

May 27, 2024

To whom it may concern,

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(Revised edition) Q&A-format Explanation Regarding
Dividends in Kind of Subsidiary Shares (Share-Distribution-
Type Spin-off) and Change of Specified Subsidiaries

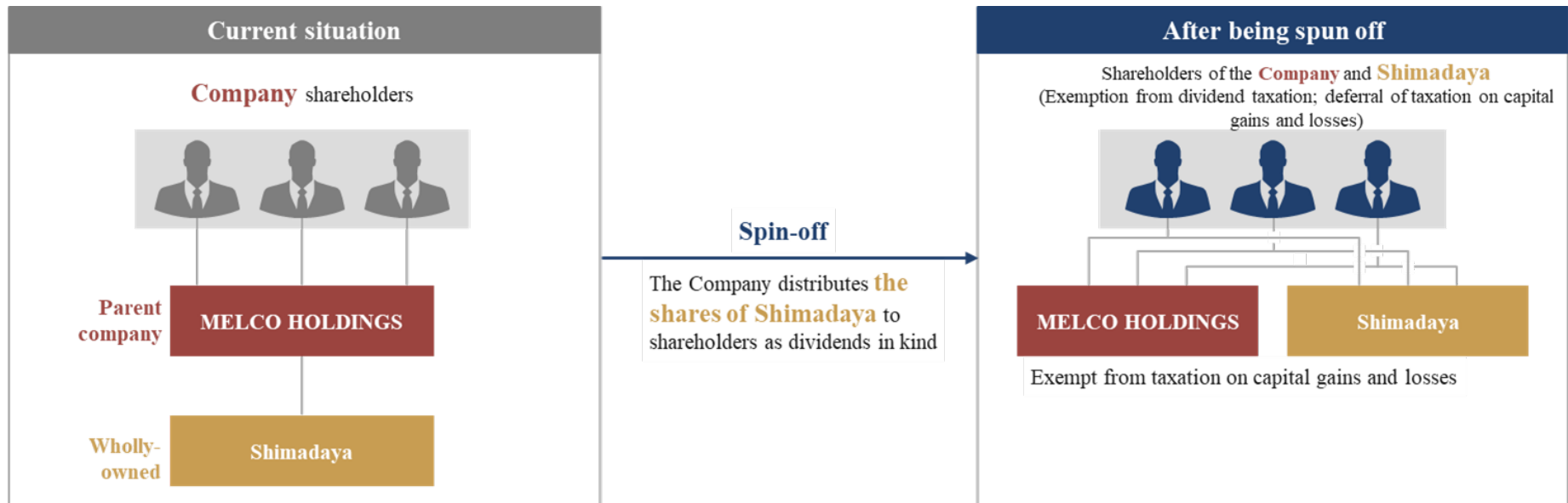
Regarding an arrangement to distribute all of the shares of the Company's subsidiary Shimadaya Corporation ("Shimadaya") held by the Company to shareholders through dividends in kind (dividends of property other than cash) (the "Spin-off"), as notified through the "Notice Concerning Dividends in Kind of Subsidiary Shares (Share-Distribution-Type Spin-off) and Change of Specified Subsidiaries" announced on May 13, 2024, the Company has prepared Q&As and additional information. Please refer to these resources.

Please note that an answer was added to Q1-17 on May 27, 2024.

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Overview of the share-distribution-type spin-off and its generally expected effects



Effects of making management independent

- The executives of the parent company can focus on their core businesses
- The spun-off company can make quick and flexible decisions and the motivation of its executives and employees will improve

Effects of making the capital structure independent

- Necessary investments can be made through independent fundraising by the spun-off company
- Third-party investment targeting only one of the companies will become easier
- It will become possible to introduce stock-based rewards linked to the stock value of the spun-off company

Effects of the company going public independently (if it goes public)

- It will become possible to attract investors who are interested solely in each specific business
- Each business can be evaluated individually.

*The Melco Holdings Group is referred to as the "Current Group" before the Spin-off and the "New Group" after the Spin-off.

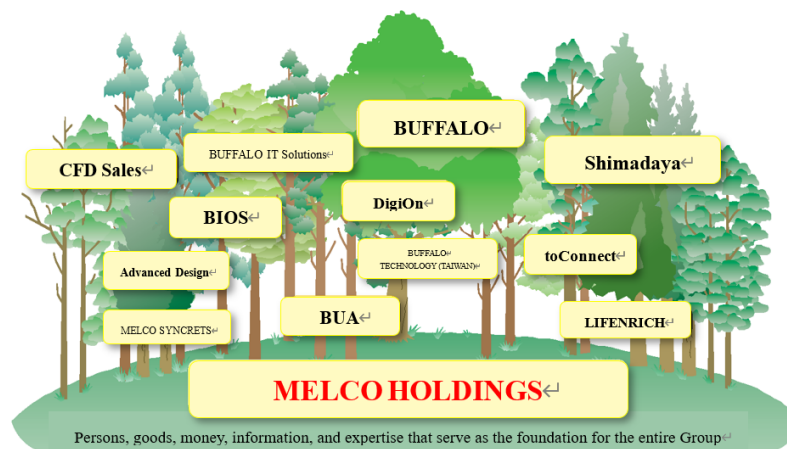
Reasons and purpose of the Spin-off

The Company announced the “Policy for Organizational Restructuring of the Group” on May 18, 2023, as shown below. This spin-off listing of Shimadaya is carried out as a part of such policy. The purposes and reasons for the organizational restructuring and spin-off are as described below.

“Policy for Organizational Restructuring of the Group” <https://melco-hd.jp/news/202403/20230518saihen.pdf>

- The Company made a shift to a pure holding company structure in 2003, and has been practicing “Forest-like Management.”
- Since the shift, the Group has steadily strengthened its management base and expanded its business fields. As its business fields have extended too widely, various problems have emerged.
- In order to resolve these problems and maximize long-term shareholder value in light of the current conditions of drastic changes in the business environment and society, the Company has come to the conclusion that it is essential to implement organizational restructuring, including the spin-off and listing of Shimadaya.
- The Company also believes that the shift of Shimadaya to an independent listed company through the Spin-off and the listing on the Tokyo Stock Exchange will lead to improvement of motivation among employees of the Shimadaya Group to promote value creation through noodle products, as well as enable the implementation of future business strategy and the acceleration of growth toward the 100th anniversary in 2031.

Forest-like Management: Respond to changes in the external environment with agility and nurture the seeds of business, consistently preparing for the future.❷



Background of the organizational restructuring: 3 key points

1. Clarification of management responsibilities

- Under the pure holding company structure of the Company, important decision-making by the Group's operating companies requires prior approval of the Company.
- This has sometimes resulted in unclear management responsibilities and hinderance to prompt management decision-making by the Group's operating companies.
This organizational restructuring aims to eliminate overlapping decision-making processes and clarify the respective management responsibilities.

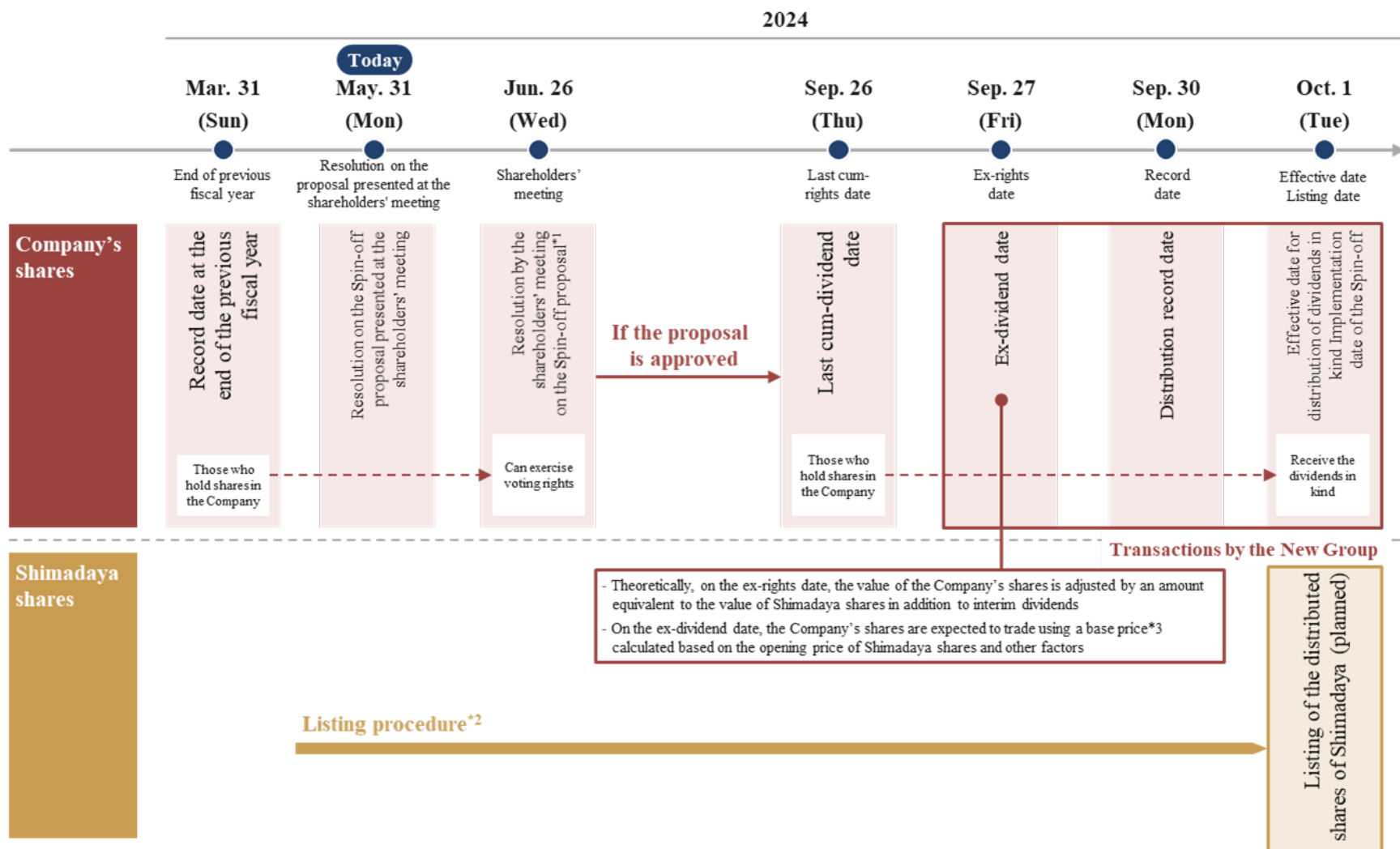
2. Clarification of governance

- The Company aims to clarify governance by abolishing the pure holding company structure and listing the core companies in each business so that management of each company will become directly aware of governance from the capital markets and will have direct dialogue with markets.

3. Clarification of brands

- There have been cases where the corporate brand "MELCO" and the corporate philosophy "MELCO Value" do not align with the management policies of the Group's operating companies or the characteristics of their industries.
By aligning the company names with the established brands "BUFFALO" and "Shimadaya," the Company aims to further increase their customer awareness and establish their identity.

Overview of the plan and schedule for the Spin-off



*1 If the proposal is not approved, the Spin-off will be cancelled

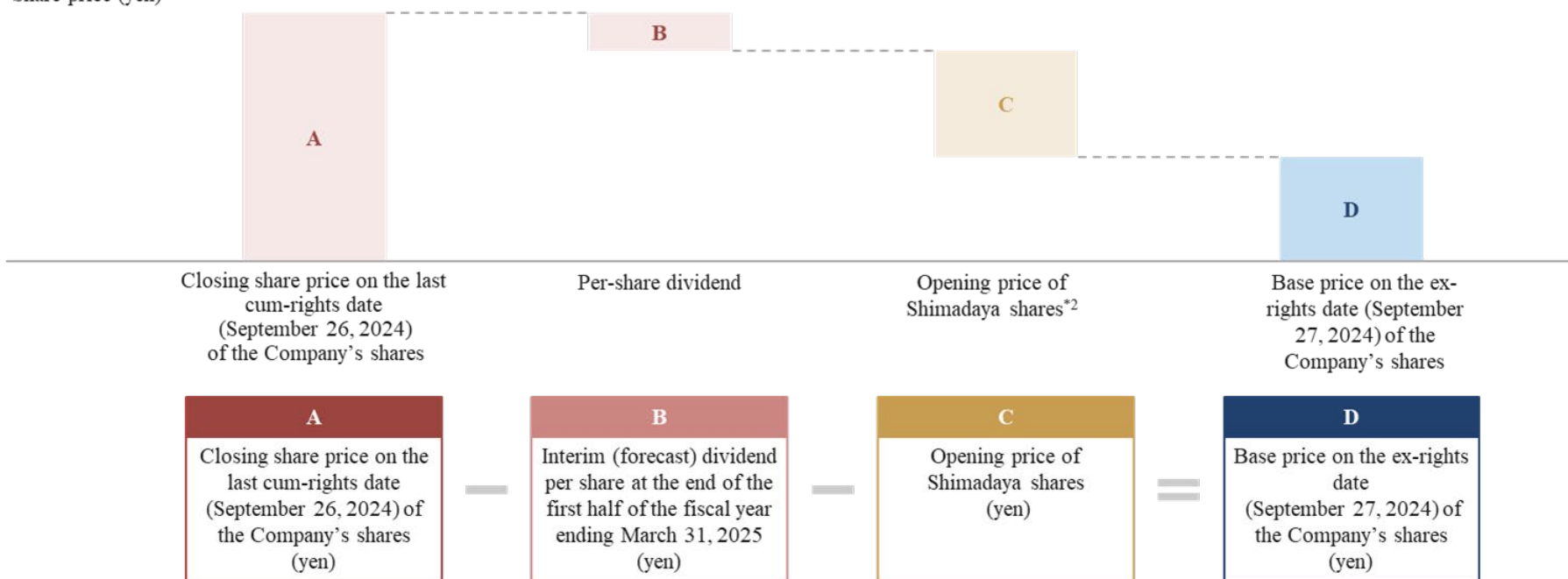
*2 If listing approval is not obtained from Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange"), the Spin-off will be cancelled

*3 If the sale of Shimadaya shares does not take place at the time of their listing, the trade reference price in a direct listing will be used instead of the opening price of Shimadaya shares

Transactions related to the Spin-off on the ex-rights date of the Company's shares

- At the time of ex-rights of the Company's shares, which are scheduled for September 27, 2024, since the total numbers of issued shares of the Company and Shimadaya excluding the number of treasury shares held as of the distribution record date will be the same, trading is expected to be carried out on the Tokyo Stock Exchange, using the per share price calculated by the following formula as the Company's base price*1
- The base price refers to a price that is a basis of the daily price limit (a range within which the price can fluctuate during a day) but does not refer to an actual trading price for each trading conducted on September 27, 2024

Share price (yen)



*1 The Tokyo Stock Exchange will separately announce the treatment of trading, including the calculation method of the base price

*2 The opening price of Shimadaya shares is planned to be determined by the book-building method

*3 If the sale of Shimadaya shares does not take place at the time of their listing, the trade reference price of Shimadaya shares in a direct listing as described in Q1-7 below will be used instead of the opening price of Shimadaya shares

Tax treatment for dividends in kind

1. Taxation on dividends

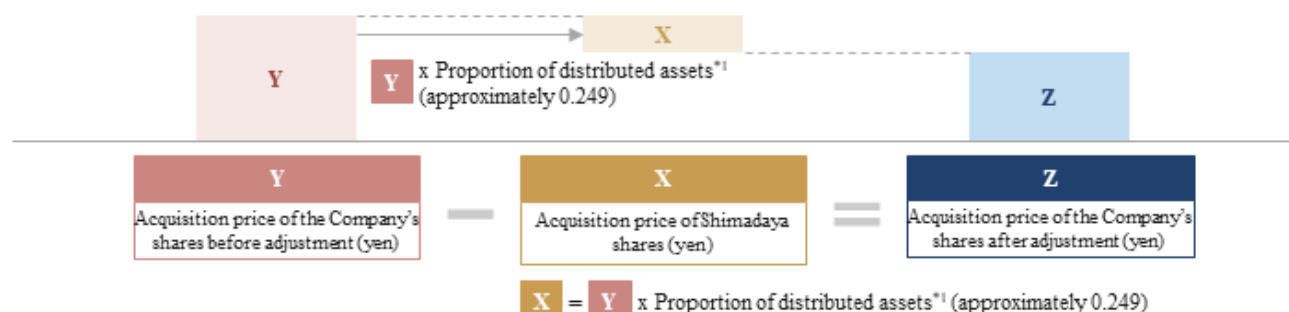
Since the Spin-off will be conducted on the assumption that it falls under the qualified share distribution as defined in Article 2, Item 12-15-3 of the Corporation Tax Act, the taxation on deemed dividends will not be applied to shareholders in connection with the dividends in kind of Shimadaya shares (Article 24, Paragraph (1), Item (iii) of the Corporation Tax Act and Article 25, Paragraph (1), Item (iii) of the Income Tax Act)

2. Taxation on capital gains and losses

The Spin-off is a share distribution in which no assets other than shares of the wholly owned subsidiary corporation are delivered, and those shares are delivered in proportion to the ratio of the number of shares of the corporation that makes distribution in kind held by shareholders of the corporation that makes distribution in kind to the total number of issued shares of the corporation that makes distribution in kind. Taxation on capital gains and losses, therefore, does not apply and is deferred (Article 61-2, Paragraph (8) of the Corporation Tax Act, Article 37-10, Paragraph (3), Item (iii) of the Act on Special Measures Concerning Taxation, Article 37-11, Paragraph (3) of the same Act)

3. Tax treatment for the acquisition prices

The acquisition prices of shares of the Company and Shimadaya for shareholders for the purpose of taxation after the Spin-off shall be the prices calculated by the following formulas using the proportion of distributed assets (the proportion prescribed in Article 23, Paragraph (1), Item (iii) of the Order for the Enforcement of the Corporation Tax Act and Article 61, Paragraph (2), Item (iii) of the Order for Enforcement of the Income Tax Act related to share distribution)^{*1 *2}



Example: Acquisition price after adjustment assuming that the proportion of distributed assets is 0.249 and in the case that 100 shares of the Company were purchased at ¥3,435 per share^{*3}

X : Acquisition price of Shimadaya shares = ¥3,435 x 100 shares x 0.249 = ¥85,500

Z : Acquisition price of the Company's shares after adjustment = ¥3,435 x 100 shares - ¥85,500 = ¥258,000

*1 The proportion of distributed assets is a proportion calculated by dividing the "book value of Shimadaya shares immediately prior to the share distribution" by the "amount obtained by subtracting the book value of liabilities from the book value of assets of the Company as of the end of the fiscal year preceding the fiscal year to which the share distribution date belongs (including the amount of increase or decrease in share capital, etc. and certain profit reserves between the end of the previous fiscal year and the time immediately preceding the share distribution)." Currently, we estimate that the approximate value is about 0.249, as described in "5. Tax treatment for dividends in kind (3) Tax treatment for the acquisition prices" of "Notice Concerning Dividends in Kind of Subsidiary Shares (Share-Distribution-Type Spin-off) and Change of Specified Subsidiaries" dated today. At this moment, the proportion of distributed assets is expected to be determined around September 2024. The announcement will be released as soon as it is determined.

*2 In the case of corporate shareholders, please replace "acquisition price" with "book value (for tax purposes)" in the calculation.

*3 The closing price of the Company's common shares on the Tokyo Stock Exchange Standard Market on April 30, 2024

*4 The descriptions of tax treatment above do not exhaust the tax procedures, etc. required of shareholders, nor mention the tax treatment in countries other than Japan in relation to the Spin-off. Specific tax procedures and the tax treatment on the side of shareholders may vary depending on the individual circumstances of each shareholder. Please consult with your local tax office, tax accountant, etc. to determine how the Spin-off shall be treated for tax purposes under your own circumstances.

Important notes concerning this matter

- (1) The Company plans to pay dividends in kind to shareholders who are recorded on the last shareholder list as of Monday, September 30, 2024, which is the distribution record date, at a ratio of one common share of Shimadaya per common share of the Company held by shareholders of the Company. Accordingly, shareholders of the Company as of the distribution record date will hold listed shares of two stocks, which are the Company's shares and Shimadaya shares, as a result of the Spin-off.
- (2) Generally, Shimadaya shares will be distributed on Tuesday, October 1, 2024 without requiring shareholders to take any particular action. Please contact your securities company for confirmation.
- (3) Shimadaya shares are planned to be listed on Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") on Tuesday, October 1, 2024. However, such listing has not been assured at this moment, as it is contingent upon approval by the Tokyo Stock Exchange following future listing examinations by Japan Exchange Regulation.
- (4) The Company's common shares will remain listed on the Tokyo Stock Exchange and Nagoya Stock Exchange, Inc. ("Nagoya Stock Exchange"). If the Spin-off is carried out, the ex-rights date for the Company's shares will be Friday, September 27, 2024, and in theory, the value of the Company's shares will be adjusted by the value of Shimadaya shares as of the same day. On the other hand, however, the Company's shareholders will receive distribution of Shimadaya shares on Tuesday, October 1, 2024.

At the time of ex-rights of the Company's shares, since the total numbers of issued shares of the Company and Shimadaya excluding the number of treasury shares held as of the distribution record date will be the same, trading is expected to be carried out on the Tokyo Stock Exchange on Friday, September 27, 2024, using the per share price calculated by the following formula as the Company's base price. The base price refers to a price that is a basis of the daily price limit (a range within which the price can fluctuate during a day) but does not refer to an actual trading price for each trading conducted on Friday, September 27, 2024. The Tokyo Stock Exchange will separately announce the treatment of trading, including the calculation method of the base price.

Base price on the ex-rights date of the Company's shares (Friday, September 27, 2024) = Closing price of shares on the Company's last cum-rights date (Thursday, September 26, 2024) - Interim (forecast) dividend per share at the end of the first half of the fiscal year ending March 31, 2025 - Opening price of Shimadaya shares
(Note)

(Note) If the sale of Shimadaya shares does not take place at the time of their listing, the trade reference price of Shimadaya shares in a direct listing as described in Q1-7 below will be used instead of the opening price of Shimadaya shares.

- (5) Shimadaya will no longer be a consolidated subsidiary of the Company as a result of the Spin-off. In addition, after the Spin-off, the Company's common shares and Shimadaya's common shares will trade independently, resulting in distinct price formations for each stock.

1. Overview of the spin-off

Question	Answer
<p>Q1-1</p> <p>Please tell us about the overview of the share-distribution-type spin-off.</p>	<p>A1-1</p> <p>A share-distribution-type spin-off refers to the act of separating a specific subsidiary from the original company and establishing it as an independent entity. The shares of the subsidiary that is to become independent (spun-off company) will be delivered to the shareholders of the original company. At the time of the Spin-off, the shares of Shimadaya, a consolidated subsidiary of the Company, will be delivered to the Company’s shareholders through so-called dividends in kind. As a result of the 2017 tax reform, a spin-off, which is the act of separating a specific business from the original company and establishing it as an independent entity, has been included in the reorganization taxation system in order to promote flexible business restructuring of companies. Due to this, taxation on capital gains and losses does not apply to the original company at the time of the spin-off and taxation on dividends also does not apply to shareholders, making it possible to defer taxation on capital gains and losses.</p>
<p>Q1-2</p> <p>What is an advantage of a share-distribution-type spin-off?</p>	<p>A1-2</p> <p>Generally speaking, the effects of a spin-off include: enabling the original company to focus on its core businesses; “effects of making management independent,” such as enabling the spun-off company to make quick and flexible decisions; “effects of making the capital structure independent,” such as enhancement of flexibility of the capital policy and investment strategy of the spun-off company; “effects of the company going public independently,” such as making it possible to attract investors who are interested in individual businesses if the spun-off company goes public. These effects are expected to improve corporate value.</p>
<p>Q1-3</p> <p>Is a share-distribution-type spin-off different from the sale of a subsidiary?</p>	<p>A1-3</p> <p>In the case of a general sale of a subsidiary, the subsidiary’s shares are sold to specific third parties or investors and the Company receives proceeds from the sale. On the other hand, in the case of a share-distribution-type spin-off, the subsidiary’s shares are distributed to the Company’s shareholders through dividends in kind (dividends in the form of assets other than money). As a result of the Spin-off, shareholders of the Company will hold listed shares of two stocks: the Company’s shares and Shimadaya shares. They can continue to hold rights as shareholders of both the Company and Shimadaya, which will be separated and become independent. The Spin-off is planned as a qualified share distribution under the reorganization taxation system, which we believe offers greater tax advantages compared to selling a subsidiary's shares.</p>

<p>Q1-4 Could you tell me if there have been any previous instances of similar spin-offs?</p>	<p>A1-4 We consider that the following case to be classified as a “spin-off” under the reorganization taxation system following the 2017 tax reform: In 2020, KOSHIDAKA HOLDINGS, which manages the karaoke box chain “Karaoke Manekineko,” spun off CURVES HOLDINGS, which oversees companies including Curves Japan, which manages the fitness chain “Curves.” We consider the following as examples of overseas spin-offs: the case where DuPont, a leading US-based chemical company, spun off its performance chemicals business into a new company, Chemours, in 2015, and the case where eBay, a leading internet auction company, spun off PayPal, an online payments company, in the same year.</p>
<p>Q1-5 Could you tell me about the requirements that a spin-off must meet to be eligible under the reorganization taxation system?</p>	<p>A1-5 The requirements for share distribution qualified under the reorganization taxation system are outlined below. We believe the Spin-off satisfies the following requirements.</p> <ul style="list-style-type: none"> (1) Non-control requirement (The corporation distributing dividends in kind (Note: the Company) shall not be under third-party control immediately before the distribution, and the wholly-owned subsidiary (Note: Shimadaya) shall not be expected to come under third-party control after the share distribution) (2) Requirement for proportional distribution of shares only (All shares of the wholly-owned subsidiary shall be transferred, and only shares of the wholly-owned subsidiary shall be distributed according to the number of shares held by shareholders of the distributing corporation) (3) Employee continuity requirement (At least 80% of employees shall be expected to continue to perform work for the wholly-owned subsidiary) (4) Business continuity requirement (The main business activities of the wholly-owned subsidiary shall be expected to continue being conducted by that subsidiary after the share distribution) (5) Officer continuity requirement (Not all specified officers shall resign as a result of the share distribution)
<p>Q1-6 Will Shimadaya shares be listed?</p>	<p>A1-6 To ensure that shareholders have opportunities to sell the share after the distribution of dividends in kind, the Spin-off is subject to the listing approval by the Tokyo Stock Exchange and on condition that such approval is not revoked, etc.</p>

<p>Q1-7 Could you explain your plan for listing Shimadaya shares?</p>	<p>A1-7 From the standpoint of ensuring that shareholders have opportunities to purchase and sell Shimadaya shares, which will be distributed as dividends in kind, the Spin-off will be based on the assumption that the shares of Shimadaya will be listed on the Tokyo Stock Exchange. For that purpose, Shimadaya submitted a preliminary application for initial listing to the Tokyo Stock Exchange on April 24, 2024. The Company will submit a main application for initial listing to the Tokyo Stock Exchange prior to the implementation of the Spin-off, and the Spin-off will be on condition that Shimadaya obtains the listing approval from the Tokyo Stock Exchange and the said approval is not revoked. The listing of Shimadaya shares and the timing thereof have not been assured at this moment, since they are on condition that the listing is approved by the Tokyo Stock Exchange as a result of future listing examinations by Japan Exchange Regulation. The sale of Shimadaya’s common shares (“Sale of Shares”) will be conducted at the time of the initial listing. In the case that the Sale of Shares is conducted, it will be conducted at the price determined by the book-building prescribed in Rule 246 of the Enforcement Rules for Securities Listing Regulations established by the Tokyo Stock Exchange (a method of determining the selling price after understanding demand for the shares from investors by presenting a tentatively set price range for the selling price to investors at the time of solicitation of subscriptions to acquire shares). At the time of ex-rights of the Company’s shares, the base price of the Company’s shares will be calculated using the opening price of Shimadaya shares and trading is expected to be carried out on the Tokyo Stock Exchange, as described in “Transactions related to the Spin-off on the ex-rights date of the Company’s shares” (page 7). Determining the value of Shimadaya shares transparently through the book building method is expected to produce effects of streamlining the trading of the Company’s shares after their ex-rights date. It has not been determined, however, whether or not and when the Sale of Shares will be conducted. If the Sale of Shares does not take place, the initial listing on the Tokyo Stock Exchange will be a direct listing (a domestic corporation that is not listed on a financial instruments exchange in Japan lists its shares without conducting a public offering, etc. prior to the listing). In this case, the first special quote display (Reference Price) on the first day of listing of Shimadaya shares will be the trade reference price determined by “a document containing the trade reference price of the stock, etc., pertaining to the initial listing application” prepared by the managing trading participant prescribed in Rule 253-2, Paragraph 2 of the Enforcement Rules for Securities Listing Regulations established by the Tokyo Stock Exchange.</p>
<p>Q1-8 Could you tell me about the requirements for passing a resolution on the Spin-off at the shareholders’ meeting?</p>	<p>A1-8 The Spin-off will issue dividends in kind that provide no right to demand distribution of monies (a right to demand delivery of monies in lieu of dividends of the said property from a stock company) as defined in Article 454, Paragraph (4), Item (i) of the Companies Act, in order to satisfy the requirements for qualification of the reorganization taxation system. For the Spin-off, therefore, the Company plans to acquire the approval by a special resolution as set forth in Article 309, Paragraph (2), Item (x) of the Companies Act, at the annual shareholders’ meeting.</p>
<p>Q1-9 What will happen if the Spin-off is rejected at the shareholders’ meeting, if</p>	<p>A1-9 A proposal for the Spin-off will be submitted to the annual shareholders’ meeting, and the requirements indicated below need to be met to carry out the Spin-off. If either of the following requirements is not met, the Spin-off will be cancelled. (1) Approval shall be obtained at the annual shareholders’ meeting; and</p>

<p>the listing approval for Shimadaya shares is not obtained, or if the Sale of Shares is cancelled?</p>	<p>(2) The listing approval for Shimadaya common shares shall be obtained from the Tokyo Stock Exchange and the said approval shall not be revoked. On the other hand, the Spin-off is not contingent on the sale of Shimadaya common shares at the time of the initial listing.</p>
<p>Q1-10 What should I do to exercise my voting right on the proposal concerning the Spin-off presented at the shareholders' meeting?</p>	<p>A1-10 Shareholders of the Company as of Sunday, March 31, 2024 (substantive record date: Friday, March 29, 2024) are entitled to exercise their voting rights at the annual shareholders' meeting of the Company. To exercise your voting rights, please refer to the notice of convocation of the shareholders' meeting, which we plan to send you in early June 2024.</p>
<p>Q1-11 What options are available to shareholders?</p>	<p>A1-11 First, shareholders of the Company as of Sunday, March 31, 2024 (substantive record date: Friday, March 29, 2024) are requested to review the proposal concerning the Spin-off presented at the annual shareholders' meeting. Then, if the Spin-off is carried out, shareholders of the Company as of the distribution record date (Monday, September 30, 2024) will receive one share of Shimadaya for each share of the Company they hold. Therefore, as a result of the Spin-off, shareholders of the Company as of the distribution record date will hold listed shares of two stocks: the Company's shares and Shimadaya shares. After the Spin-off, they can continue to hold rights as shareholders of both the Company and Shimadaya, or they can buy and sell the shares on the market.</p>
<p>Q1-12 What options are available to shareholders who hold fractional shares?</p>	<p>A1-12 To begin with, shareholders who hold less than 100 common shares (the share unit of the Company) as of Sunday, March 31, 2024 (substantive record date: Friday, March 29, 2024), do not have voting rights. Therefore, they cannot exercise voting rights on the proposal concerning the Spin-off presented at the annual shareholders' meeting. In addition, as a result of the Spin-off, shareholders of the Company as of the distribution record date (Monday, September 30, 2024) will receive one share of Shimadaya for each share of the Company they hold. Therefore, shareholders who hold fractional shares will also receive Shimadaya shares in proportion to the fractional shares they hold. However, since the share unit of Shimadaya is also 100 shares, less than 100 shares of Shimadaya cannot be traded on the market (No restrictions based on the trading unit will not be imposed on purchases and sales outside the market). In addition, Shimadaya will begin the process of buying back fractional shares after the listing.</p>

<p>Q1-13 What will the composition of shareholders of both companies look like after the Spin-off?</p>	<p>A1-13 As a result of the Spin-off, shareholders of the Company as of the distribution record date will receive one share of Shimadaya for each share of the Company held by them. At the time when the Spin-off takes effect, therefore, the shareholder composition of both companies will be the same. However, at the time of the initial listing, Shimadaya shares are expected to be sold by existing shareholders. This will change the shareholder composition. Furthermore, after the listing of Shimadaya shares, both companies' stocks will be traded on the Tokyo Stock Exchange, resulting in further changes to their respective shareholder bases. In addition, we confirmed with Mr. Hiroyuki Maki, a shareholder of the Company and a member of the founding family, as well as the parent company, MELCO Group Inc., that they will continue to hold Shimadaya shares for the mid- to long-term after the Spin-off, similarly to how they previously held the shares of the Company. However, at the time of the Spin-off, a part of Shimadaya shares held by them are expected to be sold to improve their liquidity.</p>
<p>Q1-14 What will the personnel and capital relationships with Shimadaya be like?</p>	<p>A1-14 After the Spin-off takes effect, there will be no officers holding concurrent positions at both the Company and Shimadaya, except for Mr. Hiroyuki Maki, President and CEO of the Company and part-time director of Shimadaya. Shimadaya will no longer be a consolidated subsidiary of the Company as a result of the Spin-off.</p>
<p>Q1-15 Could you tell me about the likelihood of meeting the requirements for qualification under the reorganization taxation system?</p>	<p>A1-15 The Spin-off is on condition that the requirements for qualification under the reorganization taxation system are satisfied, and no obstacle to such satisfaction is expected.</p>
<p>Q1-16 How is margin trading processed (including rights processing and the prohibition of the actual receipt of purchased stocks)? Additionally, how are cumulative stock investments and mini-stock investments handled?</p>	<p>A1-16 For information on how margin trading, cumulative stock investments and mini-stock investments are handled, please contact your securities company.</p>

<p>Q1-17</p> <p>What can we expect regarding dividends for the fiscal year ending March 31, 2025?</p>	<p>A1-17</p> <p>The estimated amount of dividends differs depending on whether the Spin-off takes effect or not. For details of dividends for the fiscal year ending March 31, 2025, please refer to “Summary of Consolidated Financial Results for the Year Ended March 31, 2024” dated today.</p> <p>In addition, the specifics of dividends paid by Shimadaya have not yet been determined.</p> <p>[Added on May 27, 2024] The situation regarding Shimadaya’s dividend distribution has not yet been determined. However, at the annual shareholders’ meeting held in May 2024, it was resolved that the post-listing dividend policy will aim for stable distributions with a consolidated payout ratio of approximately 30% to 40%, and that, after the listing, dividends will basically be distributed twice a year (interim and year-end).</p>
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2. Procedures for dividends in kind

Question	Answer
<p>Q2-1</p> <p>Please explain the schedule for dividends in kind.</p>	<p>A2-1</p> <p>On the condition that the Spin-off is approved at the annual shareholders' meeting held on Wednesday, June 26, 2024 and that the listing approval for Shimadaya common shares is obtained from the Tokyo Stock Exchange and the said approval is not revoked, along with other conditions, shareholders of the Company as of the distribution record date (Monday, September 30, 2024) will, on Tuesday, October 1, 2024, receive one Shimadaya common share for each share of the Company they hold.</p>
<p>Q2-2</p> <p>What should I do to receive Shimadaya shares as dividends in kind?</p>	<p>A2-2</p> <p>As a result of the Spin-off, shareholders of the Company as of the distribution record date (Monday, September 30, 2024) will receive one share of Shimadaya for each share of the Company they hold. Therefore, you need to be a shareholder of the Company as of the distribution record date. To become a shareholder of the Company as of the distribution record date, you need to place the buy order and execute it by the last cum-rights date (Thursday, September 26, 2024).</p>
<p>Q2-3</p> <p>How many shares of Shimadaya will be delivered for each share of the Company I hold? Additionally, how did you determine the number of shares?</p>	<p>A2-3</p> <p>As a result of the Spin-off, Shimadaya shares will be delivered proportionally based on the number of the Company's shares held by its shareholders as of the distribution record date in order to satisfy the requirements for qualification under the reorganization taxation system. More specifically, shareholders of the Company as of the distribution record date (Monday, September 30, 2024) will receive one share of Shimadaya for each share of the Company they hold. Regarding the number of shares to be delivered, the current total number of issued shares of the Company (excluding treasury shares held) does not match the total number of issued Shimadaya shares. However, plans are in place to align the total number of shares issued by both companies through a stock split of Shimadaya shares by the time listing approval is obtained from the Tokyo Stock Exchange. In addition, the Company plans to suspend receiving the request for purchasing additional fractional shares of the Company for a period from Friday, July 5, 2024 to Tuesday, October 1, 2024 in order to finalize the number of shares to prepare for the above procedure. Furthermore, if the total number of issued shares of the Company (excluding treasury shares held) decreases as a result of requests for buying fractional shares, it is planned that Shimadaya will, on Friday, September 27, 2024, purchase the same number of its shares as treasury stock as the number of the Company's shares that have been delivered as a result of requests for purchasing fractional shares, thereby aligning the total number of issued shares of the Company (excluding treasury shares held) with the total number of issued Shimadaya shares (excluding treasury shares held). Therefore, in any case, all Shimadaya shares will be transferred to shareholders of the Company by delivering one Shimadaya share for each share of the Company they hold.</p>

<p>Q2-4</p> <p>Are any fractional shares generated as a result of the delivery of Shimadaya shares?</p>	<p>A2-4</p> <p>As described in A2-3 above, the current total number of issued shares of the Company (excluding treasury shares held) does not match the total number of issued Shimadaya shares. However, plans are in place to align the total number of shares issued by both companies through a stock split of Shimadaya shares by the time listing approval is obtained from the Tokyo Stock Exchange. Therefore, no fractions are expected to be generated in shares to be delivered as a result of the Spin-off.</p>
<p>Q2-5</p> <p>What procedures are required for receiving Shimadaya shares as dividends in kind?</p>	<p>A2-5</p> <p>On Tuesday, October 1, 2024, Shimadaya shares will be distributed to shareholders of the Company as of the distribution record date (Monday, September 30, 2024) with no specific action required from them in general. At the time of the distribution, the shares are expected to be delivered to the accounts of shareholders on Tuesday, October 1, 2024. To confirm the delivery, please contact your securities company.</p>
<p>Q2-6</p> <p>Do I need to make a payment to receive Shimadaya shares?</p>	<p>A2-6</p> <p>At the time of the Spin-off, shares of Shimadaya (a subsidiary of the Company) held by the Company will be delivered to shareholders of the Company through dividends in kind (dividends in the form of assets other than money). Therefore, shareholders of the Company do not need to make a special payment to receive Shimadaya shares.</p>
<p>Q2-7</p> <p>How can I verify if Shimadaya shares have been delivered?</p>	<p>A2-7</p> <p>The shares are expected to be delivered to the accounts of shareholders on Tuesday, October 1, 2024 when the distribution of dividends in kind is reflected. To confirm the delivery, please contact your securities company.</p>
<p>Q2-8</p> <p>Is it possible to decline the receipt of Shimadaya shares? Is it not possible to receive the dividends in cash?</p>	<p>A2-8</p> <p>At the time of the Spin-off, shares of Shimadaya (a subsidiary of the Company) held by the Company will be delivered to shareholders of the Company through dividends in kind (dividends of property other than cash). Therefore, without exception, Shimadaya shares will be delivered to shareholders of the Company as of the distribution record date (Monday, September 30, 2024), based on the number of the Company's shares they hold.</p> <p>In addition, the Spin-off will issue dividends in kind that provide no right to demand distribution of monies (a right to demand delivery of monies in lieu of dividends of the said property from a company) as defined in Article 454, Paragraph (4), Item (i) of the Companies Act, in order to satisfy the requirements for qualification of the reorganization taxation system. Due to this, you cannot receive the dividends in cash, and must receive shares as dividends.</p> <p>However, it is possible to sell the shares on the market after they are listed.</p>

<p>Q2-9</p> <p>Could you tell me about the expenses incurred as a result of receiving dividends in kind?</p>	<p>A2-9</p> <p>Normally, no particular expenses will be incurred to receive dividends in kind.</p>
<p>Q2-10</p> <p>For the spin-off, what documents will be sent, where, and when?</p>	<p>A2-10</p> <p>Around the end of October 2024, the Company plans to send a distribution allocation notice and a notice on the proportion of distributed assets to shareholders of the Company as of the distribution record date (Monday, September 30, 2024) who will receive Shimadaya shares. For confirmation on whether any written notices will be sent from your securities company and for other information, please contact them.</p>
<p>Q2-11</p> <p>To which accounts will Shimadaya shares be delivered—specified or general accounts?</p>	<p>A2-11</p> <p>Typically, Shimadaya shares to be distributed are expected to be delivered to the respective accounts where shareholders hold shares of the Company. Our understanding is that if shareholders hold Company shares in specified accounts, Shimadaya shares will be delivered to those specified accounts, and if shareholders hold Company shares in general accounts, Shimadaya shares will be delivered to those general accounts. However, some securities companies may handle this differently, so please contact your securities companies for details.</p>
<p>Q2-12</p> <p>If shares of the Company are held in a NISA account, how will Shimadaya shares be handled?</p>	<p>A2-12</p> <p>If shares of the Company are held in a NISA account as of the distribution record date (Monday, September 30, 2024), Shimadaya shares will be delivered to that NISA account. For details, please contact your securities company.</p>
<p>Q2-13</p> <p>Will Shimadaya shares be distributed for the treasury shares of the Company?</p>	<p>A2-13</p> <p>Shimadaya shares will not be distributed as dividends in kind for the treasury shares held by the Company in accordance with the provisions of Article 454, Paragraph (3) of the Companies Act.</p>

3. Trading of Shimadaya shares and the status of Shimadaya after the Spin-off

Question	Answer
<p>Q3-1 Could you explain the listing of Shimadaya shares?</p>	<p>A3-1 From the standpoint of ensuring that shareholders have opportunities to purchase and sell Shimadaya shares, which will be distributed as dividends in kind, the Spin-off will be based on the assumption that the shares of Shimadaya will be listed on the Tokyo Stock Exchange. For that purpose, Shimadaya submitted a preliminary application for initial listing to the Tokyo Stock Exchange on April 24, 2024. The Company will submit a main application for initial listing to the Tokyo Stock Exchange prior to the implementation of the Spin-off, and the Spin-off will be on condition that Shimadaya obtains the listing approval from the Tokyo Stock Exchange and the said approval is not revoked. The listing of Shimadaya shares and the timing thereof have not been assured at this moment, since they are on condition that the listing is approved by the Tokyo Stock Exchange as a result of future listing examinations by Japan Exchange Regulation.</p>
<p>Q3-2 Will new Shimadaya shares be issued?</p>	<p>A3-2 The Spin-off will not result in the issuance of new Shimadaya shares.</p>
<p>Q3-3 Could you tell us about Shimadaya share acquisition rights (dilutive shares)?</p>	<p>A3-3 Shimadaya has not issued share acquisition rights (dilutive shares).</p>
<p>Q3-4 Will there be any changes in Shimadaya's business after the Spin-off?</p>	<p>A3-4 As a result of the Spin-off, Shimadaya will separate and become independent from the Current Group, but its business operations will continue as before. We believe that ensuring Shimadaya's independence in terms of management, capital and listing will lead to the steady implementation of business strategies and the acceleration of growth, in other words, further improvement of shareholder value.</p>
<p>Q3-5 Will there be any changes in Shimadaya's executive team after the Spin-off?</p>	<p>A3-5 We plan to submit a proposal for the future officer composition to the 69th annual shareholders' meeting of Shimadaya to be held on June 20, 2024. Although Norio Kinoshita, Director and Chairperson of Shimadaya, and Ryuta Sugiyama, Director of Shimadaya, are scheduled to retire from the position of Director of Shimadaya due to the expiration of their terms of office and Ai Sakai is scheduled to assume the position of Outside Director (Audit and Supervisory Committee Member) of Shimadaya at the same shareholders' meeting, there will be no changes in the</p>

	main officers including Kenji Okada, President and CEO before and after the Spin-off.
Q3-6 Could you explain the impact of the Spin-off on business results?	A3-6 The Spin-off will not affect the operating results of Shimadaya Group. We believe that ensuring Shimadaya’s independence in terms of management, capital and listing will lead to the steady implementation of business strategies and the acceleration of growth, in other words, further improvement of shareholder value.
Q3-7 Could you tell us about Shimadaya’s financial condition over the past few years?	A3-7 For details, please refer to “7. Consolidated financial statements of Shimadaya (unaudited)” of “Notice Concerning Dividends in Kind of Subsidiary Shares (Share-Distribution-Type Spin-off) and Change of Specified Subsidiaries” dated as of May 13, 2024.
Q3-8 How will information on companies of Shimadaya Group be disclosed in the future?	A3-8 Until Shimadaya shares are listed, information on Shimadaya Group will be disclosed to shareholders and investors as part of information on the Current Group in a timely and appropriate manner, as before. In addition, if Shimadaya is listed on the Tokyo Stock Exchange, it will submit an annual securities report and other documents and disclose information in a timely manner at the Tokyo Stock Exchange.
Q3-9 Could you explain the policy for holding Shimadaya shares that the current major shareholders of the Company will have after the Spin-off?	A3-9 We confirmed with Mr. Hiroyuki Maki, a major shareholder of the Company and a member of the founding family, as well as the parent company, MELCO Group Inc., that they will continue to hold Shimadaya shares for the mid- to long-term after the Spin-off, similarly to how they previously held the shares of the Company. However, at the time of the Spin-off, a part of Shimadaya shares held by them are expected to be sold to improve their liquidity.

4. Trading of Company shares and the status of the Company after the Spin-off

Question	Answer
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<p>Q4-1</p> <p>Will the Company continue to be listed?</p>	<p>A4-1</p> <p>The shares of the Company will continue to be listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange after the Spin-off.</p>
<p>Q4-2</p> <p>Could you explain the impact of the Spin-off on the Company's share price?</p>	<p>A4-2</p> <p>The Company plans to pay dividends in kind to shareholders who are recorded on the last shareholder list as of Monday, September 30, 2024, which is the distribution record date, at a ratio of one share of Shimadaya per share of the Company held by shareholders of the Company. As a result of the distribution of dividends in kind, theoretically, the shares of the Company will be adjusted by an amount equivalent to the value of Shimadaya shares on the ex-rights date (Friday, September 27, 2024).</p> <p>At the time of ex-rights of the Company's shares, since the total numbers of issued shares of the Company and Shimadaya excluding the number of treasury shares held as of the distribution record date will be the same, trading is expected to be carried out on the Tokyo Stock Exchange on Friday, September 27, 2024, using the per share price calculated by the following formula as the Company's base price. The base price refers to a price that is a basis of the daily price limit (a range within which the price can fluctuate during a day) but does not refer to an actual trading price for each trading conducted on Friday, September 27, 2024. The Tokyo Stock Exchange will separately announce the treatment of trading, including the calculation method of the base price.</p> <p>Base price on the ex-rights date of the Company's shares (Friday, September 27, 2024) = Closing price of shares on the Company's last cum-rights date (Thursday, September 26, 2024) - Interim (forecast) dividend per share at the end of the first half of the fiscal year ending March 31, 2025 - Opening price of Shimadaya shares (Note)</p> <p>(Note) If the sale of Shimadaya shares does not take place at the time of their listing, the trade reference price of Shimadaya shares in a direct listing as described in Q1-7 above will be used instead of the opening price of Shimadaya shares.</p>
<p>Q4-3</p> <p>Does the Spin-off affect the trading of shares of the Company?</p>	<p>A4-3</p> <p>It is possible to buy and sell the Company's shares on the Tokyo Stock Exchange and the Nagoya Stock Exchange in the same manner as before.</p>
<p>Q4-4</p> <p>Please explain the details of share trading after the ex-rights date.</p>	<p>A4-4</p> <p>If the Spin-off is carried out, the ex-rights date for the Company's shares will be Friday, September 27, 2024, and in theory, the value of the Company's shares will be adjusted by the value of Shimadaya shares as of the same day. On the other hand, however, the Company's shareholders will receive distribution of Shimadaya shares on Tuesday, October 1, 2024.</p>

<p>Q4-5</p> <p>Will there be any changes in the Company's business after the Spin-off?</p>	<p>A4-5</p> <p>As a result of the Spin-off, the food business will separate and become independent from the Current Group's business segments, but this will not affect its IT and other businesses. After the Spin-off, we will endeavor to further improve corporate value by concentrating the New Group's management resources on these businesses.</p>
<p>Q4-6</p> <p>Will there be any changes in the Company's executive team after the Spin-off?</p>	<p>A4-6</p> <p>We plan to submit a proposal for the future officer composition to the next annual shareholders' meeting. We will implement the business strategies more steadily than before and endeavor to improve corporate value.</p>
<p>Q4-7</p> <p>Could you explain the impact of the Spin-off on business results?</p>	<p>A4-7</p> <p>There will be no changes in the Current Group until the end of September 2024 or prior to the implementation of the Spin-off. However, after the effective date of distribution in kind, Shimadaya will be no longer a subsidiary of the Company. Therefore, if approval is obtained at the annual shareholders' meeting, listing approval is granted from the Tokyo Stock Exchange, and the Spin-off takes effect, the operating results of the New Group from October 2024 onward will not include those of Shimadaya Group. We believe the Spin-off enables the New Group and Shimadaya Group to allocate management resources for their respective growth strategies, and accelerate their growth, thereby contributing the maximization of shareholder value.</p> <p>For details of the impact on the operating results of the Company, please refer to "6. Outlook for the future (4) Impact on the Company's operating results" of "Notice Concerning Dividends in Kind of Subsidiary Shares (Share-Distribution-Type Spin-off) and Change of Specified Subsidiaries" dated as of May 13, 2024.</p>

<p>Q4-8</p> <p>Could you explain what the Company's financial condition would have looked like over the past few years, if the Spin-off had taken effect?</p>	<p>A4-8</p> <p>For details, please refer to “8. <<Reference>> Consolidated Financial Statements of the Company Excluding Shimadaya (Unaudited)” of “Notice Concerning Dividends in Kind of Subsidiary Shares (Share-Distribution-Type Spin-off) and Change of Specified Subsidiaries” dated as of May 13, 2024.</p>
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5. Tax treatment for dividends in kind

Question	Answer
<p>Q5-1</p> <p>Could you provide information on tax advantages the Spin-off offers to shareholders?</p>	<p>A5-1</p> <p>Since the Spin-off will be conducted on the assumption that it falls under the qualified share distribution as defined in Article 2, Item (xii)-15-3 of the Corporation Tax Act, the taxation on deemed dividends will not be applied to shareholders in connection with the dividends in kind of Shimadaya shares (Article 24, Paragraph (1), Item (iii) of the Corporation Tax Act and Article 25, Paragraph (1), Item (iii) of the Income Tax Act). In addition, the Spin-off is a share distribution in which no assets other than shares of the wholly owned subsidiary corporation are delivered, and those shares are delivered in proportion to the ratio of the number of shares of the corporation that makes distribution in kind held by shareholders of the corporation that makes distribution in kind to the total number of issued shares of the corporation that makes distribution in kind. Taxation on capital gains and losses, therefore, does not apply and is deferred (Article 61-2, Paragraph (8) of the Corporation Tax Act, Article 37-10, Paragraph (3), Item (iii) of the Act on Special Measures Concerning Taxation, Article 37-11, Paragraph (3) of the same Act). Furthermore, compared to a general sale of a subsidiary's shares or a company's business, the Spin-off does not result in taxation on the Company for proceeds from a sale. Therefore, it prevents the outflow of the Company's assets. Consequently, the Spin-off offers tax advantages to shareholders from the viewpoint of shareholder value as well.</p>
<p>Q5-2</p> <p>Could you provide information on the acquisition prices of shares of the Company and Shimadaya?</p>	<p>A5-2</p> <p>The acquisition prices of shares of the Company and Shimadaya for shareholders for the purpose of taxation after the Spin-off shall be the prices calculated by the following formulas using the proportion of distributed assets (the proportion prescribed in Article 23, Paragraph (1), Item (iii) of the Order for the Enforcement of the Corporation Tax Act and Article 61, Paragraph 2, Item (iii) of the Order for Enforcement of the Income Tax Act related to share distribution) (Article 119, Paragraph (1), Item (viii) of the Order for the Enforcement of the Corporation Tax Act, Article 113-2, Paragraph (1) of the Order for Enforcement of the Income Tax Act). In addition, the proportion of distributed assets is expected to be approximately 0.249. The announcement will be released once this figure is finalized.</p> <p>Acquisition price per share of Shimadaya (X) = Acquisition price before adjustment per share of the Company (Y) × Proportion of distributed assets</p> <p>Acquisition price per share of the Company after the Spin-off (Z) = (Y) - (X)</p> <p><<Example>> Acquisition price after adjustment assuming that the proportion of distributed assets is 0.249 and in the case that 100 shares of the Company were purchased at ¥3,435 per share (the closing price of the Company's common shares on the Tokyo Stock Exchange Standard Market on April 30, 2024)</p> <p>Acquisition price of Shimadaya shares = ¥3,435 x 100 shares x 0.249 = ¥85,500</p>

	<p>Acquisition price of shares of the Company after the Spin-off = ¥3,435 × 100 shares - ¥85,500 = ¥258,000</p> <p>Please note that the adjustment of the acquisition prices is for tax purposes only, and the acquisition prices for tax purposes mentioned above do not mean the respective values of Shimadaya shares and the Company's shares after the Spin-off.</p> <p>*In the case of corporate shareholders, please replace “acquisition price” with “book value (for tax purposes)” in the calculation.</p>
<p>Q5-3</p> <p>Could you explain the proportion of distributed assets?</p>	<p>A5-3</p> <p>The proportion of distributed assets is a proportion calculated by dividing the “book value of Shimadaya shares immediately prior to the share distribution” by the “amount obtained by subtracting the book value of liabilities from the book value of assets of the Company as of the end of the fiscal year preceding the fiscal year to which the share distribution date belongs (including the amount of increase or decrease in share capital, etc. and certain profit reserves between the end of the previous fiscal year and the time immediately preceding the share distribution). The announcement on the proportion of distributed assets will be released as soon as it is determined.</p> <p>At this moment, the proportion of distributed assets is expected to be approximately 0.249, but this figure may change if any circumstances arise that require adjustment.</p>
<p>Q5-4</p> <p>When will the proportion of distributed assets be determined?</p>	<p>A5-4</p> <p>At this moment, the proportion of distributed assets is expected to be determined around September 2024, but this timeline may change if any circumstances arise that require adjustment.</p>

*The descriptions of tax treatment above do not exhaust the tax procedures, etc. required of shareholders, nor mention the tax treatment in countries other than Japan in relation to the Spin-off. Specific tax procedures and the tax treatment on the side of shareholders may vary depending on the individual circumstances of each shareholder. Please consult with your local tax office, tax accountant, etc. to determine how the Spin-off shall be treated for tax purposes under your own circumstances.

6. Accounting treatment by corporate shareholders, etc.

Question	Answer
<p>Q6-1</p> <p>Could you explain the accounting treatment for the Spin-off?</p>	<p>A6-1</p> <p>For specific accounting treatment, please confirm with your accountant or a similar professional. Please note that the following is a summary of Paragraph 52 of the Accounting Standard for Business Divestitures and Paragraph 297 of the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.</p> <p>In accordance with the general accounting principles for exchange transactions, etc., the accounting treatment is performed considering the previously owned shares as having been effectively exchanged.</p> <p>If investment is deemed to continue, a gain or loss on exchange of shares is not recognized, and the acquisition cost of shares of a wholly-owned subsidiary (Note: Shimadaya) of the original company (Note: the Company) from which the subsidiary is spun off is the value of a portion of the appropriate book value of shares of the original company (Note: the Company) immediately before the distribution is received. This portion is considered exchanged and is calculated based on a reasonable method for proportional allocation. Reasonable methods for proportional allocation are considered to include: (1) allocation based on the ratio of relevant market prices; (2) allocation based on the ratio of market capitalizations; and (3) allocation based on the ratio of relevant book values.</p>

<Contact desk for other questions and inquiries>

(Regarding company information)

MELCO HOLDINGS INC.

+81-3-4213-1122 (9:00 to 17:00 on weekdays)

(Regarding individual transactions and procedures)

Please contact your securities company.

(Regarding individual tax treatments)

Please contact your nearest tax office, certified tax accountant, etc.

(Other inquiries regarding a general plan for the Spin-off and related matters)

Call Center for the Spin-off (within Daiwa Securities Co., Ltd.)

0120-851-850 (9:00 to 17:00 on weekdays)

Note: This document aims to provide the general public with information on the Spin-off, and has not been prepared to solicit investments or offer any securities of the Company or its subsidiaries, either in Japan or abroad.