

Online Briefing Regarding Business and Capital Tie-Up with Royal Holdings

February 24, 2021

Sojitz Corporation

Aerospace & Transportation Project Division

Retail & Lifestyle Business Division

Overview of Transaction

① Capital and Business Tie-Up with Royal Holdings Co., Ltd.



① Capital and Business Tie-Up

- Common stock : ¥10.0 billion
- Stock acquisition rights : ¥7.8billion*
- Collaboration and other joint business ventures

② Financing from Main Banks

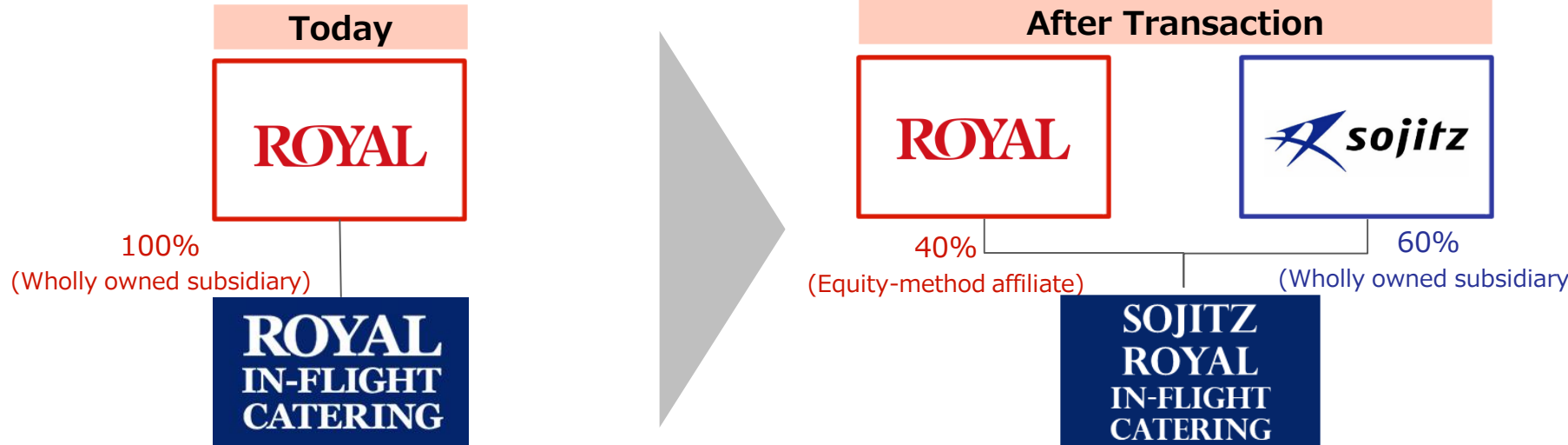
- Series A Preferred Shares : ¥ 3.0 billion
- Series B Preferred Shares : ¥ 3.0 billion



- Main Banks**
- Mizuho Bank
 - Development Bank of Japan
 - The Bank of Fukuoka
 - The Nishi-Nippon City Bank

* Calculated based on the initial exercise price of ¥1,908 (closing price on day prior to date of issue resolution) per each of the 41,124 stock acquisition rights (equivalent to 4,112,400 dilutive shares) to be issued

② Third-Party Allotment Acquisition of RIC



Characteristics and Appeal of the Royal Holdings Group

Nationwide network of more than 700 locations and customer base won with high-quality food and hospitality

Stable Businesses Avoiding Excessive Competition in Niche Areas

- Strong business with unique position erecting high barrier to entry
- Stable earnings levels achieved by avoiding price competition



Product tasting session

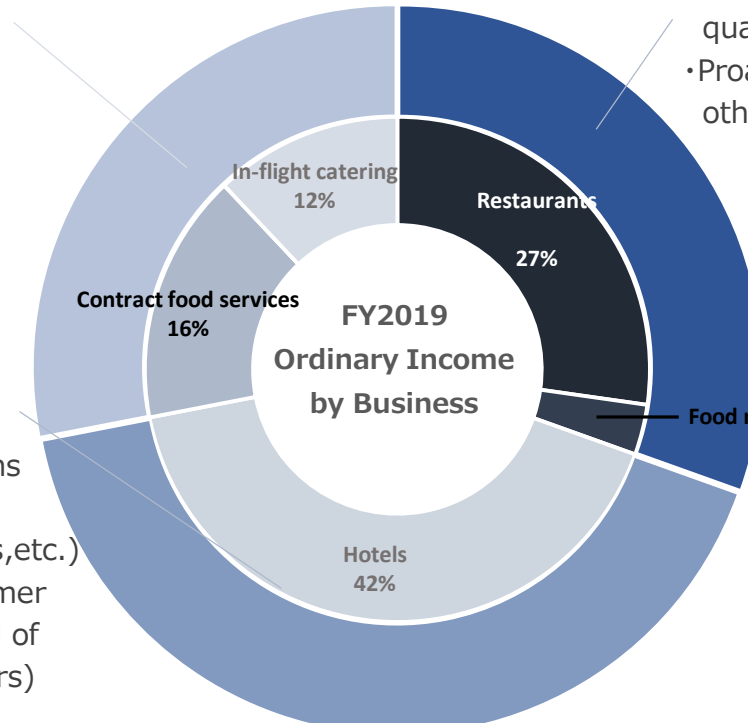
- High-level services
- Customer satisfaction levels indicating track record
- Comprehensive capabilities for eclipsing competition with strengths in providing value in customer experiences (amenities, breakfasts, etc.)
- Growing base of highly loyal customer club members primarily comprised of business people (1 million members)
- Strong support from consumers

J.D. POWER Japan **No. 1** in 11 of 14 rankings*1

*1 No. 1 for 10th time and for two consecutive years in ¥9,000-¥15,000 lodging category of customer satisfaction rankings

JCSI 日本版 顧客満足度指数 **No. 1** in 6 of 9 rankings*2
Japanese Customer Satisfaction Index

*2 No. 1 for three consecutive years in business hotel category of JCSI survey



- Royal brand winning high customer loyalty
- Manufacturing technologies supporting a premium image
- Premium image and high customer loyalty
- Manufacturing capacity and product development capabilities supporting high quality of Royal brand
- Proactive development of Royal Deli and other operations in new fields

Hospitality Restaurant

Royal Host



Food manufacturing
3%

Customer Satisfaction Evaluation (Out of 10)

	Royal Host	Company S	
Menu variety	7.734	7.503	Royal Host's Strengths
Taste	8.116	7.131	
Price	6.392	7.281	×
Staff service	7.719	6.910	Atmosphere Value High
Comfort	7.864	7.191	=
Overall	7.613	7.307	Customer Satisfaction High



Note: Based on 2019 family restaurant satisfaction surveys by Japan Trend Search

Characteristics and Appeal of the Royal Holdings Group

High customer loyalty won through use of strength of unique position and provision of high-quality services in all businesses

	<u>Performance</u> (Millions of Yen)	<u>Unique Position</u>	
Restaurants	<u>FY2019</u> Net sales: 62,622 Ordinary income (loss): 2,379 <u>FY2020</u> Net sales: 46,254 Ordinary income (loss): (3,813)	Premium Customer Experiences for the Masses	<ul style="list-style-type: none"> • High customer loyalty won with premium image of family restaurants and business hotels for the masses • Product and service quality and brand power that cannot be easily mimicked by competitors
Hotels	<u>FY2019</u> Net sales: 30,286 Ordinary income (loss): 3,622 <u>FY2020</u> Net sales: 13,991 Ordinary income (loss): (6,996)		
Contract food services	<u>FY2019</u> Net sales: 34,664 Ordinary income (loss): 1,425 <u>FY2020</u> Net sales: 18,569 Ordinary income (loss): (2,602)	Businesses in Niche Areas Avoiding Excessive Competition	<ul style="list-style-type: none"> • Business stability grounded on difficulty of switching to rival providers (ease in retaining existing customers) • Stable earnings secured by avoiding intense competition and consequently price competition
Food manufacturing	<u>FY2019</u> Net sales: 11,051 Ordinary income (loss): 281 <u>FY2020</u> Net sales: 8,356 Ordinary income (loss): (685)	Pioneering Position Among Restaurant Operators	<ul style="list-style-type: none"> • Business domain promising future growth • Massive hurdle to prevent entry by other restaurant operators erected through use of product development capabilities, CK (concentrated manufacturing capacity, superior quality), and brand power

Note: Figures represent figures disclosed by Royal Holdings and exclude corporate expenses and the in-flight catering business.

Directives and Business Opportunities for the Royal Holdings Group

Promotion of joint businesses and collaborative ventures based on Royal's policies of responding to change, streamlining management, and developing businesses in growth fields as industry environment transforms due to COVID-19 pandemic

	<u>Environment and Issues</u>	<u>Response Initiatives</u>	<u>Business Opportunities</u>
Restaurants	<ul style="list-style-type: none"> Shift in demand toward ready-to-eat and take-out meals Burden from fixed costs associated with conventional restaurants due to competition with ready-to-eat meal and take-out meal providers 	<ul style="list-style-type: none"> Incorporation of delivery and take-out demand Reduction of costs and improvement of efficiency Provision of new customer experiences (CRM, model integration) Expansion into overseas markets (Tendon Tenya, new formats, etc.) 	<ul style="list-style-type: none"> Procurement utilizing Sojitz's global network Inter-store delivery employing the Sojitz Group's existing delivery infrastructure Joint overseas business development
Hotels	<ul style="list-style-type: none"> Disappearance of inbound demand and concern for prolongation of these circumstances Slump in domestic demand (Reduced business trip demand stemming from popularization of teleworking, temporary slump in leisure demand due to state of emergency declarations) 	<ul style="list-style-type: none"> Stimulation of non-lodging demand in hotel atmospheres Improvement of Richmond Club member lifetime value through provision of new customer experience value (enhancement of digital transformations and CRM, model integration) Reduction of costs (rent, personnel expenses) 	<ul style="list-style-type: none"> Business development approach that draws customers and improves per-customer earnings <ul style="list-style-type: none"> Development of model integration schemes Creation of schemes for utilizing customer base (digital transformations, CRM, etc.)
Contract food services	<ul style="list-style-type: none"> Temporary slump but relatively quick recovery of short-distance tourism demand at expressway service and parking areas Drop in international flight demand affecting in-airport locations 	<ul style="list-style-type: none"> Improvement of average earnings from on-site customers at expressway service and parking areas Reduction of costs while waiting for demand recovery at in-airport locations 	<ul style="list-style-type: none"> Expansion of business opportunities utilizing domestic commercial facility operation experience Joint overseas business development
Food manufacturing	<ul style="list-style-type: none"> Shift in demand from restaurant dining to ready-to-eat and take-out meals Reduced operating ratios at factories (central kitchens) due to lower inter-group sales 	<ul style="list-style-type: none"> Promotion of ready-to-eat meal product sales using high brand recognition (Royal Deli) Exploration of sales channels (retail stores) 	<ul style="list-style-type: none"> Promotion of sales of high-quality food products with strong brand recognition

Characteristics and Appeal of In-Flight Catering Business (RIC)

Solid operating foundation cemented at three major Japanese airports

※As of 2019

High Shares at Each Base

Kansai International Airport
(No. 3 in passenger numbers in Japan)

Fukuoka Airport
(No. 4 in passenger numbers in Japan)

Naha Airport
(No. 6 in passenger numbers in Japan)

More than 50%

More than 95%

100%



- Plans to expand runways by 2025 either underway or being prepared at all three airports promising increased flight numbers after conclusion of COVID-19 pandemic (Intense competition at Narita and Haneda due to various rivals including airlines and foreign companies)
- History spanning 70 years and unrivaled industry experience and expertise in Japan as the country's oldest in-flight catering company
- Ranked **No. 1** in the world 3 times and top 3 for 11 consecutive years in quality assessments looking at 250 organizations worldwide by QSAI international in-flight catering certification initiative

Longest History in Japan and World-Leading Quality



QSAI is an in-flight catering company quality assessment initiative established through sponsorship by IATA in 2006

RIC Issues and Initiatives Pursuing Recovery and Growth

Creation of businesses in non-flight-related fields, expansion of share in flight-related businesses, and pursuit of medium-term domestic and overseas business growth through combination of RIC's business foundations and expertise and the Sojitz Group's network; future goal of growing RIC's in-flight catering business to be top class in Asia

Issues Lower sales and factory operating ratios due to massive reduction in international flight demand stemming from COVID-19 pandemic

Stage 1

Pursuit of earnings opportunities in non-flight-related fields

- Creation and expansion of non-flight-related businesses through the production and supply of food products for use in Sojitz's non-flight-related sales channels and the Royal Holdings Group's hotel and contract food service businesses
- Utilization of the Royal Holdings Group's frozen entrée (food freezing) technologies to approach regional airports in Japan at which Royal does not have bases in its in-flight catering business

Current Initiatives

Stage 2

Expansion of Domestic Share

- Utilization of Sojitz's relationships with domestic and overseas airlines to grow shares at existing locations
- Provision of in-flight meals for international flights at domestic airports where Sojitz participates in operation and at other regional airports
- Expansion of share by incorporating demand recovery following conclusion of COVID-19 pandemic

Medium-Term Initiatives

Stage 3

Acceleration of Overseas Expansion through Combination of Three Companies' Strengths

- Growth of RIC's in-flight catering business to be top class in Asia by combining RIC's world-leading quality with the Royal Holdings Group's brands and Sojitz's capacity for developing operations in Southeast Asia and other regions (including by conducting M&A activities)

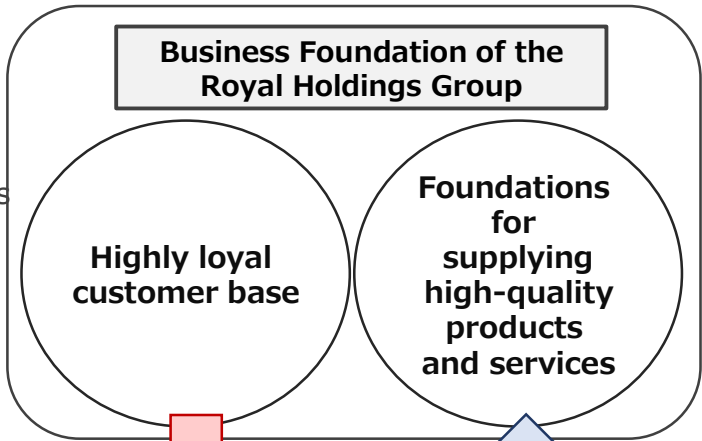


Construction and Evolution of Partnership Aimed at Medium- to Long-Term Growth

Creation of prosperity by developing human resources and growing global businesses founded on strengths in food and hospitality together with the Royal Holdings Group

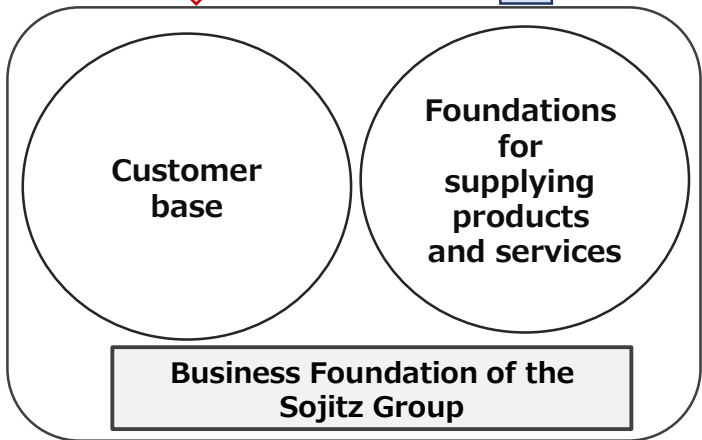
ROYAL

- Robust points of contact with consumers
- Businesses with high barriers to entry



- Corporate culture, technologies, and systems supporting high-quality products and services
- Strong brand power

Provision of Royal Holdings Group products and services to customers and markets served by the Sojitz Group



Supply of the Sojitz Group's products and services to strengthen the Royal Holdings Group's business foundation

sojitz



Caution regarding Forward-looking Statements

This document contains forward-looking statements based on information available to the Company at the time of disclosure and certain assumptions that management believes to be reasonable. Sojitz makes no assurances as to the actual results and/or other outcomes, which may differ substantially from those expressed or implied by such forward-looking statements due to various factors including the timing of the conclusion of the COVID-19 pandemic; changes in economic conditions in key markets, both in and outside of Japan; and exchange rate movements. The Company will provide timely disclosure of any material changes, events, or other relevant issues.