

ROYAL

fine food is our business

Medium-Term Management Plan 2022-2024

**-From "Revitalization and
Transformation" to "Growth"**

Royal Holdings Co., Ltd.

February 14, 2022

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1. Review of the Previous Medium-Term Management Plan

1-1. Outline of Previous Medium-Term Management Plan

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◆ Numerical Targets of the Previous Medium-Term Management Plan

(100 million yen)

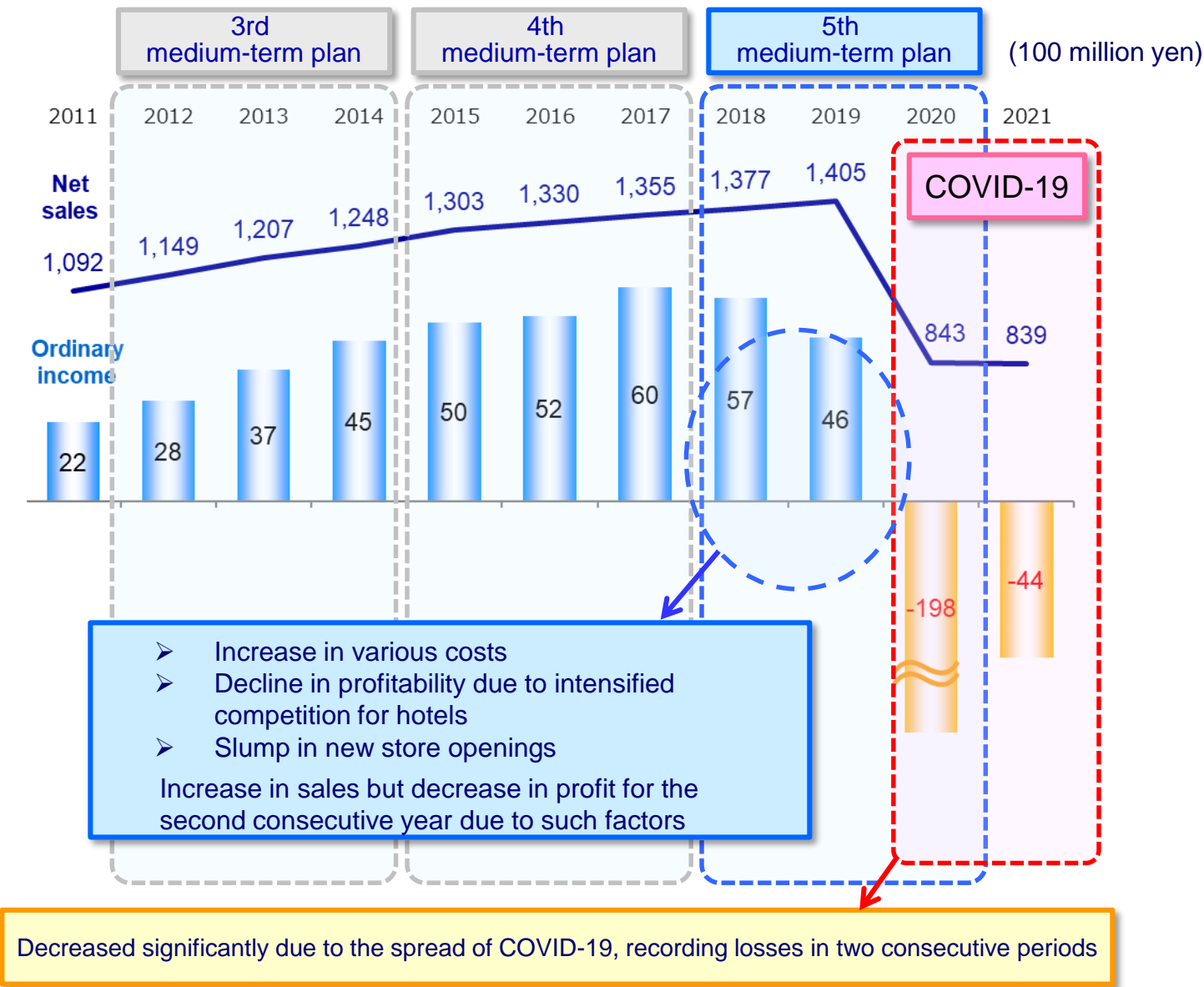
	FY2017 Results	Previous Plan FY2020	Change
Net sales	1,355	1,500	+ 145
Ordinary income	60	75	+15

◆ Priority Measures in the Previous Medium-Term Management Plan

(2018-2020)

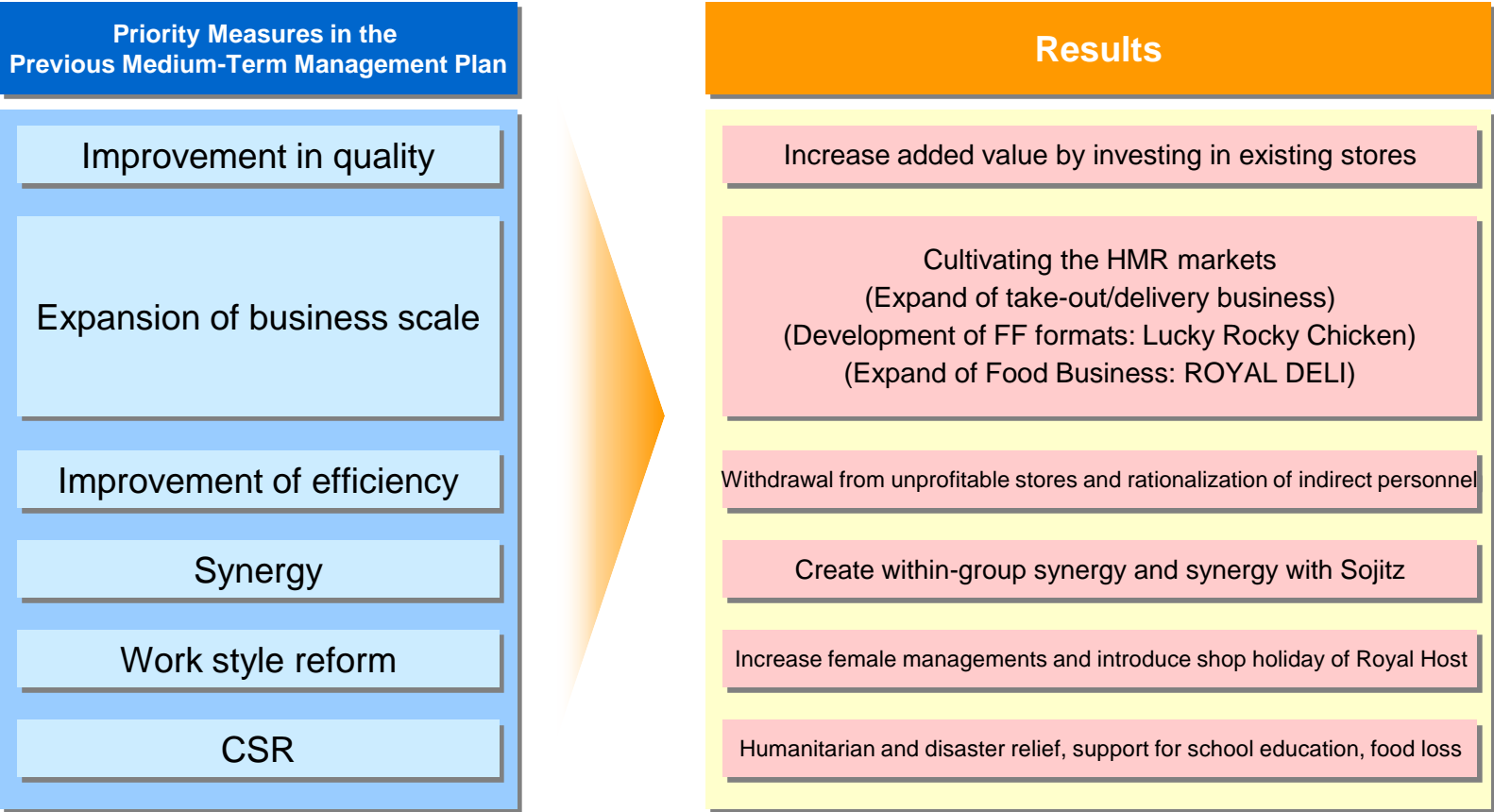
Improved Productivity	①Improvement in quality	Investments in existing stores	Pursuit of Food and Hospitality/Ideal Business Model		
	②Expansion of business scale	Store openings in existing formats	Haral/frozen meal	Overseas expansion	M&A
		Expansion of FC business		Develop new business formats Strengthen R&D	
	③Improvement of efficiency	Invest in in-flight catering and plants			
	④Synergy	Group synergy	Cooperation with other companies (logistics, purchases, etc.)		
⑤Work style reform	Recruitment of human resources	Healthy management	Diversity	Improvement of working environment	
⑥CSR	Social contribution	Creating a store that is indispensable to the community			

◆ Changes in net sales and operating income



1-3. Review of the Previous Medium-Term Management Plan ②

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From 2018 to 2019, we have steadily implemented priority measures and achieved a certain level of results.
Results for 2020 was significantly affected by COVID-19, forcing us to postpone or change the plan.

1-4. Review of the Previous Medium-Term Management Plan ③

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COVID-19 pandemic have a significant impact on all segments of our Group
→ It has been clear that the majority of our business relies on 'human mobility'.

Promoting Structural Reforms in FY2021

1. Response to Changes

Strengthen sales of take-out and delivery

High added-value strategy

Expansion of hotel sales channels

Revision of B&I contract

2. Management Efficiency

Reduction of fixed costs and reduction of rent

Organizational restructuring
(building an efficient system)

Liquidation of unprofitable stores

Optimization of various expenditures

3. Fostering Growth Fields

Expansion of the Food Product Business

Development of take-out formats

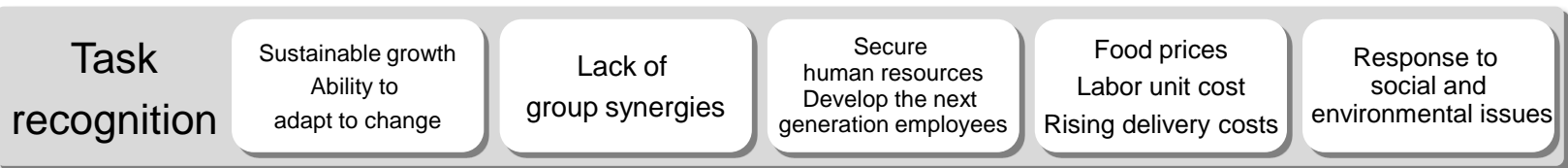
Although we have achieved certain results, such as responding to demand for HMR and reducing fixed costs, we are still in the process of structural reform toward "With COVID-19" era and will continue to promote the reform in FY2022 and beyond.

2 . Medium-Term Management Plan 2022-2024

-From "Revitalization and Transformation"
to "Growth"

2-1. Direction of the Medium-Term Management Plan

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«Vision for Medium-Term Management Plan»
Providing "food" and "hospitality" regardless of time and place

MISSION: Contributing to local communities and societies

VALUE: High quality, high added value, responsive to the times

From "Revitalization and Transformation" to "Growth"

Improve profitability of existing businesses

- Further enhance the added value in customer service
- Create new customer experience through CX
- Improve productivity through capital investment and system investment
- Cost reductions through SCM

Create strategic businesses

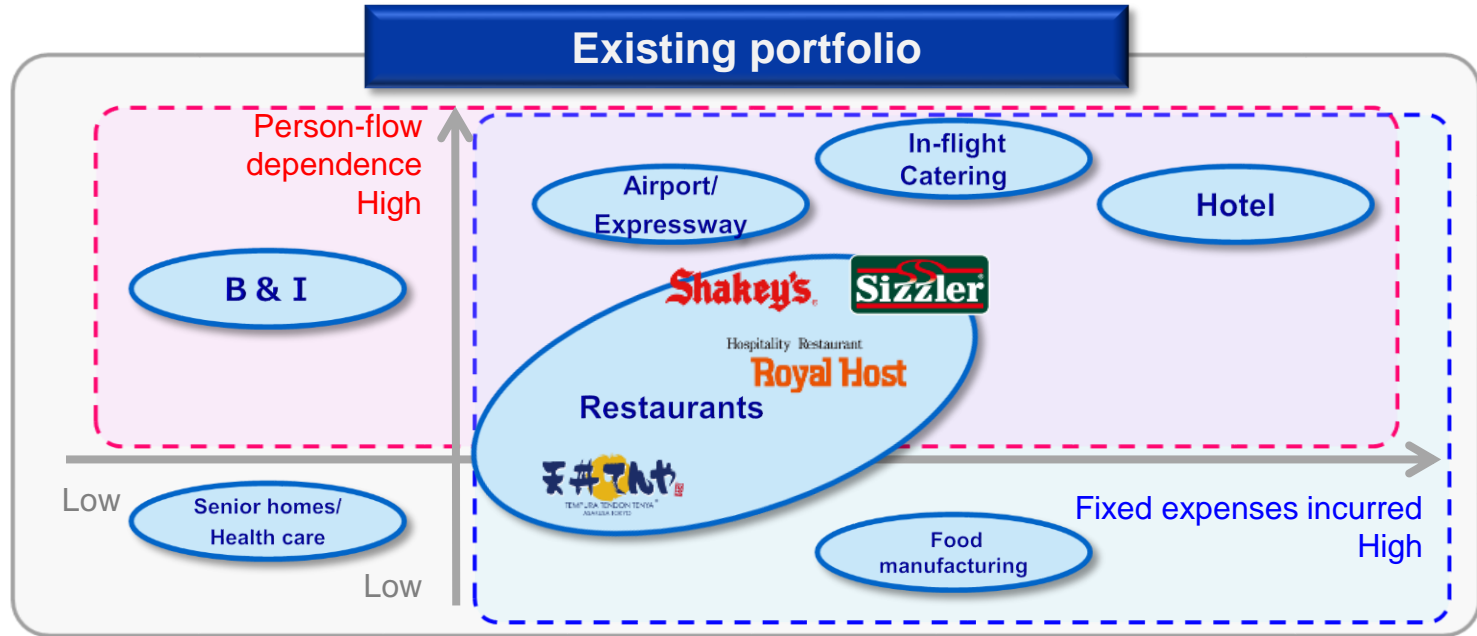
- Create strategic businesses through collaboration with Sojitz
- Cultivation of growing fields
(ROYAL DELI, Business Food, T/O Delivery)
- Promote overseas expansion

Response to changes

- Create new markets in each business
- Store openings with an eye on the future
- Develop new business models through digital transformation
- Development and growth of human resources

2-2. Portfolio Transformation

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<Issues arose from COVID-19>

Portfolio depending on
person flow

Increase in fixed costs

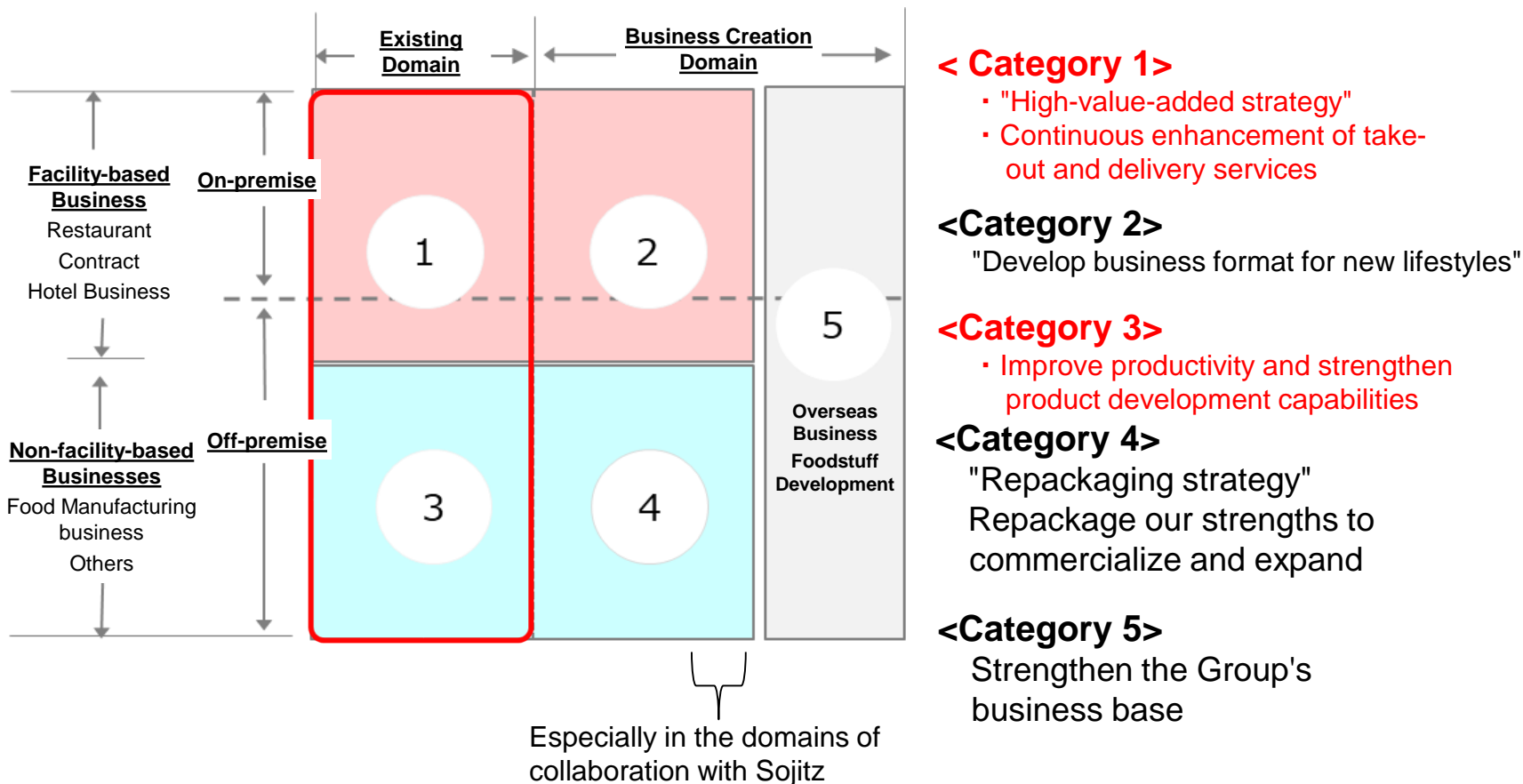
Lack of resilience
in each business

Under the medium-term management plan, we will redefine our business portfolio, which is exposed to vulnerabilities due to COVID-19, and redesign it to achieve sustainable growth in post - COVID-19 era.

2-3. Business Strategy Concepts①

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- Divide into "Existing domains," "Business creation domains," "On-premise" and "Off-premise"
- "Existing domains" explore strategies and operations in depth



(Note) "on-premise" refers to the provision of food and drinks and lodging services, etc. at the Company's own facilities.
"off-premise" refers to take-out and delivery services, etc.

2-4. Business Strategy Concepts②

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- 36% of the total amount for investment (3-year total) is planned to be invested in "business creation domains"
→ Increase in sales of approximately 10 billion yen

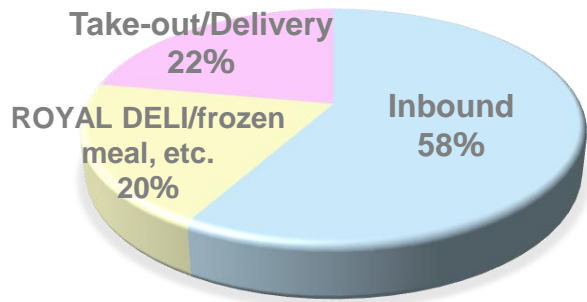
	Investment amount (3-year total)	Net sales (2021)	Net sales (2024)
Existing domains (①+③)	124	860 95%	1,293 90%
Business creation domains (②+④+⑤)	72	41 5%	150 10%
(Internal elimination)		(-61)	(-83)
EBITDA (3-year total)	346		

(Note 1) Investment in existing businesses (3-year total) does not include 7.7 billion yen for the acquisition of shares of Highway Royal, which has already been decided to acquire.

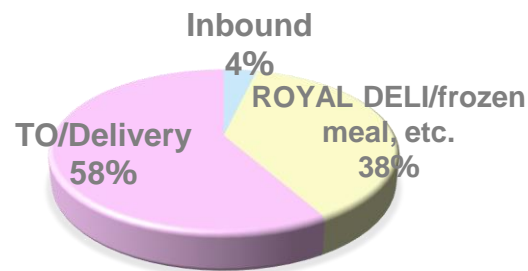
(Note 2) Figures in the lower right corner of net sales are composition ratios.

2-5. Business Strategy Concepts③

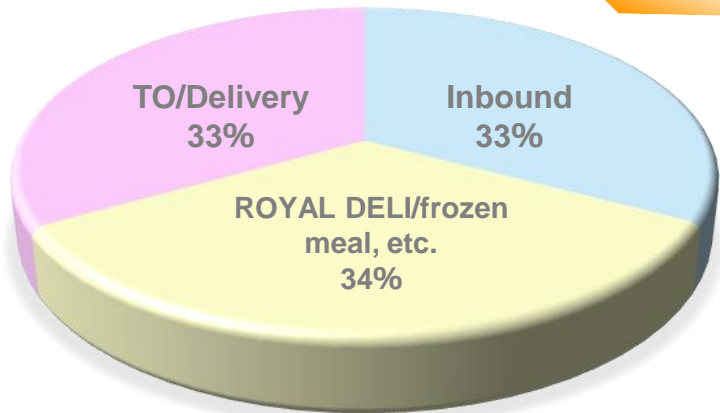
Changes in composition of inbound sales and off-premise sales



2019



2021



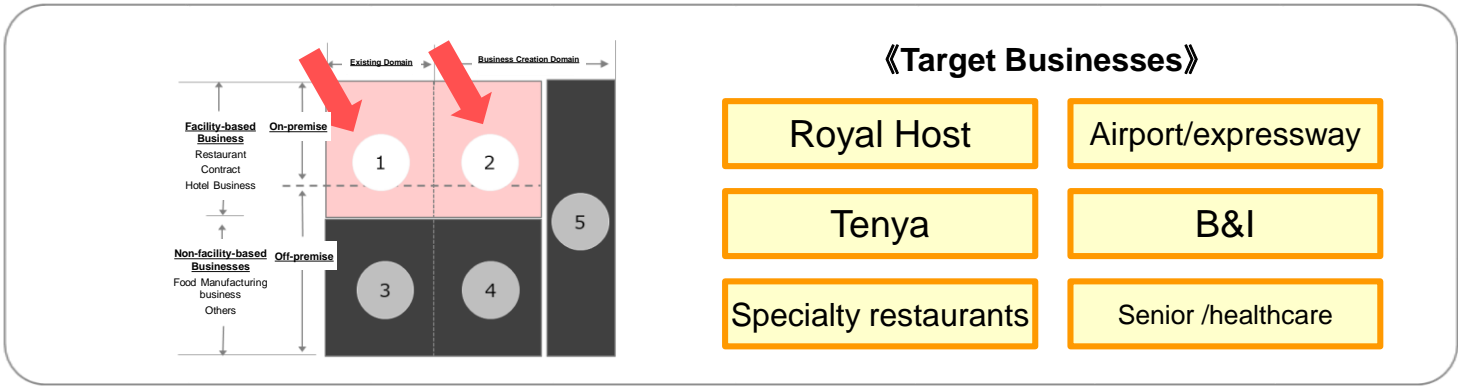
2024

- (Note 1) Inbound sales are calculated based on direct and indirect sales.
- (Note 2) Inbound sales does not include in-flight catering sales.

Strategically increase ratio of off-premise ratio

2-6. Business Strategies <Restaurant Business - Contract Food Service>

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- ◆ Continue to promote a **high-value-added strategy** in this our core areas, while comprehensively enhancing **customer experience value** through product development, renovation, and digital transformation (DX).
- ◆ Focus on **creating and developing new businesses** to create pillars of future earnings

	<Category 1> Existing domains	<Category 2> Business creation domains
Restaurant Business	<div><div>"High-value-added strategy" (Royal Host, Specialty Store)</div><div>Enhance take-out and delivery services (Tenya)</div><div><div>"Strengthen risk tolerance"</div><div><ul style="list-style-type: none">• Increase the value provided to customers through improving CX, including product development and renovation, and promote DX• Increase in the number of items purchased through CRM improvement• Improve CX through mobile orders, etc.• In response to rising material and personnel costs,<ul style="list-style-type: none">① Improve productivity per staff② Cost reductions through SCM reforms, etc.</div></div></div>	<div><div>Develop business format for new lifestyles</div><div><ul style="list-style-type: none">• Develop next-generation models using DX (see below)• Expand take-out and delivery services (Lucky Rocky Chicken, etc.)</div></div>
Contract Food Service	<div><div>"High value-added strategy" and business base expansion</div><div><ul style="list-style-type: none">• Continue the unit-cost increase program implemented in 2021• In parallel with improving profitability, expand bases (open stores + consolidate highway royalties)</div></div>	

2-7. Business Strategies <Hotel Business>

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- ◆ Convert from a business-centric hotel to a hotel that can also be **used for leisure**, and consider hotel development centered on leisure use to promote a **high value-added strategy**
- ◆ Ensure profitability level before COVID-19 by **promoting efficiency** in hotel management in parallel while improving occupancy rates and ADRs through **CRM enhancement** and revenue management

<Category 1> Existing domains

Hotel	[Business-use demand]
	<ul style="list-style-type: none"> • "High-value-added strategy" • Improve customer convenience through CX improvement activities • Propose appropriate prices by operating the Revenue Management Center • "Strengthen risk tolerance" • Various initiatives to reduce fixed costs (e.g., in-house cleaning)

<Category 2> Business creation domains

Develop business format for new lifestyles	[Non-business demand]
	<ul style="list-style-type: none"> • Renovation of existing urban hotels • (Attempt to take up leisure demand) • Development of DX-based hotels

2-8. Business Strategies <Food Manufacturing Business>

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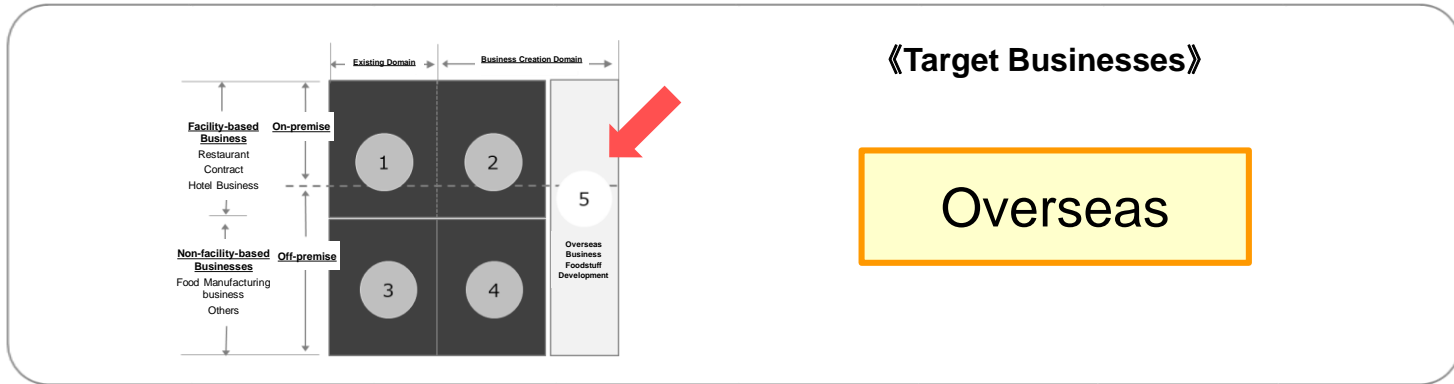


- ◆ Position **frozen meals** including ROYAL DELI brands as a growth-generating business (Business creation domains) and expand business scale by improving CX and strengthening **partnerships with major retailers**.
- ◆ Strengthen development capabilities by **consolidating the Group's product development functions**, and improve productivity and strengthen competitiveness by **promoting DX**

	<Category 3> Existing domains	<Category 4> Business creation domains
Food Manufacturing Business	<div>Improve productivity Strengthen development capabilities</div> <ul style="list-style-type: none">• Improve production skills through consolidation of product development functions• Improve productivity and strengthen product competitiveness through capital investment and DX• Expand sales of competitive products such as sweet potatoes	<div>Use of skills and know-how</div> <ul style="list-style-type: none">• Expansion of frozen meal business Positioning ROYAL DELI as a top priority product <ul style="list-style-type: none">• Develop high-value-added products utilizing skills and expertise gained in the Restaurant Business• Expand sales channels through collaboration with leading companies• Develop products using food techs such as meat alternatives

2-9. Business Strategies <Overseas>

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- ◆ Create strategic businesses in overseas growth markets by **expanding the Tenya FC business** and **establishing a directly managed business foundation** through M&A and business alliances

Expand Tenya FC business

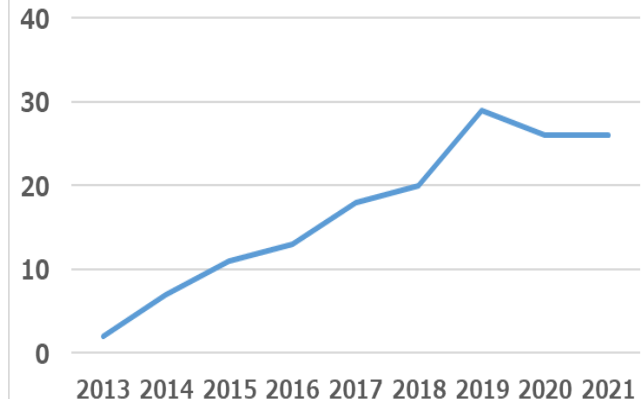
- Enter into new countries (China and others)
- Establish a foundation to have 100 overseas stores
- Introduce new models suitable for market change

Establish a directly managed business foundation

- Multi-country development in ASEAN, etc.
 - Use networks in Royal Sojitz International and Sojitz
 - Cooperation with local partners
 - Focus on restaurant and food manufacturing areas
- (Next-generation F&B, MD function, etc.)

(Stores)

Trends in the number of Tenya stores overseas

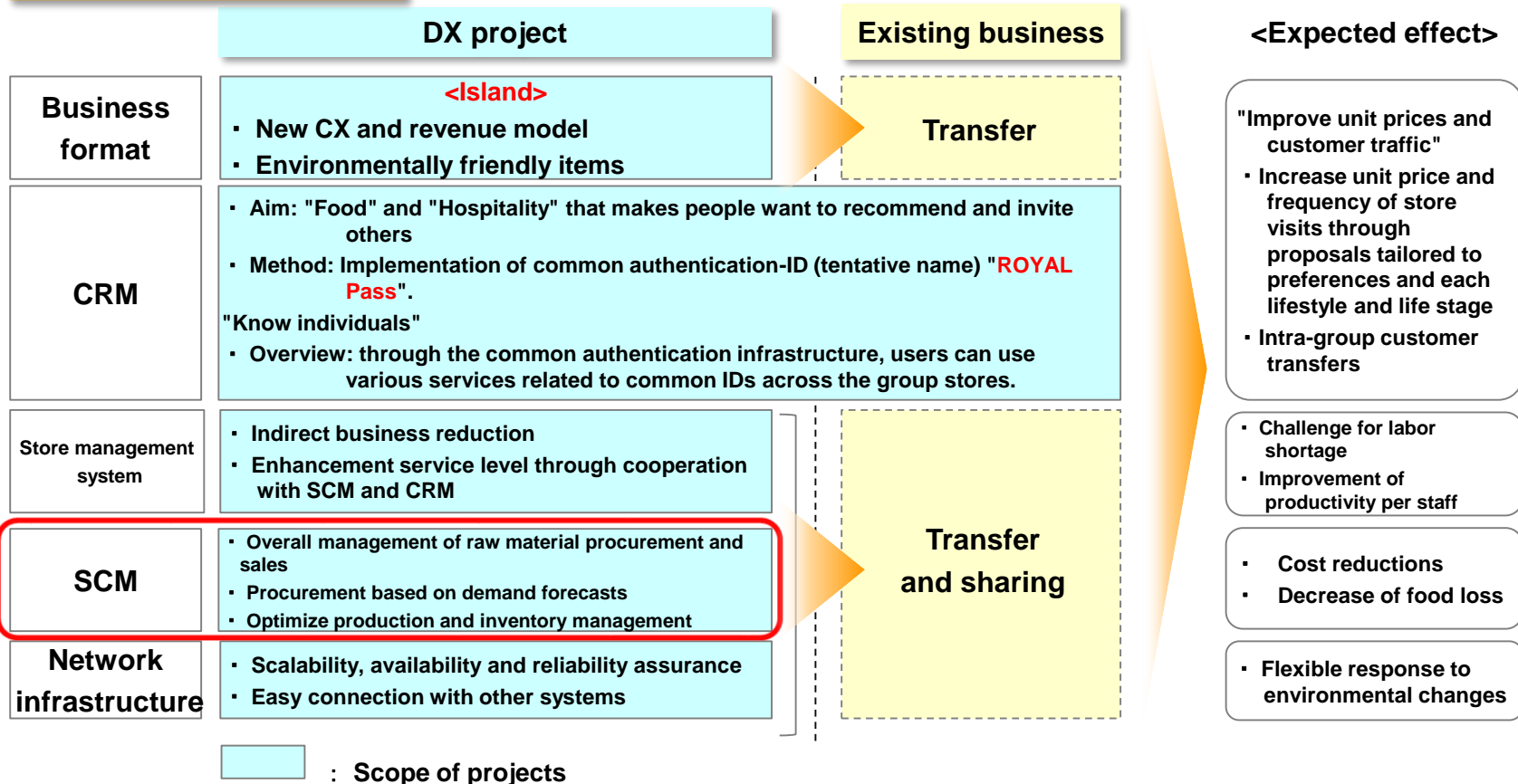


Overseas

2-10. DX Project

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

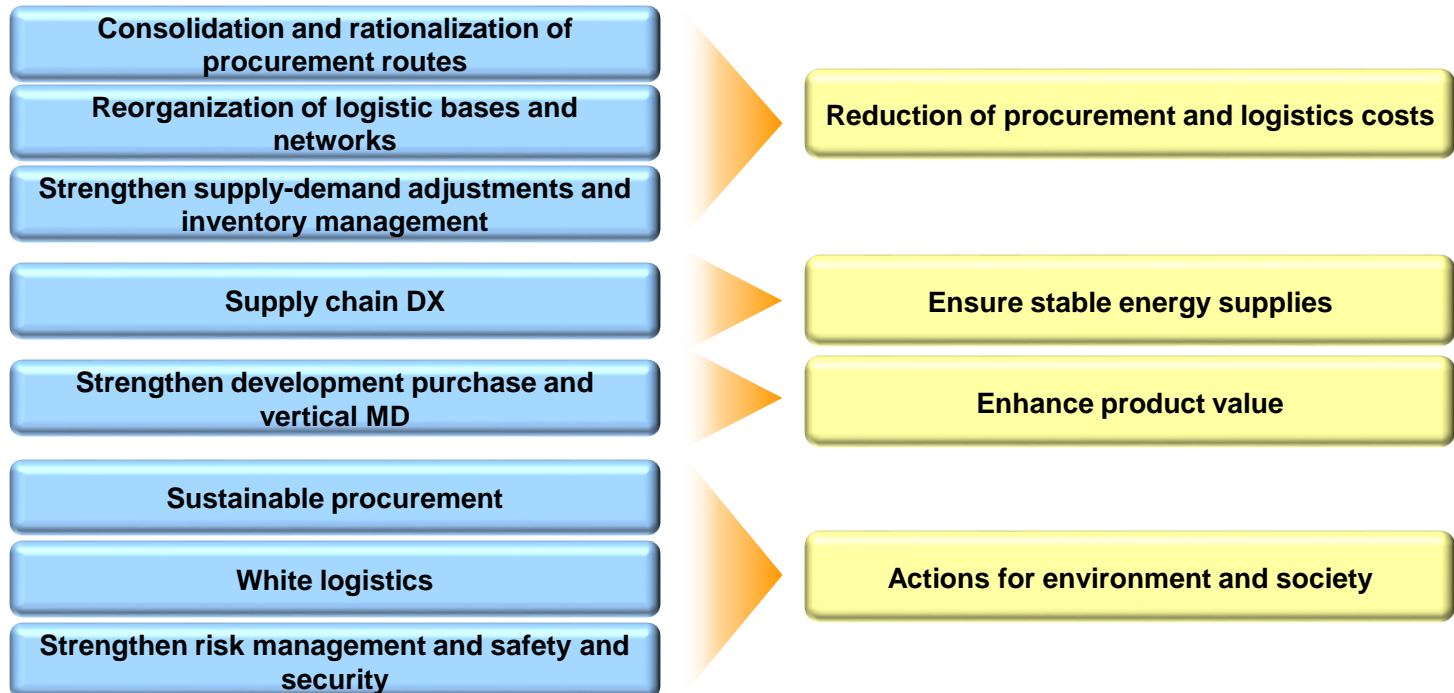
Current concepts
(development of agile projects)



2-11. SCM Reform

Promoting SCM reforms across the Group

- In January 22, we integrated SCM's core functions into Royal Co., Ltd. (product development and shopping distribution)
- Establishment of SCM system infrastructure
- Alliance with Sojitz



2-12. Human Resource Strategy

- Development of an attractive work and workplace environment for employees and recruitments is a top priority.
- Consider reviewing the comprehensive human resources system in view of ensuring business personnel, etc.
- Consider gradual improvement of treatment.

	Employee	Crew
Recruitment	Multiple route combination <ul style="list-style-type: none">①New graduates (Continuous human resource securing)②Carrier employees (secure skilled workers)③Job-focused employees (required post)	Use of external services <ul style="list-style-type: none">①Support for data collection and operation②Use of recruitment companies③Technical intern trainees (at plant)
Retention	Provision of options and environmental improvement <ul style="list-style-type: none">①Diverse ways of working (e.g., compatibility with parenting)②Diplomatic HR (managerial or professional)③Improve work environments	Active recruitment of employees from store crews Efforts to improve motivation <ul style="list-style-type: none">①Sharing of positive cases②Crew contest Enhance the work environment
Development	Active human resources development <ul style="list-style-type: none">①Secure opportunities for active participation and management personnel②Establish workplaces and systems that enable female employees to play active roles	

2-13. Initiatives to Address Sustainability Issues

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[Basic Sustainability Policy]

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

Connections with stakeholders and response to SDGs items



Targets (by2024)

Reduction of food loss	Reduce food loss by 10% (compared to 2016) (Long-term target: Halve from 2000 level by 2030)
Improving the ratio of female managers	Target 20% ratio of female managers (Long-term target: 30% by 2030)
Promotion of handicapped employment	Maintain the statutory employment rate of 2.3% at each Group company at all times
Promotion of health management	Maintaining Accreditation of Good Health Care Practices
Responding to Climate Change	CO2 emissions reduction Establishment of a reduction policy for scope ① and ② Grasping the total amount including scope ③
Improving Governance	Response to all principles of the Corporate Governance Code (including the introduction of an officer stock compensation system)
Promotion of community-based CSR activities	Including support for food education, education, and reconstruction, Continuing efforts and promoting CSR activities tailored to changes in the social environment

2-14. Relationships with Stakeholders

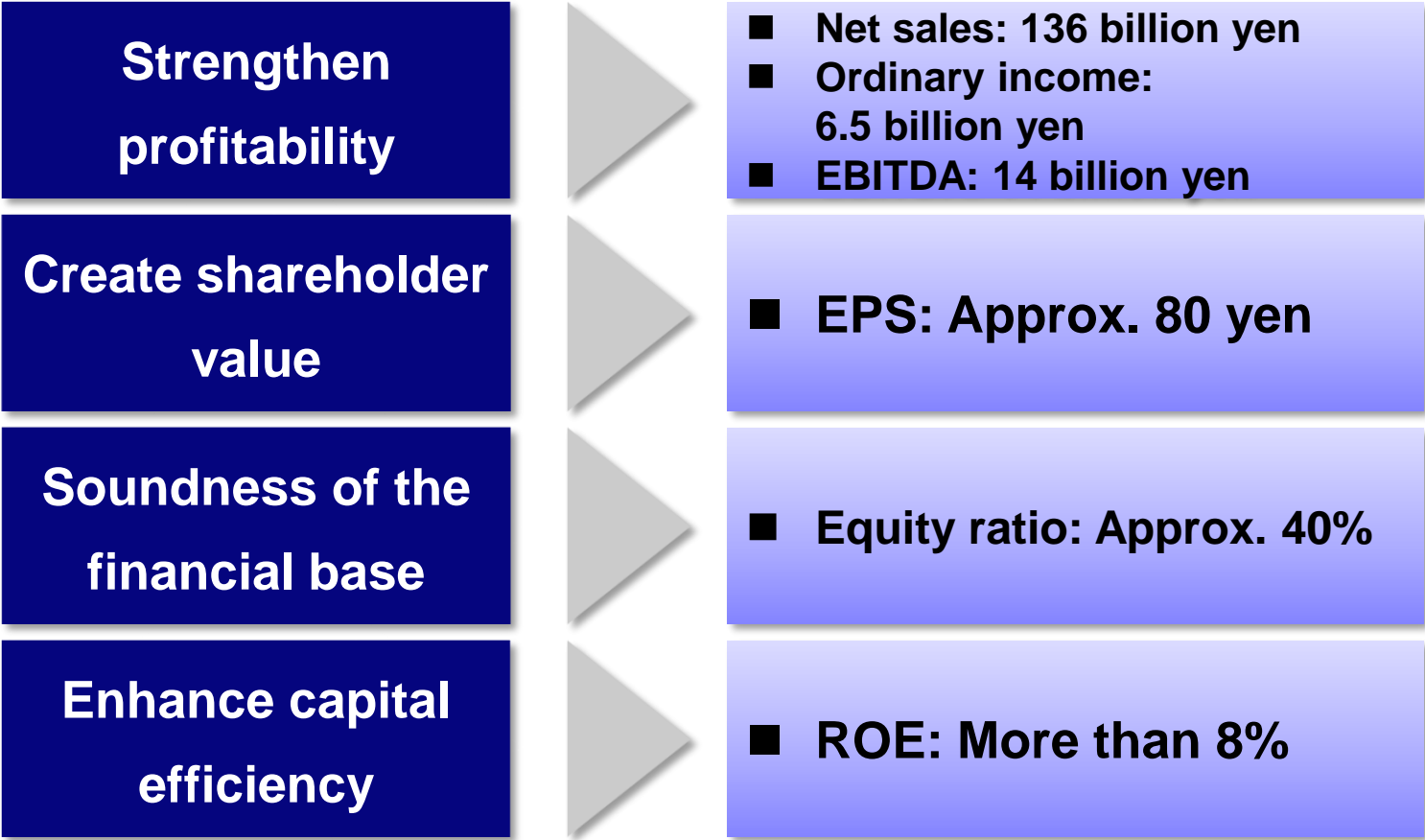
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2-15. FY2024 Key Financial Targets and Shareholder Return Policy

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Financial goals



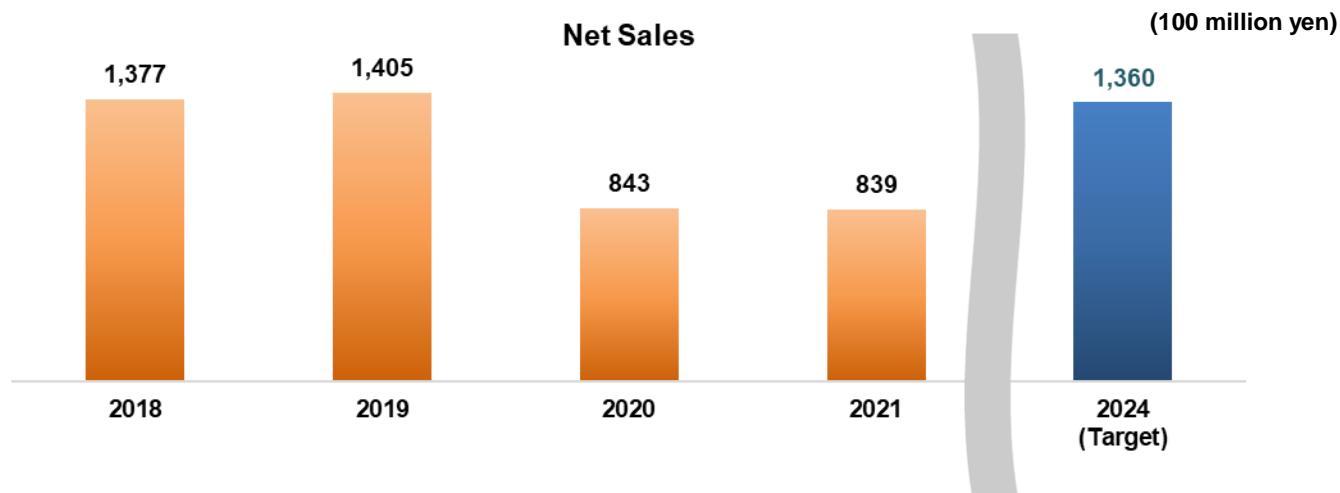
Shareholder Returns Policy

Seek early recovery to pre-COVID-19 levels

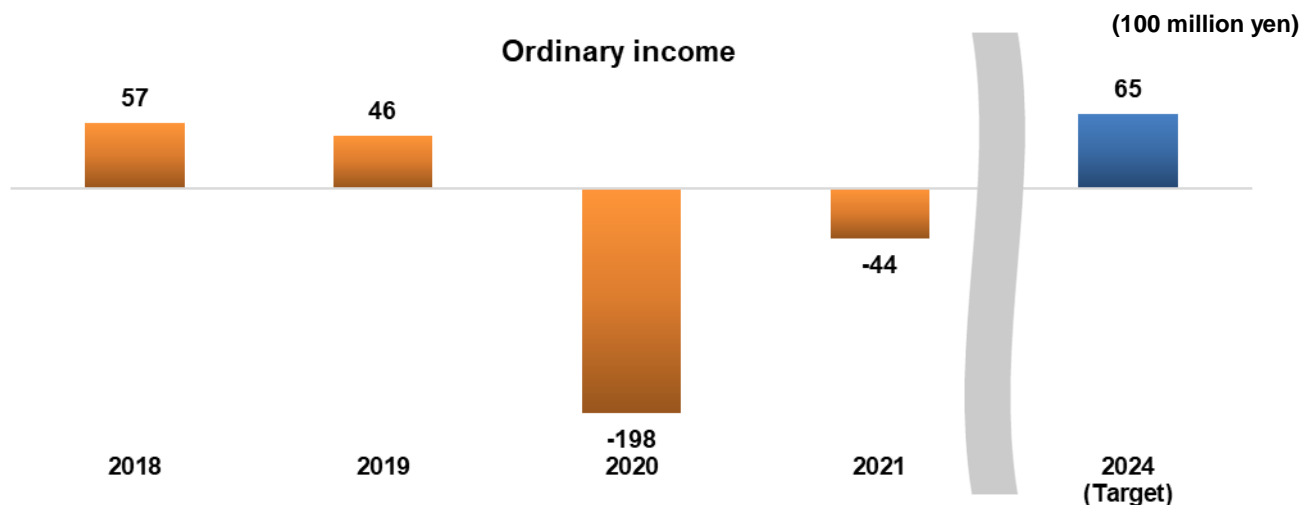
2-16. Performance Indicators ①

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- **Strengthen profitability: Plan to achieve net sales of 136 billion yen, the same level as before COVID-19**



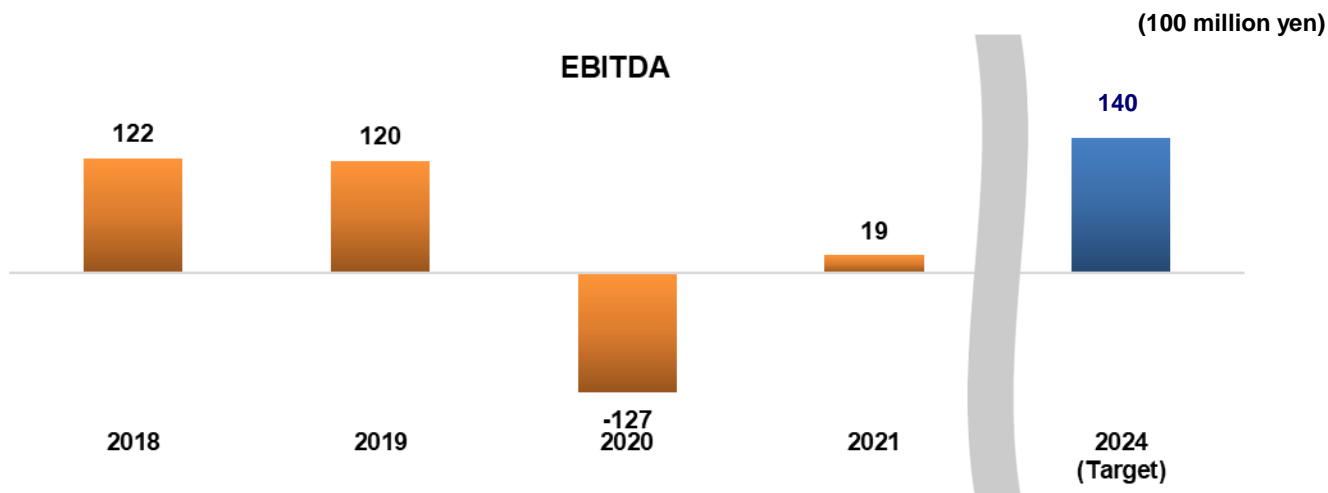
- **Strengthen profitability: Ordinary income is expected to be 6.5 billion yen, higher than before COVID-19.**



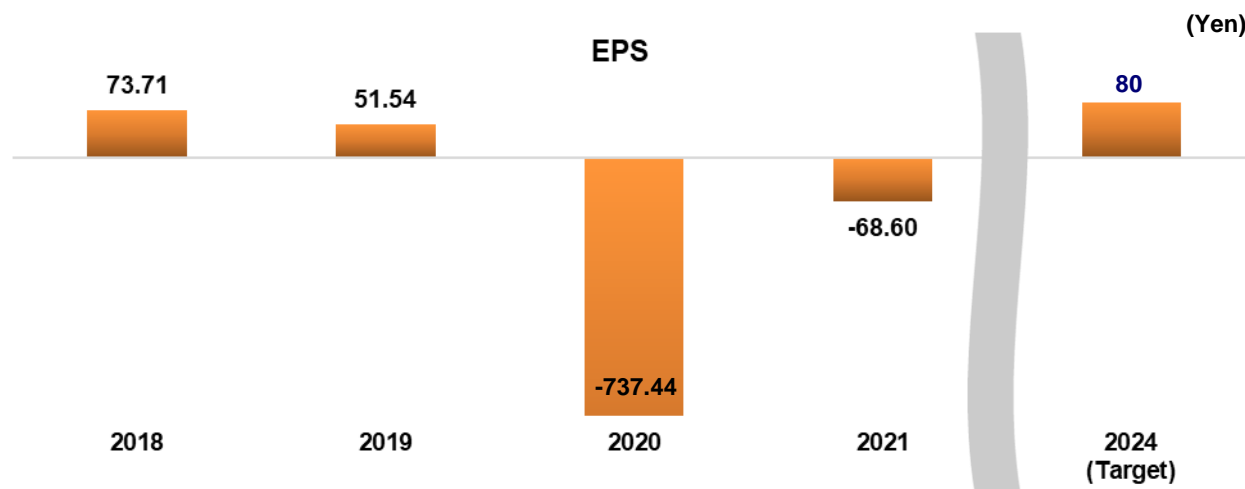
2-17. Performance Indicators ②

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- Strengthen profitability: EBITDA is expected to be around 14 billion yen, higher than before COVID-19



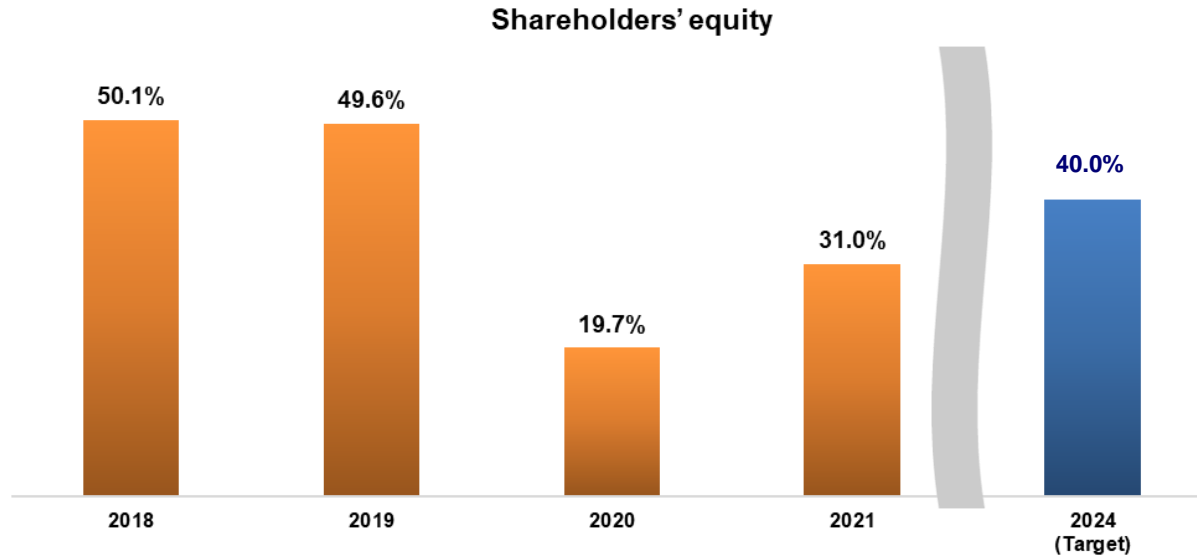
- Creation of shareholder value: Planned EPS of around 80 yen



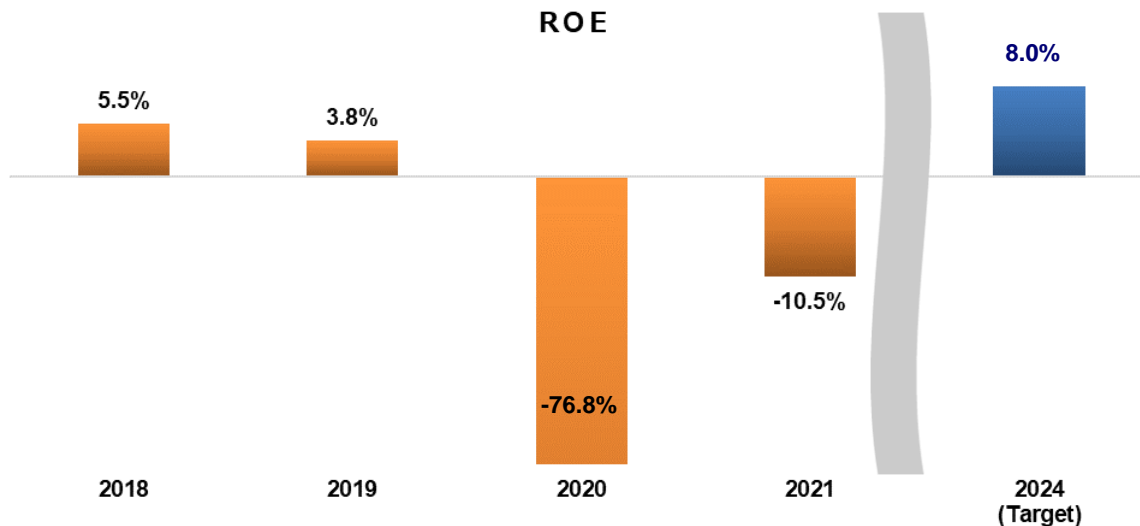
2-18. Performance Indicators ③

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- Soundness of financial base: Plan for equity ratio of around 40%



- Improve capital efficiency: Plan for ROE of 8% or more



2-19. Financial Targets (Business Segments)

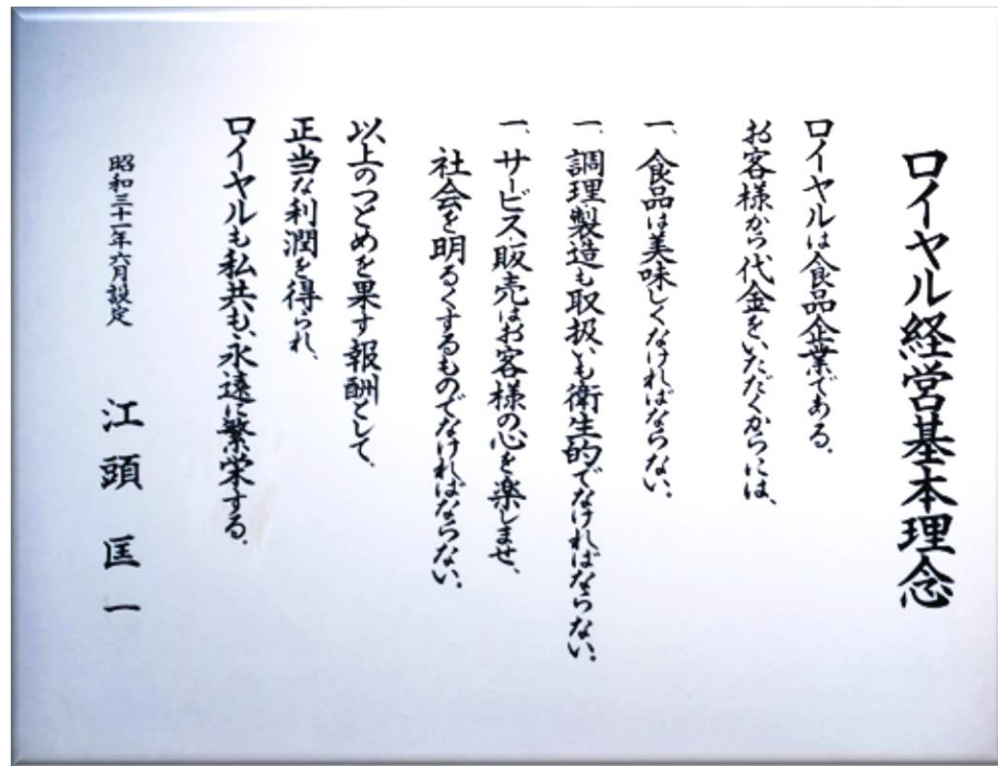
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(Million yen)

	2021		2024 (Medium-Term Management Plan)			Change	
	Net sales	Ordinary income	Net sales	Ordinary income	Profit ratio	Net sales	Ordinary income
Restaurant Business	45,059	3,339	57,100	4,600	8.1%	12,041	1,261
Contract Food Service	17,268	-336	41,500	2,300	5.5%	24,232	2,636
Hotel Business	16,710	-2,784	28,600	2,800	9.8%	11,890	5,584
Food manufacturing Businesses	9,526	-290	14,700	500	3.4%	5,174	790
Other Business	576	-812	300	300	100.1%	-276	1,112
Offsetting among Segments	-5,167	—	-6,200	0	— %	-1,033	—
Company-wide	—	-3,615	—	-4,000	— %	—	-385
Total	83,975	-4,498	136,000	6,500	4.8%	52,025	10,998

2-20. The Royal Credo and Our Missions

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Mission

Continue to adapt to changes in the environment and contribute to the community and society through the provision of "food" and "hospitality" under the basic management philosophy