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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2022 (Based on Japanese GAAP)

July 13, 2022

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 Scheduled date to file Quarterly Securities Report: July 13, 2022
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended May 31, 2022 (from March 1, 2022 to May 31, 2022)

(1) Consolidated operating results (year to date)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2022	36,601	1.9	1,300	19.6	2,462	36.0	1,402	39.9
Three months ended May 31, 2021	35,932	7.5	1,087	-	1,811	-	1,002	-

(Note) Comprehensive income: Three months ended May 31, 2022 1,373 million yen (27.6%)
 Three months ended May 31, 2021 1,076 million yen (-%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2022	36.55	36.42
Three months ended May 31, 2021	26.13	26.04

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2022	80,670	52,275	63.5
Year ended February 28, 2022	80,795	52,053	63.2

(Reference) Shareholders' equity: Three months ended May 31, 2022 51,207 million yen
 Year ended February 28, 2022 51,036 million yen

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2022	—	30.00	—	30.00	60.00
Year ending February 28, 2023	—				
Year ending February 28, 2023 (Forecast)		30.00	—	30.00	60.00

(Note) Revision of the dividend forecast released most recently: No

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

(Percentages indicate changes compared with the previous year for full-year results, and those compared with the same quarterly period of the previous year for quarterly results)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2022 (Cumulative)	74,180	4.4	3,430	60.0	3,790	(0.5)	2,230	4.9	58.10
Full year	149,800	4.7	6,060	49.5	6,530	(13.8)	3,040	36.5	79.21

(Note) Revision of the consolidated results forecast released most recently: No

*Notes

(1) Changes in significant subsidiaries during the three months ended May 31, 2022: No
 (changes in specified subsidiaries resulting in the change in scope of consolidation):
 Newly consolidated: - company(ies) (company name(s)), Excluded: - company(ies) (company name(s))

(2) Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements:: Yes
 (Note) (Notes) For details, please see “2. Quarterly consolidated financial statements, (3) Notes to quarterly consolidated financial statements, (Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)” on page 9 of the attachments.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior-period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations:: Yes

2) Change in accounting policies other than item 1) above:: No

3) Changes in accounting estimates:: No

4) Restatement of prior-period financial statements:: No

(Note) For details, please see “2. Quarterly consolidated financial statements, (3) Notes to quarterly consolidated financial statements, (Changes in accounting policies)” on page 9 of the attachments.

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

As of May 31, 2022	44,392,680 shares	Year ended February 28, 2022	44,392,680 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2022	6,012,874 shares	Year ended February 28, 2022	6,012,874 shares
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3) Average number of shares during the period (year to date)

As of May 31, 2022	38,379,806 shares	Three months ended May 31, 2021	38,352,672 shares
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* Quarterly financial results are not subject to quarterly reviews by a Certified Public Accountant or audit firm.

* Explanation of appropriate use of financial results forecasts and other special notes

- Any statement on the future such as an outlook for financial results included in this material is based on information the Company presently has and certain assumptions the Company considers reasonable, and the Company does not promise such will be achieved. In addition, actual financial results may significantly differ due to various factors.

* Method to obtain supplementary materials on quarterly financial results:

- Supplementary materials on quarterly financial results will be posted on the IR information section of the Company’s website on July 14, 2022 (Thursday).

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1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of consolidated operating results

During the three-month period ended May 31, 2022, the future outlook for the Japanese economy showed signs of recovery partly due to the effects of measures against the spread of COVID-19 and various policies on economic and social activities. However, amid concerns over new waves of COVID-19 in China and the prolonged situation in Ukraine, the future outlook still remains uncertain due to constraints on the supply of raw materials and energy, and soaring prices.

In the food services industry, competition among companies is becoming more severe, although there are signs of a recovery mainly as measures to prevent the spread of infection were lifted and progress was made in vaccinations, in addition to the expected market downsizing caused by the declining birthrate and aging population. And companies are having to undergo large reforms due to the significant changes in lifestyles and consumer behavior resulting from the widespread idea of remote work and acceleration of digitalization. In addition, the business environment continues to be challenging as price hikes of raw materials and energy, rising labor costs, and increasing geopolitical risks may greatly affect economic activities.

Under these circumstances, in an effort to increase customer satisfaction, the Group focused on further enhancing its business foundations by developing existing brands and on operating stores with due consideration to the safety of customers and employees. As part of efforts to develop existing brands, we worked to expand over-the-counter sales. We did this through such measures as launching campaigns using products manufactured at the Group's plants, implementing sales strategies with business type-specific targets, and expanding stores that adapt to digital marketing and delivery services using smartphone applications and other platforms while continuing to focus on the promotion of franchising. The Group continued to improve its contactless operations by strengthening its online ordering, as well as cashless payments.

With regards to domestic same-store sales during the three months ended May 31, 2022, Hotto Motto continued to remain strong, increasing sales by 0.7%. In addition, sales at YAYOI and MK RESTAURANTS are on a recovery trend, increasing 19.8% and 9.1%, respectively. In overseas markets, although the business environment remained tough in some countries and regions mainly due to demand for restricting operations due to the spread of COVID-19, the recovery trend was accompanied by a resumption of economic activities.

As a result of the above, the Company posted net sales of 36,601 million yen (up 1.9% year-on-year), operating profit of 1,300 million yen (up 19.6% year-on-year), ordinary profit of 2,462 million yen (up 36.0% year-on-year), and profit attributable to owners of parent of 1,402 million yen (up 39.9% year-on-year) for the three-month period under review.

Net sales increased year-on-year due to an increase in net sales at existing stores of YAYOI and Hotto Motto, despite a decrease in net sales resulting from the transfer of directly managed Hotto Motto stores to franchised stores.

Meanwhile, profits increased year-on-year due to an increase in net sales at existing stores, although the cost of sales ratio rose due to soaring raw material and energy prices. The increase in ordinary profit was mainly due to the posting of 556 million yen of a subsidy for cooperation from local governments for shortening business hours to prevent the spread of infections and employment adjustment subsidies as subsidy income in non-operating income.

[Status of store development in Japan]

	End of previous fiscal year	Opening	Closing	End of first quarter under review	Renovation/Relocation
Hotto Motto	2,488 stores	1 store	9 stores	2,480 stores	7 stores
YAYOI	371 stores	-	5 stores	366 stores	2 stores
MK RESTAURANTS	25 stores	-	-	25 stores	-
Total	2,884 stores	1 store	14 stores	2,871 stores	9 stores

[Status of store development outside Japan]

	Area	End of previous fiscal year	Opening	Closing	End of first quarter under review
Hotto Motto	China	1 store	-	-	1 store
	South Korea	7 stores	-	-	7 stores
YAYOI	Thailand	193 stores	2 stores	1 store	194 stores
	Singapore	8 stores	-	1 store	7 stores
	Australia	6 stores	-	-	6 stores
	Taiwan	22 stores	-	-	22 stores
	USA	3 stores	-	-	3 stores
	Philippines	7 stores	-	-	7 stores
	Malaysia	5 stores	-	-	5 stores
	China	1 store	-	-	1 store
Total	-	253 stores	2 stores	2 stores	253 stores

The Group's business performance by segment is as follows.

[Hotto Motto Business]

As a top brand of takeout bento boxes, and with a safe and secure quality management system with special care for delicious rice, the Company aimed at increasing customer satisfaction by providing high-value-added products by promoting the use of the Group's plants and others, on the basis of focusing on tasty meals, using carefully selected high-quality rice grown in Japan, and providing bento boxes that are freshly made in stores.

We also continued to improve contactless operations by strengthening online ordering, delivery services, and cashless payments, in addition to taking measures to capture new customer groups through selling products targeting younger generations and families, and driving repeat visits to stores through customer-participation promotional campaigns.

Furthermore, with regards to franchise development, we continued to actively work to acquire new owners and increase the number of stores for the existing owners through the use of the "unit franchise system."

As a result of the above, the Company posted net sales of 26,226 million yen (down 1.9% year-on-year) and an operating profit of 1,630 million yen (down 5.8% year-on-year). Net sales decreased year-on-year as a result of a decrease due to the transfer of directly managed stores to franchisees, despite an increase in net sales at existing stores (up 0.7% year-on-year). Profits decreased year-on-year due to an increase in the cost of sales ratio, despite efforts to increase net sales at existing stores and improve the efficiency of store expenses.

[YAYOI Business]

Based on the basic policy of offering set meals made with carefully selected ingredients and a home-made feel at reasonable prices, we worked to respond to a wide range of customer needs by implementing the targeted sales strategies and sales promotion measures utilizing the YAYOI Official App and the functions of the new ticket vending machines.

As a result of the above, the Company posted net sales of 7,198 million yen (up 17.3% year-on-year) and an operating loss of 262 million yen (operating loss of 571 million yen in the same period last year). Net sales rose year-on-year due to an increase in same-store sales (up 19.8% year-on-year). Profitability improved year-on-year as the magnitude of loss decreased due to an increase in net sales at existing stores and improved efficiency in store expenses.

[MK RESTAURANTS Business]

We enhanced the product capability of shabu-shabu (thinly sliced meat boiled with vegetables) served with hearty ingredients and unique soups by offering limited-time-only pot soups, such as "Grated White Radish Pot Soup," specially selected ingredients and dim sum (small Chinese dishes). In addition, we worked to encourage customers to visit our stores by regularly implementing sales promotion measures. We also sought to respond to a wide range of customer needs by expanding takeout menus and delivery services.

As a result of the above, the Company posted net sales of 531 million yen (up 6.9% year-on-year) and an operating loss of 96 million yen (operating loss of 84 million yen in the same period last year). Net sales rose year-on-year due to an increase in same-store sales (up 9.1% year-on-year). Profits decreased year-on-year due to an increase in the cost of sales ratio, despite efforts to increase net sales at existing stores and improve the efficiency of store expenses.

[Overseas Business]

In the overseas business, efforts were made to restore profitability by enhancing profitability of existing stores through such measures as implementing market-specific initiatives to boost sales and reducing costs at stores through the local procurement of ingredients. However, although the business environment remained tough in some countries and regions mainly due to the impact of the spread of COVID-19, the performance has been on a recovery trend as economic activities have resumed.

As a result of the above, the Company posted net sales of 922 million yen (up 13.5% year-on-year) and an operating loss of 117 million yen (operating loss of 107 million yen in the same period last year).

[Other]

MSF Co., Ltd., whose main business is as an original equipment manufacturer (OEM) of seasonings and processed food, proactively proposed new products to existing business partners while conducting marketing activities to acquire new ones. MSF Co., Ltd., which also engages in the development of seasonings and other ingredients used at the Group's stores, focused on expanding the number of products.

As a result of the above, the Company posted net sales of 1,723 million yen (down 1.2% year-on-year) and an operating profit of 104 million yen (down 18.5% year-on-year).

(2) Explanation of consolidated financial position

Total assets as of the end of the first quarter under review were 80,670 million yen, down 124 million yen compared with the end of the previous fiscal year. This consisted of an increase of 773 million yen in current assets and a decrease of 898 million yen in non-current assets. The increase in current assets was mainly due to an increase of 699 million yen in cash and deposits. The decrease in non-current assets was chiefly attributable to a decrease of 842 million yen in property, plant and equipment and a decrease of 102 million yen in intangible assets.

Liabilities fell 346 million yen from the end of the previous fiscal year to 28,395 million yen. This consisted of a decrease of 393 million yen in current liabilities and an increase of 47 million yen in non-current liabilities. The decrease in current liabilities was mainly due to a drop of 1,417 million yen in income taxes payable, an increase of 428 million yen in provision for bonuses, and an increase of 389 million yen in notes and accounts payable - trade.

Net assets grew 221 million yen from the end of the previous fiscal year to 52,275 million yen. This primarily consisted of an increase of 251 million yen in retained earnings. The increase in retained earnings was mainly due to the recording of net income attributable to owners of parent of 1,402 million yen and a decrease due to dividend payments of 1,151 million yen.

(3) Explanation of future forecast information such as consolidated financial results forecasts

There is no change in the financial results forecasts for the six months ending August 31, 2022, and the fiscal year ending February 28, 2023, as announced on April 13, 2022.

2. Quarterly consolidated financial statements

(1) Consolidated balance sheets

	(Millions of yen)	
	As of February 28, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	16,249	16,948
Notes and accounts receivable - trade	3,401	3,382
Merchandise and finished goods	5,801	5,837
Raw materials and supplies	239	260
Other	2,542	2,564
Allowance for doubtful accounts	(489)	(473)
Total current assets	27,745	28,519
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,724	22,013
Other, net	12,302	12,170
Total property, plant and equipment	35,026	34,183
Intangible assets		
Goodwill	527	481
Other	925	869
Total intangible assets	1,453	1,350
Investments and other assets		
Deferred tax assets	4,182	4,176
Other	12,410	12,462
Allowance for doubtful accounts	(23)	(22)
Total investments and other assets	16,570	16,617
Total non-current assets	53,049	52,151
Total assets	80,795	80,670
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,508	5,898
Short-term borrowings	762	778
Income taxes payable	2,212	795
Provision for bonuses	339	767
Provision for bonuses for directors (and other officers)	46	-
Provision for points card certificates	232	111
Provision for shareholder benefit program	153	121
Asset retirement obligations	80	92
Other	8,045	8,421
Total current liabilities	17,380	16,987
Non-current liabilities		
Long-term borrowings	880	874
Asset retirement obligations	7,198	7,195
Retirement benefit liability	129	133
Other	3,152	3,205
Total non-current liabilities	11,360	11,408
Total liabilities	28,741	28,395

(Millions of yen)

	As of February 28, 2022	As of May 31, 2022
Net assets		
Shareholders' equity		
Share capital	3,461	3,461
Capital surplus	4,702	4,702
Retained earnings	54,534	54,785
Treasury shares	(11,720)	(11,720)
Total shareholders' equity	50,977	51,228
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(7)
Deferred gains or losses on hedges	0	14
Foreign currency translation adjustment	64	(28)
Total accumulated other comprehensive income	58	(21)
Share acquisition rights	203	203
Non-controlling interests	813	863
Total net assets	52,053	52,275
Total liabilities and net assets	80,795	80,670

(2) Consolidated statements of income (year to date) and consolidated statements of comprehensive income (year to date)
Consolidated statements of income (year to date)
(Three-month period)

	(Millions of yen)	
	Three Months ended May 31, 2021	Three months ended May 31, 2022
Net sales	35,932	36,601
Cost of sales	17,193	17,606
Gross profit	18,738	18,994
Selling, general and administrative expenses	17,651	17,694
Operating profit	1,087	1,300
Non-operating income		
Interest income	5	4
Rental income from non-current assets	34	33
Insurance claim income	18	44
Share of profit of entities accounted for using equity method	14	7
Foreign exchange gains	50	237
Subsidy income	446	556
Other	181	302
Total non-operating income	750	1,185
Non-operating expenses		
Interest expenses	16	8
Rental expenses on non-current assets	1	1
Other	8	13
Total non-operating expenses	26	23
Ordinary profit	1,811	2,462
Extraordinary income		
Gain on sales of non-current assets	3	-
Total extraordinary income	3	-
Extraordinary losses		
Loss on disposal of non-current assets	15	25
Impairment loss	25	281
Other	0	0
Total extraordinary losses	41	308
Profit before income taxes	1,773	2,154
Income taxes	724	700
Profit	1,048	1,454
Profit attributable to non-controlling interests	46	51
Profit attributable to owners of parent	1,002	1,402

Consolidated statements of comprehensive income (year to date)

(Three-month period)

(Millions of yen)

	Three Months ended May 31, 2021	Three months ended May 31, 2022
Profit	1,048	1,454
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(1)
Deferred gains or losses on hedges	-	14
Foreign currency translation adjustment	(27)	(160)
Share of other comprehensive income of entities accounted for using equity method	54	67
Total other comprehensive income	27	(80)
Comprehensive income	1,076	1,373
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,029	1,322
Comprehensive income attributable to non-controlling interests	46	51

(3) Notes to quarterly consolidated financial statements

(Notes regarding the going concern assumptions)

Not applicable.

(Notes when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Adoption of special accounting procedures used in preparation of the quarterly consolidated financial statements)

With respect to tax expenses, the Company has adopted a calculation method to reasonably estimate the effective tax rate after applying tax effect accounting to profit before income taxes in the fiscal year, including the first quarter under review, and calculate them by multiplying this estimated effective tax rate by profit before income taxes. However, the Company uses the statutory effective tax rate to calculate tax expenses when using the estimated effective tax rate gives a noticeably irrational result.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter under review, and recognizes revenue in the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to customers.

As a result, among transactions in which the Company's role in providing goods or services to customers falls under the category of an agent, those for which revenue was recognized in the total amount of consideration received from customers were changed to the method for recognizing revenue in the net amount obtained by subtracting payment to suppliers from the total amount of consideration received from customers. In addition, sponsorship fees paid when discount campaigns, etc. are conducted at the Company's stores, which were previously recorded as selling expenses, are now changed to the method of deducting from net sales as compensation paid to customers.

The application of the Revenue Recognition Accounting Standard, etc. is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, and the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the first quarter under review is adjusted to retained earnings at the beginning of the first quarter under review, and the new accounting policy is applied from the balance at the beginning of the first quarter under review.

As a result, compared with the previous accounting treatment, net sales decreased by 221 million yen, cost of sales fell 182 million yen, and selling, general and administrative expenses dropped 38 million yen, but there was no impact on operating profit, ordinary profit, and profit before income taxes for the three-month period under review. There is no impact on the balance of retained earnings at the beginning of the current period.

(Application of Accounting Standard for Calculation of Market Value, etc.)

The Company has decided to apply the Accounting Standard for Calculation of Market Value (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Market Value Calculation Accounting Standards"), etc. from the beginning of the first quarter under review, and to apply new accounting policies set forth in the Market Value Calculation Accounting Standards, etc. in the future in accordance with the transitional treatment set forth in Paragraph 19 of the Market Value Calculation Accounting Standards and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Additional information)

There has been no material change in the assumptions regarding when COVID-19 infections will recede in the Securities Report (Significant Accounting Estimates) for the previous fiscal year.

(Segment information)

[Segment information]

I. Three-month period in the previous fiscal year (from March 1, 2021 to May 31, 2021)

Information on net sales, income or loss by reporting segment

(Millions of yen)

	Reporting segment					Other (Note 1)	Adjustments (Note 2)	Amount on quarterly consolidated statement of income (Note 3)
	Hotto Motto Business	YAYOI Business	MK RESTAU RANTS Business	Overseas Business	Total			
Net sales								
(1) Net sales to external customers (including other operating revenue)	26,742	6,135	496	812	34,186	1,745	-	35,932
(2) Intersegment sales or transfer	-	-	-	-	-	658	(658)	-
Total	26,742	6,135	496	812	34,186	2,404	(658)	35,932
Segment income (loss)	1,730	(571)	(84)	(107)	967	128	(8)	1,087

(Notes)

- 1 “Other” represents segments not included in reporting segments and includes one consolidated subsidiary.
- 2 The adjustments to segment income (loss) represent corporate expenses that are not allocated to each reporting segment.
- 3 Segment income (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.

II. Three-month period under review (from March 1, 2022 to May 31, 2022)

Information on net sales, income or loss by reporting segment

(Millions of yen)

	Reporting segment					Other (Note 1)	Adjustments (Note 2)	Amount on quarterly consolidated statement of income (Note 3)
	Hotto Motto Business	YAYOI Business	MK RESTAU RANTS Business	Overseas Business	Total			
Net sales								
(1) Net sales to external customers (including other operating revenue)	26,226	7,198	531	922	34,877	1,723	-	36,601
(2) Intersegment sales or transfer	-	-	-	-	-	839	(839)	-
Total	26,226	7,198	531	922	34,877	2,563	(839)	36,601
Segment income (loss)	1,630	(262)	(96)	(117)	1,153	104	41	1,300

(Notes)

- 1 “Other” represents segments not included in reporting segments and includes one consolidated subsidiary.
- 2 The adjustments to segment income (loss) represent corporate expenses that are not allocated to each reporting segment.
- 3 Segment income (loss) is adjusted with operating profit stated in the quarterly consolidated statement of income.