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URL: <https://www.royal-holdings.co.jp/en/>

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Integrated Report

2020

**Condensed Version**

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Royal Holdings Co., Ltd.

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**ROYAL**

*fine food is our business*



## 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
- Pleasant atmosphere

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

Established in June 1956



# “Hospitality” × “High-Quality Food”

A business group that aims to provide Japan's highest-quality food and hospitality services

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### Editorial Policy

The Royal Group's Integrated Report 2020 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. 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 13 companies, including Royal Holdings Co., Ltd., 10 consolidated subsidiaries, and 3 equity-method affiliates (as of December 31, 2019). In instances where the scope of data presented varies from the above, the target organization(s) are specified individually.

### Period of Reporting

This report primarily covers the fiscal year ended December 2019 (January 1, 2019–December 31, 2019). However, it may also include information for January 1, 2020 and beyond.

### 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 the publication of this report. 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.

# A Business Group That Aims to Provide Japan's Highest-Quality Food and Hospitality Services

Since its founding, the Royal Group has been sincere in its mission to provide safe and delicious food in a variety of settings that can be enjoyed with peace of mind and with a flavor that cannot be found in the home.

We put the extra touch of effort into our preparation to make our food truly delicious. We are also committed to quality in order to provide our customers with safe meals that offer peace of mind. Similarly, our products and menus are infused with a desire for our customers to enjoy their daily lives.

Through this "pursuit of deliciousness," the Royal Group will continue to provide new value.

# High-Quality Food

# Hospitality



# History



## Recognizing the Legitimacy of Japan's Food and Drink Industry

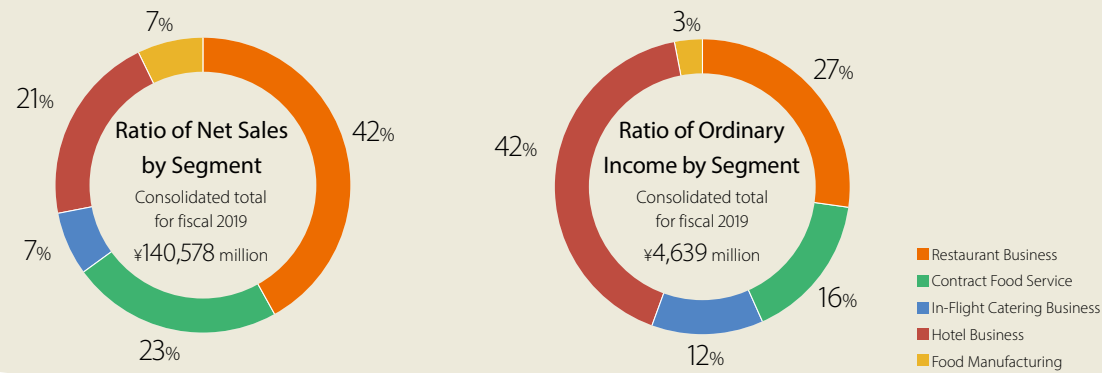
— Kyoichi Egashira, Founder (1923–2005)

To cultivate Japan's food and drink industry into a legitimate way to improve lives—keeping this aspiration close to heart, 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. This aspiration, which has fueled our aim to be the highest-quality food and drink company in Japan, is with us now, and will stay with us in the future.

	1950 ~	1960 ~	1970 ~	1980 ~	1990 ~	2000 ~	
<b>The Royal Group</b>	<p><b>1950</b> Established Kilroy Trading, Ltd., predecessor to the Royal Group</p> <p><b>1951</b> Commenced tea services at Itazuke Air Base (currently Fukuoka Airport)</p> <p><b>1956</b> Established Royal Co., Ltd.</p>	<p><b>1962</b> Adopted a central kitchen system and launched our industrial-use frozen meal manufacturing business</p> <p><b>1969</b> Opened a new head office and factory (Royal Center) in Oazanaka, Fukuoka to which all departments were transferred</p>	<p><b>1970</b> Participated at the Osaka World Expo as the only restaurant in the U.S. Pavilion</p> <p><b>1978</b> Listed on the Fukuoka Stock Exchange</p>	<p><b>1983</b> Listed on the First Section of the Tokyo Stock Exchange</p>	<p><b>1998</b> Entrusted with management of two restaurants at the Nagano Winter Olympic Games</p>	<p><b>2005</b> Switched to a holding company framework and changed name to Royal Holdings Co., Ltd.</p>	<p><b>2017</b> Opened next-generation R&amp;D restaurant at Nihonbashi Bakurocho, Tokyo</p>
<b>Restaurant Business</b>	<p><b>1953</b> Opened French restaurant Royal Nakasu (currently Hananoki) in Higashi Nakasu, Fukuoka</p> <p><b>1959</b> Opened Royal Shintencho, a family restaurant with a jointly established confectionery shop</p>	<p><b>1971</b> Opened first Royal Host, a suburban family restaurant, in Kurosaki, Kitakyushu</p> <p><b>1977</b> Opened first Royal Host in Tokyo metropolitan area, located in Mitaka City</p>	<p><b>1989</b> Established R&amp;k Food Service Co., Ltd. (currently a consolidated subsidiary) in cooperation with Kirin Brewery Company, Limited</p>	<p><b>1991</b> Opened first Sizzler, a restaurant featuring a salad bar and grilled dishes</p>	<p><b>2006</b> Made Ten Corporation a consolidated subsidiary</p> <p><b>2013</b> Opened the first franchise store of Tendon Tenya</p>	<p><b>2018</b> Established Ten Corporation (Taiwan) Co., Ltd., a joint venture between Royal Holdings and TECO Capital Investment Co., Ltd., and opened the first corporate-owned Tendon Tenya outlet in Taiwan</p>	
<b>Contract Food Service</b>	<p><b>1951</b> Launched tea services at Itazuke Air Base (currently Fukuoka Airport)</p>	<p><b>1970</b> Participated at the Osaka World Expo as the only restaurant in the U.S. Pavilion</p> <p><b>1973</b> Opened first highway restaurant in Mekari parking area on the Kanmon Expressway</p>	<p><b>1978</b> Opened restaurant at New Tokyo International Airport (currently Narita International Airport)</p>	<p><b>1990</b> Established Royal Marriott &amp; Sc Co., Ltd. (currently consolidated subsidiary Royal Contract Service Corporation) in cooperation with Sumitomo Corporation, and launched first catering service for office meals</p>	<p><b>1998</b> Entrusted with management of two restaurants at the Nagano Winter Olympic Games</p>	<p><b>2005</b> Switched to holding company framework and changed name to Royal Holdings Co., Ltd. Made ISETAN Dining Co., Ltd. (currently Royal Contract Service Corporation) a consolidated subsidiary</p> <p><b>2012</b> Entered elderly health care business</p> <p><b>2018</b> Acquired Chowders Corporation as a consolidated subsidiary</p>	
<b>In-Flight Catering Business</b>	<p><b>1951</b> Commenced in-flight catering at Itazuke Air Base (currently Fukuoka Airport)</p> <p><b>1969</b> Commenced in-flight catering for Japan Airlines' international flights</p>			<p><b>1987</b> Established Royal International Air-Catering Co., Ltd. (currently consolidated subsidiary Royal In-Flight Catering Co., Ltd.)</p> <p><b>1988</b> Established Kansai In-Flight Catering Co., Ltd. (currently consolidated subsidiary Royal In-Flight Catering Co., Ltd.)</p>	<p><b>1994</b> Started in-flight catering services at Kansai International Airport to coincide with airport opening</p> <p><b>1995</b> Established JAL Royal Catering Co., Ltd. with Japan Airlines and launched in-flight catering at Narita International Airport</p>	<p><b>2011</b> Established Kansai In-Flight Catering Co., Ltd. (currently Royal In-Flight Catering Co., Ltd.)</p> <p><b>2015</b> Established Fukuoka In-Flight Catering Co., Ltd. (currently Royal In-Flight Catering Co., Ltd.) and began operation of an in-flight meal factory in Okinawa</p>	
<b>Hotel Business</b>					<p><b>1995</b> Established R&amp;D Planning Co., Ltd. (currently consolidated subsidiary RNT Hotels Co., Ltd.) in cooperation with Daiwa House Industry Co., Ltd. Opened first Roynet Hotel (now Richmond Hotel) in Higashi-Osaka, Osaka Prefecture</p>	<p><b>2004</b> Made RNT Hotels Co., Ltd. a consolidated subsidiary</p> <p><b>2007</b> Renamed Roynet Hotels, hotels managed by RNT Hotels Co., Ltd., to Richmond Hotels</p>	<p><b>2019</b> Opened the first Keisei Richmond Hotel, operated by K&amp;R Hotel Development Co., Ltd., which was jointly established by Keisei Electric Railway Co., Ltd. and Royal Holdings Co., Ltd.</p>
<b>Food Manufacturing</b>	<p><b>1951</b> Constructed bakery in Katakasu, Fukuoka</p> <p><b>1959</b> Opened a jointly established confectionery shop at Royal Shintencho</p>	<p><b>1962</b> Adopted a central kitchen system and launched our industrial-use frozen meal manufacturing business</p> <p><b>1969</b> Opened a new head office and factory (Royal Center) in Oazanaka, Fukuoka to which all departments were transferred</p>		<p><b>1983</b> Established Tokyo Food Facility in Funabashi, Chiba Prefecture</p>	<p><b>2000</b> Obtained ISO 9001 certification for Fukuoka Central Kitchen</p> <p><b>2008</b> Obtained ISO 9001 certification for the Tokyo Factory and Fukuoka Bakery</p>	<p><b>2015</b> Established a manufacturing line dedicated to Halal meals at Fukuoka Central Kitchen Factory</p> <p><b>2019</b> Began full-scale development of Royal Deli frozen meals for home use</p>	

# The Royal Group Today

With the industrialization of the hospitality business, the Royal Group strives to achieve sustainable growth by responding to the expectations of stakeholders through the establishment of a hybrid group structure in which each business comes together to generate one synergy.



Notes: 1. Net sales include other operating income. 2. Net sales for each segment include intersegment sales. 3. Ratio refers to proportion of total amount for each segment.



**Net Sales** (Fiscal 2019) ¥62,622 million

**Group Companies** Royal Host Co., Ltd. / Ten Corporation / Ten Corporation (Taiwan) Co., Ltd. / R&K Food Service Co., Ltd.

**Business Summary** Development and operation of a wide variety of eating and drinking establishments, including Royal Host, Tendon Tenya, Cowboy Family, Sizzler, Shakey's, Hananoki, Royal Garden Cafe, pinkberry, The 3rd Cafe/ Standard Coffee, and Rose Bakery



**Net Sales** (Fiscal 2019) ¥34,664 million

**Group Companies** Royal Airport Highway Food Service Co., Ltd. / Royal Contract Service Corporation

**Business Summary** Development and operation of a wide variety of eating and drinking establishments on a contractual basis, which include airport restaurants and shops, highway rest area restaurants and shops, department store restaurants and shops, contract services for offices, hospitals, etc., and convention center and conference hall restaurants



**Net Sales** (Fiscal 2019) ¥9,537 million

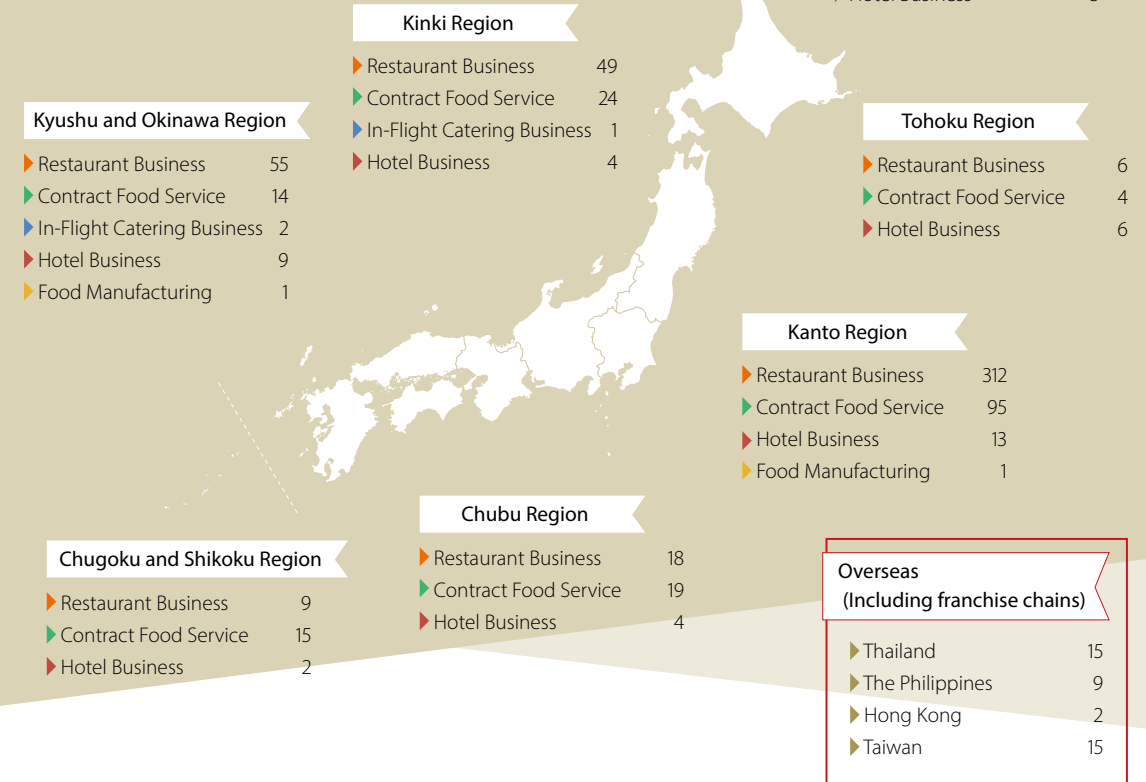
**Group Company** Royal In-Flight Catering Co., Ltd.

**Business Summary** Preparation and loading of in-flight meals at Kansai International Airport, Fukuoka Airport, Naha Airport, Tokyo International Airport (Haneda Airport), and Narita International Airport  
Note: The operations at Tokyo International Airport and Narita International Airport are handled by an affiliated company.

## The Royal Group's Locations Nationwide

(Directly managed, non-franchise chain outlets)

(As of December 31, 2019)



**Net Sales** (Fiscal 2019) ¥30,286 million

**Group Company** RNT Hotels, Co., Ltd.

**Business Summary** Operation of Richmond Hotels and other business hotels across Japan



**Net Sales** (Fiscal 2019) ¥10,865 million

**Group Company** Royal Co., Ltd.

**Business Summary** Food manufacturing, purchasing, and logistics, primarily for Restaurant Business and Contract Food Service as part of restaurant infrastructure, in addition to food manufacturing for companies outside of the Group

Notes: 1. Net sales include other operating income. 2. Net sales for each segment include intersegment sales.

## Message from the Chairman



We will build a business group that provides Japan's highest-quality food and hospitality services and brings satisfaction to all of our stakeholders, while addressing the rapid changes occurring in society.

In March 2019, I stepped down as CEO of the Royal Group to give full attention to my role as chairman. Doing so has allowed me to take a step back and view the Group as a whole, which is necessary to fulfill my role as an interface between the Group and society. I am able to look at the Group from a more objective and multi-lateral perspective, which I have come to realize is due specifically to my separation from the executive side of the business. At the same time, I feel that effectiveness of execution has increased under the guiding hand of Mr. Yasuhiro Kurosu, who serves as the president, and that a management system that facilitates swift decision-making is now in place.

The more I look outside the Company, the more visible are the conditions surrounding the restaurant and hospitality industry. There are very clear "bright" and "dark" sides. The dark side is changing demographics. As Japan's population shrinks, the ensuing labor shortage presents a major challenge. On the other hand, as the global population increases there is concern over future food shortages. Natural disasters, said to be caused by climate change, rising prices of materials, and other factors affect net sales and customer numbers, and are expected to have a greater impact going forward. While this is undeniably true, there is a bright side in the possibilities open to food and hospitality. For example, food has major appeal as an important focal point in terms of local revitalization. I also sense that with the rise in dual-income households, active seniors, and inbound tourists, the role and expectations placed on dining out will grow. There is also the feeling that the advances in technology and digitalization brought on by the Fourth Industrial Revolution are about to bring direct benefits to the restaurant and hospitality industry, a non-manufacturing industry, heralding a new era. I think that effective use of technology will create unprecedented value. In such an environment, the Royal Group remains committed to *omotenashi*, or "Japanese hospitality," and quality food, and we will utilize the capabilities of technology to pursue them. In doing so, we can be a source of brightness amid the ever-more-serious labor shortage, and build a system that allows our employees to focus on providing *omotenashi*.

One of the most important considerations for any company is whether it remains a "going concern." There is no guarantee a company will last unless it can anticipate changes in society and develop businesses suited to that society. When uncertainty runs high, it is important to take on challenges rather than remain tied to

past successes. I believe that the concept of "high-quality food and hospitality" that is in demand during these times can accommodate an increasingly diverse set of values. The Royal Group operates a variety of businesses. For me, the conditions for maximum synergy call for operations in multiple lines of business, and for brand and company names to signal high quality and service upon hearing them. As a company, we will seek to provide Japan's highest-quality food and hospitality services while showing the kind of synergy that makes people say, "This must be made by the Royal Group." Accountability to stakeholders is also particularly important in a time when past successes are off the table and we must take on new challenges. We will do so while putting a premium on dialogues with all our stakeholders, whether this concerns changing employee work styles and duties, discussing what is good for our customers, or whether we are meeting the expectations of our shareholders.

At the same time, the idea that the customer is paramount remains part of our DNA. The driving force behind this idea is the happiness of our employees, who provide *omotenashi* and deliver smiles to our customers. We can explain this in terms of customer experience and employee experience that go beyond customer satisfaction and employee satisfaction. For customers, this is the feeling of abundance that comes from experiencing the hospitality we provide through food and accommodations. For employees, this is the feeling of enrichment and happiness that comes from the experience of providing hospitality and bringing joy to customers. Customer experience and employee experience begin when customers and employees experience one another, and I think that hospitality is what connects them.

It is in times like these, when society is gripped with unease stemming from the worldwide spread of COVID-19, natural disasters, and other factors, that the Royal Group bears a responsibility to put on display its reason for being, to be business group that will, as always, provide Japan's highest-quality food and hospitality services.

April 2020

Chairman

## Message from the President



### Amid rapidly changing social conditions, we will continue to improve productivity while embarking on new structural reforms, aimed at a new stage of growth

Looking back on the second year of “Beyond 2020,” our Fifth Midterm Business Plan, it proved to be a difficult year in terms of reaching our numerical targets. Among the major reasons for this were a sharp rise in competition and a deterioration in the international situation, coupled with a large number of natural disasters. These external conditions moved at a pace faster than anticipated, leading to increasingly challenging circumstances.

The outbreak of COVID-19 in December 2019 and the ensuing pandemic is a new threat for us, and presents risks that must be dealt with. We as a Group will put our full force toward facing this economic situation as it changes from moment to moment.

I believe we are making steady progress as a business group that aims to provide Japan’s highest-quality food and hospitality. Improving productivity was one of the themes of “Beyond 2020,” and we achieved major

progress in terms of increasing added value, developing new markets, and raising efficiency, while promoting these three goals in a balanced manner.

First, let’s train our eyes on increasing added value. On the quality side in particular, every business managed to raise its QSC rating (quality, service, and cleanliness). A specific point of pride is the restaurant Hananoki, which was listed as a one-star restaurant in the *MICHELIN Guide Fukuoka-Saga-Nagasaki 2019 Special Edition* in fiscal 2019. For a group such as ours, which aims for high quality, this was a symbolic event. Despite the harsh environment, Royal Host, which is at the core of our restaurant business, garnered high praise from customers, with the number of visitors stayed at the same level as the previous fiscal year and net sales increasing 3.7%. In addition, the In-Flight Catering Business received commendations from airlines on a regular basis, and specialty restaurants such as Sizzler and Shakey’s showed remarkable jumps in quality. The Hotel Business also worked to improve its range of services and renovate existing hotels to maintain customer satisfaction.

In terms of developing new markets, we took two major steps in fiscal 2019. The first was establishing Royal Deli, a new brand of restaurant-quality frozen meals. Royal Deli is a brand that will be able to meet ever-diversifying food needs by making use of the technical capabilities of our central kitchens, one of the Group’s competitive strengths. Outside the traditional model of a customer as a “visitor to a store,” we will continue our work to provide restaurant-quality food for a variety of settings such as the home or workplace.

The second step we took was the establishment of Highway Royal Co., Ltd. The company was established as a joint venture with Seiyō Food-Compass Group, Inc. after a transfer of related businesses. As part of this transfer, we have acquired a restaurant and shop management business covering 12 highway service areas (SAs) and parking areas (PAs), including the Ebina Service Area (outbound), which boasts the most users in Japan. These areas, combined with our 13 locations, comprise one of the largest in the domestic SA/PA

market. We have positioned Highway Royal as a growth business with long-term future potential and stability, and plan to develop businesses that will take advantage of local characteristics while meeting client demand.

The final pillar for improving productivity is raising efficiency. Human resources are the source of the quality that we value so highly. We require further work-style reform to ensure that we can acquire and retain excellent human resources. Amid a shrinking workforce, we are striving to introduce technology in areas where a reduction in human labor will not affect quality, such as closing of registers, cleaning of stores, and taking of orders, with the aim of improving *omotenashi* by reducing indirect duties.

Fiscal 2020 will be the final year of the Fifth Midterm Business Plan, “Beyond 2020,” but the impact of COVID-19 on the Group—including the Hotel Business, the In-Flight Catering Business, and its airport restaurants and stores—has been such that I must note that we have never experienced conditions as harsh as those seen this fiscal year. Conditions that we had assumed as given have changed dramatically, and we must accept the possibility that we might be facing a very different world when the dust settles. In such a situation, in which society is expected to change down to its very core, we are committed as a Group to consolidating our collective strength and holding fast to our founding philosophy: to contribute to local communities through food and hospitality. At the same time, we will remain flexible in our response to the severe social circumstances and shifting conditions, and promote structural reforms that lead to a new stage of growth.

To all of our stakeholders, I request your support as we pursue these goals.

April 2020

President & CEO

# The Royal Group's Value Creation Model

Since its founding, the Royal Group has maintained the Royal 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 sustainable growth of the Group and take gradual steps toward continuing to create added value.

## ■ Pursuing Safe and Delicious Food That Can Be Enjoyed with Peace of Mind and Hospitality with Empathy

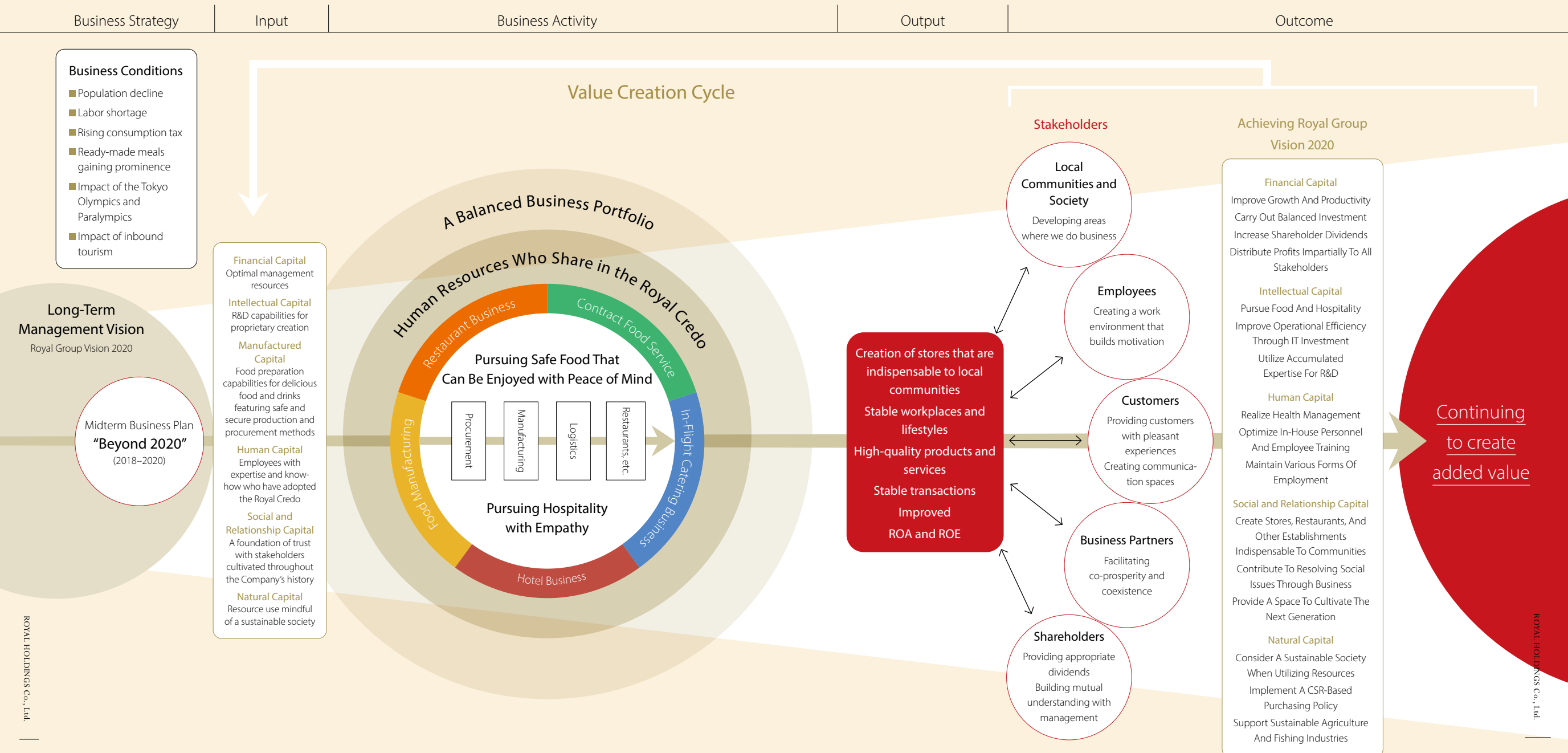
To ensure customer satisfaction, we must provide safe and delicious food that can be enjoyed with peace of mind, which not only requires daily preparation and training, but also careful attention to ingredients and equipment.

## ■ 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 his or her performance. We aim for sustainable growth as an entire Group, with our shared Royal Credo as the cornerstone.

## ■ A Balanced Business Portfolio

A holistic perspective and mind-set are necessary to develop our various businesses. Moreover, one merit of this approach is that the challenges facing one business can be addressed by the entire Group, and likewise, the accomplishments of one business can be shared throughout the Group. Our aim is to leverage Group synergies to create a stronger management structure.





# The Three Strengths of the Royal Group

Since its establishment, the Royal Group has been committed to improving the lifestyles of citizens through food and hospitality, an idea that permeates the Royal Credo. Our dedication to the deliciousness of our products, safe food that can be enjoyed with peace of mind, and the spirit of *omotenashi* expressed in the Royal Credo is of the utmost importance to us, and remains both our unchanging guide and a link to the days of our establishment.

The concept of safe food that can be enjoyed with peace of mind is always in our thoughts, and we will continue to make safety a guarantee. This is a matter of maintaining brand power across the entire Group and earning the trust of our customers. It is a matter of continuing to provide good food produced by professional cooks with attentive hospitality services. We intend to leverage this strength to offer the sort of opportunities and settings that will bring satisfaction to our customers.



Providing High-Quality Food

*Strength*

- Bring joy to Japan with delicious meals
- Fusion of factories and stores
- Product development with a commitment to delicious flavor
- Sustainable purchasing

Safe Food That Can Be Enjoyed with Peace of Mind

Customers

In Pursuit of High-Quality Hospitality



*Strength*

- Customer satisfaction at the forefront
- Professional staff with knowledge and experience
- Working with pride
- Specialized training and practical experience to develop "mind and feeling"

*Strength*

#### Food-Related

- Guaranteed safety
- Continuous improvement
- Trustworthy systems
- Reliable production



## Fifth Midterm Business Plan: “Beyond 2020”

The Group has formulated its Fifth Midterm Business Plan, “Beyond 2020,” covering the period from fiscal 2018 to fiscal 2020. To reach its targets, the Group is working as one on a range of measures to gain an accurate understanding of changes in the business environment. These targets have become difficult to achieve as a result of COVID-19, but we intend to respond flexibly to the changing conditions.

Note: The planned figures and contents on this page do not take into account the effects of COVID-19.

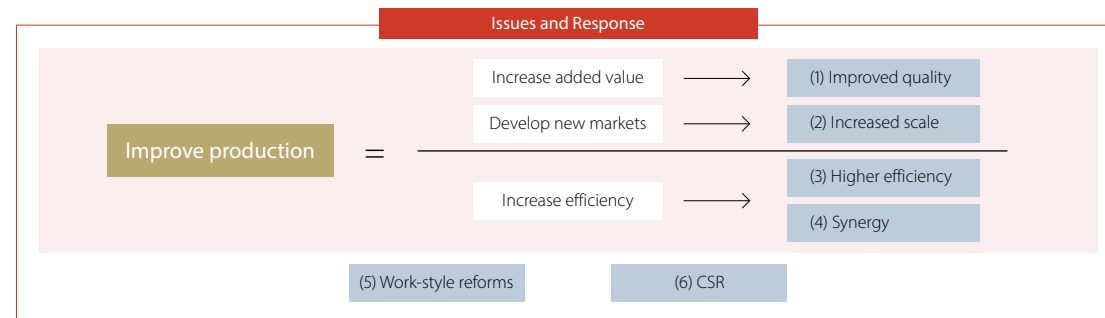
### Improving Productivity and Responding Appropriately to Changing Business Conditions

We have highlighted six key themes for sustainable growth: (1) improved quality, (2) increased scale, (3) higher efficiency, (4) synergy, (5) work-style reforms, and (6) CSR, and are steadily implementing measures for each of these themes.

By actively investing in human resources and remodeling existing outlets, we are increasing quality—more specifically, we are enhancing added value. In addition, we are expanding our scale by opening new outlets in Japan and overseas, including franchise chains. We will also expand our scale and improve efficiency by leveraging our R&D efforts for new products and lines of business as well as uses for robotics and IT. Moreover, we plan to promote internal Group synergy in response to rising costs for ingredients and distribution.

By steadily putting these measures into practice, we will address the changing business conditions we face as a food and hospitality company. In particular, themes (1)–(4) are aimed at boosting productivity, which in turn will lead to further growth.

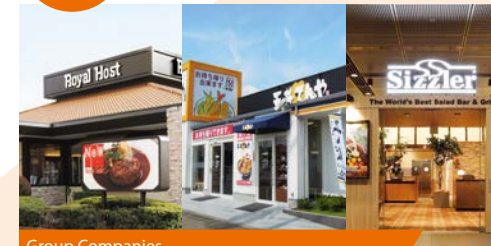
### Responding as a Food and Hospitality Company



The Fifth Midterm Business Plan (Fiscal 2018–2020)		
Improve production	(1) Improved quality	Invest in existing outlets Pursue high-quality food and hospitality Discover an ideal business model
	(2) Increased scale	Open branches in existing business domains Expand franchise chains Halal and frozen meals Overseas expansion M&A Develop new lines of business
	(3) Higher efficiency	In-flight meals and factory investments Enhance R&D Investments aimed at achieving higher efficiency
	(4) Synergy	Internal synergy Cooperation with other companies (logistics and purchasing)
(5) Work-style reforms	Human resources recruitment and health management Promotion of diversity and comfortable workplaces	
(6) CSR	Social contributions Outlets indispensable to local communities	



## Restaurant Business



Group Companies

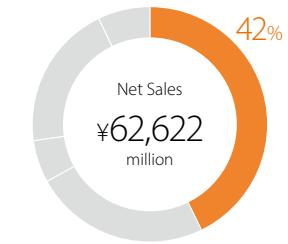
Royal Host Co., Ltd.

Ten Corporation

R&K Food Service Co., Ltd.

Ten Corporation (Taiwan) Co., Ltd.

### Ratio of Net Sales by Segment



Notes: 1. Net sales include other operating income.  
2. Net sales for the segment include intersegment sales.  
3. Ratio refers to proportion of total amount for the segment.  
4. Our business plan for fiscal 2020 has not been adjusted for the effects of COVID-19.

### Overview of Fiscal 2019

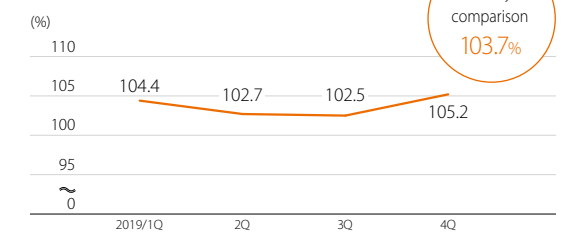
At Royal Host, our flagship restaurant chain, we actively implemented measures to improve added value. These measures included holding lobster fairs and offering menus featuring Japanese ingredients such as Japanese black beef and red snapper, as well as seasonal desserts made with domestically sourced strawberries and apples.

At Tendon Tenya we revamped the menu, introducing a mini-sized bowl and soba and other noodle products, in addition to offering a seasonal menu featuring natural tiger prawns and conger eel. We continued measures to enhance quality and increase our scale, opening two directly operated restaurants in Taiwan in addition to franchise chain restaurants—five in Japan, seven in Thailand, and one in Hong Kong.

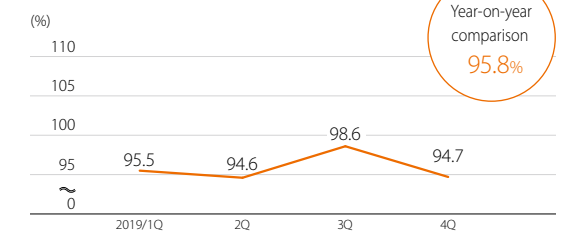
Looking at specialty restaurants, we maintained measures to improve quality at our mid-size chain restaurants, expanding the buffet menu at Shakey's and developing a seasonal menu at Sizzler that contained meals made with high-quality ingredients.

In fiscal 2019 net sales increased 1.4% year on year, to ¥62,622 million, due to store openings in the previous fiscal year and higher sales from existing Royal Host restaurants. However, ordinary income decreased 14.4% year on year, to ¥2,379 million, despite the rise in profits from Royal Host business, due to the lower profitability of other businesses.

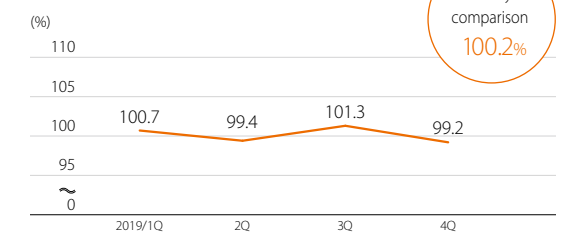
### Net Sales for Royal Host Restaurants



### Net Sales for Tendon Tenya Restaurants



### Net Sales for Specialty Restaurants





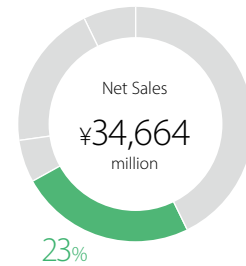
## Contract Food Service



Group Companies

Royal Airport Highway Food Service Co., Ltd.  
Royal Contract Service Corporation

### Ratio of Net Sales by Segment



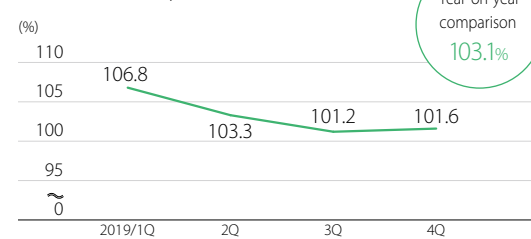
Notes: 1. Net sales include other operating income.  
2. Net sales for the segment include intersegment sales.  
3. Ratio refers to proportion of total amount for the segment.  
4. Our business plan for fiscal 2020 has not been adjusted for the effects of COVID-19.

### Overview of Fiscal 2019

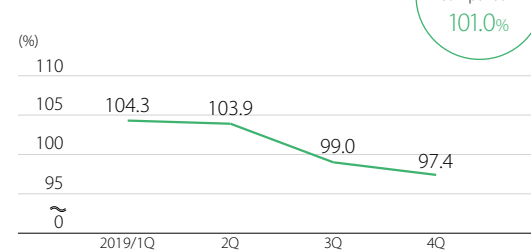
The Contract Food Service segment receives contracts from corporations to operate a wide variety of eating and drinking outlets. These outlets are located at airport terminals, highway service areas, large-scale retail facilities, office buildings, medical care facilities, department stores, government offices, and other areas.

In fiscal 2019 we continued activities to increase planning and development capabilities and boost added value at existing locations. However, despite higher revenue at stores in airport terminal outlets and highway service areas and parking areas, net sales fell 0.5% year on year, to ¥34,664 million, due to an inability to absorb the impact of closures of on-site outlets and other locations. Despite higher profit margins among on-site outlets, ordinary income decreased 7.9% year on year, to ¥1,425 million, primarily due to lower profits from airport terminal outlets stemming from a rising proportion of labor expenses.

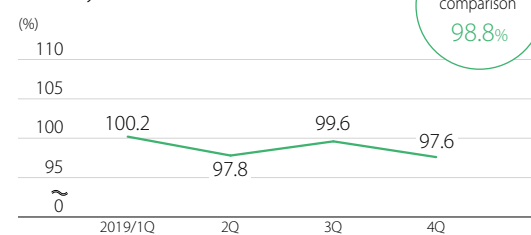
### Net Sales for Airport Terminal Outlets



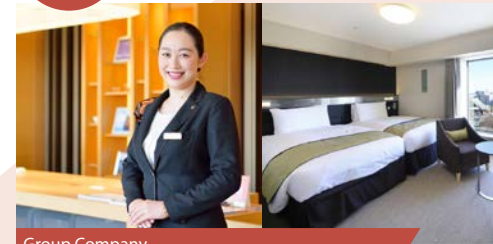
### Net Sales for Highway Service Area Outlets



### Net Sales for Business and Industry Area Outlets



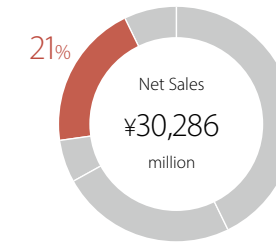
## Hotel Business



Group Company

RNT Hotels Co., Ltd.

### Ratio of Net Sales by Segment



Notes: 1. Net sales include other operating income.  
2. Net sales for the segment include intersegment sales.  
3. Ratio refers to proportion of total amount for the segment.  
4. Our business plan for fiscal 2020 has not been adjusted for the effects of COVID-19.

### Overview of Fiscal 2019

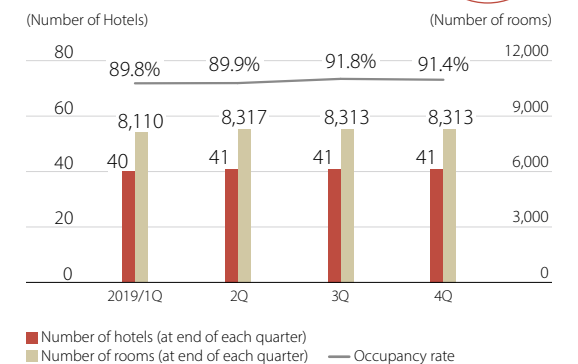
The Hotel Business operates 44 hotels\* (Richmond Hotels and other affiliated hotels), driven by a management philosophy of "providing hotels that are friendly to people and nature and constantly improving for the sake of our guests."

In fiscal 2019 we opened two directly operated hotels and renovated two existing buildings, in addition to continuing measures to ensure that both the facilities and their functions were in line with the times and met customer needs, and to maintain and improve our high customer satisfaction rating. As a result of new hotel openings during the previous fiscal year, net sales rose 5.6% year on year, to ¥30,286 million. However, ordinary income fell 15.6% year on year, to ¥3,622 million, due to expenses related to opening three hotels during the fiscal year under review coupled with downward trends among existing hotels in the second half of the same fiscal year.

\* This total comprises 41 directly operated hotels and three affiliates and excludes Friendship Hotels.

### Number of Hotels and Rooms and Occupancy Rates

(at directly operated Richmond Hotels)



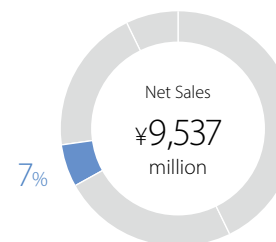
## In-Flight Catering Business



Group Company

Royal In-Flight Catering Co., Ltd.

### Ratio of Net Sales by Segment



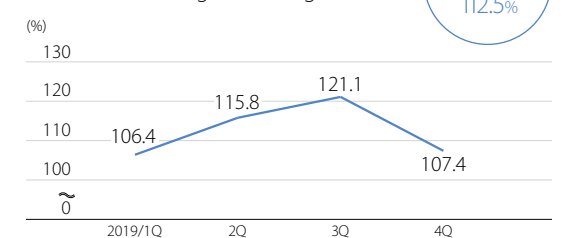
Notes: 1. Net sales include other operating income.  
2. Net sales for the segment include intersegment sales.  
3. Ratio refers to proportion of total amount for the segment.  
4. Our business plan for fiscal 2020 has not been adjusted for the effects of COVID-19.

### Overview of Fiscal 2019

The In-Flight Catering Business is contracted to carry out preparation of in-flight meals and loading for overseas and domestic airline companies operating out of Kansai International Airport, Fukuoka Airport, and Naha Airport.

In fiscal 2019, net sales grew 12.5% year on year, to ¥9,537 million and ordinary income rose 21.1%, to ¥1,040 million. These increases were due to greater revenue at each location and a recovery from natural disasters that had affected the results of the previous fiscal year.

### Net Sales for In-Flight Catering Business





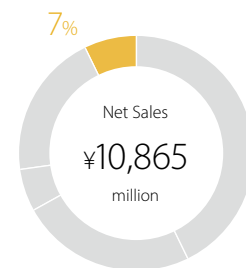
## Food Manufacturing



Group Company

Royal Co., Ltd.

### Ratio of Net Sales by Segment



Notes: 1. Net sales include other operating income.  
2. Net sales for the segment include intersegment sales.  
3. Ratio refers to proportion of total amount for the segment.  
4. Our business plan for fiscal 2020 has not been adjusted for the effects of COVID-19.

### ► Overview of Fiscal 2019

The Food Manufacturing segment is primarily responsible for the infrastructure functions of each of our Group companies, such as food production, purchasing, and logistics.

In fiscal 2019, net sales decreased 0.1% year on year, to ¥10,865 million, and ordinary income dropped 23.6% year on year, to ¥242 million, due to lower sales to companies outside of the Group.



## Sowing the Seeds of Growth for the Next 10 Years

Note: The planned figures and contents on this page do not take into account the effects of COVID-19.

### Overseas Business

#### ► Review of Fiscal 2019

Global business expansion is a part of the Group's efforts to boost its business scale, one of the key themes of "Beyond 2020." Since establishing the Global Business Development Division in March 2018, we have begun ramping up efforts to develop business overseas, and in fiscal 2019 we opened 10 Tendon Tenya restaurants, with locations in Thailand, Taiwan, and Hong Kong.

We are also exploring ways to spur business development drawing on expertise and other assets of the Group.

As of December 2019, we operate 29 Tendon Tenya restaurants across Thailand, the Philippines, Taiwan, and Hong Kong, and we operate 12 Royal Host restaurants in Taiwan, for our overseas network of 41 restaurants spread across four countries and regions.

#### Overseas (including franchise chains)

► Thailand	15
► The Philippines	9
► Hong Kong	2
► Taiwan	15

## Creating Innovation

As the main hub of the Royal Group's R&D efforts, the Business Innovation Department utilizes a range of technology to conduct R&D. It seeks to establish a new business model for use of the Group's existing management resources amid the harsh environment facing the restaurant industry.

### ► Technology Research

In December 2019, we opened GATHERING PANTRY Futako-tamagawa, an R&D restaurant that brings together completely cashless payment, self-ordering, and a fireless kitchen to further increase the value created through the customer experience.

- Smart cooking using a fireless kitchen to prepare food carefully produced from our own central kitchen
- Link-up between reservation and customer registration service and point of sale (POS), thereby improving the reservation experience and our hospitality



GATHERING PANTRY Futako-tamagawa

### ► Planning a New Business Model

As people look to bring home meals prepared outside, the market for frozen foods is growing. As part of this trend, there is growing demand for food products of a level of quality that cannot be reproduced at home. Royal Deli delivers restaurant-quality frozen meals that retain the deliciousness of the meal as prepared by the chefs in our own central kitchens, embracing the concept of "expert flavor, from our kitchen to you."



As of May 2020, a total of 25 items including soup, short pasta, curry, doria, hamburger steak, and stew can be purchased via our online shop or at establishments such as GATHERING TABLE PANTRY.

For anyone who seeks first-class enjoyment, be it one person or a couple, for a house party or some other occasion, Royal Deli offers restaurant-quality food that can be enjoyed anywhere, anytime, and with no fuss.

As lifestyles diversify amid an aging population, a growing number of single households, and the advance of women in society, we will use the expertise cultivated in the food business to enter the home food market and develop it into a new Group business.



## Our CSR Activities

The Royal Group's CSR activities are aimed at providing sustainable growth for the entire Group while helping to resolve social issues, and are conducted with consideration for the Sustainable Development Goals (SDGs), which serve as indicators for the activities. The SDGs are a series of 17 goals to be reached on a global scale by 2030, adopted by all 193 members of the UN General Assembly in September 2015.

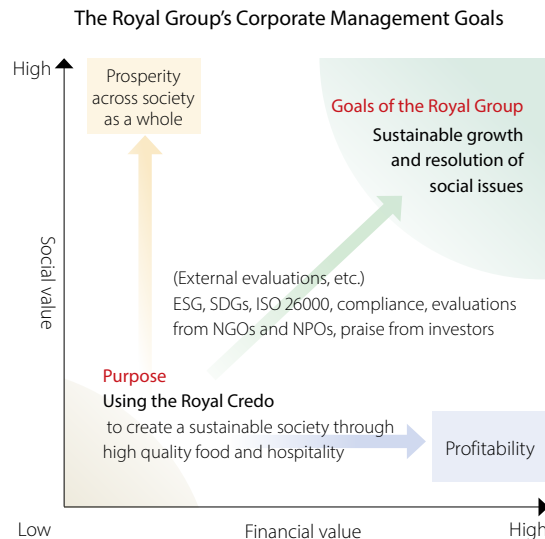


The Royal Group is committed to contributing to the achievement of the following goals and targets. We believe that the Royal Group can work with all of its stakeholders to achieve sustainable growth and create a bright future by helping to mitigate the climate crisis, food shortages, and other problems. We also believe that our CSR activities incorporate both economic value by increasing profitability, and social value by contributing to the prosperity of society as a whole.

Goals	Targets (summarized)	Royal Group Initiatives
	2.3: Double the agricultural productivity and the incomes of small-scale food producers by 2030. 2.4: Ensure sustainable food production systems and implement resilient agricultural practices by 2030.	<ul style="list-style-type: none"> <li>We will leverage our strengths and utilize food and hospitality to uplift society as a whole.</li> <li>We will support the agriculture and fisheries industries by conducting procurement activities in accordance with our Basic Purchasing Policy.</li> <li>We will use food to realize a sustainable, diverse, and inclusive society in which no one is left behind.</li> </ul>
	8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation. 8.8: Protect labor rights and promote safe and secure working environments of all workers.	<ul style="list-style-type: none"> <li>We will work to create a society where anyone with the drive to work can work, and do so with autonomy and independence.</li> <li>We will spread the hospitality business through regional support and education for the upcoming generation.</li> <li>We will maintain and expand sustainable business development and employment by promoting innovation in food energy and responding to the times.</li> </ul>
	12.2: Achieve sustainable management and efficient use of natural resources by 2030. 12.3: Halve per capita global food waste at the retail and consumer level, and reduce food losses by 2030. 12.5: Substantially reduce waste generation through prevention, reduction, recycling, and reuse by 2030.	<ul style="list-style-type: none"> <li>We will reduce food loss from business activities by 20% by 2030 (compared to fiscal 2016 Group results).</li> <li>We will help to create a sustainable, recycling-oriented society by increasing our food recycling rate and maintaining and expanding the coverage of our recycling loop.</li> <li>We will maintain and improve the Earth's environment by promoting energy saving and reducing business-related waste.</li> </ul>

For a company, business growth remains a responsibility to all stakeholders. However, at a time when conducting business on a global scale is the norm, we need to go beyond thinking in terms of smaller units such as companies, and instead consider the sustainable growth of the entire Earth. Therefore, we believe we have a major responsibility to work to resolve the social issues that directly face us.

To make it possible for the Royal Group and its valued stakeholders to achieve sustainable growth, the Group will engage in corporate management that incorporates both business activities and CSR activities for the future.



## Hospitality to Customers



### Basic Stance

To gain the trust of our customers, we believe it is important to always look at things from the customer's viewpoint and provide satisfaction through high-quality products and high-level services, and to listen to people's opinions in earnest.

### Building Trust with Safe Food That Can Be Enjoyed with Peace of Mind



The Royal Group, based on the Quality & Food Safety Standards, practices thorough quality assurance and each of its operating companies has a quality assurance supervisor and a system in place to oversee food safety and security. In addition, the Division of Quality & Food Safety conducts on-site audits of the management status of each operating company, providing objective confirmation and guidance for further improvements.

We are also providing hygiene-related education on how to handle revisions to safety laws that took effect in June 2020 and made hazard analysis and critical control points (HACCP) programs mandatory, and to spread the programs throughout the Group

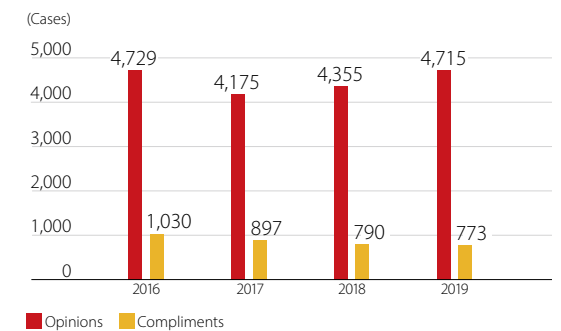
### Customer Satisfaction

As part of its effort to improve customer satisfaction, the flagship objective of Royal Group Vision 2020, the Royal Group formulated its Customer Service Policy in 2012. Under this policy, the Royal Group maintains a general reception office, through which the Group makes efforts to listen to feedback from each and every customer and provide a sincere and prompt response.

In addition, customer feedback is shared with Group companies and top management to better provide customer satisfaction and improve the customer experience.

For examples of improvements based on customer feedback, please visit our Company website.  
<https://www.royal-holdings.co.jp/contact/improvement.php>  
 (Japanese only)

### Annual Cases of Customer Feedback by Type





## Together with Employees



### Basic Stance

One of the goals of Royal Group Vision 2020 is to “become a business group where employees can work with pride.” To achieve this goal, we are proceeding with initiatives that go beyond the borders of our operating companies, such as work transfers between Group companies and health management, in addition to efforts focused on three main approaches.

### Health Management

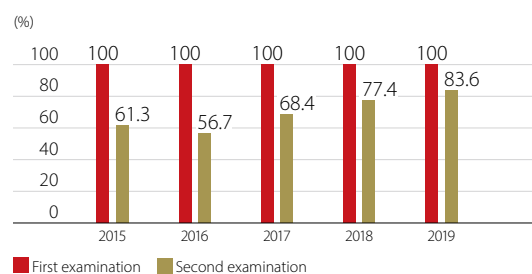
Companies are obligated to create a comfortable work environment, and we believe that when employees can work with peace of mind stable results will follow, ultimately leading to greater productivity for the Company.

The Royal Group has maintained a 100% regular health checkup rate for seven consecutive years, and is working to promote health management, which includes a follow-up system with industrial physicians and public health nurses.

In 2018, we began an initiative to start immediate treatment for employees who showed the need for it based on the checkup results, with post-treatment monitoring until recovery. This initiative worked to great effect, with 60% of target employees showing improvement in 2019.

We intend to improve the rate of secondary medical examinations to our target of 90% to prevent disease and create a physically and mentally healthy work environment.

Rate of Medical Examinations



### A Company That Cares about People

We believe that when each and every employee can make the most of their abilities at work, it enhances them both professionally and privately and helps them to become long-term employees who can work with peace of mind. To secure this sort of employee, we provide a range of training to each and every employee so that they can envision their ideal future and formulate a plan with concrete goals. Through Group training that takes

place after joining the Company as well as practical training tailored toward the duties relevant to each operating company, we will develop human resources that can demonstrate people’s knowledge and skills. For employees who are promoted to managerial positions, such as a store manager or head chef, or to executive positions, we provide rank-based training to improve skills such as coaching, communication, and management.

#### • Talent Management System

This system is used to help make a comprehensive judgment of an employee’s qualifications, experience, and abilities to ensure that the right person is placed in the right position, thereby optimizing our human resources.

#### • Life Planning Seminars

We hold seminars on life planning, health management, and financial planning for employees in age groups at various life stages (with target ages of 25, 30, 36, 46, and 58).

#### • Capacity Development Training

Members are objectively evaluated and selected for training aimed at developing future executive candidates.



### Cultivating the Next Generation through Food



## Ties with Local Communities



### Basic Stance

Since its founding, the Royal Group has worked to create establishments that are indispensable to their communities. We believe that one of our responsibilities as a company is to coexist with local communities and society through our businesses, and utilize our resources to contribute to their development.

We accept students from elementary and junior high school near the establishments of our operating companies for workplace experience learning, as well as workplace training for schools and universities upon request. These workplace experience learning programs, held at Royal Host, Tendon Tenya, and Shakey’s restaurants, support students’ learning by helping students to experience the importance and purpose of work.

In addition, Royal Contract Service Corporation cooperates with universities to provide work experience programs at its Kanto and Kansai establishments for students who are studying to become registered dietitians. Our hope is that the hands-on work experience these students gain will help them to choose their career path after graduation and reaffirm the significance of working as a registered dietitian.

### Disaster Recovery Volunteers and Reconstruction Support

The Royal Group recruited employees to participate as volunteers for recovery activities in Koriyama City, Fukushima Prefecture, which was damaged by Typhoon No. 19 in 2019. A total of 39 volunteers assisted in recovery efforts for three days, from October 31 to November 2, 2019, clearing out dirt from affected people’s houses, carrying out household items, cleaning rooms, and other activities.

We will continue to provide a range of support to people affected by natural disasters as far as circumstances allow.



For more information on past support efforts, please visit our Company website.  
<https://www.royal-holdings.co.jp/csr/shinsai/> (Japanese only)



## Hospitality to Business Partners



### Basic Stance

Our Basic Purchasing Policy was formulated from a CSR perspective, and it expresses our desire to conduct purchasing activities that emphasize not only compliance but also coexistence with society alongside our business partners. Through mutual support, we aim to maintain our supply chain through positive partnerships.

### Basic Purchasing Policy and Effectiveness Audits in Line with the Times

Royal Co., Ltd., which handles purchasing and procurement for the Group, has formulated its Basic Purchasing Policy based on the Royal Code of Conduct and the Royal Conduct Guidelines. In addition to upholding the policy as it stands, which emphasizes transparency, fairness, and impartiality, we intend to update the policy to address the additional demands of the SDGs and the Act on Promoting Food Loss Reduction as these pertain to purchasing and procurement activities.

### Promoting Contract Farming with Production Areas

To ensure stable supplies of ingredients to Group stores, items, quantity, time frames, and prices have been determined by a third party separate from producers, partners, and Royal Co., Ltd. in an effort to promote contract farming with production areas.

While there are a wide range of issues affecting the agricultural industry, including the shrinking number of people in the industry as well as natural disasters, we as leaders in the food service industry would like to contribute to the development of our primary supporting industry by ensuring stable revenues for producers and helping to address the problem of succession in the industry. As we move ahead, we will continue to seek cooperation with producers.



Regular information exchange with producers

### Learning to Communicate the Production Experience to Customers through Hands-On Farming Activities

As part of training for Sizzler employees, R&K Food Service Co., Ltd. held an event where employees could acquire hands-on experience by working at Tokyo NEO-FARMERS!, which produces vegetables for the Sizzler located at Tokyo International Forum. The knowledge gained through this hands-on experience allows employees to convey production experience to customers, connecting the customer with the producer. This added knowledge also helps to give employees pride in their job and fosters a lively work environment.



Employees acquire hands-on farming experience with the staff of Tokyo NEO-FARMERS!



## Dialogues with Shareholders and Investors



### Basic Stance

We consider shareholders and investors as important partners in our business. We will continue to actively engage in dialogues with these important partners so that they can further understand and sympathize with our corporate philosophy and business plans. At the same time, we will also maintain a balance between investments aimed at sustainable growth and returns to shareholders.

### IR Activities in Fiscal 2019

In fiscal 2019, we increased the number of interviews for institutional investors and the number of information briefings for individual investors, bringing our number of IR activities for the fiscal year to 54.

In January 2019, we began utilizing the IR section of our Company website in an active effort to further disclose information. In addition to the TDNet, a timely disclosure system provided by the Tokyo Stock Exchange for timely disclosure and conventional disclosure through our Company website, we publish materials with timely disclosure and Company information, including English translation of a selection of these materials.



Institutional investor-oriented financial briefing

For more detailed IR information, please visit the websites listed below.  
 Company website: <https://www.royal-holdings.co.jp/ir/>  
 IR portal site: <https://www.irstreet.com/new/jp/index.php>

In addition to opportunities for direct dialogue, we strive for timely and accurate information disclosure and stronger communication in a number of ways, such as telephone and online meetings and distribution of video recordings, while building trusting relationships with shareholders and investors.

### Main IR Activities in Fiscal 2019

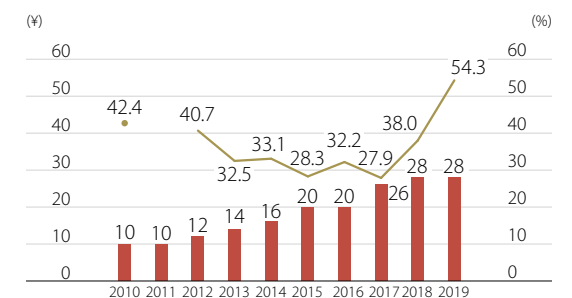
Activities Aimed at Institutional Investors	Number of times held
Analyst- and institutional investor-oriented financial briefings	2
Analyst- and institutional investor-oriented interviews	46
Analyst- and institutional investor-oriented small meetings	3
Activities Aimed at Individual Investors	Number of times held
Individual investor-oriented financial briefings	3

### Shareholder Returns

Under the Fifth Midterm Business Plan, "Beyond 2020," we aim to allocate operating cash flow to growth investments and shareholder returns in a balanced manner, and gradually increase our dividend payout ratio.

Our shareholder returns policy going forward is to continue providing shareholders with stable, long-term dividends.

### Dividend per Share and Payout Ratio



Note: The dividend payout ratio for fiscal 2011 is not shown due to a net loss.



## Environmental Initiatives



### Basic Stance

We recognize protection of the Earth's environment as an undeniable issue that must be addressed. As we intensify our business activities, we will aim to tackle several environmental issues, such as reducing CO<sub>2</sub> emissions and mitigating food waste, an issue that affects us directly.

### Reducing Food Waste from Business Activities

The Royal Group discards a total of approximately 6,700 tons of waste as a result of its business activities. The question of how to reduce this amount, and particularly for the restaurant industry, how to reduce food loss and waste, is an important one in terms of environmental conservation worldwide.

SDG 12 makes a clear call to reduce food waste by half and substantially reduce waste generation. In the future, the Royal Group will not only restrict the amount of waste it produces but also reduce waste generated

through incineration by improving its food recycling rate, and it will work to reduce food waste in fiscal 2030 by 20% compared to the fiscal 2016 level. Through these efforts, we will contribute toward realizing SDG 12.



Logo mark of the No-Foodloss Project

For more detailed information on food waste and food recycling, please visit the website below.  
[https://www.ma.go.jp/j/shokusan/recycle/syoku\\_loss/](https://www.ma.go.jp/j/shokusan/recycle/syoku_loss/)

### Reducing Plastic Waste

In mid-November 2018, the Royal Group initiated a staged removal of petroleum-derived plastic straw from its establishments. In October 2019, this removal was completed at all directly operated establishments. When customers require a straw, we offer them one made with environment-friendly materials. As a result of this initiative, we have reduced Groupwide straw usage by three-quarters, reducing the amount of CO<sub>2</sub> emissions that would have resulted from their incineration. Going forward, we aim to contribute to environmental conservation on a global scale.

We also made the appropriate preparations for the system for fee-incurring plastic checkout bags that went into effect in July 2020. In solidarity with this system, we will practice and encourage the concept of curbing excessive plastic use and using plastic wisely.

### From Energy-Saving to Decarbonization

We are working actively to address energy-related issues, which are of great social interest, with due consideration for the safety of customers and employees. We are introducing energy-saving light bulbs and LED lighting at offices and establishments as well as gas cogeneration systems, as part of our energy-saving initiatives. Renewable energy is also an issue that must be addressed going forward. We are considering the introduction of renewable energy from multiple perspectives, such as whether it fundamentally supports stable business activities and whether it is cost-effective.

## Corporate Governance

### Basic Stance

The Royal Group considers thorough compliance with laws and regulations and adherence to corporate ethics to be high priority management issues. Specifically, as a food-centered company, we have been thoroughly committed to food safety and hygiene since our founding. The Royal Group strives for sensible corporate management with appropriate compliance, as well as high ethics and morals. In keeping with this spirit, the Royal Group formulated the Royal Group Code of Conduct in July 2005, which is shared with all executives and other management staff. Going forward, the Group will continue to review its systems and organization in order to ensure effective corporate governance under a fair and transparent system.

### Corporate Governance Structure

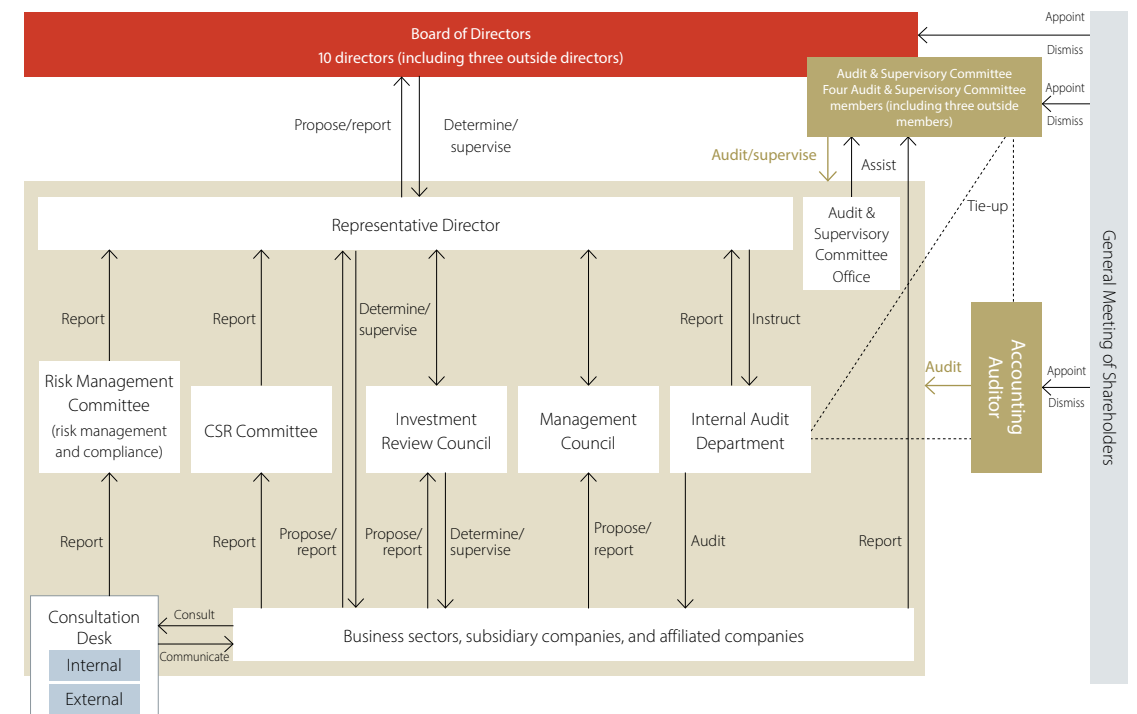
The Company has established a General Meeting of Shareholders, a Board of Directors, an Audit & Supervisory Committee, and an Accounting Auditor, which serve as corporate bodies as stipulated under the Companies Act. The Board of Directors consists of 10 directors (including three directors who are concurrent members of the Audit & Supervisory Committee). The Board of Directors meets once a month as the highest authority over management and decision-making related to business execution, with flexibility to hold additional meetings if necessary. The Board of Directors

decides on important management-related issues and oversees business execution and progress. The Audit & Supervisory Committee comprises four directors who serve concurrently on the Board of Directors, three of whom are outside directors. 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.

In addition, the Management Council, comprising Board members and executive officers, meets once a month to hold thorough discussions regarding basic management policies in order to enable appropriate management decisions to be made. To facilitate this process, the members report and deliberate on important matters regarding business execution throughout the entire Group.

### Reasons for Adopting Current Structure

The Company requires a structure that allows directors to make swift and accurate decisions while also supervising business execution. It has been determined that the size of the Board of Directors is conducive to substantive deliberation. This structure has also been deemed appropriate for directors to monitor each other's business execution, and for directors who also serve as members of the Audit & Supervisory Committee to perform their auditing and supervisory duties.





## 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. Outside directors of the Company are designated as independent officers with no special interests in the Company, and have been judged to have no conflict of interest with general shareholders.

Name	Reason for Appointment
Masao Takamine	Mr. Takamine has been appointed for his wealth of specialized knowledge and experience pertaining to finance and accounting as a Certified Public Accountant and Certified Tax Accountant, to provide appropriate advice on overall management of the Company from an independent perspective.
Hideo Ishii	Mr. Ishii has been appointed based on his many years of work experience at a financial institution and his abundance of managerial experience and knowledge, to provide appropriate advice on overall management of the Company from an independent perspective.
Hitomi Nakayama	Ms. Nakayama has been appointed for her specialized knowledge as a lawyer and her wealth of accomplishments and experience as an outside director at another company and as a committee member of multiple administrative and governmental institutions, to provide appropriate advice on overall management of the Company from an independent perspective.

## Director Compensation

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

(Fiscal 2019)

Type of officer	Total compensation amount (millions of yen)	Compensation by type (millions of yen)		Number of officers eligible for compensation
		Basic compensation	Bonus	
Directors (excluding Audit & Supervisory Committee members and outside directors)	188	150	38	7
Directors (Audit & Supervisory Committee members, excluding outside directors)	10	10	—	1
Outside directors	14	14	—	3

- Notes: 1. Compensation for directors (excluding Audit & Supervisory Committee members) was determined at the 67th Ordinary General Meeting of Shareholders held on March 29, 2016 as a fixed amount within ¥200 million per year plus an adjustable amount set within 2.0% of net income for the previous consolidated fiscal year (profit (loss) attributable to owners of parent). This value does not include salaries for Board members who are also employees of the Company.
2. Compensation amounts for directors serving as Audit & Supervisory Committee members were determined to be within ¥40 million per year at the 67th Ordinary General Meeting of Shareholders held on March 29, 2016.

## Internal Control System

The Company maintains a basic policy regarding the internal control system as determined by its Board of Directors. 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 adopted a holding company framework for the purpose of building a management system that is flexible and adaptable. In addition, the Company has established the Royal Code of Conduct as a standard for managerial employees to observe at all times. In addition, the Management Regulations for Royal Group Subsidiaries have been established with the aim of improving management efficiency across the Group and ensuring effective corporate governance. Through these actions, we are working to build compliance awareness throughout the Group.

Executive officers and the head of the Corporate Planning Department, or corresponding persons of similar rank, are placed as officers with responsibilities to Group subsidiaries and serve on their Board of Directors. In addition, full-time members of the Audit & Supervisory Committee, or members of the Audit & Supervisory Committee Office, serve as auditors at each subsidiary. This appointment system, implemented for all Group operations, ensures that appropriate checks are made when making decisions on important matters.

## Evaluation of the Effectiveness of the Board of Directors

With regard to the management of the Board of Directors, the feedback from the questionnaire pointed out the need for a secretariat to improve meeting preparations. In the future, further efforts will be made to systematically select agenda items and prepare materials in advance to improve discussions.

It was also suggested that more complete investigation and discussion was required in terms of the Midterm Business Plan, in addition to regular status updates. The Company will take management options into consideration to ensure that Board meetings are a useful forum for discussion on matters such as the steady promotion of business plans and flexible responses to changes in the business environment.

For details on our implementation of the Corporate Governance Code, please refer to the most recent corporate governance report.

Corporate Governance Report (Japanese only)  
<https://www.royal-holdings.co.jp/material/images/r/governance.pdf>

## Risk Management

### Basic Stance

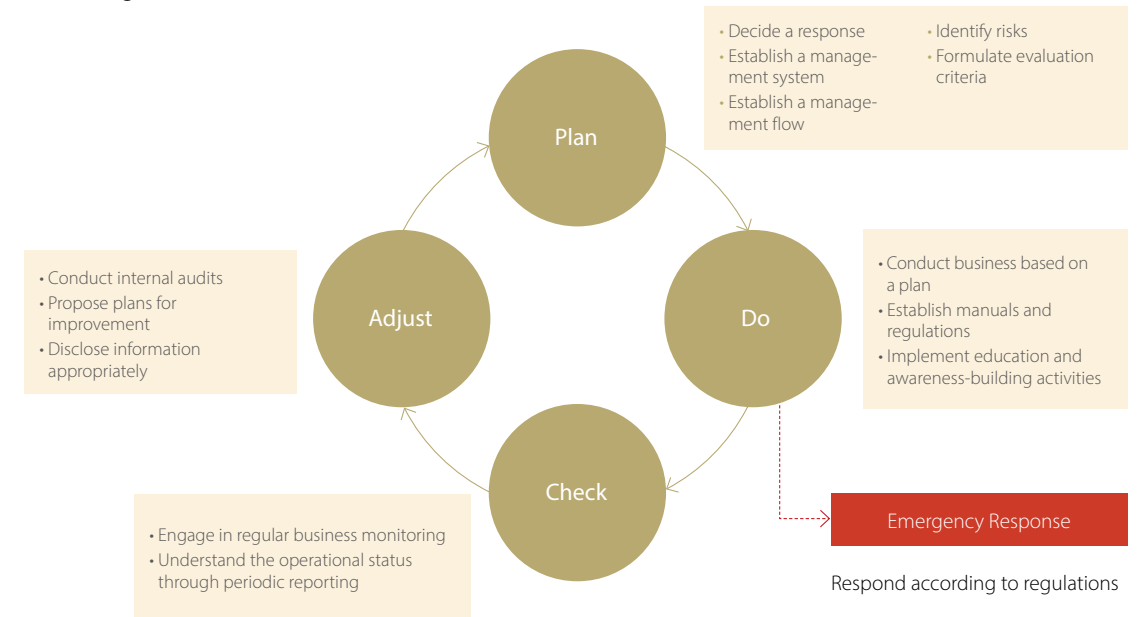
The Royal Group works to eliminate as many of the factors that would hinder the achievement of its management goals as possible, while dealing with natural disasters, accidents, and other man-made disasters, and various other management risks in an appropriate fashion. By doing so, the Group aims to increase corporate value and fulfill its social responsibility.

To this end, we have highlighted six items on the right

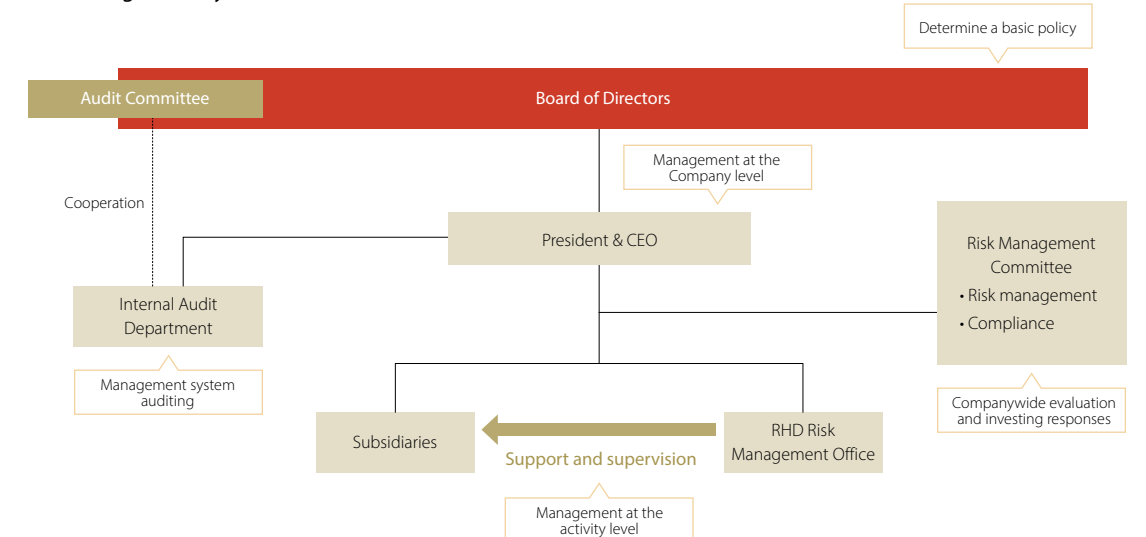
that comprise our Risk Management Action Policy.

1. Develop and implement a risk management plan.
2. Ensure the health and safety of executives and employees of the Royal Group, as well as customers and local residents.
3. Conserve the Royal Group assets.
4. Act responsibly when risks become apparent.
5. Promote prompt recovery when damage occurs.
6. Reflect risk-related social demands in the Group's Risk Management System.

### Risk Management Flow



### Risk Management System



## List of Directors (As of March 31, 2020)



### 1 Tadao Kikuchi Chairman

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, Head of Legal Office of the Company  
 2007 Director, Head of Corporate Planning Department, Head of Legal Affairs, Head of Group Management Department of the Company  
 2008 Director, Vice-Head of Business Management Headquarters (in charge of financial and management planning), Head of Corporate Planning Department, Head of Legal Affairs of the Company  
 2009 Director, Head of Administration Headquarters, Head of Corporate Planning Department, Head of Legal Affairs of the Company  
 2009 Director, Head of Administration Headquarters of the Company  
 2010 President & CEO of the Company  
 2010 Outside Director of HUB CO., LTD.  
 2016 Chairman & CEO of the Company  
 2016 Chairman of Japan Foodservice Association  
 2018 Outside Director of QB Net Holdings Co., Ltd. (present)  
 2019 Chairman of the Company (present)

### 2 Yasuhiro Kurosu President & CEO

1982 Joined the Company  
 2005 Director, Head of Administration Department of R&K Food Service Co., Ltd.  
 2008 Officer of Business Management Headquarters and Sales Promotion Department of the Company  
 2009 Head of Planning Department of R&K Food Service Co., Ltd.  
 2010 Vice-Head of Administration Headquarters of the Company  
 2010 Outside Director of HUB CO., LTD. (left in 2016)  
 2011 Vice President of Royal Host Co., Ltd.  
 2011 Director of the Company  
 2016 President & COO of the Company  
 2019 President & CEO of the Company (present)  
 2019 Outside Director of HUB CO., LTD. (present)

### 3 Akito Nonomura Managing Director

1978 Joined the Company (left in 1999)  
 1996 Manager (acting) of Apetito Department (within the Company)  
 2004 Sales Director of R&K Food Service Co., Ltd.  
 2005 President of R&K Food Service Co., Ltd.  
 2011 Director of the Company  
 2016 Managing Director in charge of Planning & Development Division of the Company  
 2018 Managing Director in charge of Business Innovation Division and Food Manufacturing Business Sector of the Company (present)

### 4 Tomoatsu Kimura Managing Director

1982 Joined Sony 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, Accounting Manager of the Company  
 2011 Director, Accounting Manager of the Company  
 2013 Director, Head of Financial Planning Division of the Company  
 2019 Managing Director in charge of Financial Planning of the Company (present)

### 5 Satoshi Kido Director

1984 Joined The Nippon Credit Bank, Ltd. (currently Aozora Bank, Ltd.)  
 2005 Joined the Company  
 2008 President of Royal Management Co., Ltd.  
 2010 Director, Head of Administration Department of R&K Food Service Co., Ltd.  
 2011 Head of Administration Headquarters of the Company  
 2012 Executive Officer, Head of Strategic Planning Division of the Company  
 2013 Director, Head of Corporate Planning Division of the Company  
 2020 Director, Head of Corporate Planning Division and Risk Management Office (present)

### 6 Tetsuya Hashimoto Director

1979 Joined the Company  
 1995 Head of Royal Host Business Department of the Company  
 2001 Head of Menu Planning Department of the Company (left in 2003)  
 2003 Joined FLYING GARDEN CO., LTD.  
 2011 Joined Royal Host Co., Ltd.; Head of Planning and Development Division  
 2013 Director, Head of Corporate Planning Office of Royal Airport Highway Food Service Co., Ltd.  
 2013 President of Royal Airport Highway Food Service Co., Ltd.  
 2018 President of Royal Contract Service Corporation  
 2018 Executive Officer in charge of Contract Food Service of the Company  
 2019 Director in charge of Restaurant Business, Contract Food Service, In-Flight Catering Business, and Hotel Business of the Company (present)

### 7 Mari Tominaga Director, Full-Time Audit and Supervisory Committee Member

1976 Joined the Company (left in 1982)  
 1987 Joined the Company  
 1990 Director of the Company (resigned in 1998)  
 1998 Executive Officer, Head of Air Catering Department of the Company  
 2003 Director of the Company  
 2008 Full-Time Auditor of the Company  
 2011 Managing Director of Egashira Foundation (public interest) (present)  
 2012 Director and Advisor to the Company  
 2020 Director, Full-Time Audit and Supervisory Committee Member of the Company (present)

### 8 Masao Takamine Outside Director (Audit & Supervisory Committee member)\*

1982 Joined Audit Department, Peat Marwick Mitchell & Co., Tokyo Office  
 1985 Registered as a Certified Public Accountant (CPA) of Japan  
 1992 Registered as a Certified Tax Accountant (CTA)  
 1998 Managing Director in charge of Yokohama Branch Office of KPMG BRM Co., Ltd.  
 2002 President of Yokohama Branch Office of KPMG BRM Co., Ltd.  
 2014 Established Masao Takamine Office as owner, CPA, and CTA (present)  
 2014 Outside Director of MITSUMI ELECTRIC CO., LTD.  
 2016 Director (Audit & Supervisory Committee member) of the Company (present)

### 9 Hideo Ishii Outside Director (Audit & Supervisory Committee member)\*

1978 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)  
 2002 General Manager of Human Resources and Human Resources Training Office of Mizuho Securities Co., Ltd.  
 2004 General Manager of Main Office Corporate Banking Department No. 1 of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)  
 2007 Executive Officer, General Manager of Fukuoka Corporate Banking Department  
 2008 Managing Executive Officer of KOWA REAL ESTATE CO., LTD. (currently NIPPON STEEL KOWA REAL ESTATE CO., LTD.)  
 2010 Senior Managing Director of KOWA REAL ESTATE CO., LTD.  
 2013 President of Japan Investor Solutions & Technologies Co., Ltd.  
 2018 Director (Audit & Supervisory Committee member) of the Company (present)  
 2018 Outside Director of ARATA CORPORATION (present)

### 10 Hitomi Nakayama Outside Director, Audit and Supervisory Committee Member\*

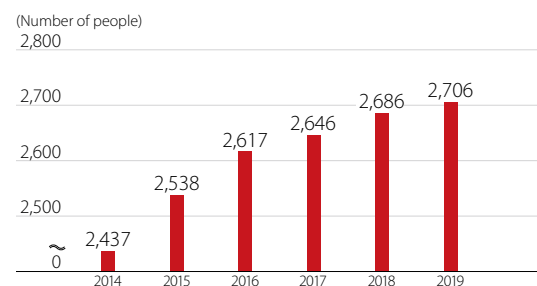
1991 Registered as an attorney at law; joined Daini Tokyo Bar Association; joined the Kasumigaseki-Sogo Law Office  
 1994 Became partner at Kasumigaseki-Sogo Law Office (present)  
 2011 Became Vice-Chair of Daini Tokyo Bar Association  
 2013 Managing Director, Japan Federation of Bar Associations  
 2016 Auditor, Japan Electric Meters Inspection Corporation (present)  
 2017 Outside Auditor, Teijin Limited (present)  
 2020 Director, Audit & Supervisory Committee Member of the Company (present)

\*Outside Director as defined by Article 2, Item 15 of the Companies Act

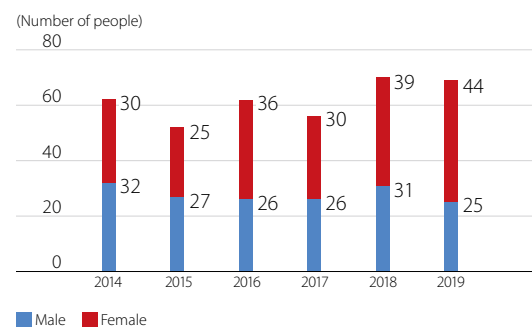
# Financial and Non-Financial Highlights (Fiscal 2009–2019)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Operating Results</b> (Millions of yen)											
Net sales	111,896	110,440	109,260	114,957	120,730	124,857	130,327	133,025	135,563	137,701	<b>140,578</b>
Operating income	1,763	2,054	2,153	2,623	3,498	4,417	4,899	5,222	5,952	5,709	<b>4,648</b>
Ordinary income	1,916	2,132	2,220	2,817	3,761	4,579	5,021	5,205	6,056	5,765	<b>4,639</b>
Profit (loss) attributable to owners of parent	(468)	901	(3,117)	1,137	1,663	1,866	2,728	2,377	3,533	2,791	<b>1,923</b>
<b>Financial Position</b> (Millions of yen)											
Total assets	78,214	80,476	77,872	76,759	79,583	81,916	90,912	94,070	97,138	99,262	<b>102,540</b>
Net assets	42,816	43,755	39,850	40,741	43,338	44,588	46,634	48,234	51,973	51,125	<b>52,028</b>
<b>Per-Share Information</b> (Yen)											
Earnings per share	(12.41)	23.56	(82.40)	29.49	43.14	48.40	70.79	62.18	93.06	73.71	<b>51.54</b>
Net assets per share	1,108.75	1,117.83	1,017.55	1,040.71	1,107.98	1,138.48	1,198.16	1,247.30	1,343.02	1,336.77	<b>1,361.56</b>
Dividend per share	10	10	10	12	14	16	20	20	26	28	<b>28</b>
<b>Cash Flows</b> (Millions of yen)											
Cash flows from operating activities	4,557	6,504	3,725	6,038	7,377	8,206	8,179	9,212	9,350	8,478	<b>9,849</b>
Cash flows from investing activities	(783)	(4,298)	(3,497)	(1,964)	(5,453)	(4,931)	(5,081)	(5,961)	(4,279)	(6,121)	<b>(5,941)</b>
Cash flows from financing activities	(1,022)	(2,467)	(3,100)	(4,480)	(2,031)	(3,395)	(3,366)	(2,650)	(2,580)	(4,591)	<b>(4,774)</b>
<b>Management Indicators</b> (%)											
ROE	(1.1)	2.1	(7.7)	2.9	4.0	4.3	6.1	5.1	7.2	5.5	<b>3.8</b>
ROA	2.5	2.7	2.8	3.6	4.8	5.7	5.8	5.6	6.3	5.9	<b>4.6</b>
Equity ratio	53.5	53.6	50.4	52.3	53.7	53.6	50.4	50.3	52.5	50.3	<b>49.6</b>

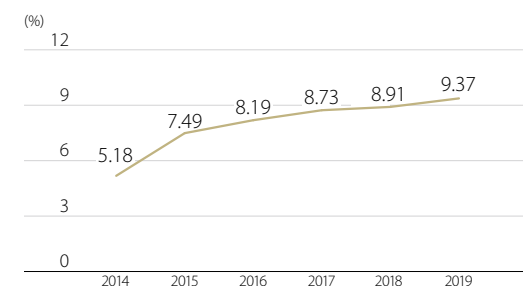
Number of Employees (Consolidated)



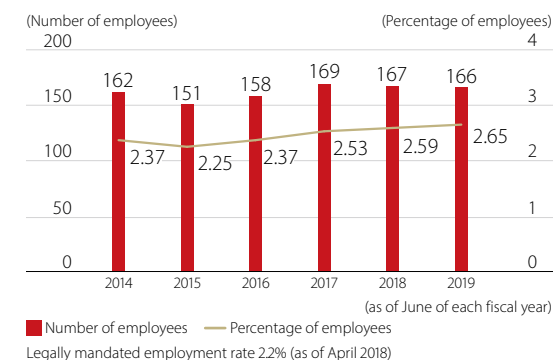
Number of New Graduates Employed



Ratio of Women in Managerial Positions



Number of Employees with Disabilities and Employment Rate



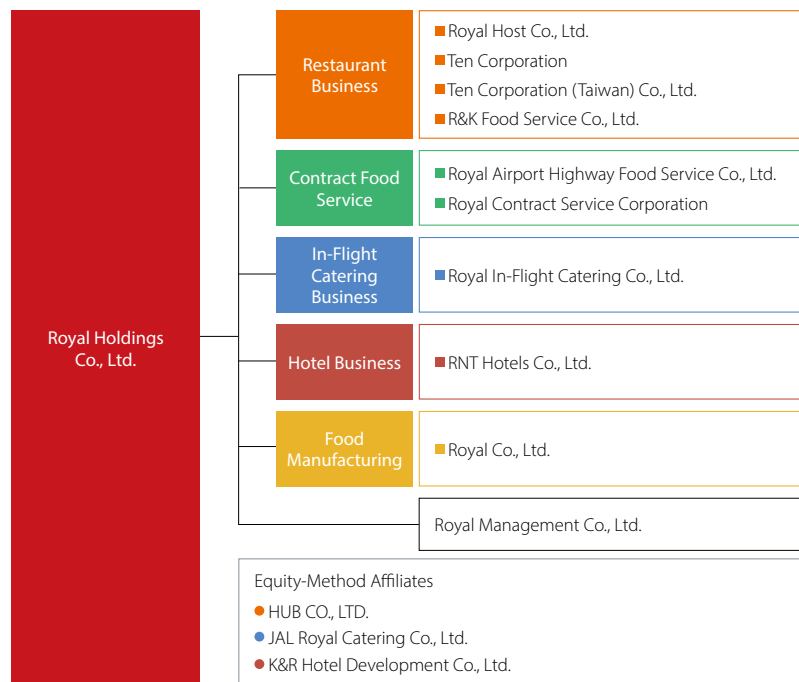
Company Information

Company Name .....	Royal Holdings Co., Ltd.
Date of Establishment .....	April 1950
Capital .....	¥13,676,179,700
Number of Employees .....	2,706 (Consolidated)
Head Office .....	3-28-5 Naka, Hakata-ku, Fukuoka-shi, Fukuoka 812-0893, Japan
Tokyo Headquarters .....	1-34-6 Sakurashimmachi, Setagaya-ku, Tokyo 154-8584, Japan 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, First Section; Fukuoka Stock Exchange
Securities Code .....	8179
IPO Date .....	August 1978
Total Number of Authorized Shares .....	120,000,000
Total Number of Issued Shares .....	39,554,189
Number of Shares per Unit .....	100
Number of Shareholders .....	24,075

Group Overview



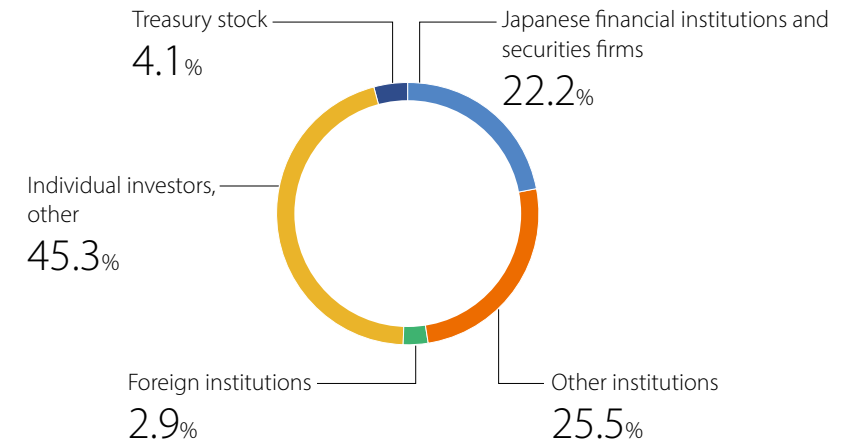
Notes  
 1. Chowders Corporation, classified as a consolidated subsidiary in fiscal 2018, was removed as a result of an absorption-type merger with consolidated subsidiary Royal Airport Highway Food Service Co., Ltd. that took place on January 1, 2019.  
 2. K&R Hotel Development Co., Ltd. is accounted for by the equity method due to its increased importance as of fiscal 2019.

Major Shareholders

Name of Shareholder	Number of Shares (Thousands)	Shareholding Ratio (%)
Egashira Foundation (public interest)	2,452	6.46
Kilroy Kosan Co., Ltd.	1,624	4.28
DUSKIN CO., LTD.	1,400	3.69
Japan Trustee Services Bank, Ltd. (Trust account)	818	2.16
Nippon Life Insurance Company	803	2.12
The Master Trust Bank of Japan, Ltd. (Trust account)	780	2.06
THE NISHI-NIPPON CITY BANK, LTD.	765	2.02
Japan Trustee Services Bank, Ltd. (Trust account 5)	697	1.84
HANEWOODS INC.	692	1.82
Isetan Mitsukoshi Holdings Ltd.	681	1.79

Note: The above shareholding ratios were calculated after deduction of treasury stock (1,601 thousand shares).

Breakdown of Shareholders by Investor Type



Stock Price

