

## ZENSHO HD Acquires SnowFox—JCR Will Watch for Impact on Financial Structure

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on ZENSHO HOLDINGS CO., LTD. (security code: 7550)'s acquisition of SnowFox Topco Limited (UK) as a subsidiary.

- (1) On June 13, ZENSHO HOLDINGS CO., LTD. (the “Company”) announced the acquisition of SnowFox Topco Limited (SnowFox), a Japanese food business operator in the United Kingdom, for a total consideration of approximately 87,450 million yen, based on a resolution of the Board of Directors. The acquisition will be financed by the Company's own funds and borrowings from financial institutions. The Company plans to execute the acquisition promptly after obtaining the necessary permits and approvals including approval from the U.S. regulatory authorities, and JCR will monitor the outcome of the U.S. regulatory authorities.
- (2) SnowFox operates approximately 3,000 sushi takeout restaurants mainly in North America and the United Kingdom. It also operates a sushi manufacturing and wholesaling business and is positioned as a global company. Currently overseas, in addition to its mainstay Sukiya business, the Company operates a sushi takeout business, the same as SnowFox, through Advanced Fresh Concepts Corp. (“AFC”), which was acquired in 2018, and synergies with AFC are also expected to be realized in the medium term.
- (3) The Company has a high earnings power on the strength of its business portfolio with well-diversified revenue sources and high competitiveness in the industry. The Company intends to further strengthen its overseas business through this acquisition, and JCR believes that this acquisition is in line with the Company's growth strategy of becoming the world's No. 1 company in the food industry. Although the breakdown of the acquisition funds has not been disclosed, the Company's equity capital was 155.6 billion yen (after taking into account subordinated loans), and its equity ratio was 33.1% (after taking into account subordinated loans) at the end of the fiscal year ended March 2023, and the acquisition price is large in light of the Company's size. The recording of goodwill and intangible assets could rapidly increase the ratio of goodwill to equity capital. While JCR believes that the Company will continue to increase its equity capital as it steadily accumulates profits from its existing businesses, JCR will closely monitor the impact of this acquisition on its financial position and the pace of profit accumulation through the growth of SnowFox and its existing businesses, as well as the accompanying progress in financial improvement, and reflect these developments in the rating as necessary.

Shigenobu Tonomura, Misa Ishizaki

### <Reference>

Issuer: ZENSHO HOLDINGS CO., LTD.

Long-term Issuer Rating: BBB+      Outlook: Stable

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