

Condensed Transcript of Q&A Session Regarding Retail & Consumer Service Division from Sojitz IR Day (November 29, 2021)

First Questioner

- Q. Slide 3 shows the business units of the Retail & Consumer Service Division along with profit for the year for the fiscal year ended March 31, 2021. What businesses will grow during the period of the medium-term management plan? Could you please offer details regarding the balance of growth between businesses and the characteristics of said growth?
- A. (Hiroto Murai, COO) You should pay particular attention to the Retail Business Department and to Sojitz Foods Corporation. These two entities will be central pillars of earnings going forward. The recent investments in Royal Holdings Co., Ltd., and JALUX Inc. were conducted by the Retail Business Department. The Commercial Platform Business Department, the Asset Management Department, and the Apparel & Lifestyle Products Department are also anticipated to generate steady earnings.
- Q. How many years will be required to recover the investment in Royal Holdings and JALUX? Also, to what degree do you expect these investments to contribute to future earnings growth? Could you please answer these questions while referencing growth strategies?
- A. (Hiroto Murai, COO) The hurdle rate differs for investments in Japan and overseas, and I therefore cannot offer an all-encompassing answer regarding the recovery of investments. However, I can say that we look to foster businesses capable of generating earnings of the scale of billions of yen. This applies to the businesses of Royal Holdings and JALUX, and we also aim to grow the meat product business being developed in Vietnam together with Vietnam Livestock Corporation JSC to the same scale.
- Q. Is billions of yen an appropriate scale of earnings to be targeted given the large scale of the investment in Royal Holdings?
- A. (Hiroto Murai, COO) We invested ¥10.0 billion in Royal Holdings, and we are targeting levels of profit for the year of the scale of billions of yen from this investment. Our efforts may be impacted by the COVID-19 pandemic, but we aim to reach this scale by the final year of the medium-term management plan.
- Q. What are your thoughts regarding the current state of Royal Holdings?
- A. (Hiroto Murai, COO) Royal Holdings began implementing business reforms for the purpose of enhancing its corporate constitution during the year ended March 31, 2021, and Sojitz has also carried out various improvement measures aimed at this company. We have already been seeing the benefits of these efforts. Based on the preliminary report issued in November 2021, performance in a number of Royal Holdings' businesses has recovered to levels exceeding those seen in the year ended March 31, 2020. We have been working together with the

management of Royal Holdings to advance structural reforms. Our goal in these reforms is not to return performance to the level of the year ended March 31, 2020, when the operating environment recovers from the impacts of the COVID-19 pandemic. Rather, we look to achieve a level of performance that greatly surpasses the one from this year by capitalizing on the benefits of our efforts over the past two years.

Q. What type of measures has Sojitz implemented alongside the reforms advanced by Royal Holdings?

A. (Hiroto Murai, COO) We implemented two major measures. The first is an exhaustive review of Royal Holdings' supply chain. The second is the development of frameworks that will allow for management decisions to be better based on the numbers. These frameworks were built together with the management of Royal Holdings. Both of these measures should contribute to improved performance going forward.

Second Questioner

Q. It was mentioned that Sojitz would be engaging in e-commerce and merchandise sales together with JALUX. E-commerce is a highly competitive field, and the majority of general trading companies that have entered into this field are struggling. I understand that you have a viable customer base to capitalize on comprised of JAL cardholders, but I cannot envision how Sojitz will succeed in this field. JALUX is currently developing e-commerce operations. How will Sojitz become involved in these operations to develop its own e-commerce business? Is there any potential for Sojitz to generate earnings through trading with this regard?

A. (Hiroto Murai, COO) The e-commerce website with which Sojitz will be involved may have the name JAL Shopping, but is it, for all intents and purposes, independent from Japan Airlines Co., Ltd. (JAL). The reason for this situation is that the JAL Group has found it difficult to share customer information with JALUX, an equity-method affiliate, and to manage personal information. Accordingly, despite the JAL Shopping name, there were obstacles to coordinating with other JAL websites, such as the need for different IDs, and this, among other factors, has stifled the growth of these operations. Meanwhile, JAL Mileage Bank has a base of 30 million promising customers, including those with high-level memberships. It is also true that the majority of JAL airline tickets are purchased directly through JAL's website. In order to gain access to this promising customer base, Sojitz will seek to enable joint management of JAL's customer information and the integration of IDs so that customers can log on to the JAL Shopping website with their regular JAL IDs. Moreover, we hope to allow customers to accrue miles from their purchases on the JAL Shopping website and also to use these miles as currency for future purchases. We will grow earnings through this process. This will be our first step toward growing non-airline-related businesses through collaboration

with JAL. We recognize that an appealing e-commerce website must be convenient while also featuring a strong product lineup. Sojitz will therefore be pooling its strengths with those of JALUX to assemble an attractive product lineup. The e-commerce market is home to such powerful rivals as Amazon.com, Inc.; and Rakuten Group, Inc. Accordingly, we will be looking to develop a business that attracts customers by competing on a different vector from these rivals.

Q. I understand that Sojitz is advancing a variety of initiatives together with Royal Holdings to expand operations through this alliance outside of the in-flight catering field. You mentioned measures including supply chain reviews and data-based decision-making. Has there been any potential discussions regarding developing new operations overseas? Also, could you offer any other information about this alliance related to non-airline successes in the in-flight catering business or qualitative trends pertaining to targeted demand?

A. (Hiroto Murai, COO) Together with Royal Holdings, we have jointly established an investment company in Singapore. Through this company, we have formulated a long list of potential partners focused on strategic partners and food-related partners in China and other Asian countries. This list of potential partners for the overseas expansion efforts of Royal Holdings has been narrowed down, and we are currently engaged in concrete discussions with these potential partners. In the food-related area, Sojitz has a long-standing business relationship with the AEON Group. With Sojitz playing a role in overall coordination, we have arranged for frozen food products developed under the guidance of Royal Holdings' head chef to be sold at AEON stores, where they have proved incredibly popular. Despite having central kitchen functions, Royal Holdings has previously only supplied its products to its own restaurants, like Royal Host and Tendon Tenya, but this company is branching out from restaurants to develop ready-made meals and household-use food products. Accordingly, we are advancing strategic collaboration with AEON to enable Royal Holdings to sell high-quality food products that people are inspired to buy on special occasions. This move will allow this company to offer products based on its own Royal brand, as opposed to purely offering those with no brand name or bearing the brand of food product manufacturers.

A. (Koichi Yamaguchi, COO) The factories used to produce food products for our in-flight catering business are located nearby airports. As we seek to develop non-airline-related operations, these locations have enabled us to provide lunch, dinner, and other meals to people quarantined in hotels after returning from overseas. Although the numbers of quarantine hotels are decreasing, we have been supplying such individuals with meals over the past several months. In addition, we have been working with Nankai Electric Railway Co., Ltd., to provide customers with meals based on in-flight meals between deliveries of boxed lunches. At the same time, we are selling frozen food products at department stores

in Osaka City and other areas of the Kansai region, and these products have received a strong reception. Developing menus takes a long time, as does growing earnings through these operations, but we are gradually gaining traction in non-airline-related operations nevertheless. Royal Holdings excels in business-to-consumer operations, but it lacks business-to-business expertise. To compensate for this deficiency, the Retail & Consumer Service Division has dispatched employees with extensive experience in business-to-business fields, one to Osaka and one to Fukuoka, to help with these efforts.

Third Questioner

- Q: I see the potential for Sojitz to rapidly expand the market for the in-flight catering business by developing these operations at Narita Airport and Haneda Airport. Should JAL or ANA HOLDINGS INC. (ANA) come forth with a proposal to transfer their in-flight catering operations to Sojitz, will the Company be receptive toward such a proposal?
- A. (Koichi Yamaguchi, COO) Narita Airport and Haneda Airport are among the most competitive markets in the world for in-flight catering businesses. There are five companies competing for a share of these markets, which makes for competition that is much more intense than that seen at other major airports, which are usually only served by around two companies. Nevertheless, we see great potential for our future initiatives given the asset that is JAL Royal Catering Co., Ltd., a joint venture for which 51% of ownership goes to JAL and the remaining 49% goes to Royal Holdings. As for ANA, should they propose a transference of their in-flight catering operations to Sojitz, we would accept if it was deemed economically feasible.
- Q. Why, contrary to initial expectations, are Ministop operations in Vietnam struggling? Also, how will this situation be addressed? Vietnam is home to a lot of traditional mom-and-pop stores and markets, and people therefore do not need convenience stores to get what they require. Is the issue, thus, a lack of differentiation with regard to convenience stores, or is there some other issue? Also, when do you expect these issues to be resolved?
- A. (Hiroto Murai, COO) As you stated, Vietnam has a lot of mom-and-pop stores, and people's lifestyles are thus based around these stores. Conversely, the strength of Sojitz's wholesale and distribution operations lies in a network that allows us to distribute products to such mom-and-pop stores across Vietnam. At the same time, we are witnessing a gradual change in society. I do not believe that a market based solely on the distribution functions of mom-and-pop stores is sustainable. Convenience stores boast the advantages of being able to provide products when and where there are needed. Accordingly, there is a need for convenience stores as a form of urban infrastructure for moving forward from traditional mom-and-pop stores to more

modern forms of retail. However, we have to acknowledge that our approach of selling the same things in Japan was not one that was sufficiently adapted to the different lifestyles seen in Vietnam. At the same time, Ho Chi Minh City suffered from a prolonged period of lockdowns due to the impacts of the COVID-19 pandemic. Vietnam's COVID-19 response measures were at first highly effective. However, the emergence of the Delta variant resulted in strict lockdowns. In principle, convenience stores were able to remain open during the lockdowns. Mom-and-pop stores, meanwhile, are not a format that is well suited to pandemic response measures. As such, they were almost all closed. I believe that this development has served as an opportunity for the market to reevaluate the importance of convenience stores as a part of social infrastructure. There is still room for improvement when it comes to our strategies, but it is only a matter of time before the market recovers. Now is thus a time for us to dig in our heels.

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