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Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ended March 31, 2024 (Japanese Accounting Standards)

August 10, 2023

Company Name: **Zensho Holdings Co., Ltd.** Stock Listings Tokyo Stock Exchange
 Code Number: 7550 URL <https://www.zensho.co.jp/>
 Representative: Mr. Kentaro Ogawa, Chairman of the Board and CEO
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 Scheduled date for submission of quarterly securities report: August 10, 2023
 Scheduled date for payment of dividends: —
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes

(Figures rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter (April 1, 2023 to June 30, 2023)

(1) Consolidated Financial Results (Percentages (%) indicate changes from the previous year)

| | Net Sales | | Operating Profit | | Ordinary Profit | | Profit attributable to owners of parent | |
|----------------------------------|-------------|------|------------------|-------|-----------------|------|-----------------------------------------|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2023 | 214,368 | 20.2 | 9,578 | 259.9 | 9,243 | 13.2 | 6,675 | 50.8 |
| June 30, 2022 | 178,398 | 16.9 | 2,661 | (7.4) | 8,166 | 58.8 | 4,428 | 259.2 |

Note: Comprehensive income Three months ended June 30, 2023 13,183 million yen (6.3 %)
 Three months ended June 30, 2022 12,371 million yen (717.7 %)

| | Basic earnings per share | | Diluted earnings per share | |
|----------------------------------|--------------------------|-----|----------------------------|-----|
| | Yen | Yen | Yen | Yen |
| Three months ended June 30, 2023 | 43.97 | — | — | — |
| June 30, 2022 | 29.11 | — | — | — |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio | Net Assets per share |
|----------------|--------------|-------------|----------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| June 30, 2023 | 485,098 | 126,550 | 26.0 | 832.18 |
| March 31, 2023 | 469,563 | 115,837 | 24.6 | 761.63 |

Note: Shareholders' Equity: June 30, 2023 126,343 million yen March 31, 2023 115,633 million yen

2. Dividends

| | Dividend per Share | | | | |
|----------------------------------------------|--------------------|-----------|-----------|-----------|-----------|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Full year |
| Fiscal Year ended March 31, 2023 | Yen - | Yen 12.00 | Yen - | Yen 12.00 | Yen 24.00 |
| Fiscal Year ending March 31, 2024 | - | | | | |
| Fiscal Year ending March 31, 2024 (forecast) | | 20.00 | - | 20.00 | 40.00 |

Note: Revisions to dividend forecasts published recently: No

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Percentages (%) indicate changes from the previous year)

| | Net Sales | | Operating Profit | | Ordinary Profit | | Profit attributable to owners of parent | | Profit attributable to owners of parent per share |
|-----------------|-------------|------|------------------|-------|-----------------|------|-----------------------------------------|------|---------------------------------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Q2 (Cumulative) | 441,144 | 17.4 | 20,189 | 147.7 | 18,818 | 37.2 | 11,982 | 62.8 | 78.92 |
| Full year | 898,466 | 15.2 | 40,090 | 84.5 | 37,395 | 33.2 | 23,003 | 73.4 | 151.51 |

Note: Revisions to consolidated financial forecasts published recently: No

Notes

- (1) Changes of important subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation) : None
- (2) Application of particular accounting procedures in the preparation of quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies caused by revision of accounting standards : None
- (ii) Changes in accounting policies other than (i) : Yes
- (iii) Changes in accounting estimates : None
- (iv) Restatement : None

(4) Shares issued and outstanding (common stock)

| | | | | |
|--------------------------------------------------------------------------------------|-------------------------------------|--------------------|-------------------------------------|--------------------|
| (i) Number of shares outstanding at the end of the period (including treasury stock) | As of June 30, 2023 | 154,862,825 shares | As of March 31, 2023 | 154,862,825 shares |
| (ii) Number of treasury stocks at the end of the period | As of June 30, 2023 | 3,040,732 shares | As of March 31, 2023 | 3,039,018 shares |
| (iii) Average number of shares outstanding during the term (quarter cumulative) | Three months ended June 30, 2023 | 151,822,846 shares | Three months ended June 30, 2022 | 152,121,594 shares |

Note: A performance-linked compensation system (BBT, or Board Benefit Trust) was introduced in the second quarter of the fiscal year ended March 31, 2023. In the calculation of the number of treasury shares at the end of the period and the average number of shares outstanding during the term, the number of treasury shares held by Custody Bank of Japan, Ltd. (Trust Account) as assets in the Trust (The number of shares at the end of the period of 292,500 shares and the average number of shares outstanding during the term of 292,500 shares) are treated as treasury shares to be deducted.

* This quarterly consolidated financial results report is exempt from quarterly review of certified accountants and/or auditing firms.

* Explanation and other special notes concerning the appropriate use of forecast business performance (Notes on forecast business performance and others)

The forecast figures indicated above are projections based on the information available at the time of the announcement and certain assumptions include some degree of uncertainty. Actual business performance and other results may differ from the forecast depending on the changes in business conditions and others. Please refer to p.4 of the Appendix for information on the above forecast.

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1. Qualitative Information on Results for the First Quarter Ended June 30, 2023

From the first quarter ended June 30, 2023, Zensho Holdings Co., Ltd. (the “Company”) abolished its previous segments of Restaurant business and Retail business while changing to the six reporting segments of Global Sukiya, Global Hamasushi, Global Fast Food, Restaurants, Retail, and Corporate and Support. As a result, comparisons and analyses for the three months ended June 30, 2023, are based on the reporting segments after this change.

(1) Details of Consolidated Financial Results

In the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023), consolidated business performance was net sales of 214,368 million yen (up 20.2% year-on-year), operating profit of 9,578 million yen (up 259.9% year-on-year), ordinary profit of 9,243 million yen (up 13.2% year-on-year), and profit attributable to owners of parent of 6,675 million yen (up 50.8% year-on-year).

The business environment surrounding the Company continued to be uncertain, affected by factors including raw material and energy prices remaining high due to the prolonged situation in Ukraine. Meanwhile, the lifting of movement restrictions in place due to COVID-19 led to a normalization of economic activity, with foot traffic and personal consumption showing signs of recovery.

In the restaurant industry as well, demand remained high as use by families and groups increased.

Under these circumstances, year-on-year same-store sales in each reporting segment were: up 19.3% in Global Sukiya, up 8.5% in Global Hamasushi, up 15.8% in Global Fast Food, up 23.0% in Restaurants, and down 0.1% in Retail.

As of the end of the first quarter ended June 30, 2023, the number of stores was 10,940 (including 4,730 franchised stores), the result of 113 store openings and 52 closures.

An overview of conditions by business segment is provided below. Additionally, references to net sales are net sales to external customers.

(Global Sukiya)

Net sales of Global Sukiya during the three months ended June 30, 2023, were 61,671 million yen (up 24.5% year-on-year) with operating profit of 3,709 million yen (up 2,396.3% year-on-year).

Sukiya has locations in Japan, China, Southeast Asia, and Central and South America, providing its mainstay Gyudon to families and groups with safety, good flavor, and reasonable pricing.

At domestic Sukiya, the Company provided “Gyudon with Cod Caviar Mayo & Cheese” and “Gyudon with Mekabu Seaweed & Okra,” among others, and at Sukiya in China, menu items included “Canola Flower Gyudon” and “Mala Spice Green Bean Gyudon.”

Additionally, the number of stores in this reporting segment as of the end of the first quarter ended June 30, 2023, was 2,617 (1,944 domestic, 673 overseas), the result of 18 store openings and 14 closures.

(Global Hamasushi)

Net sales of Global Hamasushi during the three months ended June 30, 2023, were 44,108 million yen (up 16.4% year-on-year) with operating profit of 1,762 million yen (down 1.2% year-on-year) owing to soaring prices of seafood ingredients.

Hamasushi has locations mainly in Japan and China, providing menu items such as sushi, prepared with fresh seafood, alongside side menu items including noodles, desserts, and drinks. These foods are enjoyed by everyone, from children to adults.

Additionally, the number of stores in this reporting segment as of the end of the first quarter ended June 30, 2023, was 622 (582 domestic, 40 overseas), the result of 9 store openings.

(Global Fast Food)

Net sales of Global Fast Food during the three months ended June 30, 2023, were 46,822 million yen (up 28.6% year-on-year) with operating profit of 2,639 million yen (up 49.4% year-on-year).

Nakau mainly provides oyakodon rice bowl dishes and Kyoto-style udon noodles, with product offerings that can compete with specialty restaurants. Also domestically, the Company has restaurants such as Lotteria, a hamburger restaurant chain that joined the Group on April 1, 2023, Katsuan, a tonkatsu specialty restaurant, and Kyubeiya, which serves Musashino-style udon noodles. This reporting segment also includes overseas companies such as Advanced Fresh Concepts Corp., which provides sushi takeout, and TCRS Restaurants Sdn. Bhd., a halal-certified chicken rice specialty restaurant.

Additionally, the number of stores in this reporting segment as of the end of the first quarter ended June 30, 2023, was 6,353 (1,007 domestic, 5,346 overseas; including 4,652 franchises), the result of 77 store openings and 28 closures.

(Restaurants)

Net sales of Restaurants during the three months ended June 30, 2023, were 32,370 million yen (up 22.5% year-on-year) with operating profit of 780 million yen (operating loss of 234 million yen in the three months ended June 30, 2022).

Coco's, a standard restaurant chain, has made efforts to improve its business performance by enhancing product competitiveness through active introduction of fair menus with a focus on seasonality, pursuing authentic taste rivaling specialty restaurants, and improving the standard of services to enable customers to enjoy meals with satisfaction. This reporting segment also includes Jolly-Pasta, a pasta specialty restaurant chain, Big Boy, a chain of hamburger steak and steak restaurants, Jukusei Yakiniku Ichiban, a barbecue chain that offers carefully selected beef, OLIVE HILL, an Italian cuisine specialty restaurant chain, and Hanaya Yohei, a Japanese cuisine chain.

Additionally, the number of stores in this reporting segment as of the end of the first quarter ended June 30, 2023, was 1,198 (including 78 franchises), the result of 6 store openings and 9 closures.

(Retail)

Net sales of Retail during the three months ended June 30, 2023, were 19,554 million yen (up 1.8% year-on-year) with an operating loss of 385 million yen (operating loss of 680 million yen in the three months ended June 30, 2022). The operating loss contracted as a result of revisions to management structures and suppliers.

This reporting segment includes Maruya and Joy Foods, supermarkets with locations primarily in the North Kanto area, and United Veggies Co., Ltd. which operates fruit and vegetables stores.

Additionally, the number of stores in this reporting segment as of the end of the first quarter ended June 30, 2023, was 133, the result of 2 store openings and 1 closure.

(Corporate and Support)

Net sales of Corporate and Support during the three months ended June 30, 2023, were 1,066 million yen (down 3.5% year-on-year) with operating profit of 1,005 million yen (operating loss of 149 million yen in the three months ended June 30, 2022).

This reporting segment includes GFF, which manufactures and processes food, Global Fresh Supply Co., Ltd. which handles logistics functions, and Global Table Supply Co., Ltd. which procures uniforms, equipment, etc.

(Others)

Net sales of Others during the three months ended June 30, 2023, were 8,775 million yen (up 11.8% year-on-year) with operating profit of 89 million yen (operating loss of 63 million yen in the three months ended June 30, 2022).

This segment includes Tolona Japan Co., Ltd., which sells frozen foods for home use, etc., Sanbishi Co., Ltd., which manufactures and sells soy sauce and dressing, etc., Kagayaki Co., Ltd., which operates the nursing business, and Zensho Rice Co., Ltd., which sells unpolished and polished rice.

[Reference] Overview Based on Previous Segments

1) Restaurant business

Net sales of the Restaurant business during the three months ended June 30, 2023, were 194,814 million yen (up 22.4% year-on-year) with operating profit of 9,963 million yen (up 198.1% year-on-year).

(Gyudon category)

Net sales in the Gyudon category during the three months ended June 30, 2023, were 73,239 million yen (up 26.9% year-on-year).

The number of stores in the Gyudon category as of June 30, 2023, was 3,102 (including 6 franchises), the result of 20 store openings and 18 closures.

(Family Dining category)

Net sales in the Family Dining category during the three months ended June 30, 2023, were 32,370 million yen (up 22.5% year-on-year).

The number of stores in the Family Dining category as of June 30, 2023, was 1,198 (including 78 franchises), the result of 6 store openings and 9 closures.

(Fast Food Service category)

Net sales in the Fast Food Service category during the three months ended June 30, 2023, were 54,527 million yen (up 24.5% year-on-year).

The number of stores in the Fast Food Service category as of June 30, 2023, was 1,374 (including 95 franchises), the result of 13 store openings and 2 closures.

(Other category)

Net sales in the Other category during the three months ended June 30, 2023, were 34,677 million yen (up 10.9% year-on-

year).

The number of stores in the Other category as of June 30, 2023, was 5,133 (including 4,551 franchises), the result of 72 store openings and 22 closures.

2) Retail Business

Net sales of the Retail business during the three months ended June 30, 2023, were 19,554 million yen (up 1.8% year-on-year) with an operating loss of 385 million yen (operating loss of 680 million yen in the three months ended June 30, 2022).

The number of stores in the Retail business as of June 30, 2023, was 133, the result of 2 store openings and 1 closure.

(2) Details of Consolidated Financial Position

(Assets)

Assets amounted to 485,098 million yen as of the end of the first quarter ended June 30, 2023, an increase of 15,534 million yen compared with the previous fiscal year-end. This was mainly due to increases in property, plant and equipment and goodwill.

(Liabilities)

Liabilities amounted to 358,547 million yen as of the end of the first quarter ended June 30, 2023, an increase of 4,820 million yen compared with the previous fiscal year-end. This was mainly due to an increase in accounts payable - trade.

(Net Assets)

Net Assets amounted to 126,550 million yen as of the end of the first quarter ended June 30, 2023, an increase of 10,713 million yen compared with the previous fiscal year-end. This was mainly due to increases in retained earnings and foreign currency translation adjustment.

(3) Information on Future Outlook, Including Consolidated Business Performance Forecast

There are no changes to the consolidated business performance forecasts for the fiscal year ending March 31, 2024, announced on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | End of Previous fiscal year (As of March 31, 2023) | End of 1Q, Current fiscal year (As of June 30, 2023) |
|----------------------------------------|----------------------------------------------------------|------------------------------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 64,690 | 46,540 |
| Accounts receivable - trade | 28,747 | 29,872 |
| Merchandise and finished goods | 4,740 | 4,838 |
| Work in process | 1,269 | 2,115 |
| Raw materials and supplies | 36,819 | 39,505 |
| Other | 21,892 | 24,751 |
| Allowance for doubtful accounts | (166) | (180) |
| Total current assets | 157,993 | 147,444 |
| Non-current assets | | |
| Property, plant and equipment, net | | |
| Buildings and structures | 221,844 | 235,274 |
| Accumulated depreciation | (131,704) | (139,552) |
| Buildings and structures, net | 90,140 | 95,722 |
| Machinery, equipment and vehicles | 18,645 | 19,955 |
| Accumulated depreciation | (10,843) | (11,626) |
| Machinery, equipment and vehicles, net | 7,802 | 8,328 |
| Other | 171,445 | 181,721 |
| Accumulated depreciation | (87,576) | (93,509) |
| Other, net | 83,868 | 88,211 |
| Total property, plant and equipment | 181,811 | 192,262 |
| Intangible assets | | |
| Trademark right | 49,359 | 53,271 |
| Goodwill | 11,652 | 21,243 |
| Other | 4,435 | 4,646 |
| Total intangible assets | 65,446 | 79,160 |
| Investments and other assets | | |
| Investment securities | 2,168 | 1,439 |
| Guarantee deposits | 33,845 | 37,210 |
| Other | 28,281 | 27,622 |
| Allowance for doubtful accounts | (51) | (104) |
| Total investments and other assets | 64,244 | 66,169 |
| Total non-current assets | 311,502 | 337,592 |
| Deferred assets | 67 | 61 |
| Total assets | 469,563 | 485,098 |

(Million yen)

| | End of Previous fiscal year (As of March 31, 2023) | End of 1Q, Current fiscal year (As of June 30, 2023) |
|-------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 29,319 | 31,529 |
| Short-term borrowings | 7,600 | 4,108 |
| Current portion of long-term borrowings | 16,163 | 25,326 |
| Income taxes payable | 3,970 | 3,262 |
| Contract liabilities | 732 | 780 |
| Provisions | 3,014 | 2,244 |
| Other | 49,993 | 53,511 |
| Total current liabilities | 110,792 | 120,763 |
| Non-current liabilities | | |
| Bonds payable | 25,000 | 25,000 |
| Long-term borrowings | 168,433 | 157,103 |
| Provisions | 157 | 202 |
| Retirement benefit liability | 681 | 297 |
| Asset retirement obligations | 4,411 | 5,961 |
| Other | 44,249 | 49,218 |
| Total non-current liabilities | 242,933 | 237,783 |
| Total liabilities | 353,726 | 358,547 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 26,996 | 26,996 |
| Capital surplus | 23,809 | 23,610 |
| Retained earnings | 60,576 | 65,225 |
| Treasury shares | (6,915) | (6,924) |
| Total shareholders' equity | 104,466 | 108,907 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (58) | 6 |
| Deferred gains or losses on hedges | (1,081) | 327 |
| Remeasurements of defined benefit plans | 58 | — |
| Foreign currency translation adjustment | 12,248 | 17,102 |
| Total accumulated other comprehensive income | 11,167 | 17,436 |
| Non-controlling interests | 203 | 207 |
| Total net assets | 115,837 | 126,550 |
| Total liabilities and net assets | 469,563 | 485,098 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Three months ended June 30)

(Million yen)

| | Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022) | Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023) |
|---------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Net sales | 178,398 | 214,368 |
| Cost of sales | 84,846 | 99,162 |
| Gross profit | 93,551 | 115,206 |
| Selling, general and administrative expenses | 90,890 | 105,628 |
| Operating profit | 2,661 | 9,578 |
| Non-operating income | | |
| Interest income | 75 | 176 |
| Dividend income | 1 | 1 |
| Foreign exchange gains | 211 | 215 |
| Share of profit of entities accounted for using equity method | 8 | 1 |
| Subsidy income | 5,940 | 85 |
| Other | 144 | 178 |
| Total non-operating income | 6,382 | 659 |
| Non-operating expenses | | |
| Interest expenses | 674 | 771 |
| Other | 202 | 222 |
| Total non-operating expenses | 877 | 994 |
| Ordinary profit | 8,166 | 9,243 |
| Extraordinary income | | |
| Gain on termination of retirement benefit plan | — | 179 |
| Other | 117 | 108 |
| Total extraordinary income | 117 | 287 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 530 | 360 |
| Other | 680 | 174 |
| Total extraordinary losses | 1,210 | 534 |
| Profit before income taxes | 7,073 | 8,996 |
| Income taxes - current | 1,924 | 2,459 |
| Income taxes - deferred | 722 | (137) |
| Total income taxes | 2,646 | 2,322 |
| Profit | 4,426 | 6,674 |
| Profit (loss) attributable to non-controlling interests | (1) | (1) |
| Profit attributable to owners of parent | 4,428 | 6,675 |

(Quarterly Consolidated Statements of Comprehensive Income)

(Three months ended June 30)

(Million yen)

| | Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022) | Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023) |
|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Profit | 4,426 | 6,674 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2 | 64 |
| Deferred gains or losses on hedges | 329 | 1,408 |
| Remeasurements of defined benefit plans | 1 | (58) |
| Foreign currency translation adjustment | 7,575 | 5,064 |
| Share of other comprehensive income of entities accounted for using equity method | 35 | 28 |
| Total other comprehensive income | 7,944 | 6,508 |
| Comprehensive income | 12,371 | 13,183 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 12,325 | 13,178 |
| Comprehensive income attributable to non-controlling interests | 46 | 4 |

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Case Where Shareholders' Equity Underwent Significant Changes in Value)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes)

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan ("ASBJ") Standard No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") from the beginning of the first quarter ended June 30, 2023.

Previously, calculated amounts of current income taxes on earnings, etc. ("Corporate Taxes, etc.") were recorded in profit or loss in accordance with laws and regulations. Moving forward, Corporate Taxes, etc., on earnings will be recorded in profit or loss, shareholders' equity, or other comprehensive income according to the transaction, etc., from which it occurred. Concerning Corporate Taxes, etc., recorded in accumulated other comprehensive income, when a transaction, etc., is recorded in profit or loss that is the reason for said Corporate Taxes, etc., to be applied, the corresponding amount of tax will be recorded in profit or loss. Additionally, if the transaction, etc., subject to taxation is related to shareholders' equity or other comprehensive income in addition to profit or loss, and it is difficult to calculate the amount of Corporate Taxes, etc., to be applied to shareholders' equity or other comprehensive income, the amount of such taxes will be recorded in profit or loss.

Revisions to categories for recording Corporate Taxes, etc. (taxation on other comprehensive income) conform to the transitional treatment in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022. The amount of cumulative effect on the initial fiscal year of application if retrospectively applying the new accounting policy prior to the beginning of the initial fiscal year of application is added or subtracted to retained earnings at the beginning of the initial fiscal year of application, with the corresponding amount added or subtracted to accumulated other comprehensive income.

As a result, for the three months ended June 30, 2023, "income taxes - current" increased by 435 million yen, "profit attributable to owners of parent" decreased by the same amount, and "foreign currency translation adjustment" in other comprehensive income increased by the same amount. Additionally, for the first quarter ended June 30, 2023, the beginning balance of "retained earnings" increased by 233 million yen, and the beginning balance of "foreign currency translation adjustment" in other comprehensive income decreased by the same amount.

Furthermore, the Company has applied the revised "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022) from the beginning of the first quarter ended June 30, 2023, but this has no effect on the consolidated financial statements.

(Additional Information)

(Board Benefit Trust (BBT))

Based on a resolution at the 40th Ordinary General Meeting of Shareholders held on June 24, 2022, the Company introduced a performance-linked compensation system (BBT, or Board Benefit Trust) for Directors and Executive Officers (excluding Outside Directors, hereinafter, "the Directors, etc.").

(1) Overview of the transaction

The system is a performance-linked stock compensation system under which the Company's shares will be acquired through a trust with cash contributed by the Company as the source of funds, and the Company's shares and cash equivalent to the amount obtained by converting the Company's shares at fair value will be paid to the Directors, etc., in accordance with the Executive Stock Benefit Regulations established by the Company. In principle, the time when the Directors, etc., receive the Company's Shares, etc., will be after their retirement from office.

(2) Treasury shares remaining in the trust

Treasury shares remaining in the trust are recorded as treasury shares in net assets at the carrying amount of the trust (excluding incidental expenses). The carrying amount and number of shares of such treasury shares are 1,056 million yen and 292 thousand shares, respectively, as of the end of the fiscal year ended March 31, 2023, and the end of the first quarter ended June 30, 2023.

(3) Carrying amount of borrowings recorded using gross method

Not applicable.

(Segment Information)

[Segment Information]

I Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

1. Information on net sales, profit or loss by reporting segment

(Million yen)

| | Reporting segment | | | | | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount recorded on Quarterly Consolidated Statements of Income (Note 3) |
|---------------------------------------------|-------------------|---------------------|---------------------|-------------|--------|--------------------------|---------|-------------------|---------|------------------------|-------------------------------------------------------------------------------------------|
| | Global Sukiya | Global Hamasushi | Global Fast Food | Restaurants | Retail | Corporate and Support | Total | | | | |
| Net sales | | | | | | | | | | | |
| Net sales to external customers | 49,516 | 37,879 | 36,419 | 26,429 | 19,201 | 1,104 | 170,552 | 7,846 | 178,398 | — | 178,398 |
| Intersegment sales or transfers (Note 4) | 78 | 0 | 5 | 15 | 117 | 70,367 | 70,585 | 2,076 | 72,662 | (72,662) | — |
| Total | 49,595 | 37,879 | 36,424 | 26,445 | 19,319 | 71,472 | 241,138 | 9,923 | 251,061 | (72,662) | 178,398 |
| Segment profit (loss) | 148 | 1,784 | 1,766 | (234) | (680) | (149) | 2,635 | (63) | 2,571 | 90 | 2,661 |

- (Note) 1. The “Other” category is a business segment not included in the reporting segments, and includes the Manufacturing and wholesaling business for external sales, Nursing care business, and Livestock and fisheries business.
2. The adjustment of 90 million yen to segment profit (loss) primarily consists of intersegment sales or transfers and inventory adjustments.
3. The total amount of segment profit (loss) is adjusted with the operating profit in the quarterly consolidated statements of income.
4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

2. Information by reporting segment on impairment loss or goodwill on non-current assets

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in goodwill)

Not applicable.

(Significant profit on negative goodwill)

Not applicable.

II Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

1. Information on net sales, profit or loss by reporting segment

(Million yen)

| | Reporting segment | | | | | | | Other (Note 1) | Total | Adjustment (Note 2) | Amount recorded on Quarterly Consolidated Statements of Income (Note 3) |
|------------------------------------------|-------------------|---------------------|---------------------|-------------|--------|--------------------------|---------|-------------------|---------|------------------------|-------------------------------------------------------------------------------------------|
| | Global Sukiya | Global Hamasushi | Global Fast Food | Restaurants | Retail | Corporate and Support | Total | | | | |
| Net sales | | | | | | | | | | | |
| Net sales to external customers | 61,671 | 44,108 | 46,822 | 32,370 | 19,554 | 1,066 | 205,593 | 8,775 | 214,368 | — | 214,368 |
| Intersegment sales or transfers (Note 4) | 64 | 0 | 2 | 34 | 108 | 82,626 | 82,836 | 2,614 | 85,450 | (85,450) | — |
| Total | 61,736 | 44,108 | 46,824 | 32,404 | 19,662 | 83,693 | 288,429 | 11,389 | 299,819 | (85,450) | 214,368 |
| Segment profit (loss) | 3,709 | 1,762 | 2,639 | 780 | (385) | 1,005 | 9,512 | 89 | 9,601 | (23) | 9,578 |

(Note) 1. The “Other” category is a business segment not included in the reporting segments, and includes the Manufacturing and wholesaling business for external sales, Nursing care business, and Livestock and fisheries business.

2. The adjustment of (23) million yen to segment profit (loss) primarily consists of intersegment sales or transfers and inventory adjustments.

3. The total amount of segment profit (loss) is adjusted with the operating profit in the quarterly consolidated statements of income.

4. Intersegment sales or transfers amounts are calculated based on prevailing market prices.

2. Information by reporting segment on impairment loss or goodwill on non-current assets

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in goodwill)

Owing to the acquisition of shares in Lotteria Co., Ltd. and Sushi Circle Gastronomie GmbH and making these companies subsidiaries during the first quarter ended June 30, 2023, goodwill increased by 3,007 million yen and 6,922 million yen, respectively.

(Significant profit on negative goodwill)

Not applicable.

3. Matters concerning changes to reporting segments, etc.

In line with revising financial results management categories and management reporting structures to those that more closely align with the actual state of the business, the Company has changed its reporting segments from the two segments of Restaurant business and Retail business to the six segments of Global Sukiya, Global Hamasushi, Global Fast Food, Restaurants, Retail, and Corporate and Support from the first quarter ended June 30, 2023.

Additionally, segment information provided for the three months ended June 30, 2022, is based on the segments subsequent to this change.

(Business combinations)

(Business combination through acquisition (Lotteria Co., Ltd.))

At the Board of Directors meeting held on February 16, 2023, Zensho Fast Holdings, Co., Ltd., a wholly owned subsidiary of Zensho Holdings Co., Ltd., concluded a share transfer agreement with Lotte Holdings Co., Ltd. to acquire all shares of Lotteria Co., Ltd., and acquired all shares on April 1, 2023.

1. Details of Business combination

(1) Name and main business of acquired company

| Name of acquired company | Main business |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Lotteria Co., Ltd. | Manufacture and sale of food products, operation of restaurants and grocery stores, and food service business through franchise system |

(2) Main reason for business combination

Based on the corporate philosophy of “eradicating hunger and poverty from the world,” the Zensho group has developed a wide range of food businesses in Japan and overseas while building a mass merchandising system.

Lotteria Co., Ltd. is one of Japan’s leading fast food chain stores with 358 stores nationwide (as of January 1, 2023) offering high quality products and services, and the decision to acquire the shares was made based on the judgment that the synergy effects with Zensho group’s food procurement, logistics, store operation and other functions will contribute to the future business expansion and development of Lotteria Co., Ltd.

(3) Date of business combination

April 1, 2023

(4) Legal form of business combination

Acquisition of shares with cash consideration

(5) Acquired company’s name after business combination

The name of the company will not change subsequent to the business combination.

(6) Percentage of voting rights acquired

Percentage of voting rights held immediately prior to the business combination: - %

Percentage of voting rights acquired on the date of business combination: 100.0%

Percentage of voting rights after acquisition: 100.0%

(7) Main basis for determining acquiring company

Zensho Fast Holdings, Co., Ltd.’s cash acquisition of shares

2. Period of financial results of acquired company included in quarterly consolidated statements of income for the cumulative quarterly consolidated accounting period

April 1, 2023 to June 30, 2023

3. Acquisition cost of acquired business and breakdown by type of consideration

This information is not disclosed due to mutual agreement of the parties.

4. Amount, reason for recognition, and method and period of amortization of goodwill

(1) Amount of goodwill recognized

3,007 million yen

(2) Reason for recognition

Recognized based on future excess earnings capacity projected from future business expansion.

(3) Method and period of amortization

Straight-line amortization during the period that demonstrates occurrence.

(Business combination through acquisition (Sushi Circle Gastronomie GmbH))

At the Board of Directors meeting held on May 19, 2023, Zensho Europe Holdings B.V., a wholly owned subsidiary of Zensho Holdings Co., Ltd., concluded a share transfer agreement with Sushi Circle Gastronomie GmbH to acquire all of its shares, and acquired all shares on May 23, 2023.

1. Details of Business combination

(1) Name and main business of acquired company

| Name of acquired company | Main business |
|-------------------------------|-----------------------------------------------------------------------|
| Sushi Circle Gastronomie GmbH | Operation of sushi takeout stores and conveyor belt sushi restaurants |

(2) Main reason for business combination

With a responsibility for the stability and development of human society and based on the corporate philosophy of eradicating hunger and poverty from the world, the Zensho group has developed a wide range of food businesses in Japan and overseas while building a mass merchandising system. Sushi Circle has 221 sushi takeout stores and 7 conveyor belt sushi restaurants in Germany (as of December 31, 2022). The decision to acquire the shares was made based on the judgment that the synergy effects with Zensho group's food procurement, logistics, store operation and other functions will contribute to the future business expansion and development of Sushi Circle.

(3) Date of business combination

May 23, 2023 (deemed acquisition date: June 30, 2023)

(4) Legal form of business combination

Acquisition of shares with cash consideration

(5) Acquired company's name after business combination

The name of the company will not change subsequent to the business combination.

(6) Percentage of voting rights acquired

| | |
|---------------------------------------------------------------------------------|--------|
| Percentage of voting rights held immediately prior to the business combination: | - % |
| Percentage of voting rights acquired on the date of business combination: | 100.0% |
| Percentage of voting rights after acquisition: | 100.0% |

(7) Main basis for determining acquiring company

Zensho Fast Holdings, Co., Ltd.'s cash acquisition of shares

2. Period of financial results of acquired company included in quarterly consolidated statements of income for the cumulative quarterly consolidated accounting period

As the deemed acquisition date is June 30, 2023, only the quarterly consolidated balance sheets have been consolidated, and financial results of the acquired company are not included in the quarterly consolidated statements of income for the cumulative quarterly consolidated accounting period.

3. Acquisition cost of acquired business and breakdown by type of consideration

This information is not disclosed due to mutual agreement of the parties.

4. Amount, reason for recognition, and method and period of amortization of goodwill

(1) Amount of goodwill recognized

6,922 million yen

Additionally, the amount of goodwill calculated is an estimate, as the distribution of the acquisition cost has not yet been completed as of the end of the first quarter ended June 30, 2023.

(2) Reason for recognition

Recognized based on future excess earnings capacity projected from future business expansion.

(3) Method and period of amortization

Straight-line amortization during the period that demonstrates occurrence.

(Material Subsequent Events)

(Issuance of Class Shares by Third-party Allotment)

At the Board of Directors meeting held on July 18, 2023, the Company concluded an investment agreement with Development Bank of Japan Inc. and Mizuho Bank, Ltd. and resolved to issue class A preferred shares via third-party allotment with a total amount of 30,000 million yen.

1. Overview of Issuance of Class A Preferred Shares

| | |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Payment date | September 29, 2023 |
| (2) Number of new shares to be issued | 300 shares of class A preferred shares |
| (3) Issue price | 100,000,000 yen per share |
| (4) Amount of funds to be procured | 30,000,000,000 yen |
| (5) Total amount to be included in capital | 15,000,000,000 yen Additionally, with an effective date of the payment date for class A preferred shares, the Board of Directors of the Company has resolved to reduce its share capital and legal capital surplus by the amounts equal to the increase in share capital and legal capital surplus resulting from the payment, transferring the amount to other capital surplus. |
| (6) Method of allotment (Planned allottees) | Third-party allotment method to Development Bank of Japan Inc. and Mizuho Bank, Ltd. |
| (7) Preferred dividends | <p>The amount of preferred dividends per share shall be as follows, according to the record date for dividends of surplus:</p> <p>(i) From September 29, 2023, onward, if making a payment of preferred dividends with a record date of one day prior to the day corresponding to five years after the payment date (the “Step Up Record Date”) An amount calculated by applying an annual rate of 5.4% to the payment amount per share, pro rata assuming 365 days in a year, using the number of actual days between the first day of the business year to which the record date of the dividends of surplus applies and the record date of the dividends of surplus.</p> <p>(ii) If making a payment of preferred dividends with a record date on or after the Step Up Record Date An amount calculated by applying an annual rate of 6.4% to the payment amount per share, pro rata assuming 365 days in a year, using the number of actual days between the first day of the business year to which the record date of the dividends of surplus applies and the record date of the dividends of surplus.</p> <p>However, for the business year that includes the Step Up Record Date, the total amount shall be the total of (1) An amount calculated by applying an annual rate of 5.4% to the payment amount per share, pro rata assuming 365 days in a year, using the number of actual days between the first day of the business year to which the record date of the dividends of surplus applies and the day one day prior to the Step Up Record Date, and (2) An amount calculated by applying an annual rate of 6.4% to the payment amount per share, pro rata assuming 365 days in a year, using the number of actual days between the Step Up Record Date and the record date of the dividends of surplus.</p> |

| | |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (8) Other | <p>Unless otherwise provided for in laws and regulations, class A preferred shares do not possess any voting rights.</p> <p>Class A preferred shares contain a right to request acquisition with cash as consideration and associated acquisition terms. In the investment agreement, the Company and the allottees agreed upon the execution terms of the right to request acquisition with cash as consideration, and unless conditions that enable the lifting of execution restrictions as outlined in the investment agreement occur, the acquisition of class A preferred shares due to execution of the right to request acquisition with cash as consideration will be on or after September 29, 2058. Additionally, there is no right to request acquisition with common shares as consideration nor associated acquisition terms.</p> <p>Class A preferred shares contain transfer restrictions, and the approval of the Board of Directors is required for transfer to a third party.</p> <p>If there is a distribution of residual assets, payment shall be made to class A preferred shareholders ahead of common shareholders, etc.</p> |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

2. Use for funds and planned time of payment

| Specific use for funds | Amount | Planned time of payment |
|--------------------------------------------------|--------------------|-------------------------|
| Funds to acquire shares in SnowFox Topco Limited | 29,129,700,000 yen | September 2023 |

(Note) The use for funds includes funds for repayment if there is a balance remaining on the bridge loan for the share acquisition. Additionally, a portion of the funds will also be applied to the acquisition of shares in Sushi Circle Gastronomie GmbH.

(Acquisition of treasury shares)

At the Board of Directors meeting held on August 10, 2023, the Company made a resolution on matters concerning the acquisition of treasury shares pursuant to Article 156 of the Companies Act as applied under the stipulations of Article 165, Paragraph 3 of the Act.

1. Reason for acquisition of treasury shares

Acquisition of treasury shares with the objective of executing agile capital policy in response to changes in the management environment.

2. Type of shares to be acquired

Common shares of the Company

3. Total number of shares to be acquired

1,130,000 shares (Maximum)

4. Total amount of share acquisition cost

8,500 million yen (Maximum)

5. Acquisition period and acquisition method

The Company will commission a treasury share acquisition transaction in the off-floor trading market of the Tokyo Stock Exchange to occur at 8:45 a.m. on August 14, 2023, at the closing price for August 10, 2023 (there will be no other changes to the transaction system or transaction time). This buy order will immediately expire at the time of the transaction.