

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

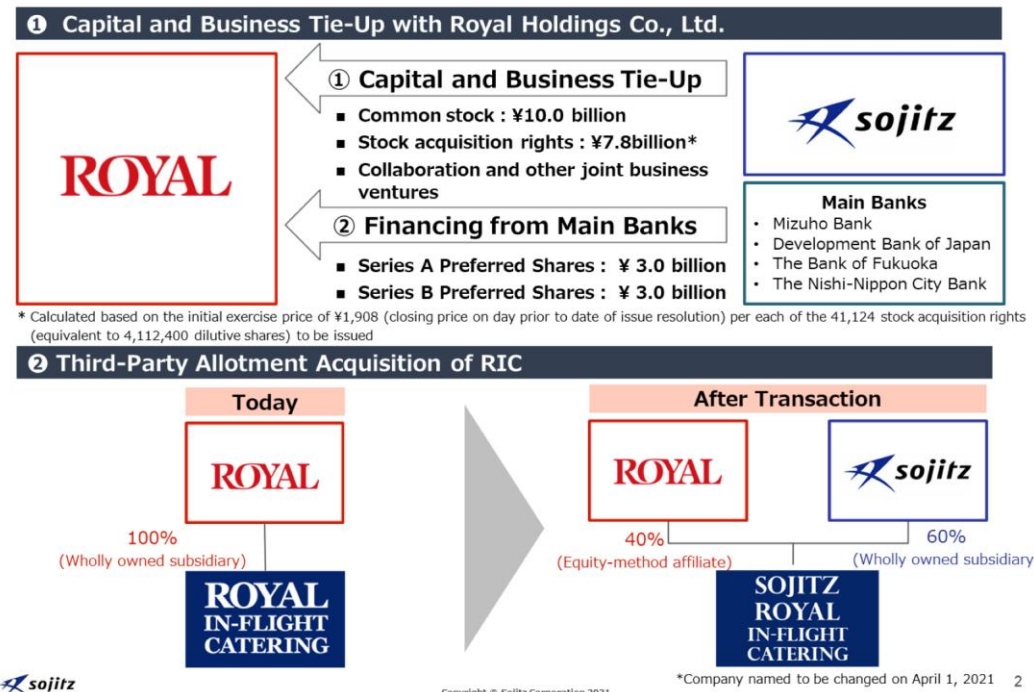
**February 24, 2021**  
**Sojitz Corporation**  
**Aerospace & Transportation Project Division**  
**Retail & Lifestyle Business Division**

(Presenters)

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# Overview of Transaction



(Hiroto Murai, Executive Officer, COO, Retail & Lifestyle Business Division)

- The capital and business tie-up agreement concluded between Royal Holdings Co., Ltd., and Sojitz Corporation will entail Sojitz acquiring ¥10.0 billion worth of shares of common stock in Royal Holdings along with ¥7.8 billion worth of stock acquisition rights.
- In addition to concluding a capital and business tie-up agreement with Royal Holdings, this tie-up will include financing from main banks used by the Company to the extent of ¥6.0 billion in the form of series A and series B preferred stock.
- Through the acquisition of common stock as well as the issuance of stock acquisition rights associated with the capital and business tie-up agreement, Sojitz will acquire an approximately 20% stake in Royal Holdings. By converting this company into an equity-method affiliate in this manner, we aim to generate synergies between this company and the Sojitz Group.
- Through a third-party allocation to Royal Holdings and Sojitz, the Company will come to hold a 60% stake in Royal In-flight Catering Co., Ltd. (RIC), the in-flight catering company of the Royal Holdings Group. RIC will thus become a consolidated subsidiary of Sojitz and an equity-method affiliate of Royal Holdings.

# 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

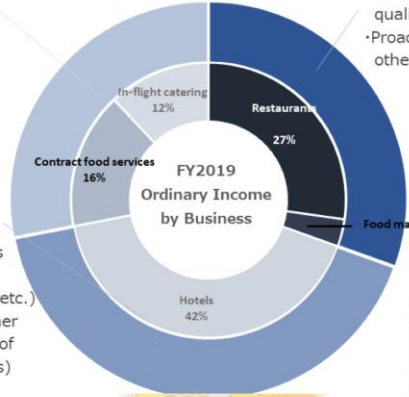


Product tasting session

- 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** 日本顧客満足度指数 **No. 1** in 6 of 9 rankings\*2  
 \*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



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	Product Lineup High
Price	6.392	7.281	x
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

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- The Royal Holdings Group has over 700 operating bases across Japan and boasts a customer base won through the high quality of the food and hospitality it provides.
- In the family restaurant business, the Royal Holdings Group boasts brands founded on manufacturing technologies supporting a premium image that has earned exceptional loyalty from its customers. Specific examples of the Group's wide range of brands include Royal Host and Sizzler as well as Tendon Tenya and Shakey's Pizza, which cater to wide swathes of the population.
- The Royal Holdings Group has also achieved levels of customer satisfaction that dwarf those of competitors. Non-restaurant businesses of the Royal Holdings Group include its hotel, contract food service, and in-flight catering businesses, all of which have exceptionally strong operating foundations. The hotel business, for example, has been ranked No. 1 in the ratings of a third-party evaluation firm in reflection of its high-level services. Moreover, Royal's hotel business has fostered a customer base of 1 million business people and other individuals, 60% of which are repeat customers who actively use Royal's facilities.
- Another characteristic of the Royal Holdings Group is that has developed stable businesses in niche areas, enabling it to avoid excessive competition. Specific examples of these niche areas include the in-flight catering business and the contract food service business, where Royal operates expressway parking areas and service areas. These are businesses in which it is incredibly difficult to change providers if a business operator thinks from the perspective of its customers. Accordingly, these businesses employ models that allow them to generate earnings by reliably satisfying their customers over the medium to long term. This is how Sojitz analyzes the characteristics and appeal of the Royal Holdings Group.

# 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

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

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



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- To put it in other words, a major characteristic of the Royal Holdings Group's restaurant and hotel businesses is that they provide premium customer experiences to the masses. In the restaurant business, the Royal Holdings Group boasts unrivaled levels of earnings per customer from its family restaurants together with a base of exceptionally loyal customers with high rates of repeat use. Meanwhile, the business hotels operated in Royal's hotel business have levels of earnings per customer that are 10% to 20% higher than those of rival hotels while providing superb levels of customer satisfaction that match earnings.
- As for Royal's contract food service business, we believe that Royal has developed a solid business model that competes in niches areas to avoid excessive competition, making it difficult for customers to switch to other providers. By pursuing higher levels of customer satisfaction in this business, the Royal Holdings Group is able to avoid competition and consequently price competition, which enables it to secure stable earnings.
- Key factors supporting these businesses are the brand power and product development capabilities of Royal's central kitchens in the food manufacturing business. The Royal Holdings Group is a pioneer among Japanese restaurant operators, and it has fostered superior development capabilities together with a propensity for consistently delivering high-quality products at reliable prices. In this manner, another major characteristic of the Royal Holdings Group is its ability to set prices based on the quality of its products, rather than becoming dragged down by price competition.
- In the past, Sojitz has faced difficulty in forging contacts with consumers in Japan. By investing in Royal Holdings, we will be able to connect with Japanese

consumers through this company's 700 nationwide bases, which will be a powerful asset in growing and expanding Sojitz's 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

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



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- Despite possessing an incredibly stable operating foundation and achieving smooth growth, the Royal Holdings Group found itself facing a challenging operating environment in the midst of the global COVID-19 pandemic. Sojitz's investment in Royal Holdings, however, will make it possible to address this adversity through joint efforts to spur the Royal Holdings Group's growth.
- Issues to be addressed in Royal's restaurant business include the need to shift from conventional restaurants to ready-to-eat meal and take-out meal providers and to cut the fixed costs associated with conventional restaurant operation. Accordingly, we will seek to provide satisfying customer experiences that combine increased options for delivery and take-out meals, cost reductions, efficiency improvements, and Royal's brands boasting high customer loyalty. At the same time, we will seek to help the Royal Holdings Group develop its businesses overseas while offering support for procurement that utilizes the Sojitz Group's global network.
- Royal's hotel business is struggling due to reduced demand stemming from halts to the movement of people within Japan as well as the complete disappearance of inbound travel demand. We look to address this situation by cutting costs as well as by working to stimulate demand for using hotels for purposes other than lodging alongside various efforts to spark demand using the Richmond Club points program. We will capitalize on Sojitz's resources in our efforts to simulate such demand and to heighten per-customer earnings.
- The contract food service business is experiencing drops in demand at expressway parking and service areas. However, we anticipate that short-distance tourism demand will be recovered relatively quickly in Japan. Our first objective should be raising per-customer earnings from on-site customers. With this regard, we can call upon the insight Sojitz has cultivated over years of operating domestic commercial facilities to grow business earnings through higher per-customer earnings from the sale of goods.
- In the food manufacturing business, an important task needing to be addressed is to develop Royal Deli and other ready-to-eat meal products that take advantage of Royal's strong brand image and recognition. We will utilize Sojitz's insight to promote external sales of such products going forward.
- In Japan, the Royal Holdings Group has access to an incredibly large market for its products, promising stable earnings. At the same time, however, it will be difficult to start up completely new businesses in this market. Through its investment in Royal Holdings, Sojitz aims to acquire an extensive base network and viable points of contact with consumers to be utilized in deploying the

various functions that the Company has been supplying outside of Japan and in business-to-business capacities.

# 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



Longest History in Japan and World-Leading Quality

**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



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



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(Koichi Yamaguchi, Managing Executive Officer, COO, Aerospace & Transportation Project Division)

- With shares of more than 50% at Kansai International Airport, nearly 100% at Fukuoka Airport, and 100% at Naha Airport, RIC has cemented its operating foundation at three major Japanese airports. Each of these three airports is either engaged in or preparing to enact plans to expand their runways by 2025 and are thus expected to see increases in flight numbers following the conclusion of the global COVID-19 pandemic.
- Moreover, RIC is Japan's oldest in-flight catering company with a history spanning 70 years and unrivaled experience and expertise in the Japanese market. This company has ranked No. 1 in the world three times in international rankings looking at 250 organizations worldwide and has remained in the top 3 for 11 consecutive years, thereby erecting a high barrier to market entry by new competitors. The opportunity to convert RIC into a consolidated subsidiary will no doubt be incredibly beneficial for Sojitz.



# 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)



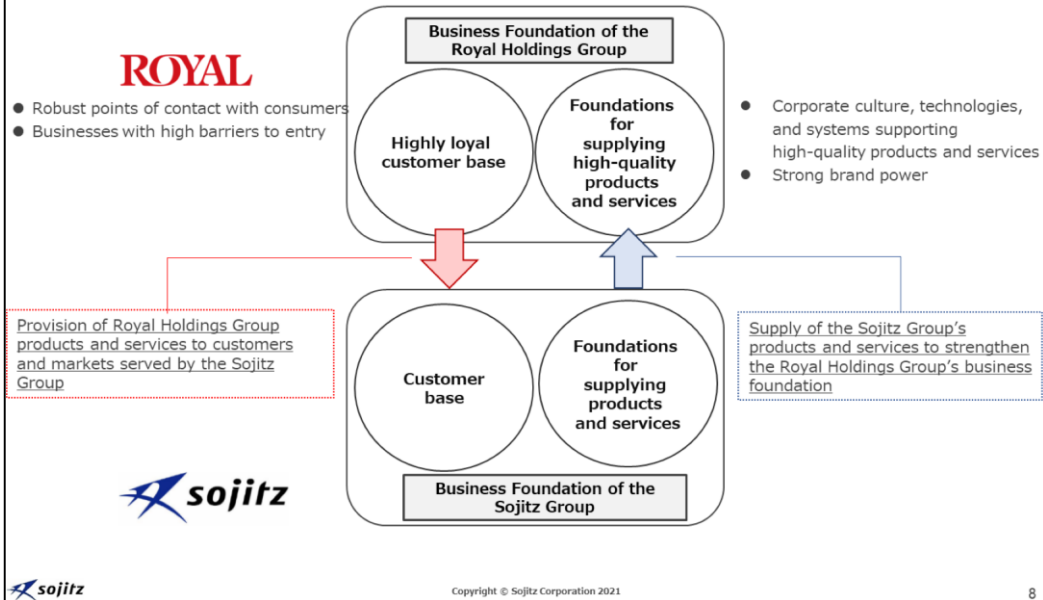
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- Currently, international flights have been halted, putting a stop to operations at in-flight meal factories. Accordingly, we are pressed with the urgent need to explore non-flight-related sales channels.
- Specifically, this will entail developing businesses that supply ingredients for use in the Royal Holdings Group's hotel and contract food service businesses while boosting factory operating ratios. Furthermore, we will utilize the Royal Holdings Group's frozen entrée technologies to approach regional airports in Japan at which Royal does not have bases.
- Over the medium term, we will look to expand the scale of Royal's in-flight catering business by utilizing Sojitz's airline network. We will also take advantage of the plans to attract international flights to the regional airports in Japan that Sojitz is operating as opportunities to supply in-flight meals. Following the conclusion of the COVID-19 pandemic, we will capture the recovering demand to grow our market share. Over the long term, we will look to foster operations both in Japan and overseas, injecting our capacity for developing operations in Southeast Asia and other regions to grow RIC's in-flight catering business to be top class in Asia.

# 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



- In closing, I would like to summarize the goal of the tie-up between Royal Holdings and Sojitz. Put simply, Sojitz's goal in this tie-up is to increase the value of the Royal Holdings Group. This goal will be accomplished by combining the offerings of the Royal Holdings Group with Sojitz's network in the pursuit of business growth and by merging the strengths of the Royal Holdings Group, which excels in terms of food and hospitality, with those of the Sojitz Group, which has developed a global business and associated human resources.



**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.

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