

Retail & Consumer Service Division

Hiroto Murai
Executive Officer, COO
Retail & Consumer Service Division
November 29, 2021



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Retail & Consumer Service Division

Outlines

Born in Kyoto Prefecture

- ◇ 1989 Joined Sojitz predecessor
- ◇ 2005 - 2009 Stationed in Thailand
- ◇ 2010 - 2012 General Manager, Automotive Dept. 2
- ◇ 2012 - 2014 General Manager, Corporate Planning Dept.
- ◇ 2015 - 2020 COO, Automotive Division
- ◇ 2020 - 2021 COO, Retail & Lifestyle Business Division
- ◇ 2021 - present COO, Retail & Consumer Service Division
* Name changed to Retail & Consumer Service Division
in conjunction with structural reform.

Seeks to manage division with strong emphasis on ambition, speed, and positivity while taking swift and decisive action with regard to business investments from substantial returns can be anticipated

- I served as chief operating officer (COO) of the Automotive Division for four years beginning in 2016 before becoming COO of the Retail & Lifestyle Business Division in 2020. This division was renamed the Retail & Consumer Service Division in conjunction with structural reforms conducted effective April 1, 2021.
- One would be forgiven for thinking that there is no real connection between the Automotive Division and the Retail & Consumer Service Division.
- However, at the Automotive Division, I was long involved in a business of exporting Japanese automobile to overseas markets. I therefore look to utilize the expertise acquired in this business to facilitate the development of operations in downstream fields, which are the most closely related area of the retail business.
- When I was COO of the Automotive Division, I always endeavored to evaluate things based on the perspective of market demand. As COO of the Retail & Consumer Service Division, I have defined my mission as applying this approach to developing and implementing strategies based on the perspectives of consumers and of users.

Retail & Consumer Service Division – Overview of Division

	Retail Business Dept. Food Value Chain (Production, wholesale, distribution, retail)
	Apparel & Lifestyle Products Dept. Brand-related, Consumer goods distribution businesses Apparel (Production, distribution)
	Commercial Platform Business Dept. Commercial facility (shopping mall) operation Retail platform operations
	Asset Management Dept. Real estate (condominiums, distribution facilities) J-REIT operation
	Sojitz Foods Corporation Food product import and wholesale (Meat, agriculture, aquaculture, confections, etc.)
	Sojitz Fashion Co., Ltd. Planning, processing, and sale of cotton, synthetic, and knit fabrics
	Sojitz New Urban Development Corporation Development and sale of rental flats

Sales unit
and
core subsidiaries

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Strengths

Network and customer bases
established over many years in Asia

Expertise in investment and management
for increasing value of shopping centers
and consistent development of
real estate business

Supply base for food products and
consumer goods matched to
diversifying lifestyles

Top-class position in market for
North American frozen beef
imports to Japan

FY2020 at a glance

Profit for the year*	¥ 4.9 bn
Total assets	¥337.0 bn
Number of employees (non-consolidated)	129
Seconded employees (domestic & overseas)	67

*attributable to owners of the company

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- The Retail & Consumer Service Division is divided into a number of sales units, including the Retail Business Department, which conducts food product distribution operations; the Apparel & Lifestyle Products Department; the Commercial Platform Business Department, which develops shopping center operations; the Asset Management Department, which handles new and secondhand condominiums as well as real estate investment trusts; and Sojitz Foods Corporation, which imports and exports food products.
- These sales units are all focused on the perspectives of consumers and users. From the perspective of consumers, food, condominiums, and shopping malls are all facets of our everyday lives. For this reason, it is imperative for us to develop an accurate understanding of the needs of end users and consumers, to predict future needs, and to reflect these needs in our strategies if we hope to grow our business.
- There are four strengths that Sojitz can exercise through the sales units responsible for developing our business based on the perspectives of consumers and users.
- The first strength is the network in Asia that Sojitz has built over the course of many years. I believe that partner strategies are of the utmost importance, a fact that I have been communicating both inside and outside of the Company. Sojitz has formed trusting relationships with partners across Asia over a period of years, and these partners are a powerful asset underpinning our ability to establish new businesses and strengthen existing businesses.
- The second strength is our expertise in investment for increasing the value of shopping centers. There are more than 3,000 shopping centers in Japan, but only a small portion of these shopping centers are developed under large, well-known brand names, whereas the majority are operated by independent developers. These smaller developers are unable to sufficiently accumulate expertise or to fully draw out the potential appeal of these facilities. Sojitz has a robust track record in shopping centers. In this area, we purchase appealing assets that are not being utilized to their full potential to improve their value and ensure sufficient rent revenues before selling these assets to new investors. Even after the sale, we may remain involved in a shopping center by providing project management services, receiving appropriate fees for these services. This fee business model allows us to generate profits by turning over assets without overly inflating our balance sheet.
- The third strength is our supply base for food products and consumer goods matched to diversifying lifestyles. This supply base can be utilized to address the substantial changes in consumer lifestyles in Asia as well as the transforming standards seen among the COVID-19 pandemic. As stated by President Fujimoto, it is the mission of a general trading company to deliver goods and services where necessary, and this is a mission shared by the Retail & Consumer Service Division.
- The fourth strength is our strong-performing beef business.

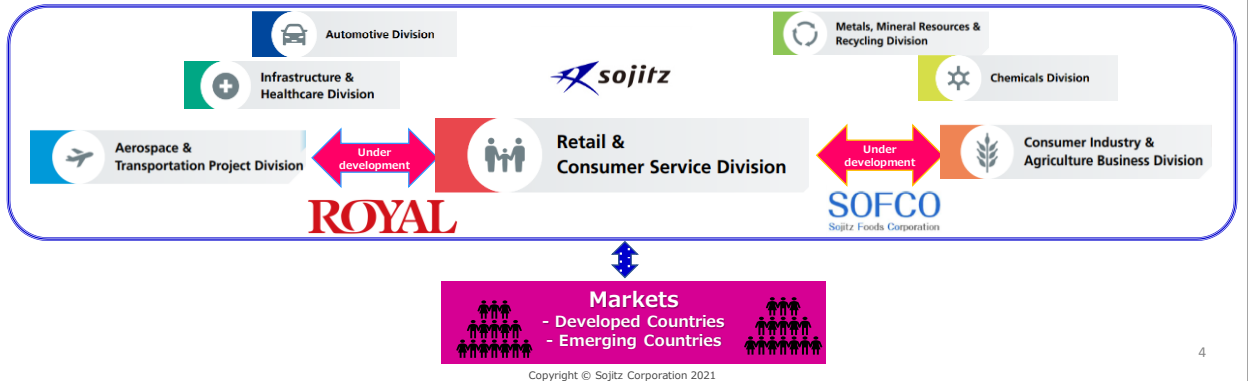
Growth Market x
Market-oriented initiative



- ✓ Division operated based on consumer perspective (clothing, food, housing)
- ✓ Businesses developed based on pace of growth of emerging markets
- ✓ Collaboration with other divisions, each professionals in their respective fields



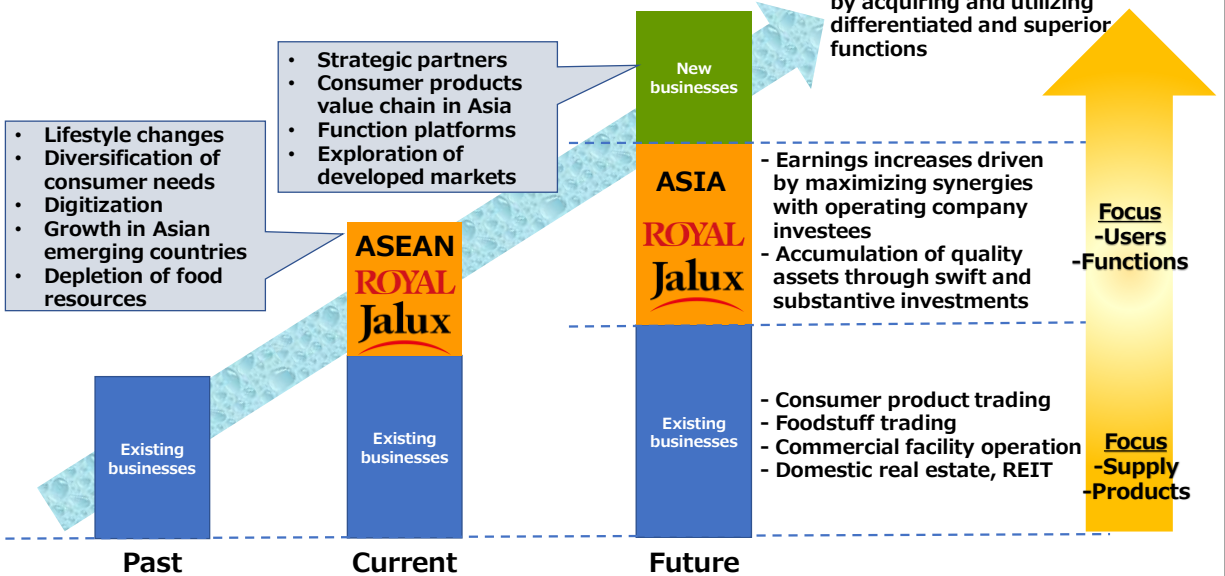
Growth together with markets achieved by responding to demand in diverse growth markets



- The Retail & Consumer Service Division is closely related to a number of Sojitz's other divisions.
As each division develops operations in their respective fields, I see potential for the Retail & Consumer Service Division to help the Sojitz Group exercise its collective strengths by collaborating with these other divisions.
- For example, together with the Aerospace & Transportation Project Division, the Retail & Consumer Service Division has formed an alliance with Royal Holdings Co., Ltd. Through this alliance, we aim to utilize the close relationships Sojitz has fostered with airlines together with the food distribution expertise we have honed over the years to develop an in-flight catering business.
- We also have an alliance with JALUX Inc (JALUX). This company develops aircraft, heavy industry, part-out, and various other businesses. A recent tender offer for shares of JALUX has positioned this company as a central component of our expansion of non-aviation businesses, as has also been stated in the strategies of Japan Airlines Co., Ltd. (JAL).
We also see strong potential for growth in the e-commerce field, and we hope to pool our strengths with those of JALUX and JAL to develop operations in this field.

Division Strategy - Vision

Ongoing growth through increases to earnings achieved by acquiring and utilizing differentiated and superior functions



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- The earnings model of the Retail & Consumer Service Division entails us growing earnings based on the perspective of consumers and users.
- We look to expand our business together with partners like Royal Holdings, with which we have formed an alliance through a massive investment, and JALUX, in which we increased our stake through a tender offer for shares.
- The Retail & Consumer Service Division has continued to develop its business centered on Vietnam and other ASEAN markets. Today, Sojitz has business partners across Asia with which it has formed relations through various divisions. These partners present the potential for new business proposals and for the branching out of existing businesses, and we will target earnings growth through these approaches.

Growth Strategies Under MTP2023

Key words for Growth Strategies

- Market-oriented approach focused on consumers and users
- Response toward diversifying needs and consumption trends
- Efforts to enrich and bring convenience to people's lives in emerging countries (Vietnam, India, etc.)
- Enhancement of functions (digital transformation, retail technology, etc.)

Focus areas	Strength	External environment	Growth driver
Collaboration and sharing (Royal Holdings, JALUX)	<ul style="list-style-type: none"> • Customer network foundation • Consumer business insight 	<ul style="list-style-type: none"> • Diversification of consumer needs • Opportunities for new business 	<ul style="list-style-type: none"> • Synergies between respective strengths
Food and consumer product value chain in Asia	<ul style="list-style-type: none"> • Comprehensive value chain in Vietnam • Partners in and outside of Japan 	<ul style="list-style-type: none"> • Growth in Asian emerging countries • Modernization of local distribution networks 	<ul style="list-style-type: none"> • Strengthening of functions • Expansion of regional scope
Domestic retail operation (commercial facility, real estate)	<ul style="list-style-type: none"> • Commercial facility value improvement model and management capabilities 	<ul style="list-style-type: none"> • Change in focus of consumer needs from goods to experiences and ultimately to interaction 	<ul style="list-style-type: none"> • Utilization of digital technologies

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- There are four elements of the growth strategies of the Retail & Consumer Service Division: focus areas, strengths, the external environment, and growth drivers.
- Of particular importance to our growth strategies will be the idea of collaboration and sharing. We view our partners as more than just strategic investments; we see the potential to grow our business by proposing Sojitz offerings to partners that already have their own networks and by supplying the offerings of partners through Sojitz's network.
- At the same time, we will devote our efforts to improving the value of both shopping centers and secondhand condominiums. The focus on secondhand condominiums will be especially important given the fact that the age of scrap and build projects targeting condominiums has come to an end as society embraces the principles of the United Nations Sustainable Development Goals.
 Focuses of our business going forward will thus be aggressively purchasing real estate assets that have been standing for a number of years, the type assets avoided by real estate investment trusts targeting long-term ownership. By renovating such older assets, we will seek to maximize the appeal of these buildings to increase rent revenues so that these assets can be resold to investors.
 We will also look to generate additional earnings through project management services.

Focus Businesses Under Growth Strategies - Collaboration and Sharing with Partners 1

- Maximization of synergies through co-creation with Royal Holdings (investment commenced in March 2021)

Initiatives with Royal HD

ROYAL

- Utilization of Royal HD's contents and Sojitz's global network to develop highly compatible business and create and supply new products, services, and value in order to improve corporate value of both companies
- Enrichment of people's lifestyles by responding to diversifying consumer needs

Initiatives

Purchase cost reduction

Leveraging the Sojitz Group's procurement capabilities to optimize purchasing costs of foodstuffs and subsidiary materials

Contract business expansion

Considering opening new stores at airports utilizing the Sojitz Group's network and Royal HD's expertise

Improvement of operating efficiency of factories

Improving operation rates through collaboration with Japanese major retail company

Overseas expansion

Jointing identification of business partners and acquisition targets in restaurant and food product businesses



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- With this slide, we will look at the initiatives we are advancing together with Royal Holdings.
- Royal Holdings has an appealing business portfolio that it has used to achieve strong earnings growth. However, all four areas of this company's business portfolio were heavily impacted by the COVID-19 pandemic, leading it to form a capital tie-up with Sojitz.
- There have been cases of general trading companies partnering with the restaurant industry in the past, but these partnerships have very often ended in failure. However, we think that these past failures were due to these partnerships being limited to an end-of-supply-chain idea of having the restaurant company purchase ingredients that the trading company already offered. Our approach, meanwhile, involves Sojitz seeking out the items that Royal Holdings needs from around the world and supplying them in a timely and low-cost manner.
- At the same time, we will utilize Sojitz's network to provide the appealing offerings of Royal Holdings. For example, the foods that Royal Holdings offers in Japan could be supplied to overseas hotels. In this manner, we will sell appealing offerings from Royal Holdings to customers around the world through Sojitz's network. We thereby aim to develop our alliance in a manner that is beneficial for both parties.

Focus Businesses Under Growth Strategies - Collaboration and Sharing with Partners 2

- Acceleration of collaboration and maximization of synergies with JALUX after tender offer for shares and delisting
- Creation of new businesses through synergies between retail, brands, and airports

Initiatives with JALUX

- Full utilization of JALUX's procurement and product development capabilities and sales network as aviation service company, JAL's customer base and brand image, and Sojitz's network and business investment expertise.
- Development of new businesses while creating and supplying new products, services, and value to maximize corporate value

Planning initiatives

Expansion of e-commerce operations

Utilize Sojitz's network to enhance JALUX's product development and lineup on the e-commerce website employing JAL's brand and customer base

Enhancement of airport retail operations

Enhance and differ product lineup by supplying Sojitz Group food and goods brands through JALUX's exclusive sales channels (stores in airports)

Promotion of JALUX products through Sojitz Group sales channels

Promote JALUX products through Sojitz Group sales channels (Royal HD, Sojitz Foods, etc.)



- I will not be talking about the tender offer for shares of JALUX as this was touched upon in the presentation by the Aerospace & Transportation Project Division.

Focus Businesses Under Growth Strategies - Food and Consumer Product Value Chain in Asia

- Development of comprehensive food value chain in Vietnam, multi-sourcing and expansion of value chain through function strengthening
- Expansion into India and other efforts for strengthening retail operations in Southeast Asian and Indian markets

Value chain in Vietnam



Initiatives in Vietnam

- Expansion of retail store network through collaboration with AEON GROUP
- Bolstering of network of food product manufacturing and distribution bases
- Sales and operational efficiency improvement through digitization



Expansion into India

- Market-oriented approach targeting growth markets
- Coordination with local partners
- Development of value chain in India

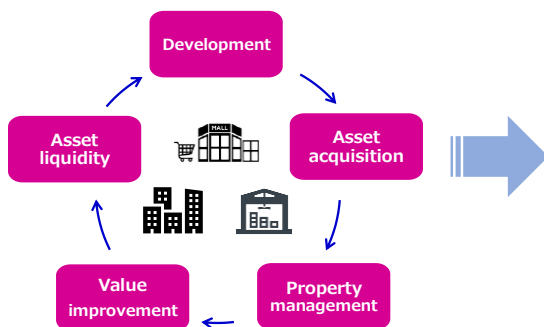
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- The Retail & Consumer Service Division has spent a number of years developing a value chain in Vietnam, and we have used this value chain to generate earnings.
- Our value chain in Vietnam has four stages: wholesale operations, four-temperature controlled warehouses and other logistics services, processing of food products for convenience stores and other retailers, and operation of retailers, namely the Ministop convenience stores we develop together with the AEON Group.
- The three upstream stages of this value chain have maintained profitability even amid the COVID-19 pandemic.
- Meanwhile, our Ministop operations, which we have been developing for about six years, are struggling. We faced temporary difficulties during the COVID-19 pandemic, but we have since revised our strategies through discussion with the AEON Group, and we are now advancing initiatives in preparation for the period after the pandemic based on these strategies. In the past, Japanese companies, including Sojitz, have attempted to export the Japanese model for convenience stores directly to Vietnam, but this approach has not been successful. Based on this recognition, Sojitz will seek to localize certain aspects of its stores to develop a Vietnamese model for convenience stores, rather than adhering purely to the Japanese model.
- By combining AEON Group offerings with Sojitz's network, we look to overcome the current adversity in order to achieve a state of profitability in our Ministop operations.

Focus Businesses Under Growth Strategies –Domestic Retail Business (Shopping Mall, Real Estate Business)

- Roll-over model founded on value improvement functions and integrated development and management functions for commercial facilities, condominiums, and distribution facilities (planning, development, leasing, marketing, cost management, etc.)
- Enhancement of value improvement functions incorporating digital transformation through coordination with partners

■ Roll-over model founded on value improvement functions



Value Improvement Functions Incorporating Digital Transformation

Utilization of digital technologies in commercial facilities

- Revenue increases :
Enhancement of existing tenant leasing capabilities and event sales promotion expertise through cycle of customer analysis, data-driven sales improvement measures, and improvement of initiative output analyses
- Cost reductions :
Enhancement of cost reduction expertise and scope optimization including existing utilities, repair, security, and cleaning activity.

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- The Retail & Consumer Service Division is promoting digital transformation based on the idea of using digital technologies anywhere possible.
- Looking at shopping centers as an example, in the past we have conducted demand surveys based on samples of tens of millions of prospective customers. The overall leasing scheme of the shopping center in question, as well as campaigns and sales promotions, would be shaped by these surveys. Today, we perform analyses based on factors such as the target customer group, where these customers come from, and what past data sets they can be associated with, and these analyses form the basis for measures. In fact, we have already adopted this approach at two facilities on an experimental basis.
- There is still room for us to go further with our digital transformation efforts. As was done in the shopping center example, we will look to use digital technologies anywhere possible in our businesses and thereby pave the way for future business initiatives.

Division Human Resource Strategies

— Enhancement of Organizational Capabilities and Human Resource Development

- Systematic development of human resources capable of creating profitable businesses
- Cultivation of management candidates

Unique Division Initiatives

- **RHDP / Retail & Consumer Service Div. HR Development Program :**
 - Enhancement of intra-division communication
 - Entrenchment of division strategies and reinforcement of execution capabilities
 - Alignment of work policies and stances and acquisition of necessary skills (WILL and SKILL programs)
- **Task Force :**
Cross-department and cross-division promotion of initiatives for expanding core businesses and creating new business models (digital transformation, retail technology, marketing, femtech, etc.)

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- We are proactive in our human resource development efforts in the Retail & Consumer Service Division.
- I have long positioned human resource development as a core aspect of our medium- to long-term strategies.
- Effective human resource development requires a defined goal. My goal is to foster individuals who are fully capable of producing earnings by developing profitable businesses.
- If our entire staff is proficient at developing profitable businesses, generating profits will not require too much intervention by management.
- The changing times have prompted pretty much all general trading companies to adjust their strategies. One of the focuses of discussions at Sojitz is thus the type of human resources we will need to continue generating profits, and we are dedicated to fostering such individuals.



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