May 13, 2025

Q&A regarding Bond-Type Class Shares (listed type)

ZENSHO HOLDINGS CO., LTD.

Disclaimer

This material has been prepared solely for the benefit of the holders of common shares of ZENSHO HOLDINGS CO., LTD. (the "Company") in evaluating the proposal of the Company for a partial amendment to the Articles of Incorporation scheduled to be submitted to the Company's Ordinary General Meeting of Shareholders and General Meeting of Class Shareholders constituted by the holders of common shares of the Company planned to be held on June 27, 2025 and not for the purpose of soliciting investment or engaging in any other similar activities in Japan or any foreign country.

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Question	Answer
1. What is hybrid financing?	■ It is a financing method that enhances equity for accounting and/or credit rating purposes and does not cause dilution of voting rights. Hybrid financing includes class shares, hybrid bonds (subordinated bonds), and hybrid loans (subordinated loans).
2. What is the purpose of Amendment to the Articles of Incorporation?	■ It is important to strengthen the financial base through capital enhancement to support the execution of business strategies that will enable further sustainable growth. By utilizing class shares and hybrid bonds, we will implement hybrid financing (capital financing that enhances equity and does not cause dilution of voting rights). Based on this view, we believe that "Bond-Type Class Shares" mainly targeting retail investors would be a useful option. Accordingly, we have decided to amend the Articles of Incorporation.
3. What are the characteristics of Bond-Type Class Shares?	■ Bond-Type Class Shares are treated as shares under the Companies Act, and are one of the instruments for hybrid financing with an intermediate characteristic between shares and bonds, and the product nature is similar to that of hybrid bonds. ■ Bond-Type Class Shares do not have voting rights and are not convertible into common shares, and we expect the product nature to be similar to "corporate bonds". In addition, Bond-Type Class Shares have priority over common shares in terms of the order of distribution of dividends and residual assets, and are non-participating, meaning that no dividend will be paid more than the amount of the preferred dividend to be determined at the time of issuance. ■ We plan to apply for listing of the Bond-Type Class Shares (in addition to common shares) on the Prime Market of the Tokyo Stock Exchange, with the intention of providing investment opportunities to a wide range of investors.

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Question	Answer
4. What is the expected role of hybrid financing in the financial strategy and its position in the capital structure?	■ Hybrid financing is considered to be an option of financing method to realize an increase in equity capital and capital with equity credits to secure a sound financial base, while limiting the dilution of voting rights of common shareholders and the impact on ROE and EPS for common shares as may be caused by the issuance of common shares (*1). ■ Unlike typical hybrid bonds, proceeds from the issuance of Bond-Type Class Shares can be recorded as equity for accounting purposes. Compared to the issuance of common shares, the issuance of Bond-Type Class Shares involves lower capital costs as their capital costs are equal to the annual dividend rate determined at the time of issuance (*2).
5. What is the product nature similar to and different from that of hybrid bonds/hybrid loans?	■ As with hybrid bonds/hybrid loans, it is expected that the Bond-Type Class Shares will obtain the equity credit from a rating agency (JCR) for 50% of the aggregate amount of issuance. ■ On the other hand, the Bond-Type Class Shares differ from hybrid bonds/loans in a sense that they can increase equity capital for accounting purposes. In addition, the Bond-Type Class Shares may be considered for investment by a wide range of investors through their listing on the Prime Market of the Tokyo Stock Exchange (eligible for NISA).
6. What is the product nature similar to and different from that of class A preferred shares?	■ As with class A preferred shares, the Bond-Type Class Shares can increase equity capital for accounting purposes. ■ On the other hand, while class A preferred shares targeted financial institutions, the Bond-Type Class Shares may be considered for investment by a wide range of investors through their listing on the Prime Market of the Tokyo Stock Exchange (eligible for NISA).
7. What is the reason for the Amendment to Articles of Incorporation while capital has been raised in the past through hybrid loans and class A preferred shares?	■ Among hybrid financings, hybrid loans and class A preferred shares primarily target financial institutions. The purpose of this amendment to the Articles of Incorporation is to increase options for capital financing that will enhance equity for accounting purposes by raising funds from a wide range of investors, including retail investors. ■ It is expected that the payment of dividends on the Bond-Type Class Shares and class A preferred shares and interest payments on hybrid bonds and hybrid loans are ranked *pari passu.*

*1 Assuming that the relevant amounts of the Bond-Type Class Shares and class A preferred shares (i.e., the paid-in amount and preferred dividends) are deducted from the net assets and net income when calculating ROE and EPS for common shares.

*2 The annual dividend rate is expected to be 5% or less for the period from the fiscal year of issuance of the Series 1 Bond-Type Class Shares to the fiscal year five years later. Please note that this expected rate is based on the market conditions as of May 13, 2025, and is subject to change as a result of any future developments in the market conditions and other factors.

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Question	Answer
8. Will there be any disadvantages to common shareholders?	■ Bond-Type Class Shares do not have voting rights and are not convertible into common shares, so there will be no dilution of voting rights. ■ Bond-Type Class Shares are "non-participating", meaning that no dividend is paid more than the amount of the preferred dividend to be determined at the time of issuance, and only common shareholders have the right to participate in dividends other than the preferred dividend. ■ This is a financing method that gives more consideration to the impact on ROE, EPS, etc. for common shares, compared to a public offering of common shares. (*1)
9. Does the issuance of the Bond-Type Class Shares affect the dividend policy for common shares?	■ We consider that stable distribution of profits to shareholders is one of the most important management policies. Our basic policy is to expand our business actively and increase internal reserves while distributing profits in accordance with business performance. Therefore, even if the Series 1 Bond-Type Class Shares are issued, we do not expect this to affect our dividend policy for common shares.
10. Does the issuance of the Bond-Type Class Shares affect the shareholder benefit program?	■ We do not expect any impact on the shareholder benefit program for common shares. Furthermore, we do not currently plan to establish a shareholder benefit program for the holders of the Bond-Type Class Shares.
11. Is there any possibility that the Bond-Type Class Shares could be used as a takeover protection measure?	■ Bond-Type Class Shares do not have voting rights and are not convertible into common shares. Accordingly, they are not suitable for takeover protection measures and we do not expect to use them as such. ■ We do not expect to allot the Bond-Type Class Shares to common shareholders by gratis allotment or otherwise.
12. What form of issuance is planned?	■ In case of issuance, it is planned that the shares will be offered to a wide range of investors, including retail investors, through a public offering in Japan. ■ We plan to make the Bond-Type Class Shares also available for investment by common shareholders of the Company.

*1 Assuming that the relevant amounts of the Bond-Type Class Shares and class A preferred shares (i.e., the paid-in amount and preferred dividends) are deducted from the net assets and net income when calculating ROE and EPS for common shares.

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13. What is the planned timing and amount of Series 1 Bond-Type Class Shares?	▪ Details of the issuance, including the specific timing of the issuance, have not yet been determined at this time. ▪ However, if the proposal for the Amendment to Articles of Incorporation for the Bond-Type Class Shares is approved at the general meeting of shareholders, we will consider the timing and amount based on our financial strategies and capital policies, while taking account of market conditions. ▪ In addition, the maximum issuance amount has been set at 50 billion yen in the shelf registration statement for the Series 1 Bond-Type Class Shares filed on May 13, 2025, and the maximum number of the Series 1 Bond-Type Class Shares authorized in the proposed amendment to the Articles of Incorporation is 10 million.
14. Why is the annual preferred dividend rate over a period of approximately five years after issuance expected to be 5% or less?	▪ We have set the annual preferred dividend rate after comprehensively taking into account the market price of similar bond-type class shares and hybrid bonds and other factors based on the product nature of its position between equity and debt. Please note that this expected rate is based on the market conditions as of May 13, 2025, and is subject to change as a result of any future developments in the market conditions and other factors.
15. What is the reason for considering listing the Bond-Type Class Shares on the Prime Market of the Tokyo Stock Exchange?	▪ In order to make the Bond-Type Class Shares available for investment by a wide range of investors, we believe it is important to increase recognition of the shares and provide trading opportunities by listing them on the Prime Market of the Tokyo Stock Exchange.
16. Does the Company plan to acquire (call) the Series 1 Bond-Type Class Shares in exchange for cash after five years from the issuance?	▪ We will determine whether to acquire (call) the Series 1 Bond-Type Class Shares (if and when issued) for cash five years after the date of issuance or later, taking into consideration the business and financial conditions and market conditions and other factors at that time. ▪ We are well aware that, in accordance with the market practice in hybrid financing, many investors expect us to acquire (call) the shares from five years after the date of issuance (i.e., when the call option becomes exercisable) and before the time when the dividend rate steps-up.
17. While multiple series of the Bond-Type Class Shares are provided under the proposed Articles of Incorporation, what are the thoughts of the Company on the specific issuances?	▪ The specific timing of the issuance has not yet been determined at this time, including that of the Series 1. We propose to have the authorized share capital of up to tenth Series so as to realize flexible issuance in the event of any demand for an increase in equity capital. ▪ In addition, since we expect that capital financing of equal or greater value shall be required in principle if we acquire (call) the Series 1 Bond-Type Class Shares in exchange for cash, another series of the Bond-Type Class Shares may be issued for such replacement.

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すき家 SUKIYA
HAMA-SUSHI はま寿司
なか卯 NAKAU
COCO'S RESTAURANT
Jolly-Pasta
LOTTERIA
Big Boy RESTAURANT
熟成焼肉 いちばん

イタリア食堂 オリーブの丘 OLIVE HILL
かつ庵
久兵衛屋
北海道らぁめん 伝丸
華屋与兵衛
MORIVA COFFEE
Wonderfield Group
AFC Franchise Corp.

The Chicken Rice Shop Chicken Rice...and More
ユナイテッド ベジーズ
ジョイフーズ JOY Foods
マルヤ
VERY FOODS owariya
かがやき
エンネルグ

Tolona Japan
ZENSHO RICE
GFF
サンビシ
GFS GLOBAL FRESH SUPPLY CO.,LTD.
G.T.S
ZBS Zensho Business Service
JinZai