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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2022 (Based on Japanese GAAP)

January 13, 2023

Company name	Plenus Co., Ltd.	Stock exchange listing:	Tokyo
Stock code:	9945	URL:	https://www.plenus.co.jp/
Representative:	President and Representative Director	Tatsuo Shioi	
Inquiries:	Accounting Division/IR Department Manager	Toshiyuki Fujinami	TEL: 050 (1800) 6233
Scheduled date to file Quarterly Securities Report:		January 13, 2023	
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 1 million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2022 (from March 1, 2022 to November 30, 2022)

(1) Consolidated operating results (cumulative) (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	%
Nine months ended November 30, 2022	111,588	4.3	3,904	20.5	5,540	(12.1)	4,020	16.3
Nine months ended November 30, 2021	106,994	1.9	3,239	-	6,305	856.7	3,456	-

(Note) Comprehensive income: Nine months ended November 30, 2022 4,029 million yen (11.0%)
 Nine months ended November 30, 2021 3,630 million yen (-%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2022	104.75	104.38
Nine months ended November 30, 2021	90.09	89.76

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2022	82,189	53,835	64.1
Year ended February 28, 2022	80,795	52,053	63.2

(Reference) Shareholders' equity: Nine months ended November 30, 2022 52,649 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	–	30.00	–	–	–
Year ending February 28, 2023 (forecast)	–	–	–	0.00	30.00

(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)

The forecast of consolidated financial results for the year ending February 28, 2023 is not presented as the shares of the Company (the "Company Shares") are scheduled to be delisted as described in the "Notice Regarding Implementation of the MBO and Recommendation of the Tender Offer" and "Notice Regarding Share Consolidation, Abolition of Provisions on Number of Shares Constituting One Unit, and Partial Amendments to the Articles of Incorporation" announced on October 14, 2022 and December 20, 2022, respectively.

*Notes

(1) Changes in significant subsidiaries during the nine months ended November 30, 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) 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 November 30, 2022	44,392,680 shares	As of February 28, 2022	44,392,680 shares
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2) Number of treasury shares at the end of the period

As of November 30, 2022	6,012,874 shares	As of February 28, 2022	6,012,874 shares
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3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2022	38,379,806 shares	Nine months ended November 30, 2021	38,370,748 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

- The forecast of consolidated financial results for the year ending February 28, 2023 is not presented as the Company Shares are scheduled to be delisted as described in the “Notice Regarding Implementation of the MBO and Recommendation of the Tender Offer” and “Notice Regarding Share Consolidation, Abolition of Provisions on Number of Shares Constituting One Unit, and Partial Amendments to the Articles of Incorporation” announced on October 14, 2022 and December 20, 2022, respectively.

* 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 Friday, January 13, 2023.

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1. Qualitative Information on Quarterly Financial Results under Review

(1) Explanation of consolidated operating results

During the nine-month period ended November 30, 2022, 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 mainly due to constraints on the supply of raw materials and energy, and soaring prices.

In the food services industry, although there are signs of recovery mainly due to the lifting of measures to prevent the spread of infection and progress of vaccination, competition among companies is becoming more severe, with the expected market downsizing caused by the declining birthrate and aging population, and request to companies for major reforms due to the significant changes in lifestyles and consumer behavior 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 for the 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 implement digital marketing and delivery services using smartphone applications and other platforms. At the same time, we continued to focus on the promotion of franchising. The Group also continued to improve its contactless operations by strengthening its online ordering and cashless payments, etc.

With regards to net sales of existing stores in Japan during the nine months ended November 30, 2022, Hotto Motto continued to remain strong, increasing sales by 1.9%. In addition, sales at YAYOI and MK RESTAURANTS are on a recovery trend, increasing 21.7% and 20.4%, respectively. In overseas markets, although the business environment remained difficult in some countries and regions mainly due to demand for restricting operations from the spread of COVID-19, the recovery trend was accompanied by resumption of economic activities.

[Year-on-year change in net sales of existing stores in Japan]

	First quarter (March to May)	Second quarter (June to August)	Third quarter (September to November)	Nine-month period under review (March to November)
Hotto Motto	100.7%	101.2%	103.8%	101.9%
YAYOI	119.8%	126.3%	119.3%	121.7%
MK RESTAURANTS	109.1%	122.8%	128.8%	120.4%

As a result of the above, the Company posted net sales of 111,588 million yen (up 4.3% year-on-year), operating profit of 3,904 million yen (up 20.5% year-on-year), ordinary profit of 5,540 million yen (down 12.1% year-on-year), and profit attributable to owners of parent of 4,020 million yen (up 16.3% year-on-year) for the nine-month period under review.

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

Meanwhile, operating profit increased year-on-year mainly 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 decrease in ordinary profit was due to the decrease in subsidy income, and the increase in profit attributable to owners of parent was due to the decrease in income taxes mainly from the transfer of net operating loss brought forward with the merger of consolidated subsidiaries.

[Status of store development in Japan]

	End of previous fiscal year	Opening	Closing	End of third quarter under review	Renovation/Relocation
Hotto Motto	2,488 stores	7 stores	27 stores	2,468 stores	19 stores
YAYOI	371 stores	-	6 stores	365 stores	6 stores
MK RESTAURANTS	25 stores	-	-	25 stores	1 store
Total	2,884 stores	7 stores	33 stores	2,858 stores	26 stores

[Status of store development outside Japan]

	Area	End of previous fiscal year	Opening	Closing	End of third quarter under review
Hotto Motto	China	1 store	-	1 store	-
	South Korea	7 stores	-	2 stores	5 stores
YAYOI	Thailand	193 stores	6 stores	4 stores	195 stores
	Singapore	8 stores	-	2 stores	6 stores
	Australia	6 stores	-	-	6 stores
	Taiwan	22 stores	1 store	2 stores	21 stores
	USA	3 stores	-	-	3 stores
	Philippines	7 stores	1 store	-	8 stores
	Malaysia	5 stores	1 store	-	6 stores
	China	1 store	-	1 store	-
Total	-	253 stores	9 stores	12 stores	250 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, 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 79,215 million yen (down 0.6% year-on-year) and an operating profit of 4,439 million yen (down 19.3% 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 1.9% year-on-year). Profits decreased year-on-year due to an increase in the cost of sales ratio and increase in store expenses, despite an increase in net sales at existing stores.

[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 21,935 million yen (up 17.5% year-on-year) and an operating loss of 803 million yen (operating loss of 1,740 million yen in the same period last year). Net sales increased year-on-year due to an increase in net sales at existing stores (up 21.7% year-on-year). Profitability improved year-on-year as the magnitude of loss decreased due to an increase in net sales at existing stores.

[MK RESTAURANTS Business]

We enhanced the product capability by offering shabu-shabu (thinly sliced meat boiled with vegetables) from a selection of hearty ingredients and unique soups, limited-time-only pot soups, 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 such as renewing regular menus in September and airing TV commercials. 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 1,648 million yen (up 19.9% year-on-year) and an operating loss of 253 million yen (operating loss of 255 million yen in the same period last year). Net sales increased year-on-year due to an increase in net sales at existing stores (up 20.4% year-on-year). Profitability improved year-on-year as the magnitude of loss decreased due to an increase in net sales at existing stores.

[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. Although the business environment remained difficult in some countries and regions mainly due to the impact of the spread of COVID-19, the performance has been on a recovery trend accompanied by a resumption of economic activities.

As a result of the above, the Company posted net sales of 3,185 million yen (up 58.7% year-on-year) and an operating loss of 427 million yen (operating loss of 614 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. Also engaged in the development of seasonings and other ingredients used at the Group's stores, the company focused on expanding the number of products.

As a result of the above, the Company posted net sales of 5,603 million yen (up 6.0% year-on-year) and an operating profit of 318 million yen (down 17.4% year-on-year).

(2) Explanation of consolidated financial position

Total assets as of the end of the third quarter under review were 82,189 million yen, up 1,394 million yen compared with the level at the end of the previous fiscal year. This consisted of an increase of 3,490 million yen in current assets and a decrease of 2,096 million yen in non-current assets. The increase in current assets was mainly due to an increase of 1,574 million yen in merchandise and finished goods, increase of 895 million yen in cash and deposits, and an increase of 551 million yen in notes and accounts receivable - trade. The decrease in non-current assets was chiefly attributable to a decrease of 2,023 million yen in property, plant and equipment and a decrease of 314 million yen in intangible assets.

Liabilities decreased by 388 million yen from the end of the previous fiscal year to 28,353 million yen. This consisted of a decrease of 341 million yen in current liabilities and a decrease of 47 million yen in non-current liabilities. The decrease in current liabilities was mainly due to a decrease of 1,970 million yen in income taxes payable, a decrease of 160 million yen in provision of bonuses, an increase of 1,201 million yen in notes and accounts payable - trade, and an increase of 690 million yen in accrued expenses included in the other of current liabilities.

Net assets grew 1,782 million yen from the end of the previous fiscal year to 53,835 million yen. This primarily consisted of an increase of 1,746 million yen in retained earnings. The increase in retained earnings was mainly due to the recording of profit attributable to owners of parent of 4,020 million yen and a decrease due to dividend payments of 2,302 million yen.

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

The forecast of consolidated financial results for the year ending February 28, 2023 is not presented as the Company Shares are scheduled to be delisted as described in the "Notice Regarding Implementation of the MBO and Recommendation of the Tender Offer" and "Notice Regarding Share Consolidation, Abolition of Provisions on Number of Shares Constituting One Unit, and Partial Amendments to the Articles of Incorporation" announced on October 14, 2022 and December 20, 2022, respectively.

2. Quarterly Consolidated Financial Statements

(1) Consolidated balance sheets

	(Millions of yen)	
	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	16,249	17,144
Notes and accounts receivable - trade	3,401	3,953
Merchandise and finished goods	5,801	7,375
Raw materials and supplies	239	257
Other	2,542	2,920
Allowance for doubtful accounts	(489)	(414)
Total current assets	<u>27,745</u>	<u>31,235</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,724	21,379
Other, net	12,302	11,623
Total property, plant and equipment	<u>35,026</u>	<u>33,003</u>
Intangible assets		
Goodwill	527	388
Other	925	750
Total intangible assets	<u>1,453</u>	<u>1,138</u>
Investments and other assets		
Deferred tax assets	4,182	4,182
Other	12,410	12,649
Allowance for doubtful accounts	(23)	(20)
Total investments and other assets	<u>16,570</u>	<u>16,811</u>
Total non-current assets	<u>53,049</u>	<u>50,953</u>
Total assets	<u>80,795</u>	<u>82,189</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,508	6,710
Short-term borrowings	762	628
Income taxes payable	2,212	242
Provision for bonuses	339	178
Provision for bonuses for directors (and other officers)	46	21
Provision for points card certificates	232	92
Provision for shareholder benefit program	153	44
Asset retirement obligations	80	99
Other	8,045	9,021
Total current liabilities	<u>17,380</u>	<u>17,039</u>
Non-current liabilities		
Long-term borrowings	880	806
Asset retirement obligations	7,198	7,169
Retirement benefit liability	129	142
Other	3,152	3,196
Total non-current liabilities	<u>11,360</u>	<u>11,313</u>
Total liabilities	<u>28,741</u>	<u>28,353</u>

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Net assets		
Shareholders' equity		
Share capital	3,461	3,461
Capital surplus	4,702	4,702
Retained earnings	54,534	56,281
Treasury shares	(11,720)	(11,720)
Total shareholders' equity	50,977	52,724
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(0)
Deferred gains or losses on hedges	(0)	(4)
Foreign currency translation adjustment	64	(70)
Total accumulated other comprehensive income	58	(74)
Share acquisition rights	203	227
Non-controlling interests	813	958
Total net assets	52,053	53,835
Total liabilities and net assets	80,795	82,189

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

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Net sales	106,994	111,588
Cost of sales	51,625	54,137
Gross profit	55,369	57,451
Selling, general and administrative expenses	52,129	53,546
Operating profit	3,239	3,904
Non-operating income		
Interest income	14	15
Dividend income	1	1
Rental income from non-current assets	99	103
Compensation income	-	175
Insurance claim income	129	126
Share of profit of entities accounted for using equity method	55	80
Foreign exchange gains	43	349
Subsidy income	2,503	546
Other	295	328
Total non-operating income	3,143	1,727
Non-operating expenses		
Interest expenses	43	28
Rental expenses on non-current assets	3	3
Loss on cancellation of rental contracts	6	9
Provision of allowance for doubtful accounts	-	15
Other	23	34
Total non-operating expenses	77	91
Ordinary profit	6,305	5,540
Extraordinary income		
Gain on sales of non-current assets	4	10
Total extraordinary income	4	10
Extraordinary losses		
Loss on disposal of non-current assets	39	91
Impairment loss	244	386
Other	3	3
Total extraordinary losses	287	481
Profit before income taxes	6,022	5,069
Income taxes	2,425	905
Profit	3,597	4,163
Profit attributable to non-controlling interests	140	143
Profit attributable to owners of parent	3,456	4,020

Consolidated statements of comprehensive income (year to date)
(Nine-month period)

	(Millions of yen)	
	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Profit	3,597	4,163
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	5
Deferred gains or losses on hedges	-	(3)
Foreign currency translation adjustment	(43)	(276)
Share of other comprehensive income of entities accounted for using equity method	78	141
Total other comprehensive income	33	(133)
Comprehensive income	3,630	4,029
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,490	3,883
Comprehensive income attributable to non- controlling interests	140	146

(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 third 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 "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter, 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 is adjusted to retained earnings at the beginning of the first quarter, and the new accounting policy is applied from the balance at the beginning of the first quarter in question.

As a result, compared with the previous accounting treatment, net sales fell 614 million yen, cost of sales was down 592 million yen, and selling, general and administrative expenses decreased by 21 million yen, but there was no impact on operating profit, ordinary profit, and profit before income taxes for the nine-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 "Market Value Calculation Accounting Standards"), etc. from the beginning of the first quarter, 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. Nine-month period in the previous fiscal year (from March 1, 2021 to November 30, 2021)

1. 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)	79,666	18,661	1,374	2,007	101,710	5,284	-	106,994
(2) Intersegment sales or transfer	-	-	-	-	-	2,123	(2,123)	-
Total	79,666	18,661	1,374	2,007	101,710	7,407	(2,123)	106,994
Segment income (loss)	5,504	(1,740)	(255)	(614)	2,893	385	(39)	3,239

(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. Nine-month period under review (from March 1, 2022 to November 30, 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 Businesses	Total			
Net sales								
(1) Net sales to external customers (including other operating revenue)	79,215	21,935	1,648	3,185	105,985	5,603	-	111,588
(2) Intersegment sales or transfer	-	-	-	-	-	2,417	(2,417)	-
Total	79,215	21,935	1,648	3,185	105,985	8,021	(2,417)	111,588
Segment income (loss)	4,439	(803)	(253)	(427)	2,955	318	631	3,904

(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.

(Important subsequent events)

(Share consolidation, abolition of provisions on number of shares constituting one unit, and partial amendments to the Articles of Incorporation)

The Company has resolved at the Board of Directors held on December 20, 2022 to convene an extraordinary meeting of shareholders (hereinafter “Extraordinary Shareholders’ Meeting”) on January 26, 2023 and to submit Proposal No. 1 “Share Consolidation” and Proposal No. 2 “Partial Amendments to the Articles of Incorporation,” respectively, to the Extraordinary Shareholders’ Meeting.

By taking the above procedures, the Company Shares will come to fall under the delisting criteria set forth in the Securities Listing Regulations of Tokyo Stock Exchange, Inc. As a result, the Company Shares will be designated as a security to be delisted for a period from January 26, 2023 to February 23, 2023 and then delisted on February 24, 2023.

I. Share consolidation

1. Purpose of and reasons for share consolidation

Shioi Kosan LLC. (hereinafter “Tender Offeror”) has decided to conduct a tender offer (hereinafter “Tender Offer”) as part of the transaction to acquire all of the Company Shares (excluding the Company Shares held by the Tender Offeror and treasury shares held by the Company) and all of the stock acquisition rights (hereinafter “Stock Acquisition Rights”) (Note 1) and privatize them (hereinafter “Transaction”).

(Note 1) “Stock Acquisition Rights” collectively refer to the following stock acquisition rights. Stock Acquisition Rights were all extinguished since a waiver was requested on December 13, 2022.

- 1) FY2010 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 14, 2010
- 2) FY2011 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 20, 2011
- 3) FY2012 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 18, 2012
- 4) FY2013 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 17, 2013
- 5) FY2014 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 16, 2014
- 6) FY2015 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 10, 2015
- 7) FY2016 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 10, 2016
- 8) FY2017 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 9, 2017
- 9) FY2018 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 11, 2018
- 10) FY2019 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 11, 2019
- 11) FY2020 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 9, 2020
- 12) FY2021 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 9, 2021
- 13) FY2022 Stock Acquisition Rights that were issued pursuant to the resolution of the Board of Directors of the Company held on June 14, 2022

The Tender Offeror conducted the Tender Offer from October 17, 2022 to November 29, 2022, and as a result, came to hold 34,388,862 Company Shares as of December 6, 2022 (the settlement commencement date of the Tender Offer).

Although the Tender Offer was completed, the total number of voting rights in the Company held by the Tender Offeror did not reach 90% or more of such voting rights held by all shareholders. Accordingly, at the request of the Offeror, the Company has resolved at its Board of Directors held on December 20, 2022 to submit a proposal to consolidate 4,264,300 shares of Company Shares into one share unit (hereinafter “Share Consolidation”) so that the Tender Offeror will become the sole shareholder of the Company. As a result of the Share Consolidation, the number of Company Shares held by shareholders other than the Tender Offeror is expected to be a fraction of less than one share.

2. Summary of share consolidation

(1) Schedule of share consolidation

1) Date of announcement of record date for the Extraordinary Shareholders' Meeting	Monday, November 21, 2022
2) Record date for the Extraordinary Shareholders' Meeting	Wednesday, December 7, 2022
3) Date of resolution by the Board of Directors	Tuesday, December 20, 2022
4) Date of Extraordinary Shareholders' Meeting	Thursday, January 26, 2023 (scheduled)
5) Date of designation as security to be delisted	Thursday, January 26, 2023 (scheduled)
6) Last trading date of the Company Shares	Wednesday, February 22, 2023 (scheduled)
7) Delisting date of the Company Shares	Friday, February 24, 2023 (scheduled)
8) Effective date of Share Consolidation	Tuesday, February 28, 2023 (scheduled)

(2) Details of share consolidation

1) Class of shares to be consolidated

Common shares

2) Ratio of consolidation

4,264,300 shares of the Company Shares will be consolidated into one share.

3) Total number of issued shares to be decreased

38,379,269 shares

(Note) The Company has resolved at the Board of Directors held on December 20, 2022 to cancel 6,013,402 shares of treasury shares (all shares held by the Company as of December 19, 2022) as of December 20, 2022. Accordingly, the "total number of issued shares to be decreased" is stated with the number of issued shares after such cancellation as a precondition.

4) Total number of issued shares before the share consolidation takes effect

38,379,278 shares

(Note) The total number of issued shares before the Share Consolidation takes effect is the number of shares calculated by deducting the number of treasury shares (6,013,402 shares) that the Company intends to cancel as of February 27, 2023 from the total number of issued shares by the Company (44,392,680 shares) as of August 31, 2022 as stated in the "Summary of Consolidated Financial Results for the Six Months Ended August 31, 2022 (Based on Japanese GAAP)" disclosed by the Company on October 14, 2022. Cancellation of such treasury shares was resolved at the Board of Directors held on December 20, 2022.

5) Total number of issued shares after the share consolidation takes effect

9 shares

6) Total number of authorized shares on the effective date

36 shares

7) Method of handling for any fraction of less than one share and the amount of cash expected to be delivered to the shareholders by such handling

As described in "1. Purpose of and reasons for share consolidation" above, as a result of the Share Consolidation, the number of Company Shares held by shareholders other than the Tender Offeror is expected to be a fraction of less than one share.

For any fraction of less than one share resulting from the Share Consolidation, the Company will sell the number of shares equivalent to the total sum (if the total sum includes a fractional share, such fractional share will be rounded off pursuant to the provisions of Article 235, paragraph (1) of the Companies Act (Act No. 86 of 2005, as amended; same shall apply hereinafter)) pursuant to the provisions of Article 235 of the Companies Act and other relevant laws and regulations, and deliver the proceeds obtained from the sale to shareholders in proportion to their fractional share interests. For such sale, the Company intends to sell the shares to the Tender Offeror under the permission from a court pursuant to the provisions of Article 234, paragraph (2) of the Companies Act which applies mutatis mutandis through Article 235, paragraph (2) of the same Act. This is based on the view that the Share Consolidation will be carried out as part of the Transaction to have the Tender Offeror become the sole shareholder of the Company, and the possibility of a purchaser to be present in an auction will be small since the Company Shares is scheduled to be delisted as of February 24, 2023 and become shares with no market price.

If the permission is obtained from the court as described above as planned, the Company intends to set the sale amount for the said case at a price in which the amount delivered will be equivalent to the amount obtained by multiplying the number of Company Shares held by shareholders by 2,640 yen which is the same amount as the Tender Offer price.

3. Impact on per share information

Per share information for the nine-month period in the previous fiscal year and the nine-month period in the current fiscal year is as follows when assuming the Share Consolidation was conducted at the beginning of the previous fiscal year.

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Earnings per share	384,084,219.78 yen	446,707,131.56 yen
Diluted earnings per share	-	-

(Note) Diluted earnings per share is not stated since there are no residual shares with dilutive effect.

- II. Abolition of provisions on number of shares constituting one unit
1. Reasons for abolition
If the Share Consolidation takes effect, the total number of issued shares by the Company will be 9, and it will not be necessary to provide for the number of shares constituting one unit.
 2. Scheduled date of abolition
February 28, 2023
 3. Conditions for abolition
The provisions will be abolished on the condition that proposals regarding the Share Consolidation and one described in “III. Partial amendments to the Articles of Incorporation” below are approved and adopted as originally proposed at the Extraordinary Shareholders’ Meeting, and the Share Consolidation takes effect.

III. Partial amendments to the Articles of Incorporation

1. Purpose of amendment to Articles of Incorporation
 - (1) If the proposal regarding the Share Consolidation is approved and adopted as originally proposed and the Share Consolidation takes effect, the total number of authorized shares of the Company will be reduced to 36 shares pursuant to the provisions of Article 182, paragraph (2) of the Companies Act. To clarify such point, Article 6 (Total Number of Authorized Shares) of the Articles of Incorporation will be amended subject to the Share Consolidation taking effect.
 - (2) If the proposal regarding the Share Consolidation is approved and adopted as originally proposed, and the Share Consolidation takes effect, the total number of issued shares by the Company will be 9, and it will not be necessary to provide for the number of shares constituting one unit. Accordingly, Articles 7 (Number of Shares Constituting One Unit) and Article 8 (Increased Purchase Request Relating to Shares Less Than One Unit) of the Articles of Incorporation will be entirely deleted subject to the Share Consolidation taking effect in order to abolish the provisions relating to the number of shares constituting one unit of the Company Shares which currently is 100 shares. Necessary changes will be made accompanying such amendment including renumbering of article numbers.
2. Details of amendment to the Articles of Incorporation
Details of amendment are as follows: Amendment to the Articles of Incorporation relating to the proposal will take effect as of February 28, 2023, the effective date of the Share Consolidation, on the condition that the proposal regarding the Share Consolidation is approved and adopted as originally proposed at the Extraordinary Shareholders’ Meeting, and the Share Consolidation takes effect.

(Section to be amended are the underlined parts.)

Current Articles of Incorporation	Proposed Amendment
(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be <u>92,568,000</u> .	(Total Number of Authorized Shares) Article 6 The total number of authorized shares of the Company shall be 36.
(Number of Shares Constituting One Unit) Article 7 <u>The number of shares constituting one unit of the Company shall be 100.</u>	(Deleted)
(Increased Purchase Request Relating to Shares Less Than One Unit) Article 8 <u>Shareholders of the Company may, pursuant to the Share Handling Regulations, make request to sell shares in an amount which will, when combined with the number of shares less than one unit which they hold, constitute one share unit.</u>	(Deleted)
Article <u>9</u> to Article <u>37</u> (Omitted)	Article <u>7</u> to Article <u>35</u> (Unchanged)

3. Amendment date of the Articles of Incorporation
Tuesday, February 28, 2023 (scheduled)

(Cancellation of treasury shares)

The Company has resolved at the Board of Directors held on December 20, 2022 to cancel its treasury shares pursuant to the provisions of Article 178 of the Companies Act. The said treasury shares will be cancelled on the condition that the proposal regarding the Share Consolidation is approved and adopted as originally proposed at the Extraordinary Shareholders’ Meeting.

1. Class of shares to be cancelled
Common shares of the Company
2. Number of shares to be cancelled
6,013,402 shares (Percentage to the total number of issued shares (including treasury shares) before cancellation: 13.55%)

3. Scheduled date of cancellation
February 27, 2023
4. Method of cancellation
Decrease in retained earnings.