



# Aerospace & Transportation Project Division



Koichi Yamaguchi  
Managing Executive Officer, COO  
Aerospace &  
Transportation Project Division  
November 29, 2021

Copyright © Sojitz Corporation 2021

## Profile



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

- Joined Sojitz predecessor in 1986 / Born in Chiba Prefecture, Japan
- Graduated from the Graduate School of Science and Engineering, National Defense Academy
- Career History at the company
  - ✚ Positioned in Aerospace Development Office
  - 🌐 Stationed in Seattle Branch, Sojitz Corporation of America
    - Stationed in Seattle Branch, General Manager (2006 - 2012)
    - General Manager, Aerospace Dept. (2012 - 2015)
  - ✈ Executive Officer, COO, Aerospace & IT Business Division (2015 - 2018)
  - COO, Aerospace & Transportation Project Division (2018 - present)
  - Managing Executive Officer (2019 - present)

Equipped with wide-ranging network in aviation industry due to long history in Seattle

Acts based on motto of "think big, act small"

## Aerospace & Transportation Project Division - Division Business Overview

### Strengths

Number of vehicles handed as sales agent for Boeing with more than 970 aircraft sold, accounting for the top market share in Japan

Length of railroad contracted to lay in India about 1,500km

Two railway operating foundations in North American market (MRO, Freight car leasing)

One-stop services including marine and maritime transportation businesses

### Main businesses



### Strengths of the Aerospace & Transportation Project Division

- Strengths of the Aerospace & Transportation Project Division include its role as a sales agent of The Boeing Company, a relationship through which we have handled 1,000 aircraft to date.
- We also have received an engineering, procurement, and construction (EPC) contract for 1,500 km of railway in India.
- Another area of strength is our North American railway business, which includes maintenance, repair, and overhaul (MRO) operations as well as freight car leasing.
- Moreover, Sojitz Marine & Engineering Corporation's Ship Division was placed under the control of the division in April 2021, allowing us to provide one-stop service for marine and maritime transportation services.

## Division Strategy

### Operating Environment (Opportunities and Risks)

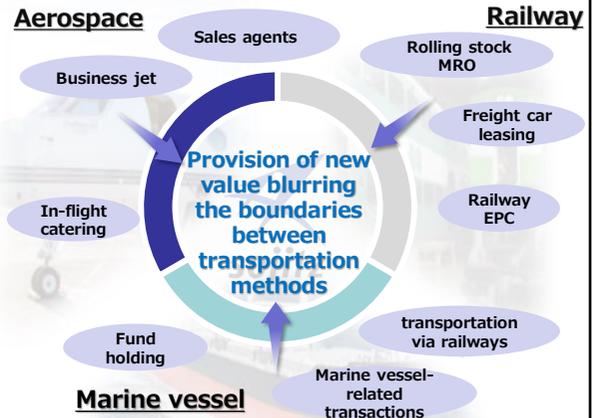
- **Changes in transportation demand** driven by **COVID-19 pandemic**
- Increased **demand for transportation, airport, and harbor infrastructure**
- **Relaxed regulations** under the Civil Aeronautics Act
- Response to **decarbonization trend and environmental regulations**

### Growth Strategy of MTP2023

- Exercise of **strengths** in aircraft, railway, and marine vessel fields
- **New businesses** merging **airports and harbors** necessary for air, ground, and sea transportation as well as **people and commodities** moving between these facilities
- Contributions to social **sustainability**
- Collaboration with other divisions and external partners

### Focus Businesses

- |   |  |
|---|--|
| Needs in post-COVID-19 world                    | : <b>Business Jet Service</b><br>(Enhancement of business jet service functionality through customer increases and M&A activities) |
| Eco-friendly businesses                         | : <b>Railway operations</b> (MRO, Freight car leasing) in North America  |
| Collaboration with other divisions and partners | : <b>In-flight catering, M&amp;A activities in Part-Out business</b>   |



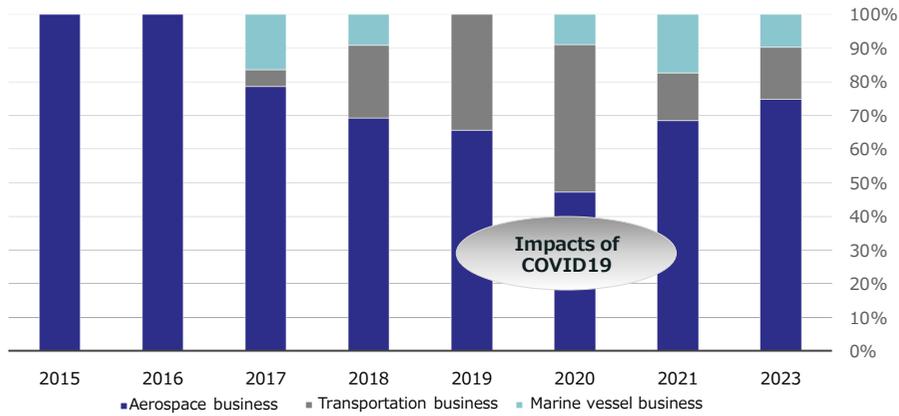
## Operating Environment

- The operating environment for the Aerospace & Transportation Project Division is seeing changes in transportation demand driven by the COVID-19 pandemic.
- Meanwhile, demand for transportation, airport, and harbor infrastructure is on the rise in emerging countries.
- There is also an increased need to respond to the decarbonization trend as well as to environmental regulations.

## Growth Strategies of Medium-Term Management Plan 2023

- By exercising its strengths in the aircraft, railway, and marine vessel fields, the Aerospace & Transportation Project Division will seek to enter into harbor, airport, and airport-adjacent businesses that go beyond single forms of transportation to serve as points of contact between differing modes of transportation. We thereby aim to develop a business that encompasses not just the modes of transporting people and commodities, but also this transportation itself.
- Specifically, we aim to provide new value blurring the boundaries between transportation methods. This approach will incorporate various modes of transformation in the aerospace field, where we develop business jet, sales agent, and in-flight catering operations; the marine vessel field, where our operations include ship ownership fund development and ship transactions; and the transportation field, which contains our MRO, freight car leasing, and railway EPC operations.

**Earning structure by businesses**



Impacts of COVID19

Only aerospace businesses (centered on sales agent operations for Boeing commercial aircraft and defense systems)



**Enhancement of business portfolio**

- Diversified Aerospace business(Busines Jet/Aircraft Part Out /Airport management, etc.)
- Marine vessel business/ Transportation business(EPC, Management of railway-related company)

- In 2015, the majority of the earnings of the Aerospace & IT Business Division, the predecessor of the Aerospace & Transportation Project Division, was attributable to our aircraft sales agent business. In 2020, however, our business portfolio was such that we were able to compensate for the impacts of the COVID-19 pandemic with earnings from non-aerospace sources like marine vessels and railways.
- We will thus be looking to develop a balanced business portfolio by growing operations in each of these fields going forward.

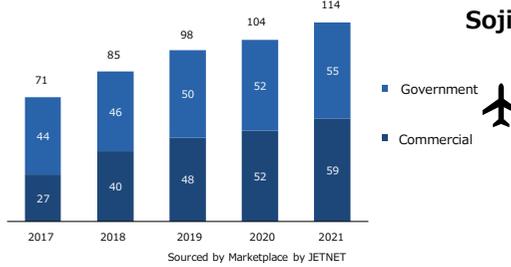


**Basic strategy**

- **Response to new demand** in post-COVID-19 world
- Provision of high-value-added services while **expanding functions through M&A activities**

**Rise in total number of business jets amid COVID-19 pandemic**

© Total Number of Business Jets in Japan

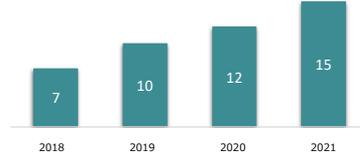


**Sojitz's Unique Strengths (Current)**

- Comprehensive supply of
- Aircraft transaction support
  - Aircraft management services for international flight
  - Charter and sales services

**Rise in total number of aircraft managed by Sojitz Group due to rise in total number of business jets**

© Total Number of aircraft managed by Sojitz Group



**Sojitz's Unique Strengths (Future)**

- Enhancement of business jet service functionality through M&A activities  
 ⇒ Provision of wider-ranging services with higher functionality

**Business Jet Service Trends**

- The activity restrictions imposed on people are stifling demand for transportation. Regardless, we expect to see transportation demand from leaders and senior managers of companies going forward. Rather than facing the crowds to board in first class, these individuals will likely turn to private or corporate jets when they go to visit important customers. We also anticipate demand from Japanese manufacturers developing operations or factories overseas. Normally, company representatives would need to stay two nights at an overseas business site in certain locations due to the commercial flight schedules, but it is possible that such individuals will instead seek to visit sites in such locations directly using private or corporate jets in the future.

**Number of Business Jets**

- In 2021, there were a total of 114 business jets in Japan, with 59 being privately owned and 55 being owned by government agencies. Sojitz manages 15 of these jets, a number of which are larger aircrafts capable of traveling longer distances.

**Sojitz's Business Jet Services**

- Sojitz develops its business jet services from the perspective of the customer, as opposed to that of the manufacturer, and we therefore aspire to provide services matched to the desires of users.
  - Examples of our services include charter services.
  - We also procure aircraft from the market for customers looking to purchase jets and supply these jets together with maintenance and operation services.
  - Other services include lending owned aircraft to other customers when they are not in use to generate earnings for the owner and reduce the cost of ownership.
  - Business jets normally need to be replaced after five to seven years, and we support owners in disposing of and replacing their jets.
- Going forward, we will look to build upon our existing functions and prepare for the post-COVID-19 world through M&A activities and other approaches.

## Focus Businesses Under Growth Strategies

### - North America railcar business (MRO, Freight car leasing )

#### Basic strategy

- **Acquisition** of U.S. maintenance company in MRO business
- Expansion of earnings foundation in freight car leasing business
- **Borderless deployment of functions** across North America in MRO and freight car leasing businesses

#### Crucial Railway Infrastructure Supporting Transportation and Economic Activity in North America



43% of U.S. freight transportation via railways, demand strong even amid COVID-19 pandemic

#### Contributions to Carbon-Free Society



90% reduction in CO<sub>2</sub> emissions compared to transportation via trucks

#### Sojitz's Unique Strengths(Current)



Both MRO and railcar leasing functions in North American railway operations



#### Sojitz's Unique Strengths(Future)

Acquisition of new operating companies and borderless deployment of functions  
⇒Earnings growth achieved by adopting more comprehensive view of North American railway network hubs



- Sojitz has acquired two North American MRO companies, Cad Railway Industries Ltd. and Southwest Rail Industries Inc.
- We are working to develop a freight car maintenance business that can be operated alongside freight car leasing. By forming relations with a company for maintaining on-rail freight cars, we hope to provide functions for maintaining end-of-lease railcars.
- Our railcar business is primarily developed in Canada, where we offer services covering both the east and west sides of the country. In the future, we will expand our operations into North America with an eye to growing our MRO and freight car leasing businesses in both countries.
- Railways have low levels of CO<sub>2</sub> emissions. In fact, these emissions are said to be one-tenth that of transportation via trucks in the United States. Moreover, railway operations have proven resilient to the impacts of the COVID-19 pandemic, and the performance of our freight car leasing and maintenance operations has already recovered to the level of 2019.
- Going forward, we will look expand our freight car operations while also growing our overall railcar business to be of greater scale.

## Focus Businesses Under Growth Strategies

### - In-flight catering business

#### Basic strategy

- **Expansion** of in-flight catering business **into domestic airports** utilizing Sojitz's airport management business
- Growth of **overseas in-flight catering sales** through connections **with overseas airlines**
- Promotion of sales through **non-airline channels via collaboration** with Royal Group and Retail & Consumer Service Div.



#### Participation in airport management business promoted under MTP2017 - 2020

- Kumamoto, Shimojishima
- Palau, Khabarovsk



#### Consolidation of in-flight catering company in April 2021

##### Sojitz Royal In-flight Catering Co., Ltd.

- Japan's oldest in-flight catering company (established in 1951)
- World-leading levels of quality\*
- Unrivaled by-airport shares (KIX: 50%; FUK: 95%; OKA: 100%)

\* 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

Shares in in-flight catering 50%

Shares in in-flight catering 95%

Shares in in-flight catering 100%

FY2019 Domestic Airport Passenger Ranking		
Ranking	Airport	Airport Passenger (Domestic & International)
1	Tokyo (HND)	81,707,536
2	Narita (NRT)	39,541,269
3	Kansai (KIX)	28,663,014
4	Fukuoka (FUK)	23,035,578
5	New Chitose (CTS)	22,814,950
6	Naha (OKA)	20,613,659
7	Osaka (ITM)	15,765,029
8	Central Japan (NGO)	12,590,387
9	Kagoshima (KOJ)	5,769,120
10	Sendai (SDJ)	3,718,180

- Together with the Retail & Consumer Service Division, the Aerospace & Transportation Project Division invested in Royal Holdings Co., Ltd., and Royal In-flight Catering Co., Ltd., Japan's oldest in-flight catering company.
- Royal In-flight Catering boasts shares of in-flight catering of 50% at Kansai International Airport, 95% at Fukuoka Airport, and 100% at Naha Airport.
- The temporary suspension of international flights is currently creating a challenging environment for the in-flight catering business, but we have begun working with the Retail & Consumer Service Division to provide meals from our in-flight catering business through non-airline channels. Examples of these channels include department stores, e-commerce, and hotels housing individuals quarantining based on COVID-19-related restrictions.
- Through such initiatives, we are laying the groundwork for generating earnings via non-airline channels as well as through the recovery of earnings from international flights after air travel demand recovers.
- When it comes to providing in-flight meals for international flights, we will utilize Sojitz network of connections with domestic and overseas airlines to acquire new customers as we continue to serve existing customers.

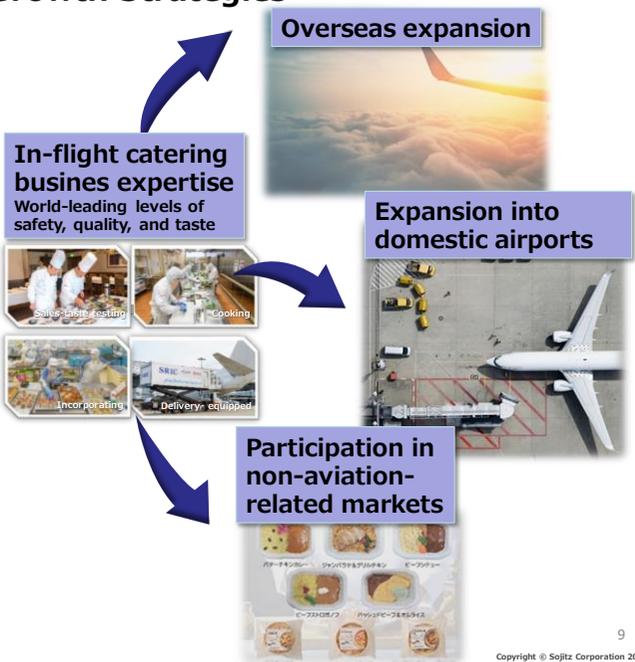
**sojitz Focus Businesses Under Growth Strategies**  
 SOJITZ IR DAY 2021 - In-flight catering business

**Sojitz's Unique Strengths (Current)**

- Connections with multiple domestic and overseas airlines
- Airport management business insight and expertise

**Sojitz's Unique Strengths (Future)**

Growth and earnings increases at airport management and in-flight catering companies through expansion into other airports, sales to new airlines, and participation in non-aviation-related markets via collaboration with Royal Group (Retail & Consumer Service Division)



- In addition to traditional in-flight catering operations, we also look to utilize the expertise gained through these operations to expand overseas as well as into domestic airports operated by Sojitz, like Miyako Shimojishima Airport Terminal and Kyushu Kumamoto International Airport. We also aim to participate in non-aviation-related markets.

## Growth Initiatives For Post-Medium-Term Management Plans

### 1. Enhanced Global Partnership with Boeing

- Expansion of business scope through joint ventures established to implement business schemes and new collaborative initiatives that take advantage of Sojitz's unique position as a general trading company with functions exceeding that of a standard sales agent

### 2. Next-Generation Fuel Transportation Businesses

- Initiatives related to sustainable aviation fuels and other alternative fuels expected to see growing global demand for use in aircraft, ships, and railcars
- Development of hydrogen-powered aircraft and hydrogen supply infrastructure and logistics businesses through investment in U.S. company Universal Hydrogen

### 3. Creation of Transportation Vehicle Funds

- Creation of aircraft, ship, and railcar funds utilizing domestic investor sourcing, financial solutions, and management functions amassed through long history in aircraft leasing business

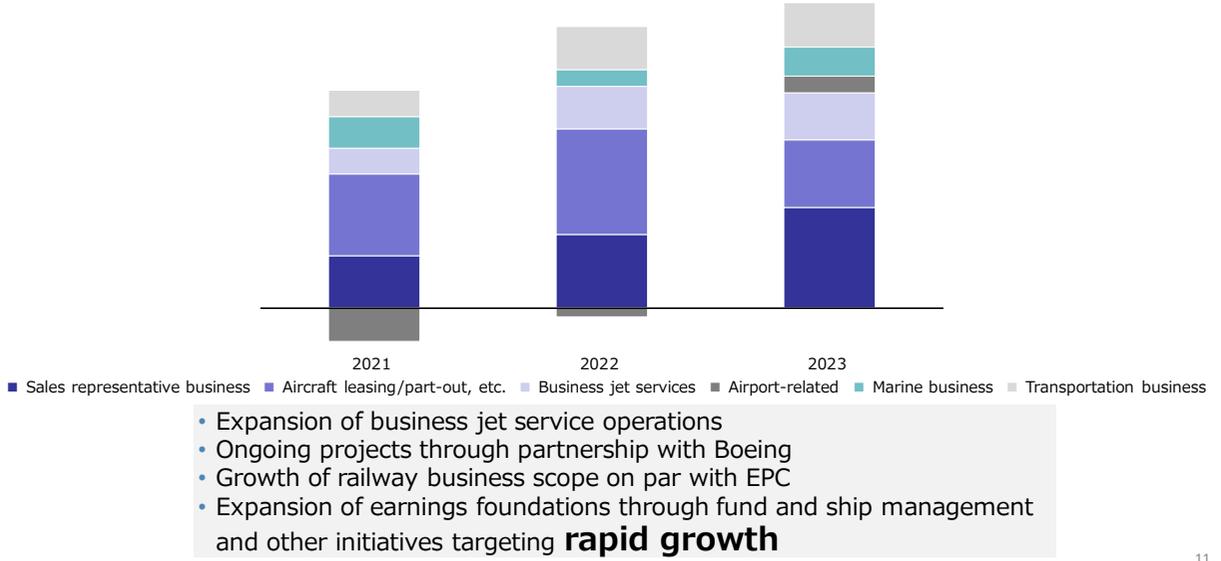
### 4. Collaboration with JALUX through Tender Offer for Shares

- Increase of stake in JALUX, in which Sojitz is major shareholder, through tender offer for shares, expansion of aviation field collaboration, and strengthening of earnings foundation through reorganization of aviation-related operations at Group companies

10

- Sojitz is moving beyond its traditional role as a sales agent in the pursuit of enhanced global partnership with Boeing. In the future, we will examine possibilities for this partnership such as establishing joint ventures with Boeing while developing a business scheme that is distinctively Sojitz.
- In our next-generation fuel transportation businesses, we have begun dealing with sustainable aviation fuel, a fuel source for which growth in demand is expected to be seen going forward. Sojitz has also invested in Universal Hydrogen Co., a company that is engaged in the development of hydrogen fuel-powered aircraft and the construction of a hydrogen supply network. Sojitz looks to explore the domestic hydrogen fuel market together with Universal Hydrogen.
- Meanwhile, we are promoting the creation of transportation vehicle funds through initiatives including the provision of Sojitz's fund functions as solutions for customers.
- In our partnership with JALUX Inc. (JALUX) , we previously had to work around a certain degree of redundancy between the businesses of JALUX and those of Sojitz Aerospace Corporation. However, the recently announced tender offer has enabled us to reorganize JALUX and strengthen its functions. We are thus now poised to take our next step in our aircraft parts and heavy industry businesses.

**MTP2023 Profit for the Year Targets**



- The “Aircraft leasing/part-out, etc.” category shown on this slide includes aircraft leasing operations as well as the operations developed through our global partnership with Boeing.
- We anticipate that international flights will resume to a certain degree in 2023. Nevertheless, under Medium-Term Management Plan 2023, the Aerospace & Transportation Project Division will work to develop a more balanced business portfolio that is not overly dependent on aviation businesses.



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 at which the COVID-19 pandemic ends, 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.



*New way, New value*