for discussion among executive officers, a system is established to promote various measures in cooperation with each operating company and department.

The Strategic Council also holds repeated discussions with an eye toward improving corporate value and consideration of how to help create social and economic value.



## Determining Materiality based on the Royal Credo

To promote sustainability management, we referenced frameworks produced by the Global Reporting Initiative (GRI) and Sustainable Accounting Standards Board (SASB) to narrow down the list of issues that the Royal Group should address to five priority issues and then drafted proposals for their materiality based on key themes. We then consulted with external research institutes and the sustainability departments of several financial institutions that we do business with. In addition, we collected opinions from stakeholders, including customers, employees, shareholders, business partners, and local communities, and researched and investigated the importance of various social issues from the perspective of both the Group's business and its stakeholders. Following these steps, and after deliberations by the Strategic Council and Management Council, we determined the materiality of issues that the Royal Group should address (material issues) by resolution of the Board of Directors. Please refer to the section **The Royal Group and Materiality** on page 39 for details about our specific initiatives.

The ranking of items inside the red box is based on the scores below (institution/importance to stakeholders : importance to the Company)

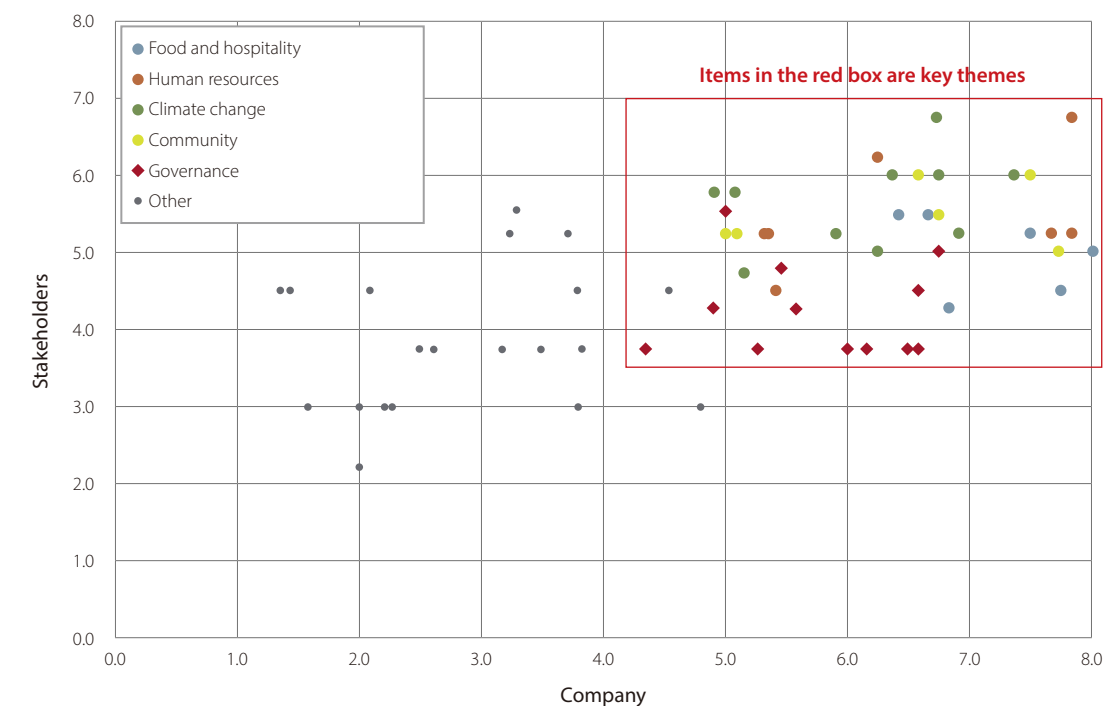
#1: Human resources (dark orange) ..... Human resource development (GRI/6.8:7.8), diversity (GRI/6.2:6.3)

#2: Business promotion (blue) ..... Product safety (SASB/5.0:8.0), health and nutrition

#3: Resources and the Environment (green) ~ Reduction of waste (GRI/6.8:6.7), reduction of greenhouse gases (GRI/6.0:7.5), reduction of raw material loss

#4: Communities (yellow) ..... Presence in the local economy (GRI/6.0:6.6), procurement of raw materials (SASB/5.0:7.7)
































#5: Governance (red) ..... Supply chain management and food procurement (SASB/5.6:5.0), enhanced handling of customer information (GRI/4.5:6.6), enhanced stakeholder engagement (GRI/4.8: 5.5), proper product labeling (GRI/3.8:6.6)





# The Royal Group and Materiality

We aim to increase corporate value as a company indispensable to local communities and society by steadily implementing our materiality-based initiatives, which ensure safety and security while providing high quality food and hospitality.

Material issues	Materiality	Medium-Term Management Plan Fiscal 2024 Targets		Vision for Fiscal 2024	Initiatives and Measures	Risks	Opportunities	Applicable SDGs and Targets
		Initiatives	Goals					
Human Resources	We will treat employee growth as a top priority and aim to maintain and improve sound labor practices and work environments, promote diversity and inclusion, and promote other human resource initiatives.	Promote employment of people with disabilities Promote health management Increase the ratio of women in managerial positions	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	Be the company of choice for employees and lead the industry via active investment in securing human resources, training them, and improving working environment	<b>Creation of a comfortable working environment</b> <ul style="list-style-type: none"><li>Improve labor conditions</li><li>Increase the ratio of women in managerial positions</li><li>Promote employment of people with disabilities</li><li>Promote health management</li><li>Promote steady recruitment of young employees</li></ul> <b>Active investment in human resources</b> <ul style="list-style-type: none"><li>Cultivate the next generation of executives and expert employees</li><li>Establish education and training systems for all employees</li></ul>	<ul style="list-style-type: none"><li>Slowdown in business growth due to outflow of human resources and difficulties with recruiting</li><li>Strong impact on business due to loss of credibility as a company</li><li>Lack of diversity due to failure to promote the active participation of women</li></ul>	<ul style="list-style-type: none"><li>Increased popularity among students, invigorating recruitment activities</li><li>Acquisition of talented human resources</li><li>Invigorated crew recruitment</li><li>Greater happiness of employees and their families due to emphasis on well-being</li></ul>	<div> 3.4</div> <div> 5.5</div> <div> 8.5</div> <div> 10.2</div>
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	<b>Food safety and security</b> <ul style="list-style-type: none"><li>Continuously update quality assurance system in accordance with quality assurance standards</li></ul> <b>Health-consciousness</b> <ul style="list-style-type: none"><li>Provide health-conscious products</li></ul> <b>Improvement of added value</b> <ul style="list-style-type: none"><li>Improve hospitality mindset further</li><li>Implement training for better treatment of customers</li><li>Provide value via “hospitality with technology”</li><li>Reflect customer feedback in company services</li></ul>	<ul style="list-style-type: none"><li>Loss of empathy from customers and customer decline due to delayed response to environmental issues</li><li>Decrease in customers due to delayed efforts to meet demand for health-conscious menus</li><li>Loss of trust from society due to frequent food accidents</li></ul>	<ul style="list-style-type: none"><li>Increase in customers due to reflecting their demands in menus</li><li>Gain in customer trust</li></ul>	<div> 3.4</div> <div> 9.2</div> <div> 12.4</div>
Resources and the Environment	We aim to reduce CO <sub>2</sub> 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)	Be a company that remains mindful of the environment, reduces food losses and waste, and works toward a decarbonized society	<b>Reduction of food waste</b> <ul style="list-style-type: none"><li>Step up current efforts to reduce food waste</li><li>Focus on separating waste and other efforts to improve food recycling rate</li><li>Reevaluate the adequacy of the current rules for determining sell-by dates and expiry dates</li></ul> <b>Reduction of CO<sub>2</sub> emissions</b> <ul style="list-style-type: none"><li>Focus on reducing electricity and gas usage (Scope 1 and 2 emissions) ⇒ Promote energy-saving activities</li><li>Actively use renewable energy —Investigate use of green electricity and generation of renewable energy</li></ul> <b>Supply chain</b> <ul style="list-style-type: none"><li>Reduce environmental impact through development of supply change management (SCM) system and subsequent initiatives —Revamp supply chain system</li><li>Optimize amount of physical resources through automated ordering and other digital technology</li><li>Reorganize logistics bases</li><li>Reduce environmental impact through procurement and joint delivery in collaboration with other companies in the industry</li></ul>	<ul style="list-style-type: none"><li>Viability of business negatively impacted due to higher costs in response to stricter regulations related to climate change</li><li>Deliveries to establishments negatively impacted by SCM development not progressing according to plan and delays in responding to responding to nationwide logistics issues (Japan's 2024 problem)</li><li>Decline in company image and number of customers due to delay in response to environmental issues</li></ul>	<ul style="list-style-type: none"><li>Increase in customer trust due to strong environmental response</li><li>Delivery dates are met due to amicable relationships with logistics-related business partners, preventing any sales losses</li></ul>	<div> 7.3</div> <div> 12.3</div> <div> 12.5</div> <div> 13.1</div> <div> 13.2</div> <div> 14.1</div> <div> 15.1</div> <div> 15.2</div> <div> 17.17</div>
Communities	We will 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.	Remain a company essential to local communities by deepening cooperative ties with the people and the economy	<b>Coexistence and co-prosperity with local communities</b> <ul style="list-style-type: none"><li>Promote initiatives that help revitalize local communities —Emphasize local production for local consumption</li><li>Communicate with the local community through sales of outlet products</li><li>Conduct collaborative industry—academic projects and other activities to help cultivate the next generation</li><li>Provide learning opportunities by holding classes at local elementary and junior high schools</li><li>Continue activities that provide assistance during disasters</li><li>Provide lodging for people separated from their homes during disasters and support reconstruction efforts</li></ul>	<ul style="list-style-type: none"><li>Decrease in customers due to delays in conducting local activities</li><li>Loss of empathy from local community and decrease in customers due to lack of participation in disaster response efforts</li></ul>	<ul style="list-style-type: none"><li>Gain in customer trust</li><li>Gain in trust from local residents</li></ul>	<div> 2.4</div> <div> 4.4</div> <div> 11.7</div> <div> 11.a</div> <div> 17.17</div>
Governance	We will build a trustworthy system for food procurement, product labeling, and information management, and strengthen stakeholder engagement.	Improve governance	<ol style="list-style-type: none"><li>Comply with the principles of Japan's revised Corporate Governance Code</li><li>Continue to evaluate the effectiveness of the Board of Directors and implement measures based on the results</li><li>Continuously improve the effectiveness of the Company's auditing function</li><li>Increase completeness and transparency of disclosure to stakeholders</li><li>Continue to promote food safety and strict hygiene management</li></ol>	Be a company that maintains strong Group governance worthy of praise from its stakeholders	<b>Maintain governance system</b> <ul style="list-style-type: none"><li>Spread greater awareness of governance through training and other methods</li><li>Conduct diligent CSR procurement, in line with the Group's Basic Purchasing Policy, and in compliance with laws and regulations</li><li>Continue disclosure that can win customer trust</li><li>Promote comprehensive measures to prevent information leaks</li></ul> <b>Enhance risk management</b> <ul style="list-style-type: none"><li>Handle a range of management risks, natural disasters, workplace accidents, and human-made disasters in an appropriate manner</li><li>Eliminate the factors that hinder achievement of management goals, improve corporate value, and fulfill social responsibilities</li></ul>	—	—	<div> 2.4</div> <div> 8.4</div> <div> 8.7</div> <div> 10.3</div> <div> 12.2</div> <div> 12.3</div> <div> 12.4</div> <div> 12.5</div> <div> 16.4</div> <div> 16.5</div>

## Materiality-Based Initiatives

## Human Resources



## Variety

Diverse human resources, diverse work styles

Priority Measures	2023 Results	2024 Targets
<ul style="list-style-type: none"> <li>• Increase the ratio of women in managerial positions</li> <li>• Increase the ratio of male employees that take paternal leave</li> <li>• Promote employment of people with disabilities and maintain legally mandated employment ratio</li> <li>• Close gender pay gap</li> </ul>	Ratio of women in managerial positions ..... 10.9% Ratio of male employees that take paternal leave ..... 61.9% Ratio of employees with disabilities ..... 2.6% Gender pay gap (full-time employees) ..78.5%	Ratio of women in managerial positions .....20.0% Ratio of male employees that take paternal leave .....70.0% Ratio of employees with disabilities .....2.7% Gender pay gap (full-time employees) ..80.0%

The Royal Group envisions a work environment in which every employee can demonstrate their capabilities, balance their work and life duties, and work comfortably, so that both the Company and its employees can achieve sustainable growth. To achieve this, the Group needs to make sure no employee is left behind; instead, the Group must leave behind old ways of thinking and put in place systems and establish conditions that ensure support and acceptance for all. Going forward, we will forge a new era for the Royal Group, armed with the ideas of diversity, equity, inclusion, and belonging.

## Promoting the Active Participation of Women

The Royal Group aim to give working women the ability to fully utilize their individuality and capabilities. There is no denying that the age-old gender gap still remains. However, efforts are being made to knock down the barriers of past conventions so that we can bring forward the power of women who can lead us into the future.

Introduction of education, training, and mentoring for newly appointed female managers	Introduction of health management app for female managers
Introduction of online medical consultation service	Establishment of health management tools and dedicated consultation desk for pregnant employees.

## Job Satisfaction



## Supporting Work-Life Balance

The Royal Group helps support employees to give their best efforts at work while enabling them to value their private lives. This requires an environment that offers a good work-life balance. With regard to childcare in particular, over the past few years there has been a sharp rise in efforts to increase the number of men who take parental leave, and companies are working to foster this positive atmosphere.

Encouraging men to take childcare leave	Establishment of a support desk for balancing work and home life	Holding consultations for employees before returning from childcare leave and online meetings for parents
Number of employees that took paternal leave: 13	Number of employees that utilized shorter working hours for childcare purposes: 29	

## Working Comfortably



## Promoting Diversity

When employees with diverse backgrounds work together, it sparks innovation. We want to work with these people to build the Royal Group of the future while drawing out each person's strengths, individuality, and desire to grow.

Active acceptance of students from special needs schools (9 students from 7 schools in fiscal 2023)	Actively recruiting foreign workers for specific skills training
Ratio of foreign employees: 4%	Training to understand LGBTQ+ issues



## Value

Increase human resource experience, knowledge, and motivation to improve value

Priority Measures	2023 Results	2024 Targets
<ul style="list-style-type: none"> <li>• Establish education and training systems</li> <li>• Cultivate the next generation of executives and managers</li> <li>• Promote steady recruitment of young employees</li> </ul>	Formulated a position-based education and training program (number of training participants) .....Approx. 4,200 Provided education for managerial candidates (number of strategic in-house personnel transfers) .....43 Recruitment of young employees (ratio of new graduates who left the Group within three years) .....47.8%	Number of training participants .....4,500 Number of strategic in-house personnel transfers .....50 Ratio of new graduates who left the Group within three years .....20.0%

The Royal Group has established a position-specific education and training system, promoting training that teaches employees the required knowledge and skills for each rank. It will also broaden their perspective to inspire them to take on higher positions.

	Upon promotion	Upon promotion	Increasing experience	Increasing experience	Increasing experience
Management	Training upon promotion	Skill development training (executive candidates)			
Managers / chief chefs	Training upon promotion	Skill development training (managerial candidates)	Expert candidate training	Outside the Group	In-Group personnel transfer
Staff	Introductory training	Follow-up training for young employees	Mentor system	External jointly-run training	
				Manager / chief chef training	Skill education for young employees
					In-house recruitment
					Life planning seminars
					E-learning (self-development support)

## Training for the Next Generation of Executives

We conducted training for general managers and department and division heads within the Group on the topic of decision making in fiscal 2023 and formulating strategies in fiscal 2024. In addition to increasing their knowledge and skill levels, we provided an opportunity for selected trainees to undergo external training to further hone their skills as executive candidates.



## Training for Newly-Appointed Women in Managerial Positions

We conducted leadership and communication-themed training for women promoted to managerial positions within the past year. The training also helped participants build networks with each other, with many saying they were looking forward to the next training session.



## Managerial Candidate Training

We conducted training for mid-level employees aiming to become the next generation of managers, with the aim of widening their perspective and broadening their horizons. Approximately 30% of participants were women, as part of our effort to train women for managerial positions.





## Materiality-Based Initiatives

## Human Resources



## Value

Increase human resource experience, knowledge, and motivation to improve value

## Follow-Up Training for Young Employees

We provide training for young employees who have been with the Company for five years or less to help them think about their own careers. In addition, in their fourth year after joining the company, they travel to Fukuoka Prefecture, where the company was founded, for training. This gives them a chance to reaffirm and think about the Royal Credo.



## Job Rotation Training for New Employees

New graduates undergo a rotational training program in which they experience all four of the Royal Group's business sites first-hand. This experience gives them a broad understanding of the Group's business and is part of our work to develop human resources with a broad perspective.



## Training at Each Operating Company

Each operating company provides training aimed at giving employees the skills they need to do their jobs, as well as training to improve skills further.



## Education and Training for All Generations

We hold life planning seminars as trainings sessions that are open to all employees. We offer seminars covering a variety of topics, including health, money, and child-rearing, and allow people to join the ones that interest them. We have also introduced e-learning to facilitate independent self-improvement. Some of the most popular courses are "management," "English," and "communication."



## Measuring the Effectiveness of Education and Training

We measure the degree to which employees understand education and training through questionnaires and reports for each session. In addition, we monitor employee satisfaction with the training through an annual Employee Satisfaction Survey.

## Vitality

Health management by establishing good work environments

## Priority Measures

- Maintain certification as an excellent corporation under the Certified Health & Productivity Management Organization Recognition Program
- Improve labor conditions

## 2023 Results

Rate of employees completing annual medical examinations ..... 100%  
 Rate of second stage examinations ..... 51.5%  
 Maintained certification as an excellent corporation under the Certified Health & Productivity Management Organization Recognition Program  
 Ratio of employees that fully utilized annual paid leave ..... 56.9%

## 2024 Targets

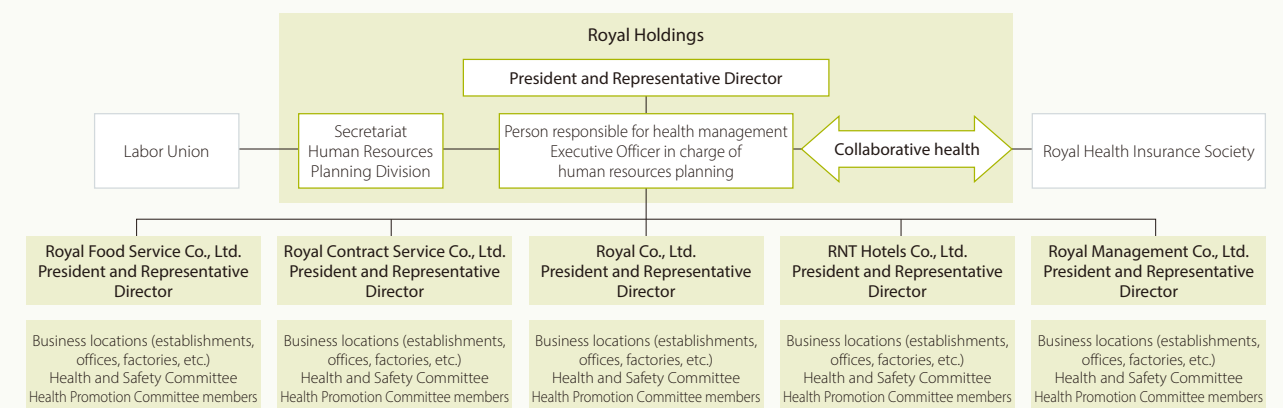
Rate of employees completing annual medical examinations ..... 100%  
 Rate of second stage examinations ..... 70.0%  
 Maintain certification as an excellent corporation under the Certified Health & Productivity Management Organization Recognition Program  
 Ratio of employees that fully utilize annual paid leave ..... 60.0%

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.

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

## The Royal Group's system for promoting health management



## 2024 Priority Items

- ✓ Achieve 100% rate of employees completing annual medical examinations
- ✓ Achieve 70% rate of second stage examinations
- ✓ Achieve 45% rate of specific health guidance examinations
- ✓ Achieve 80% stress check submission rate

	2017	2018	2019	2020	2021	2022	2023
Rate of employees completing annual medical examination	100%	100%	100%	97.7%	97.8%	100%	100%
Rate of anomaly observation for medical examination	65.1%	64.7%	67.1%	70.3%	72.5%	74.7%	66.0%
Rate of second stage examinations	69.0%	76.3%	85.0%	61.5%	58.8%	60.7%	51.5%
Smoking rate	32.6%	31.2%	29.4%	26.7%	26.2%	26.8%	25.0%
Stress check examination rate	89.8%	84.3%	82.2%	79.7%	84.1%	77.4%	73.7%
Ratio of stress checks showing high stress	16.9%	16.8%	17.7%	12.4%	14.8%	18.7%	12.0%

## Regular Implementation of Employee Satisfaction Surveys

The Royal Group has conducted the Employee Satisfaction Survey on a regular basis since 2011 to keep constant track of opinions and requests as we work to develop an organizational culture and working environment that fills our employees with pride and inspires them to work with passion—an important goal, since they are the foundation upon which our efforts to increase the value of the group are built.

In 2022, the response rate to the survey was 88.2%, and in 2023 the response rate was 94.3%, both coming in around the 90% range. The results are used to identify issues and make steady improvements.

## Set Holidays

Seven days of the year, we close our Royal Host establishments to give our employees time to rest and refresh their bodies and minds in addition to their regular days off. Similarly, we close our Tendon Tenya establishments two days of the year (with some establishments excepted in both cases).

## Materiality-Based Initiatives

## Food and Hospitality Food Safety and Security



## Message from an Executive Officer

Working as an independent organization, the Quality Assurance Promotion Department actively gathers information from the customer's perspective and promotes efforts to improve safety and security. We have obtained ISO 9001 certification, an international standard for quality management systems, and have set standards for each operational process to maintain and improve quality, most notably in the Manufacturing Division, covering design and development as well as purchasing. As a few examples of our dedication to maintaining and improving food safety, some of our own factories, namely Tokyo Central Kitchen, ME\*1 and Fukuoka Central Kitchen, have satisfied the requirements for FSSC22000, (an international standard for food safety management systems) while our sweet potato factory has obtained ISO 22000 certification, an international standard for food safety management.

To date, we have focused on raising the level of quality assurance, in line with the mandatory introduction of Hazard Analysis and Critical Control Points (HACCP\*2). In fiscal 2023, we migrated inspection records from paper to a digital database and selected equipment that can automate overly laborious inspection tasks, with a view toward streamlining and improving productivity.

Going forward, we will continue to promote DX as a way to streamline operations and improve productivity further. As the Royal Group aims to expand its overseas business, we will also continue gathering information and take on new challenges from a global perspective, staying mindful of the rules of each country.

\*1 Abbreviation for the Tokyo Bakery Facility and Milchof Manufacturing Division (responsible for the design, development, and manufacture of frozen cakes and whipped cream)

\*2 A sanitation control method for ensuring food safety



**Masanori Ariyoshi**  
Executive Officer in charge of quality  
assurance promotion and internal audits

## 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

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

## Commitment to Quality—A Consistent Management System from Upstream to Downstream

## Enhancing Groupwide Functions

The Group operates in a variety of business formats, including Royal Host and Tendon Tenya. In our effort to complete the objectives stated in Our Approach to Food Safety and Security, we have consolidated functions that were previously dispersed among various companies into Royal Co., Ltd. This includes various processes related to purchasing, design and development, and logistics.

- Preventing uneven quality
- Building good relationships with business partners and ensuring steady procurement
- Shortening the time it takes to determine a menu
- Utilizing knowledge and technology across the Group

## Efforts in Group-Owned Factories

Part of our unchanging commitments to flavor is that, even when mass-producing products in our factories, we faithfully reproduce the cooking methods used to make a single meal. We also set standards for the weight of cuts of meat, to minimize inconsistencies in the stewing process. We have also developed a system whereby the head chef personally checks the condition of products served in our establishments and only those that make the grade are served to customers.

In the Manufacturing Division, the Tokyo Food Facility (excluding its bread and dressing divisions) and Fukuoka Central Kitchen have obtained certification under the international standard FSSC22000 in an effort to improve food safety.

We have also formulated in-house guidelines regarding food defense and conduct regular inspections every year, focusing on each manufacturing division, and we are working to improve both hard and soft approaches.

## Efforts at Establishments

Each establishment's mission is to reproduce and offer products using ingredients designed, developed, and managed by Royal Co., Ltd. and supplied by our factories and business partners.

To achieve this, various elements, such as cooking techniques

and serving times, are considered and improved in advance. Establishments also conduct cooking training and supervisor checks and guidance to ensure the stable provision of products.

## A Trusted Safety System

## 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.

In addition, the 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.

## 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.

## Ensuring Inspection Validity

The Group has established an Inspection Office within the Quality Assurance Promotion Department to conduct a variety of objective inspections.

To ensure suitable food inspections, we acquired ISO/IEC 17025: 2005 in 2013 for our Hygiene Inspection Laboratory in Tokyo, among other efforts.



## Materiality-Based Initiatives

## Food and Hospitality Messages from Employees



## What “Royal Hospitality” Means to You



Shodai Yokogawa  
Richmond Hotels, Tenjin Nishi Dori Location RNT Hotels Co., Ltd.

### 01 Creating an experience that makes everyone say “Let’s stay at that hotel, they have awesome people!”

Richmond Hotels receive visitors of all ages, genders, nationalities, and everything in between, and they visit for any number of reasons. We hope to create a hotel experience where any guest can enjoy a comfortable, satisfying stay. For example, we aim to cater to different types of customers by holding seasonal events in our front lobby and creating ways for inbound customers to experience the culture of Fukuoka. Providing services through people, or “personal service,” is one of the Royal Group’s strengths, and I believe it’s one of our secret weapons that other companies can’t hope to imitate. Most customers who use hotels plan to visit a location with a specific purpose in mind, and then choose a hotel afterward. But if we make use of the Royal Group’s strength in people, we can offer an experience that makes our customers say, “Let’s stay at that hotel, they have awesome people!”



Yuki Murakami  
Royal Host, Hiragishi Location Royal Food Service Co., Ltd.

### 02 Being hospitable to the people you work with

While I try my best to provide hospitality to our customers, I try just as hard to treat my coworkers with hospitality, too. To make our restaurant a place where customers can feel safe and secure, I tackle problems from various angles and also take the lead in creating conditions where employees can work with peace of mind. I try to create a place where people are happy to work, since this allows part-time employees to pay it forward with customer service that echoes that same hospitality. I want to use hospitality as an inspiration for workplace initiatives and a tool to build good relationships with the people around me, including my friends and family. By harnessing the spirit of hospitality built up in the workplace, we can enrich our relationships both inside and outside our workplace walls and strengthen our bonds with the people closest to us.



Masato Kawashima  
Tendon Tenya, Yaesu Location Royal Food Service Co., Ltd.

### 03 The “welcoming spirit” that expresses thanks to a customer

Royal Host’s hospitality lives in the welcoming spirit we provide to our guests. Our services are not over-the-top. What we offer, however, are gardens and entrances that are immaculately manicured, dining areas with transparent glass and mirrored chandeliers that sparkle in the sun-light when you open the door, and bright smiles that welcome you in. This is the kind of hospitality I learned from my mentors when I joined the Company, and the kind I still value today at my establishment. Of course, we need to keep up with the changing times, but there are some things that should stay constant. I believe one of those things is the “welcoming spirit” that expresses thanks to a customer for using our services.



Junpei Nakase  
Belluna Dome, American Express Premium Lounge  
Royal Contract Service Co., Ltd.

### 04 Creating a space that both customers and staff can enjoy, and the best place to enjoy a baseball game with any of the 12 teams.

At the American Express Premium Lounge in the Belluna Dome, we place great importance on empathy with our customers. We treat the conversations we have with customers as something of great importance, and a way to make sure they get the most out of watching a baseball game. Also, since the only people who can use the lounge are individuals and companies with annual tickets, we try our best to remember each visitor’s face and favorite food and drink, so we can bring it to them before they ask. I want all of the staff to feel the fun and enjoyment of our customers as if it was their own, creating a space that both customers and staff can enjoy, and the best place to enjoy a baseball game with any of the 12 teams.



Katsuhiko Saito  
Tokyo Bread Factory Manufacturing Department, Tokyo Food Facility Royal Co., Ltd.

### 06 Hospitality means continuing to develop and supply safe, high-quality products, then passing this experience on to the next generation.

I believe that the uncompromising attitude in all aspects of our business to deliver the quality that our customers desire is a part of Royal’s DNA that has been passed down for a long time. That DNA can be summed up in one word—hospitality. It is quite an emotional experience when, after so much trial and error, an item finally makes it to sale. Thanks to the customer service and skills of the establishment staff, the items we manufacture are offered to customers as special moments. For us who manufacture the items, it is just one of several thousand meals, but for our customers enjoying a special moment at our establishments, it’s one of one. I believe that hospitality means continuing to develop and supply safe, high-quality products so that customers who have made the active choice to visit a Royal Group establishment can spend their time smiling and satisfied, then passing this experience to the next generation.

### 05 I want us go beyond our individual tasks, and work as an organization to spread Royal hospitality to society.

I am in charge of e-commerce sales for Royal Deli, a line of frozen meals for home consumption. Since we do not meet customers face-to-face, we place great importance on properly collecting and reflecting customer feedback, using surveys and product reviews, as well as quantitative data, to do so. While we cannot implement every single suggestion, we work hard every day to make improvements that can provide buyers with a better shopping experience, from visiting the site to purchasing, delivery, and after-sales support. I also want us to maintain an attitude of sincerity when we engage with our stakeholders. Before, our core value was delivering delicious food to homes even during the COVID-19 pandemic. Now that the social situation has shifted, the question at hand is how we handle and contribute to solving social issues. I want us to go beyond individual tasks and work as an organization to tackle social issues through our business, and spread Royal hospitality to society.



Tatsuya Nakatani  
Sales Department, EC Event Planning and Promotion Division  
Royal Co., Ltd.

### 07 A group of people that continue to exude hospitality regardless of their position.

Pointing to the Royal Credo, we understand that hospitality does not just mean caring for customers and employees but also having a hospitality mindset that permeates everything we do. We embody hospitality in our establishments and in our offices, not only thinking about others and acting with them in mind but also trying to add our own unique elements to our output. The Royal Group wants to be a group of people that continue to exude hospitality regardless of their workplace, job, or position. To achieve this, I will continue to take the initiative and exude hospitality myself.

Ryu Chiharu  
Planning & Administration Department  
Overseas Business Division





## Materiality-Based Initiatives

## Resources and Environment



### Reduction of Food Waste

The Royal Group recognizes that reducing food waste is an important management issue in addressing environmental issues. In terms of “resources and the environment,” which is one of the material issues highlighted by the Group, we are using the 2016 value of 64.7 kg of waste per ¥1 million in net sales as a baseline indicator, and are working to achieve targets of 58.2 kg in 2024, a 10% decrease from 2016, and 51.8 kg in 2030, a 20% decrease from 2016. Food waste reductions by the Group are shown on the right.

Food Waste Per ¥1 Million of Net Sales (kg/¥1 million in net sales)		
2016	2022	Reduction
64.7	63.8	0.9

#### Key Initiatives

Our establishments are working to reduce food waste by offering the option of smaller portion sizes on the menu and publishing information about the amount of waste produced. We are also working on reducing food waste through the Mottainai Project, which involves turning scraps generated within the factory into products, selling food left over from manufacturing processes and imperfect products at food trucks and local events, and donating to children’s cafeterias and other facilities through local food banks.



Donating surplus stock to local children's cafeterias through the Japanese Council of Social Welfare



Using food trucks to sell imperfect products

Royal Host is also working with other companies in the industry, including local governments, on a leftover food takeaway program called mottECO. This initiative was selected as part of the Ministry of the Environment’s FY2023 Model Project for Promoting Creation of Zero Food Loss and Waste Areas.\*

\* This commissioned project ended February 29, 2024. From May 2024, the project was newly selected as part of the Ministry of the Environment’s FY2023 Model Project for Introducing Food Loss Reduction Measures in Consumer Behavior and is being carried out as a collaborative effort among 21 organizations representing industry, government, and academia.



mottECO—making it easier to take home leftovers



Food waste reduction event hosted by organizations participating in the mottECO initiative

### Recycling Food

The Basic Policy on the Promotion of Recycling and Related Activities for Treatment of Cyclical Food Resources, based on the Food Waste Recycling Law, sets a goal of 95% for recycling within the food manufacturing industry, and 50% for the restaurant industry, by 2024.

The food recycling rate for the Group is shown on the right.

#### Key Initiatives

Since 2010, Fukuoka Prefecture has been building a food recycling loop centered on its factories. Collected food waste is turned into fertilizer, which is used to grow onions that are then used in menu items sold by the Royal Group over limited periods of time.

We will continue to work on similar food recycling loops that match the characteristics of each location.

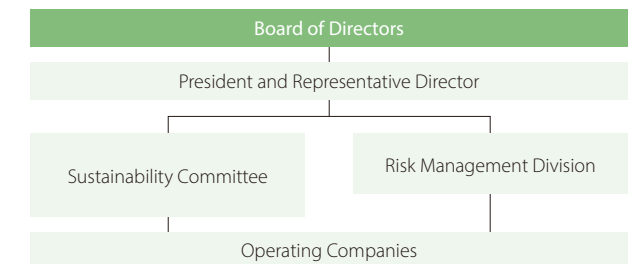
Food Recycling Rate (%)		
2021	2022	Increase
50.8	53.0	2.2

## 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



### Strategy

The Royal Group believes that sustainable growth is part of its duty to all stakeholders. In an age where global trade is an essential part of business, we also believe that we have a vital responsibility to help resolve applicable social issues to achieve sustainable growth for the entire planet.

As previously mentioned, one element of this 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 essential part of society. As we work to identify and assess the impacts on our Group and its entire supply chain and investigate countermeasures, we utilize the TCFD framework to identify the risks and opportunities presented by climate change, formulate appropriate countermeasures, and integrate them into our management strategies. We believe that this process contributes to both greater corporate value and sustainable growth for the planet as a whole. For this reason, we promote disclosure in line with the TCFD recommendations.

Going forward, we will continue to use scenario analysis to strengthen our Group’s resilience to climate change issues, while at the same time contributing toward realizing a sustainable society.

#### 1) Scenario Analysis

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	Under 2°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 have been 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) 2°C Scenario: IPCC: RCP 2.6 IEA 2021: SDS 1.5°C Scenario: NZE2050

#### 2) Risks and Opportunities

4°C Scenario
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##### A) Risks

The most significant impacts anticipated under the 4°C scenario are direct risks such as damage to company facilities and disruptions to logistics networks due to intensifying extreme weather disasters, including flooding and rising temperatures, and indirect risks such as lower crop yields and declining quality of raw material harvests, and reduced foot traffic due to a shift toward eating at home. From an energy perspective, we expect that the natural increase in demand for fossil fuels will lead to rising crude oil prices, which will in turn lead to higher prices for petroleum-derived products and higher transportation costs.

##### B) Opportunities

We anticipate that climate change will lead to changes in customer behavior, such as a shift toward ready-made meals and home-cooked meals. We believe that responding to these new needs, including takeout and delivery services, will lead to new business opportunities.



Materiality-Based Initiatives

Resources and Environment



1.5°C Scenario (Partially Including the 2°C Scenario)

**A) Risks**  
Under the 1.5°C scenario (which also partially uses the 2°C scenario), we anticipate higher business operating costs, including those related to the introduction of a carbon pricing system to facilitate decarbonization and a surge in electricity prices due to the shift to renewable energy. In addition, keeping pace with the competition within the industry will require an increase in costs as companies work to address environmental needs, such as developing menus that prioritize ethical consumption, promoting energy conservation, and reducing the use of plastic. Ultimately, customers may choose other options depending on how effectively these efforts are implemented.

**B) Opportunities**  
This growing environmental consciousness is expected to lead to increased demand for alternative ingredients, including plant-based foods, and we also recognize that developing services that respond to new changes in customer behavior may lead to the acquisition of new customers. We therefore recognize that one of our key issues will be not only mitigating risks but also expanding opportunities by promoting decarbonization.

Financial Considerations

We believe that of the forecasted items listed above, the introduction of a carbon tax in Japan, fluctuations in beef procurement costs, and the effects of flood damage on establishments will be particularly impactful on business and finances in 2030. Identified risks and opportunities are listed in the following table.

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"><li>Increased business operation costs due to introduction of carbon tax</li><li>Increased spending to reduce GHG emissions</li></ul>	Risk	Low	High	<ul style="list-style-type: none"><li>✓ Set CO<sub>2</sub> reduction targets and promote efforts to reach them</li><li>✓ Introduce green electricity</li></ul>
	Stronger recycling regulations	<ul style="list-style-type: none"><li>Increased requirements to reduce food loss and improve food recycling due to stricter regulation</li></ul>	Risk	Low	Medium	<ul style="list-style-type: none"><li>✓ Sell food remaining from manufacturing processes (cake cuttings, ice cream etc.) via food trucks</li><li>✓ Introduce services for taking home leftovers</li></ul>
	Changes in energy prices	<ul style="list-style-type: none"><li>Soaring electricity prices due to switching to electricity derived from renewable sources, etc.</li><li>Increased transportation costs due to changes in demand for fossil fuels</li></ul>	Risk	Medium	Medium	<ul style="list-style-type: none"><li>✓ Upgrade to LED lighting</li><li>✓ Introduce gas cogeneration system</li><li>✓ Promote SCM reforms, including collaboration between companies</li></ul>
	Change in customer behaviors	<ul style="list-style-type: none"><li>Changes in the flow of people mindful of decarbonization (decrease in business trips, greater need for local production for local consumption, etc.)</li></ul>	Risk	Low	Medium	<ul style="list-style-type: none"><li>✓ Disclose region of origin for ingredients used in dishes</li><li>✓ Develop dishes based on local production for local consumption concept and deploy by region</li></ul>
		<ul style="list-style-type: none"><li>Growing interest in ethical consumption</li></ul>	Opportunity	Low	Medium	
Physical impact of global warming	Change in raw materials prices	<ul style="list-style-type: none"><li>Tighter regulations for agriculture and livestock industries and lower production due to promotion of decarbonization</li><li>Smaller harvest, lower production, and decline in quality in agriculture, livestock, and fishing industries due to global warming</li></ul>	Risk	High	Medium	<ul style="list-style-type: none"><li>✓ Develop and deploy alternative menus</li><li>✓ Formulate and implement a Basic Purchasing Policy</li></ul>
	Intensification of natural disasters	<ul style="list-style-type: none"><li>Losses from damage to offices, production sites, or establishments</li><li>Disruption of the supply chain</li><li>Fewer opportunities for customers to leave homes and less demand for eating out</li></ul>	Risk	High	Medium	<ul style="list-style-type: none"><li>✓ Enhance business continuity plan (BCP)</li></ul>
	Rise in average global temperature	<ul style="list-style-type: none"><li>Increase in air-conditioning costs at establishments</li></ul>	Risk	Low	Low	<ul style="list-style-type: none"><li>✓ Switch to high-efficiency equipment at establishments</li><li>✓ Upgrade to LED lighting</li></ul>
		<ul style="list-style-type: none"><li>Increased demand for delivery services</li><li>Greater demand for eating at home</li></ul>	Opportunity	Medium	Low	<ul style="list-style-type: none"><li>✓ Expand sales of frozen meals for home use</li><li>✓ Improve convenience of delivery services</li></ul>

Notes: 1. The 1.5°C scenario in the table above also partially uses the 2°C scenario.  
2. The upgrade to LED lighting is intended to reduce expenses in response to rising store air conditioning costs.  
3. Criteria for Impact Assessment  
Large: Impact on ordinary income is ±10% or more  
Medium: Impact is less than ±10% of ordinary income  
Low: Impact is minor (less than ±1% of ordinary income) or nonexistent

Under both the 1.5°C scenario (partially including the 2°C scenario) and the 4°C scenario, it is necessary to enhance strategic resilience from a medium- to long-term perspective. To that end, we will develop measures within our business strategies and medium-term management plans appropriate for avoiding negative risks while also working to capture positive opportunities that could result in new growth, which includes mounting an active response to changes in the business environment.

Specifically, we are working to reduce our environmental impact with efforts that include the introduction of green electricity and gas cogeneration systems, and efforts to reduce food losses and waste to improve our food recycling rate. We are also making active efforts to capitalize on opportunities by developing menus and services that capture the growing popularity of ethical consumption and responding to the demand for home-cooked and ready-made meals in anticipation of more frequent extreme weather conditions.

Additionally, we are the first in the restaurant industry to obtain a DBJ BCM (Business Continuity Management) Rating for disaster prevention measures, which speaks to our preparation for natural disasters. We also promote disaster prevention and business continuity measures for sites that we identified as having particularly high hazard risks under our scenario analysis. These efforts include investigations into incorporating risk avoidance measures as part of our ongoing preventive maintenance investments.

Risk Management

The Group has established a Risk Management Committee to establish and maintain systems for responding appropriately to a variety of risks, including sustainability risks, and to minimize the impact of these risks should they materialize. The Risk Management Committee manages 172 risk items in 16 categories in a risk management ledger.

The Sustainability Headquarters, which is responsible for managing sustainability-related risks, identifies risks under four categories in the risk management ledger—climate change (global warming), energy management and alternative energy, CSR strategy, and contribution to local communities— as well as other sustainability-related risks within the Group, then manages these risks and reports the current status of risk management to the Sustainability Promotion Committee.

Please refer to the section Risk Management on page 59 for details about our specific initiatives.

Indicators and Targets

1) Initiatives Toward 2050

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 volume of greenhouse gases (GHGs) emitted by the Group are shown below.

GHG Emissions (thousand t-CO<sub>2</sub>)

	2021	2022
Scope 1	18	20
Scope 2	62	63
Total	80	83

Note: GHG emissions are calculated in accordance with the calculation method used in periodic reports under the Energy Conservation Act.

GHG Emissions (thousand t-CO<sub>2</sub>)

	2022
Scope 3	158

Notes: 1. Scope 3 GHG emissions are rough estimates calculated jointly with Mizuho Research & Technologies, Ltd. Please note that figures may change due to revisions to calculation methods, improvements in calculation accuracy.  
2. As calculation standards, we use the accounting, reporting, and disclosure system (SHK system) in compliance with domestic law, as well as methods used by the GHG Protocol, which are used as international calculation methods.  
3. Scope 3 emissions were calculated in the following categories: Category 1 (purchased goods and services); 2 (capital goods); 3 (fuel- and energy-related activities not included in Scope 1 and Scope 2); 4 (upstream transportation and distribution); 5 (waste generated in operations); 6 (business travel); 7 (employee commuting); 9 (downstream transportation and distribution); 11 (use of sold products); 14 (franchises)

Materiality-Based Initiatives

Resources and Environment



The majority of the Group's GHG emissions come from purchased goods and services (Scope 3, category 1) and indirect emissions from the use of electricity, heat, and steam (Scope 2). As a result, we believe that it is important to focus our efforts to reduce our GHG emissions on procuring low-carbon raw materials, procuring electricity derived from renewable energy sources, and using decarbonized equipment and materials.

We are promoting activities to reduce GHG emissions in the form of appropriate impact assessments for climate change and subsequent measures, aiming to achieve Scope 1 and 2 carbon neutrality by 2050, with an intermediate goal of reducing emissions by 46% compared to 2013 levels, by 2030.

Some of the efforts we have undertaken since 2013 include implementing a scrap and build system for our stores, introducing energy-saving equipment, LED lighting, an eco-friendly hot water supply and cleaning system, and other measures, which have resulted in a reduction in Scope 1 and 2 GHG emissions by approximately 25.2% in 2022, compared to 2013 levels.

To achieve our 2030 targets, we will make sustainability-related investments from fiscal 2024 onward guided by our Sustainability Handbook, which is shared throughout the Group. Under this strategy, each investment made by the Company will need to incorporate at least three elements that involve either a response to climate change or the reduction of GHG emissions.

In terms of existing businesses and existing establishments, we will remain mindful of the aforementioned initiatives and utilize a method of measuring Scope 1 and 2 GHG emissions per ¥1 million of segment net sales and per domestic directly-operated establishments as a basic metric to measure the reduction of GHG emissions.

Per unit GHG emissions for each segment of the Group are as follows.

GHG Emissions Per ¥1 Million of Net Sales (t-CO<sub>2</sub>/¥1 million in net sales)

	2013	2022	Increase/Decrease
Restaurant Business	0.97	0.69	-0.27
Contract Food Service	0.57	0.60	0.03
Hotel Business	1.29	1.03	-0.25
Food Manufacturing	0.90	0.80	-0.11

Note: GHG emissions are calculated in accordance with the calculation method used in periodic reports under the Energy Conservation Act.

GHG Per Establishment (t-CO<sub>2</sub>/establishments)

	2013	2022	Increase/Decrease
Restaurant Business	125	97	-28
Contract Food Service	80	84	5
Hotel Business	737	556	-181
Food Manufacturing	4,099	4,070	-29

Notes: 1. For the Food Manufacturing segment, greenhouse gases are calculated per factory.  
2. GHG emissions are calculated in accordance with the calculation method used in periodic reports under the Energy Conservation Act.

Communities



Since its founding, the Royal Group has placed a strong emphasis on coexistence with local communities and society and treats contributions to both as a point of duty. It is our hope that social contributions meeting the diversifying needs of local communities will make us an indispensable part of these communities.

Connecting with Communities

We actively participate in events held near our Head Office in Fukuoka, our Tokyo Headquarters, and our factories, and value the connections we forge with the local community. During these events, we sell unused dessert items produced in factories that would otherwise be thrown away despite being perfectly edible, helping resolve social issues by reducing food losses and waste and addressing environmental problems.



Opening booths at community-building events      Events aimed at getting children to think about food losses and waste      Food trucks selling desserts and other items

Recovery Support for Disaster-Stricken Areas

The Royal Group has been using food trucks to provide food support in response to the earthquake that occurred on the Noto Peninsula in Ishikawa Prefecture. The Royal Credo calls on us to use food as a way to help those who suffered from disasters to feel a bit brighter and more positive, so we continue to support recovery in disaster-stricken areas by offering hot meals, delivered by employees embodying our signature hospitality. We are also working together with our business partners in joint initiatives.



Support meals prepared by Group staff      Sawayaka Koryukan Pluto

Cultivating the Next Generation

The Royal Group provides establishment tours for elementary school students, sends instructors to junior high schools to give lectures, and accepts students for work experience, allowing them to get first-hand experience working in the restaurant industry. The work experience program provides learning opportunities, such as the proper way to conduct oneself as part of society while helping students develop their future career mindset and work ethic.

We also carry out industry-academia collaboration projects at universities and vocational schools. To help students design their future career plans, we provide them with practical experience in areas such as product development and marketing that cannot be gained through theory and analysis alone. By giving them the chance to communicate with students and offer ideas from new perspectives, this initiative aims to spur growth for the employees who take part in the project and for the Company as a whole.



A Royal Host manager giving a speech to a junior high school career class      Accepting junior high school students for work experience      Industry-academia collaboration project with confectionery and culinary school



# Corporate Governance

## Basic Stance

Drawing from the Royal Credo, the Royal Group has positioned thorough compliance with laws and regulations and adherence to corporate ethics as high priority management issues. Addressing these issues is crucial to achieve sustainable growth, generate corporate value over the medium to long term, and build long-term trust relationships with shareholders and other stakeholders. Specifically, as a food-based 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-based 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, under which the Board of Directors and executive officers appoint officers entrusted with the oversight of businesses, subsidiaries, or other meeting bodies of the Group. It has also established the Management Council, comprising directors and executive officers, to discuss management issues and other matters concerning the Group. Moreover, it has established the Strategic Council,

which is composed of the president and appointed 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 Strategic Council, 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 appointed officers 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 seven members. They 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. Ten members work under the head of the department to formulate quality assurance standards for the entire Group and to conduct quality assurance audits.

## 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 13 executive officers who are also presidents of subsidiaries. The council meets once a month in principle to discuss the Group's current situation and management issues, aiming to maximize corporate value.
Strategic Council	The Strategic Council 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

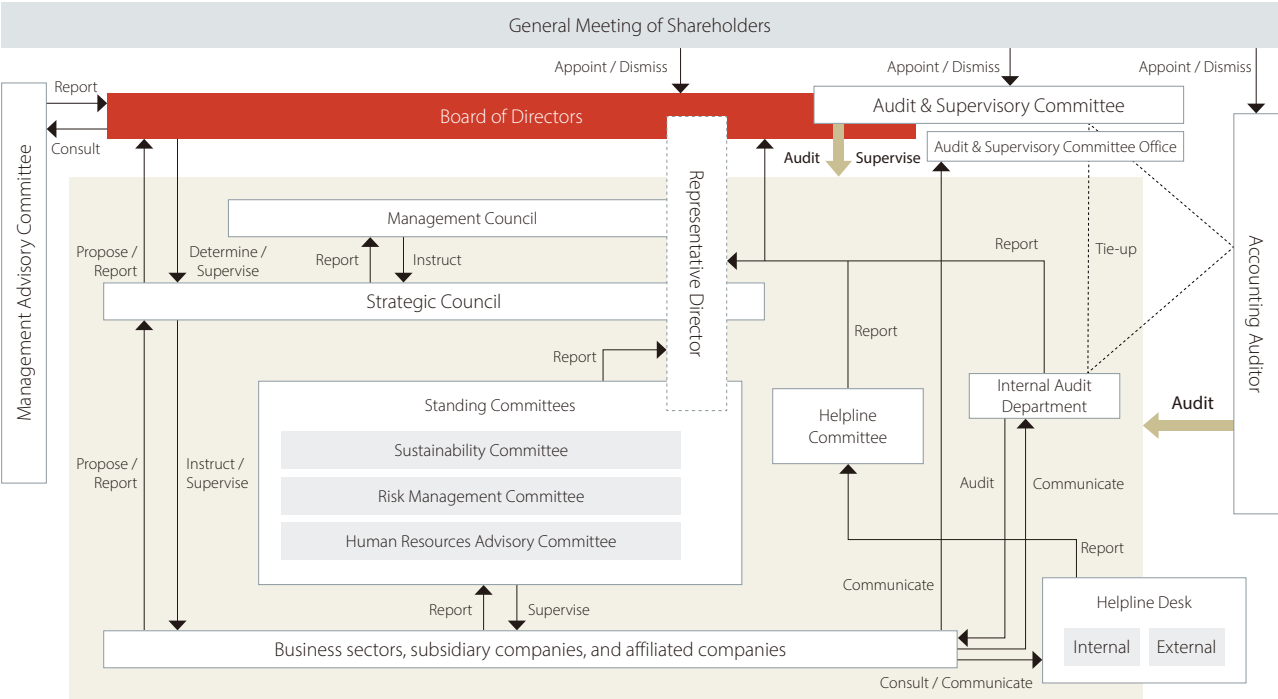


Management Advisory Committee



Strategic Council

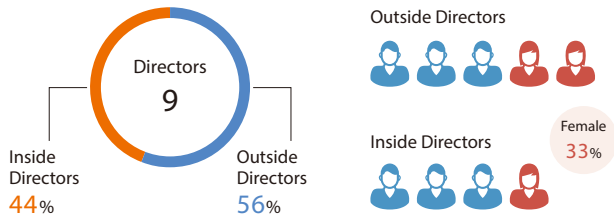
## Corporate Governance Structure (As of March 28, 2024)





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 handing 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 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.



CEO Succession Plan

The President and CEO plays an integral role in the Company's effort to achieve sustainable corporate growth and increase its corporate value over the medium to long term. Knowing this, we have developed a succession plan to ensure that an ideal successor can be found and appointed with optimal timing.

In fiscal 2023, we conducted selection assessments and sent employees to external training programs with the aim of building a pool of future management candidates. The continued

implementation of these initiatives is part of a three-year plan to cultivate potential successors at an early stage and in a deliberate manner, including candidates for future presidents of operating companies and for executive officers. The Company's Board of Directors will continue to be actively involved in this process and appropriately oversee the development and implementation of the succession plan, based on the Company's management philosophy and specific management strategies.

Officer Compensation

We uphold the following basic policy regarding officer compensation.

• Directors (excluding outside directors and Audit & Supervisory Committee members)

Compensation comprises three components: Basic compensation provided as a fixed amount, performance-linked compensation provided as a bonus linked to consolidated net profit, and stock compensation linked to the medium-term management plan and other factors. Compensation is set at a level that will enable the Company to secure talented personnel, capable of ensuring Company growth and realizing the Group Vision, and to function sufficiently as an incentive to promote the sustainable improvement of corporate value.

• Outside Directors (excluding Audit & Supervisory Committee members)

Outside directors receive basic compensation as fixed amount in light of their role and to preserve their independence. The amount of compensation is determined based on several factors, including compensation levels at other companies.

(Fiscal 2023)				
		Fixed compensation	Variable compensation	
		(millions of yen)		
	Applicable directors	Basic compensation	Performance-linked compensation	Stock compensation (non-monetary)
Directors (excluding Audit & Supervisory Committee members and outside directors)	3	77	57	18
Directors (Audit & Supervisory Committee members)	4	26	–	–
Outside directors	3	14	–	–

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

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 2023. 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 going forward.

Target	All members of the Board of Directors in fiscal 2023 (including concurrent members of the Audit & Supervisory Committee)
Evaluation and analysis method	Open questionnaire
Description of questions	<b>Questions were provided under five main categories</b> ① Board composition ② Board operations ③ Meeting agenda and contents ④ Board support systems ⑤ Other issues and opinions
Overview of the results	<b>① Board composition</b> • 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. <b>② Board operations</b> • 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 clearly stating the key points of discussion. <b>③ Meeting agenda and contents</b> • The selection and number of agenda topics are appropriate, with discussions taking place regarding the overall direction of the Company. • To improve the effectiveness of the Board of Directors further, it is necessary to set appropriate agenda topics that take into account the business environment. <b>④ Board support systems</b> • 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.
Initiatives going forward	• Utilize the Strategic Council to promote deeper exploration of issues and sort out the key points of discussion • Further enhance discussions regarding the long-term vision, the next medium-term management plan, risk management, and compliance

Message from an Executive Officer



**Akitsugu Morinaga**  
Executive officer in charge of corporate planning and legal affairs

In an effort to reinforce business execution and promote cooperation across the Group, we have established a Strategic Council, where executive officers and other members can discuss and share information about Companywide issues and large-scale investments.

In fiscal 2023, the Council placed a high priority on agenda topics aimed at bringing the Company toward a ideal system of governance. These topics included structural factors such as changes in the working population and creating synergies between the Company's food and accommodation businesses.

With regard to separation between management and execution, the Board of Directors determines the Company's major management policies, while the Strategic Council discusses and considers measures, which are then brought up to the Board of Directors and Management Council for discussion.

Fiscal 2023 was a year of major shifts in the post-COVID business landscape. We find ourselves at a point where it is all the more important to adopt a medium- to long-term perspective as we work simultaneously to address the challenges at hand in a timely and appropriate manner. Looking back, there were many groundbreaking events, such as energy issues, geopolitical risks, the lifting of negative interest rates, and fluctuations in exchange rates, but both the management and execution sides came together to deal with each one with the right sense of urgency.

In this rapidly changing business environment, "true governance" means responding to variety of issues in a timely and appropriate manner while remaining mindful of the medium- to long-term, and achieving continuous growth. I intend to keep up my efforts to make this possible at the Royal Group.



# 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, human-made disasters (accidents, etc.), and changes in the social landscape in a prompt and accurate manner.

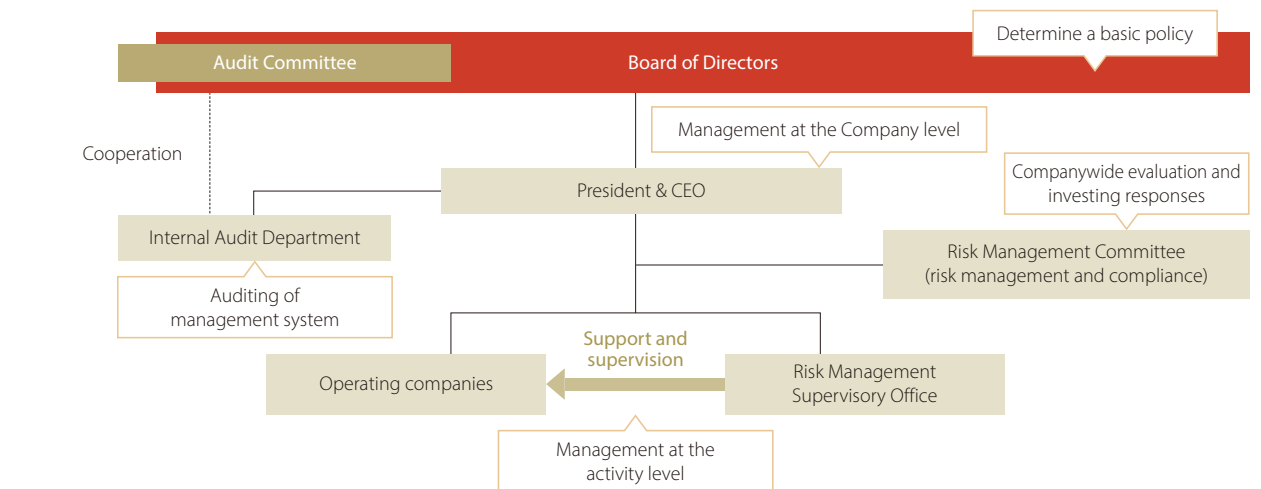
## Major Risks and Measures

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	<p>▶ External Factors</p> <ul style="list-style-type: none"> <li>• Changes in the business environment</li> <li>• Intensifying competition</li> <li>• Labor shortages</li> <li>• Unstable situations overseas</li> <li>• Increased frequency and scale of natural disasters</li> </ul>	<p><b>Strengthen control functions, centering on executive officers</b></p> <p><b>Promote cross-sectional involvement via the Risk Management Supervisory Office</b></p>
	<p>▶ Management Strategy</p> <ul style="list-style-type: none"> <li>• Lower earnings due to investments and acquisitions</li> <li>• Possible inability to continue new businesses gained through investments and acquisitions</li> <li>• Delayed development of new products and business formats</li> <li>• Insufficient research into the business environment</li> </ul>	<p><b>Enhance corporate governance structure</b></p>
	<p>▶ Corporate Responsibility and Sustainability</p> <ul style="list-style-type: none"> <li>• Late or insufficient efforts as a Group</li> <li>• Increased costs from providing response</li> <li>• Greater demands due to stronger regulations in Japan and overseas</li> </ul>	<p><b>Strengthen all-round response via the Sustainability Headquarters</b></p> <p><b>Promote target items and disclose information</b></p>
Business Operations and Management Infrastructure	<p>▶ Supply Chain</p> <ul style="list-style-type: none"> <li>• Increase in the cost of ingredients and other items</li> <li>• Greater demand for quality assurance from society</li> <li>• Shortage of human resources in logistics</li> <li>• Insufficient management system for purchased goods and in-house products</li> <li>• Greater demand for food safety from society</li> </ul>	<p><b>Develop more sophisticated processes for production, development, purchasing, and quality assurance</b></p>
	<p>▶ Legal Affairs, Compliance, and Governance</p> <ul style="list-style-type: none"> <li>• Stricter labor laws and regulations</li> <li>• Strengthening of various regulations</li> <li>• Delayed compliance and insufficient guidance</li> <li>• Decline in profitability due to changes in accounting and taxation systems, etc.</li> </ul>	<p><b>Utilize the Corporate Planning Department, Legal Affairs Office, and Financial Division to collect and analyze information</b></p>
	<p>▶ Company Assets</p> <ul style="list-style-type: none"> <li>• Leaked technology and techniques due to improperly-trained human resources</li> <li>• Insufficient system for managing employee health</li> <li>• Increased accidents and damage caused by aging store facilities</li> </ul>	<p><b>Implement systematic human resource development and ensure a fair working environment</b></p> <p><b>Develop and implement plan for facility maintenance</b></p>
	<p>▶ Information Systems</p> <ul style="list-style-type: none"> <li>• Loss of trust due to personal information leaks</li> <li>• Loss of trust and decline in profitability due to leaks of confidential information</li> <li>• Suspension of store operations due to suspension of payment functions</li> </ul>	<p><b>Promote thorough management via the Human Resources Department, Corporate Planning Department, Information Systems Division and Public Relations Division</b></p>
	<p>▶ Sales and Marketing</p> <ul style="list-style-type: none"> <li>• Decline in competitiveness due to insufficient consideration of our brand strategy</li> </ul>	<p><b>Rebuild existing brands</b></p>

## 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 in January 2023, 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. Weekly meetings are also held to share information and discuss responses to major risks and the progress thereof. These meetings are primarily attended by executive officers.



## Message from an Executive Officer



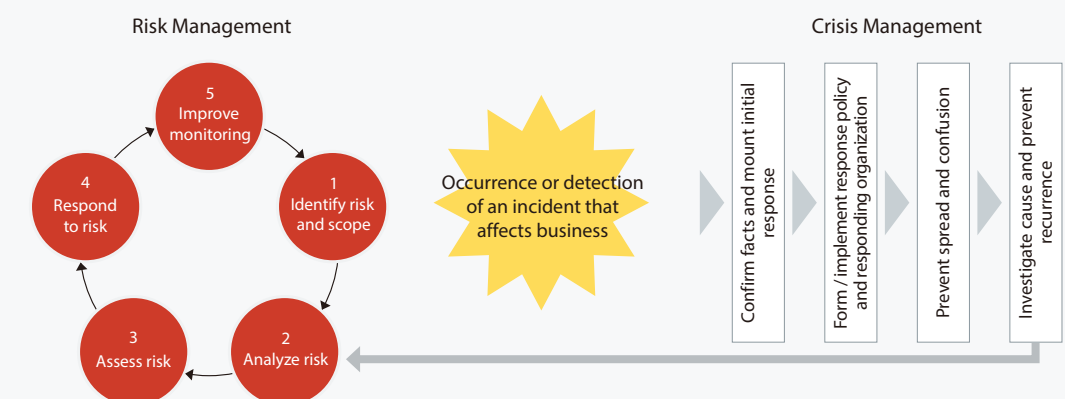
**Kenichiro Uehara**

Executive Officer in charge 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 2023, we quickly developed a response policy after COVID-19 was re-classified as a Class 5 infectious disease, down from Class 2. In addition, we increased the number of disaster drills and changed the content of the drills to be more practical. As always, we are keeping a close eye on other risks to 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 inspect and maintain facilities on a regular basis. We also introduced e-learning for employees in fiscal 2023 as a way to increase knowledge, with over 1,700 employees taking the course over the year.

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.



## List of Directors

(As of March 27, 2024)

## Tadao Kikuchi Chairperson

1988 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

2018 Outside Director of QB Net Holdings Co., Ltd.

2019 Chairperson of the Company (present)

2020 Distinguished Professor of the Graduate School of Management, Kyoto University

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)

## Atsuko Fujita Director

1989 Joined the Company

2015 General Manager, Human Resources Department of Royal Management Co., Ltd.

2016 General Manager, Human Resources Planning Department of the Company, and Director and General Manager, Human Resources Department of Royal Management Co., Ltd.

2018 Executive Officer in charge of human resources and General Manager of Human Resources Planning Department of the Company, and Director and General Manager, Human Resources Department of Royal Management Co., Ltd.

2022 Executive Officer in charge of human resources planning and General Manager of Human Resources Planning Department of the Company, General Manager of Human Resources Planning Department of Royal Management Co., Ltd.

2023 Executive Officer in charge of the Food Manufacturing segment of the Company, and President and Representative Director of Royal Co., Ltd. (present)

2024 Director in charge of sustainability, General Manager of Sustainability Headquarters, and General Manager of the Sustainability Promotion Department 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

Outside Director of TRY Inc.

Director of DaiTanViet Joint Stock Company

## Tomoatsu Kimura Director (Full-Time Audit &amp; Supervisory Committee Member)

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 General Manager 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)

2024 Director and Full-Time Audit & Supervisory Committee Member of the Company (present)

## Hitomi Nakayama Outside Director (Audit &amp; 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)

2022 Outside Audit and Supervisory Board Member of Japan Post Co., Ltd. (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

Outside Audit and Supervisory Board Member of Japan Post Co., Ltd.

## Mayumi Umezawa Outside Director (Audit &amp; 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

## Koichiro Sakamoto Outside Director (Audit &amp; Supervisory Committee Member)

1981 Joined Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)

2006 General Manager, Administration Department of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)

2008 General Manager, Marunouchi-Chuo Branch Division II of Mizuho Bank, Ltd.

2010 Executive Officer, General Manager, Internal Audit Division of Mizuho Bank, Ltd.

2011 Executive Officer of Taiyo Oil Company, Limited

2014 Managing Executive Officer of Taiyo Oil Company, Limited

2017 Director, Managing Executive Officer of Taiyo Oil Company, Limited

2020 Outside Corporate Auditor of Nippon Steel Kowa Real Estate Co., Ltd. (present)

2020 Outside Audit & Supervisory Board Member of Nippon Hume Corporation (present)

2024 Outside Director and Audit & Supervisory Committee Member of the Company (present)










**Important positions held at other companies**

Outside Corporate Auditor of Nippon Steel Kowa Real Estate Co., Ltd.

Outside Audit & Supervisory Board Member of Nippon Hume Corporation



Skills Matrix

	<div><div>Tadao Kikuchi Chairperson</div><div>Male Reappointed</div></div>	<div><div>Masataka Abe President and Representative Director</div><div>Male Reappointed</div></div>	<div><div>Atsuko Fujita Managing Director</div><div>Female</div></div>	<div><div>Ryutaro Hirai Outside Director</div><div>Male Reappointed Outside</div></div>		<div><div>Hiroto Murai Outside Director</div><div>Male Reappointed Outside</div></div>	<div><div>Tomoatsu Kimura Full-Time Audit &amp; Supervisory Committee Member</div><div>Male</div></div>	<div><div>Hitomi Nakayama Audit &amp; Supervisory Committee Member</div><div>Female Reappointed Outside Independent</div></div>	<div><div>Mayumi Umezawa Audit &amp; Supervisory Committee Member</div><div>Female Reappointed Outside Independent</div></div>	<div><div>Koichiro Sakamoto Audit &amp; Supervisory Committee Member</div><div>Male Outside Independent</div></div>
Corporate 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	○			○		○			○	○

Roles and Skills	Reasons for Appointment
Company management and business operations	As a company that develops a variety of businesses centered on food and hospitality, we need directors with broad knowledge and experience regarding corporate management and business operations, such as looking at changes in the business environment and allocating management resources to create a suitable business portfolio and create Group synergies.
Sales and marketing	In light of our wide range of businesses and their varying characteristics, we need directors with knowledge and experience with regard to business operations such as food preparation, service, establishment management, food production, and quality control, which they can use to assess proper formulation and implementation of strategies that meet changes in conditions and demand.
Finance and accounting	In addition to the knowledge required to ensure proper financial reporting, we need directors with the knowledge of finance and accounting needed to establish a solid financial foundation for sustainable growth, promote investment in growth areas, and formulate financial strategies that will ensure appropriate returns to stakeholders.
Human resources, labor, and human resource strategy	As a company with businesses centered on food and hospitality, we need directors with knowledge and experience in human resources, which includes maintaining compliance, ensuring the quality and quantity of human resources, human resource development, and formulating human resources strategies that leverage different work styles to maximize the hospitality and ability of each employee.
Legal affairs and risk management	As a company with businesses operating in a wide variety of business domains, we need directors with the ability to grasp amendments to laws and changes in risk factors that arise in each of these domains, and then work toward a suitable legal response and measures that will improve risk management and compliance, leading to sustainable growth from smooth business.
Planning and development, innovation, and DX	We need directors with knowledge and experience in areas such as improving planning and development capabilities, which can be put toward sustainable growth from the development of new services and business formats. We also need directors who are capable of utilizing DX to innovate operations and fuse digital technology and hospitality to create unique value.
Sustainability	To ensure the social and environmental sustainability needed to ensure business continuity, we need directors who will actively address sustainability issues in our business domains and oversee the formulation and implementation of sustainability and CSR strategies that aim for coexistence and prosperity with stakeholders.
International experience	In light of the impact of import and inbound trends on the Company's business, the importance of entering new growth areas, and the importance of learning from overseas examples, we need directors who have insight into international situations, an attitude that respects cultural diversity, and an international network of contacts.

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.
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.
Koichiro Sakamoto	Mr. Sakamoto has been appointed as an outside director and Audit & Supervisory Committee member based on his business experience working for many years at financial institutions and his broad insight. It is expected that he will continue to make appropriate recommendations regarding the overall management of the Company.

## Messages from Outside Directors



**Ryutaro Hirai**  
Outside Director

As someone with experience as an executive at a general trading company, I would like to fulfill two key roles. The first is to leverage my global business experience to propose ideas for growing the Group's overseas business. The Group's overseas business is progressing smoothly, with store openings of Tendon Tenya ongoing in areas such as Thailand and the Philippines, as well as the fiscal 2024 opening of Royal Host's first overseas directly-operated store in Singapore. I believe that new business opportunities springing up in emerging countries, where population growth is expected to drive up consumption, will lead to a dramatic leap in the scale of the Group's earnings. Based on this, the Group needs to quickly bring its projects to fruition going forward. Sojitz Corporation will continue to contribute to the growth of overseas businesses by leveraging its global network to introduce overseas partners and share its post-merger integration (PMI) know-how.

Secondly, I would like to offer ideas for strengthening Group governance. As a general trading company, Sojitz Corporation is completely different business-wise from the Royal Group, but they both operate a wide range of

businesses. From that perspective, strengthening Group governance is important, and this holds true for overseas business as well. There are plenty of areas where the know-how of Sojitz Corporation can be put to good use and I believe this is another aspect where my experience can be an asset.

In addition, as a measure to address the labor shortage and increased fluidity in the labor market following the COVID-19 pandemic, the Royal Group is working to bring people together. One way it is doing this is by stepping up investment in human resources, which includes reviewing employee compensation systems and providing elective training for executive and female managerial candidates. The Group has also started taking advantage of the many different business formats of companies under its umbrella by using in-Group job rotation as a way to develop management-level human resources. It will take some time for the results of these efforts to show, but I hope that a diverse group of employees will develop into candidates for future executive positions.

In fiscal 2023, the Board of Directors held thorough, multi-faceted discussions and decided on a range of specific measures aimed at transformation and future growth, as well as management system reforms and their effective operation to support these measures. The challenge for fiscal 2024, the final year of the Group's medium-term management plan, is how to carry out this transformation and make a clear link to future growth. Furthermore, as business performance recovers and accelerates, the insufficient workforce on the ground is becoming a more and more pronounced issue, so I think it is important to address this with personnel-related measures.

In the portfolio defined in its medium-term management plan, the promotion of specific measures in categories 2, 4, and 5 is critical to ensure the Group's future growth. Various projects are already underway, but it will be difficult to ensure success with the Royal Group's internal resources alone. Therefore, I would like to increase the likelihood of each initiative's success by further promoting the alliance with Sojitz Corporation and using Sojitz's global network to enhance collaboration with new partners.

At the same time, naturally, risks increase as the reach of a business and the scale of investment expand. To mitigate this, the Group needs to be fully aware that not all business will go as planned and therefore gain an accurate understanding of the characteristics of both existing and new assets, consider multiple risk scenarios, get a quantitative grasp of risks in the face of unexpected fluctuations in external and internal parameters, and develop a system for constantly considering and assessing measures that will reduce these risks.



**Hitomi Nakayama**  
Outside Director  
(Audit & Supervisory  
Committee Member)

Of the Group's diversity and inclusion initiatives, I am particularly focused on the active participation of women in the workforce. It is particularly noteworthy that the Company now has a female director who has been with the Company for many years. I fully expect her to make full use of her experience in the field, as well as her involvement in management as an executive officer, in this role, and I believe that she will bring new strength to the Company and serve as a role model for the women who follow in her footsteps.

When we frame efforts in our minds to promote the active participation of women, it is important that we do not think of it as preferential treatment or that it is solely for the sake of women. Instead, employees need to understand that an environment where women feel comfortable working is, more accurately, an environment where everyone can feel comfortable working. We currently face a serious labor shortage, with no end on the horizon. If the Royal Group cannot become a prime

choice for women workers, it cannot guarantee sustainable growth either.

In addition, the Royal Group is one with considerable brand power, but this comes with considerable reputational risks. To address this, all employees need to have a strong awareness of compliance befitting of a leading food and hospitality company. The Company has an excellent management philosophy, which, when interpreted from a compliance perspective, can be understood to mean 1) providing valuable and attractive products to customers, 2) ensuring that those products are safe and secure, and 3) contributing to society through its business. This philosophy is shared across all its businesses and, whenever in doubt, you cannot go wrong if you always refer back to it.



**Mayumi Umezawa**  
Outside Director  
(Audit & Supervisory  
Committee Member)

My most important role as an outside director is to utilize my expertise as a certified public accountant and support the Company's sustainable growth from the perspectives of accounting and risk management. To fulfill its social role as a listed company, the Board of Directors and Audit and Supervisory Committee closely monitor the Company's status from an outside perspective to confirm whether its true circumstances are being recognized and handled appropriately. In addition, I make sure to utilize my managerial experience at an operating company to ensure I play an involved role in the active participation of women, which is a focal point for the Company at present. I also have high hopes that the appointment of a female director from within the Company in fiscal 2024 will bring a diverse perspective to future discussions.

One of the strengths of our Group is its deep pool of human resources who combine a full spectrum of experiences with a high level of hospitality. That being said, I think there is still room for improvement in terms of

whether these people are using their abilities to the fullest. I believe that the Royal Group can grow even further by reinforcing the unique human capital working across the Group's many businesses. It is therefore important that the Group intertwines its management strategy with the strengthening of its human capital even more than it already has.

Additionally, progress has been made in Groupwide Customer Relationship Management (CRM) initiatives, and the progress the Group has made in implementing these initiatives constitutes a major achievement. To date, there have been few Groupwide initiatives and it seems that many people still do not know that Royal Host and Richmond Hotel are run by the same Group. I think the Royal Group needs to make people more aware that it is, in fact, a "group" and not just a mishmash of businesses. In that sense, I hope that the new CRM will work as a valuable platform for customers who enjoy what the Royal "Group" has to offer.



**Hiroto Murai**  
Outside Director

I have always known that Royal Host was one of the driving forces in Japan's restaurant industry, providing high-quality food and service that was highly rated by customers. Upon assuming my new position as an outside director, I was reminded that the Company's portfolio is actually quite diverse, including restaurant chains such as Tendon Tenya and Sizzler, a contract business that includes food court management at highway service areas, as well as a hotel business, and this breadth was a pleasant surprise.

In addition to the recent establishment of laws to supplement the Companies Act, there have been active efforts toward healthy capital market reform, including revisions to Japan's Corporate Governance Code and Stewardship Code, and these developments require close monitoring. However, the most important thing when it comes to corporate governance is how a company builds and operates a system that enables it to grow continuously and together with all stakeholders, including customers,

employees, business partners, and shareholders. A company is akin to a living thing, so I think it is important to operate systems according to the current situation of the Company and create an organic structure.

Having worked in the financial and manufacturing industries for many years, I find it refreshing to be a part of the Company's business, where we can directly experience the praise of its customers. On the other hand, I believe that my lack of experience in BtoC business enables me to offer useful insights from an outsider perspective. As an outside director, I hope to take advantage of various opportunities to understand the actual conditions at each business and make efforts to provide useful suggestions for the wide range of measures currently being implemented, thereby supporting growth that delivers value to all stakeholders related to the Company.



**Koichi Sakamoto**  
Outside Director  
(Audit & Supervisory  
Committee Member)



Financial and Non-Financial Highlights (Fiscal 2013–2023)

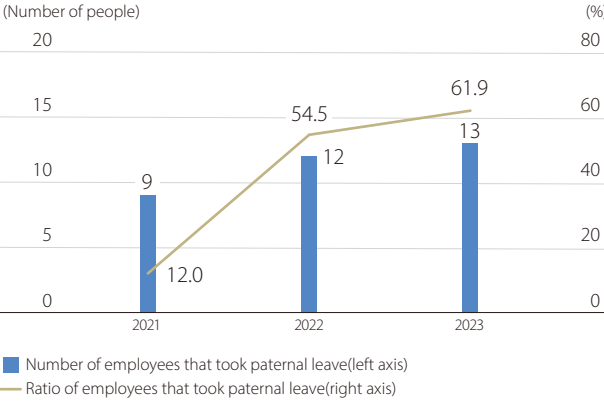
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Operating Results</b> (Millions of yen)											
Net sales	120,730	124,857	130,327	133,025	135,563	137,701	140,578	84,304	83,975	104,015	138,940
Operating income (loss)	3,498	4,417	4,899	5,222	5,952	5,709	4,648	(19,269)	(7,366)	2,192	6,074
Ordinary income (loss)	3,761	4,579	5,021	5,205	6,056	5,765	4,639	(19,855)	(4,498)	2,156	5,266
Profit (loss) attributable to owners of parent	1,663	1,866	2,728	2,377	3,533	2,791	1,923	(27,532)	(2,873)	2,754	4,035
<b>Financial Position</b> (Millions of yen)											
Total assets	79,583	81,916	90,912	94,070	97,138	99,262	102,540	105,896	109,767	123,570	125,869
Net assets	43,338	44,588	46,634	48,234	51,973	51,125	52,028	21,011	33,999	44,808	47,821
<b>Per-Share Information</b> (Yen)											
Earnings per share	43.14	48.40	70.79	62.18	93.06	73.71	51.54	(737.44)	(68.60)	52.86	76.82
Net assets per share	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	905.66
Dividend per share	14	16	20	20	26	28	28	0	5	10	20
<b>Cash Flows</b> (Millions of yen)											
Cash flows from operating activities	7,377	8,206	8,179	9,212	9,350	8,478	9,849	(7,234)	(1,886)	7,389	12,536
Cash flows from investing activities	(5,453)	(4,931)	(5,081)	(5,961)	(4,279)	(6,121)	(5,941)	(9,918)	2,061	(8,552)	(6,593)
Cash flows from financing activities	(2,031)	(3,395)	(3,366)	(2,650)	(2,580)	(4,591)	(4,774)	26,590	9,070	3,702	(5,197)
<b>Management Indicators</b> (%)											
Return on equity	4.0	4.3	6.1	5.1	7.2	5.5	3.8	–	–	7.0	8.8
Return on assets	4.8	5.7	5.8	5.6	6.3	5.9	4.6	–	–	1.8	4.2
Equity ratio	53.7	53.6	50.4	50.3	52.5	50.3	49.6	19.7	31.0	35.8	38.0

Non-Financial Data

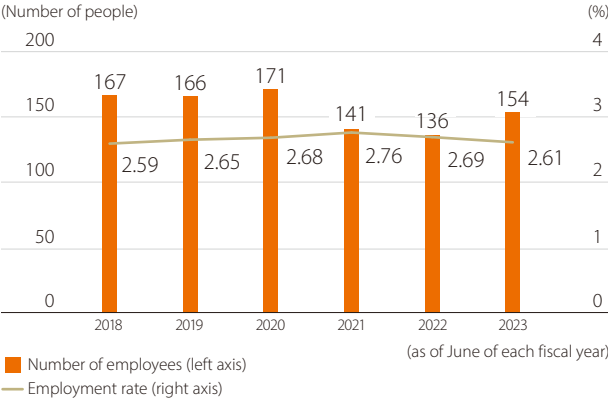
Number of Employees (Consolidated) / Ratio of Women in Managerial Positions (Consolidated)



Number of Employees that Took Paternal Leave / Ratio of Employees that Took Paternal Leave

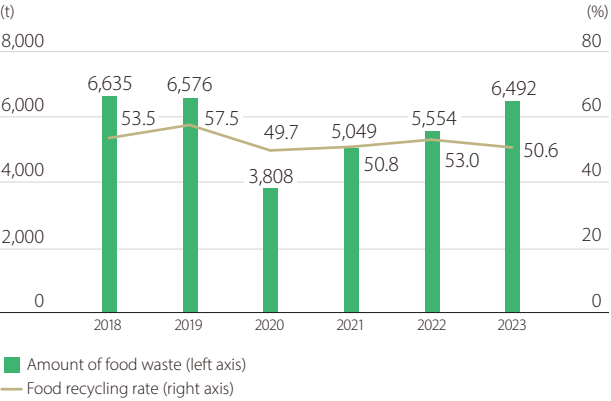


Number of Employees with Disabilities and Employment Rate



Note: The legally mandated employment rate is 2.3% (as of March 2021).

Amount of Food Waste / Food Recycling Rate



Note: The target food recycling rate for the Restaurant Business and Food Manufacturing segments is 50%.

# Corporate Data (As of December 31, 2023)

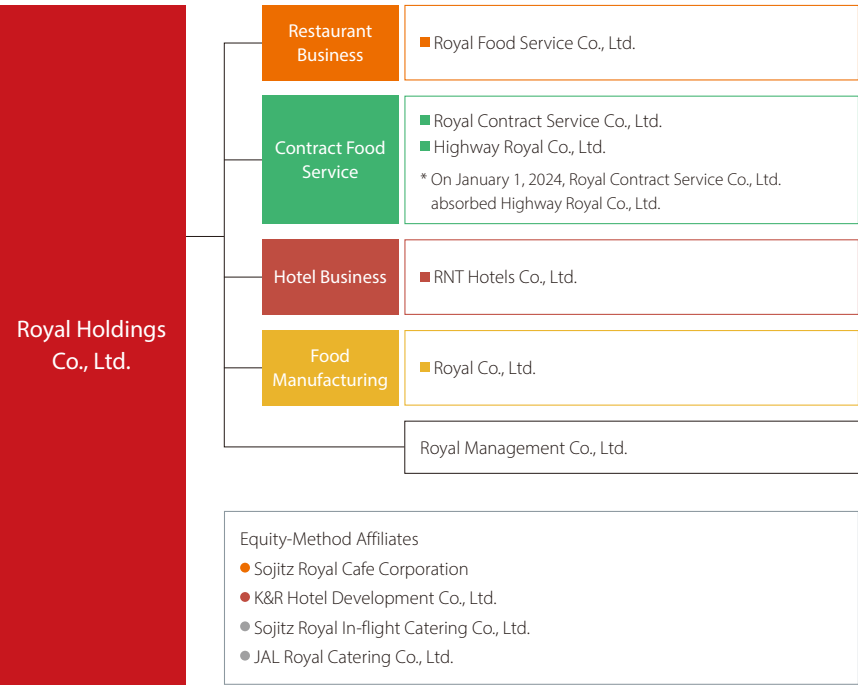
## Company Information

Company Name	Royal Holdings Co., Ltd.
Date of Establishment	April 1950
Capital	¥17,830,138,262
Number of Employees	1,855 (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: <a href="https://www.royal-holdings.co.jp/en">https://www.royal-holdings.co.jp/en</a>
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	28,368

## Group Overview

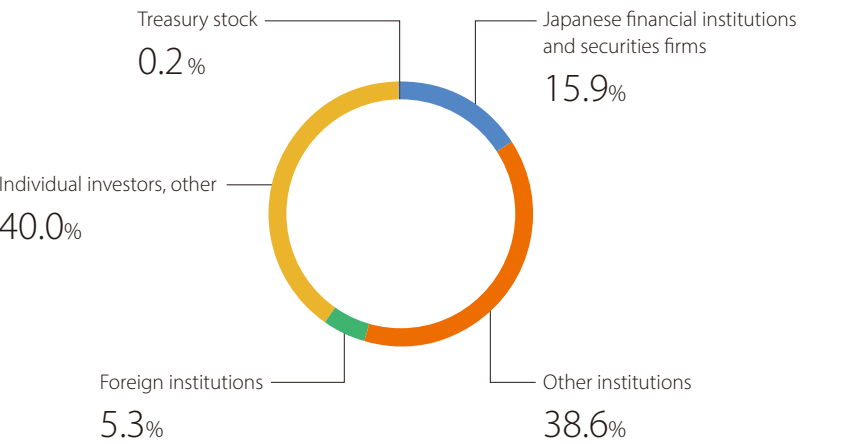


## Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Shareholding Ratio (%)
Sojitz Corporation	9,933	19.97
The Master Trust Bank of Japan, Ltd. (Trust account)	3,250	6.53
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)	953	1.92
Nippon Life Insurance Company	803	1.61
THE NISHI-NIPPON CITY BANK, LTD.	765	1.54
HANEWFOODS INC.	692	1.39
Isetan Mitsukoshi Holdings Ltd.	681	1.37

Note: In addition to the above, the Company has 118,000 treasury shares (0.24%). This amount excludes Company shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the employee incentive plan "Stock Benefit Trust (J-ESOP)" and the performance-linked stock compensation plan "Stock Benefit Trust (BBT)" which are presented as treasury shares in consolidated financial statements and non-consolidated financial statements.

## Breakdown of Shareholders by Investor Type



## Stock Price

Note: January 2020–May 2024

