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Notice of Fundraising Through Subordinated Loan

September 17, 2024

Company name	Zensho Holdings Co., Ltd.
Listings	Tokyo Stock Exchange Prime Market
Securities code	7550
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Zensho Holdings Co., Ltd. (the “Company”) hereby announces that it has resolved, at a meeting of the Board of Directors held today, to raise a total of 10.0 billion yen through a subordinated loan (the “Subordinated Loan”), as detailed below.

1. Purpose and Significance of the Subordinated Loan

The Company has further evolved its founding business philosophy, “to eradicate hunger and poverty from the world,” to remain a company committed to “taking responsibility for the stability and development of human society.” To fulfill this responsibility, the Company is dedicated to overcoming various conflicts arising from race, religion, and ethnic culture, fostering cooperation, and building a “food infrastructure” that enables peaceful coexistence for all humanity. To this end, the Company is developing and expanding a wide range of food businesses globally with the mission of providing safe and delicious food at affordable prices to people throughout the world. To offer safe, high-quality products and services to customers, the Company has developed a mass merchandising system in which it plans, designs, and consistently controls the entire process from menu development to ingredient procurement, manufacturing, processing, distribution, and sales. The Company aims to become the top food service company in the world.

In pursuit of this goal, the Company resolved today to raise funds through the Subordinated Loan to execute its business strategies for further sustainable growth, strengthen its financial foundation, and maintain and improve capital efficiency.

The Subordinated Loan possesses characteristics that are intermediate between equity and debt. While it is classified as debt, it has equity-like characteristics and features such as the optional deferral of interest, an ultra-long repayment term, and subordination in bankruptcy and other proceedings. Therefore, after the contract signing on September 25, 2024, projections are to receive a capital recognition of 50% on the amount of funds raised from Japan Credit Rating Agency, Ltd., contributing to a substantial strengthening of the Company’s financial foundation without diluting shares.

■ Overview of the Subordinated Loan (Planned)

(1) Lenders	The Bank of Yokohama, Ltd. THE SAN-IN GODO BANK, LTD. The Higashi-Nippon Bank, Limited The Yamanashi Chuo Bank, Ltd.
(2) Amount of funds raised	10.0 billion yen
(3) Contract signing date	September 25, 2024
(4) Loan execution date	September 30, 2024
(5) Repayment date	September 30, 2059 However, the principal may be repaid in whole or in part before the due date, on the interest payment date in September 2029, or on any subsequent interest payment date (the “Early Repayment on Interest Payment Date”).
(6) Use of funds	General business funds and growth investment funds
(7) Applicable interest rate	From September 30, 2024 to September 27, 2029: Fixed interest rate that is the base fixed interest rate plus the initial spread From September 28, 2029 onward: Variable interest rate that is the base variable interest rate plus a spread stepped up by 1.00% from the initial spread
(8) Refinancing restriction clause	There is no provision in the relevant monetary loan agreement that restricts refinancing. However, the Company intends not to make early repayment unless it has raised funds through common stock, or securities or debt recognized by rating agencies as having the same level of capital characteristics as the Subordinated Loan within the 12 months preceding the early repayment date. If both of the following conditions are met at the time of Early Repayment on Interest Payment Date, the Company may forgo the above-mentioned fundraising: (i) The amount of consolidated shareholders’ equity on the Company’s consolidated balance sheet immediately before the date of Early Repayment on Interest Payment Date exceeds 168,355 million yen (Note 1); and (ii) The adjusted consolidated debt-to-equity ratio (Note 2) calculated from the Company’s consolidated balance sheet immediately before the date of Early Repayment on Interest Payment Date is less than 1.63 times. (Note 1) If there are any issued and outstanding preferred shares at the time of early repayment of the Subordinated Loan, the paid-in amount of such preferred shares will be deducted in calculating the amount of consolidated shareholders’ equity. (Note 2) “Adjusted consolidated debt-to-equity ratio” means the value obtained by dividing (a) the amount of interest-bearing liabilities (excluding lease liabilities) recorded on the Company’s consolidated balance sheet at the end of the fiscal year or each quarter-end, minus the recognized capital-equivalent amount of subordinated debt remaining after the early repayment of the Subordinated Loan, by (b) the amount of consolidated shareholders’ equity recorded on the Company’s consolidated balance sheet at the end of the fiscal year or each quarter-end, plus the recognized capital-equivalent amount of subordinated debt remaining after the early repayment of the Subordinated Loan (rounded to two decimal places). If there are any issued and outstanding preferred shares at the time of early repayment of the Subordinated Loan, the paid-in amount of such preferred shares, minus the recognized capital-equivalent amount, will be deducted from the denominator and added to the numerator in the above calculation.
(9) Optional deferral of interest	The Company may, at its discretion, defer payment of all or part of the interest on the Subordinated Loan. The deferred interest will accumulate.
(10) Subordination clause	The Subordinated Loan is subordinate in liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings, and civil rehabilitation proceedings

	(including liquidation proceedings, bankruptcy proceedings, corporate reorganization proceedings, and civil rehabilitation proceedings under laws other than Japanese law). None of the provisions of the contract related to the Subordinated Loan will be altered in any way that would be detrimental to the senior debt creditors.
(11) Capital evaluation by rating agency	Expected to obtain a capital recognition of “Medium, 50%” (from Japan Credit Rating Agency, Ltd.)