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Consolidated Financial Results for the Three Months Ended January 31, 2022 (Under Japanese GAAP)

March 14, 2022

Company name: Kobe Bussan Co., Ltd. Listing: Tokyo Stock Exchange
 Securities code: 3038 URL: <https://www.kobebussan.co.jp/english/>
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 Scheduled date to file Quarterly Securities Report: March 15, 2022
 Scheduled date to commence payment of dividends: –
 Preparation of supplementary material on quarterly financial results: Yes (<https://www.kobebussan.co.jp/english/ir/news.php>)
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

(Amounts less than one million yen have been omitted.)

1. Consolidated financial results for the three months ended January 31, 2022 (from November 1, 2021 to January 31, 2022)

(1) Consolidated operating results

(Percentage indicates 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								
January 31, 2022	96,809	13.8	7,446	5.9	7,629	8.7	5,121	11.4
January 31, 2021	85,045	4.2	7,034	24.9	7,019	22.0	4,598	29.2

Note: Comprehensive income

For the three months ended January 31, 2022: ¥5,261 million [13.7%]

For the three months ended January 31, 2021: ¥4,626 million [22.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
January 31, 2022	23.48	23.07
January 31, 2021	21.29	20.80

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
January 31, 2022	163,902	79,497	47.3	355.44
October 31, 2021	156,737	78,218	48.8	350.49

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income)

As of January 31, 2022: ¥77,580 million

As of October 31, 2021: ¥76,411 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year	Yen	Yen	Yen	Yen	Yen
Ended October 31, 2021	–	0.00	–	20.00	20.00
Ending October 31, 2022	–	–	–	–	–
Ending October 31, 2022 (Forecast)	–	0.00	–	21.00	21.00

Note: Revisions to cash dividend forecast published most recently: None

3. Consolidated financial forecast for the fiscal year ending October 31, 2022 (from November 1, 2021 to October 31, 2022)

(Percentage indicates year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year	380,000	5.0	28,800	5.4	29,200	0.4	19,800	1.1	91.44

Note: Revisions to earnings forecast published most recently: None

[Notes]

- (1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of accounting methods used specifically for preparing the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements
 - (i) Changes in accounting policies due to application of new or revised accounting standards: Yes
 - (ii) Changes in accounting policies due to reasons other than above (i): None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatements of prior period financial statements: None

Note: Please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 8 of the Attached Materials.

- (4) Number of shares issued (common shares)
 - (i) Number of shares issued at the end of the period (including treasury shares)

As of January 31, 2022:	273,600,000 shares
As of October 31, 2021:	273,600,000 shares
 - (ii) Number of shares of treasury shares at the end of the period

As of January 31, 2022:	55,333,320 shares
As of October 31, 2021:	55,587,320 shares
 - (iii) Average number of shares of common shares outstanding during the period

Three months ended January 31, 2022:	218,128,928 shares
Three months ended January 31, 2021:	216,018,209 shares

Note: The number of shares of Kobe Bussan (176,000 shares) held by Custody Bank of Japan, Ltd. (“Trust Account”) as trust property for a Board Benefit Trust was included in the number of shares of treasury shares as of October 31, 2021 and January 31, 2022, which was to be deducted from the calculation of the number of shares of treasury shares as of such periods, and the average number of shares of common shares outstanding for the three months ended January 31, 2021 and the three months ended January 31, 2022.

* This financial results report is not subject to audit procedures to be performed by certified public accountants or an audit firm.

* Proper use of earning forecast, and other special notes

The forward-looking statements including earnings forecast contained in this document are based on information currently available to us and certain assumptions that we believe are reasonable. Accordingly, actual results may differ significantly from the results anticipated in these forward-looking statements due to a variety of factors. For more information on the assumptions and disclaimers with respect to earnings and other forecasts, please refer to “1. Qualitative Information on Quarterly Consolidated Financial Results (3) Overview of forward-looking statements including consolidated financial forecast” on page 3 of the Attached Materials.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Overview of quarterly operating results

During the three months ended January 31, 2022 (from November 1, 2021 to January 31, 2022) (hereinafter the “period under review”), Japan’s economy temporarily showed a recovery trend of consumer spending primarily due to the cancellation of the declaration of a state of emergency following the end of the fifth wave of COVID-19. However, the economic situation has remained unstable since early in the new year, as demonstrated by the re-request for the restaurant industry to shorten opening hours following the spread of the Omicron variant of COVID-19. In addition, a spate of price increases was observed due to a prolonged supply bottleneck caused by an increase in global demand for raw materials, the weakening of yen, and a surge in prices of ocean freights and crude oil.

In Japan’s food retail industry, players in other industries such as e-commerce operators and drugstore chains have expanded the sale of food products. To meet diversified consumption patterns, the players launched producing meal kits and frozen foods and providing food delivery service for restaurants. Such businesses have accelerated the growth of the home cooking market and the home meal replacement market. Additionally, the environment surrounding, and what consumers require of, the food retail industry keep changing because the spread of COVID-19 has forced people to work at home and restaurant operators to implement measures against the infections.

Under such circumstances, our private label products delivered through “Integrated Food Production & Distribution Operations” were frequently featured on television, magazines, newspapers, and social media, thereby boosting the number of customer visits to Gyomu Super stores. Besides, our pricing strategy in Gyomu Super has paid off with continued steady growth of the existing stores.

Consequently, in terms of operating results for the period under review, we reported net sales of ¥96,809 million (up 13.8% year on year), operating profit of ¥7,446 million (up 5.9%), ordinary profit of ¥7,629 million (up 8.7%), and profit attributable to owners of parent of ¥5,121 million (up 11.4%).

The operating results by business segment are as follows:

(i) Gyomu Super Business

This business segment covers Gyomu Super stores, selling at best prices not only national label products but also private label products that are imported directly by ourselves or produced by our group’s domestic plants. In the period under review, Gyomu Super stores have expanded nationwide with 956 stores as a result of a net increase of six stores after opening 19 stores and closing 13.

The breakdown of new store openings was 14 stores in directly managed areas and five stores in indirectly managed areas. While we work on store openings in all locations in Japan, we put a particular focusing on the Kyusyu area, and strongly encourage franchise owners to relocate stores which have deteriorated after many years in operations.

In product strategies, we continued to focus on strengthening facilities of our group’s plants and enhancing imported products as well as providing customers with national brand products with high-cost performance. Such products that meet diverse customer needs were frequently featured on television, magazines, newspapers, and social media, contributing to attracting more customers. In addition, with successful pricing strategy against a backdrop of soaring prices of raw materials, we have grown our businesses favorably.

Consequently, net sales of the Gyomu Super Business for the period under review stood at ¥94,579 million (up 13.0% year on year).

(ii) Restaurant & Delicatessen Business

This business segment covers Kobe Cook World Buffet, one of the largest buffet-style restaurant chains in Japan; Premium Karubi, a served a-la-carte buffet style BBQ restaurant chain where customers enjoy the best selected premium meats and in-house made desserts; and Chisouna, a delicatessen shop chain focusing on health-conscious food made with minimal additives and preservatives at affordable prices, based on the philosophy of providing an authentic Japanese dining experience with fresh homemade food.

In the period under review, Kobe Cook World Buffet opened none and closed seven restaurants, resulting in eight restaurants nationwide. The certain restaurants temporarily closed or shortened opening hours to prevent the COVID-19 infections. Premium Karubi opened two restaurants and closed none, resulting in 12 restaurants nationwide. Given an increase in the number of the restaurants and BBQ popularity, Premium Karubi has only a limited effect on net sales from

COVID-19. Chisouna opened eight shops and closed none, resulting in 57 shops nationwide. It remained positive due to an improved brand recognition through increased exposure to media as well as strong shop openings.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥1,592 million (up 112.2% year on year).

(iii) Eco Renewable Energy Business

This business segment covers renewable energies generated by our own solar and woody biomass power plants. We did not open any power plants during the period under review, but opened one solar power plant in Misaki-cho, Sennan-gun, Osaka in May 2021, resulting in a year-on-year increase by one solar power plant. Currently, we operate 17 solar power plants collectively generating approximately 32.1 MW and one woody biomass power plant generating approximately 6.2 MW.

Consequently, net sales of the Eco Renewable Energy Business for the period under review stood at ¥636 million (up 9.5% year on year).

(2) Overview of quarterly financial position

(Assets)

Total assets as of January 31, 2022 increased by ¥7,164 million from the end of the previous fiscal year to ¥163,902 million. This was mainly due to an increase in current assets of ¥6,438 million, which was mostly attributable to an increase in cash and deposits of ¥7,472 million resulting from new borrowings for the facility enhancement of our group's domestic plants.

(Liabilities)

Total liabilities as of January 31, 2022 increased by ¥5,885 million from the end of the previous fiscal year to ¥84,404 million. This was mainly due to an increase in non-current liabilities of ¥14,407 million, partially offset by a decrease in current liabilities of ¥8,521 million.

The decrease in current liabilities was mainly attributable to decreases in accounts payables - trade of ¥3,830 million and income taxes payable of ¥2,610 million.

The increase in non-current liabilities was mainly attributable to an increase in long-term borrowings of ¥14,229 million resulting from new borrowings for a reason already mentioned above.

(Net assets)

Total net assets as of January 31, 2022 increased by ¥1,278 million from the end of the previous fiscal year to ¥79,497 million. This was mainly due to an increase in retained earnings of ¥757 million.

(3) Overview of forward-looking statements including consolidated financial forecast

It remains unchanged from our financial forecast published on December 14, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of October 31, 2021)	Current quarter (As of January 31, 2022)
Assets		
Current assets:		
Cash and deposits	57,799	65,272
Notes and accounts receivable - trade	19,837	18,280
Merchandise and finished goods	12,817	13,182
Work in process	353	345
Raw materials and supplies	1,493	1,843
Other	3,576	3,384
Allowance for doubtful accounts	(15)	(6)
Total current assets	95,862	102,301
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	15,534	15,882
Land	13,350	13,264
Other, net	25,607	26,582
Total property, plant and equipment	54,493	55,729
Intangible assets	884	887
Investments and other assets	5,496	4,982
Total non-current assets	60,874	61,600
Total assets	156,737	163,902

(Millions of yen)

	Previous fiscal year (As of October 31, 2021)	Current quarter (As of January 31, 2022)
Liabilities		
Current liabilities:		
Accounts payable - trade	25,158	21,327
Short-term borrowings	15,155	14,224
Income taxes payable	5,194	2,583
Provision for bonuses	354	189
Other	5,184	4,201
Total current liabilities	51,047	42,525
Non-current liabilities:		
Long-term borrowings	19,534	33,764
Retirement benefit liability	713	723
Guarantee deposits received	6,512	6,643
Asset retirement obligations	465	483
Provision for share awards for directors (and other officers)	58	63
Other	186	199
Total non-current liabilities	27,471	41,878
Total liabilities	78,518	84,404
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	9,581	9,810
Retained earnings	76,592	77,350
Treasury shares	(9,135)	(9,093)
Total shareholders' equity	77,539	78,567
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	62	(79)
Foreign currency translation adjustment	(1,190)	(907)
Total accumulated other comprehensive income	(1,127)	(986)
Share acquisition rights	1,807	1,917
Total net assets	78,218	79,497
Total liabilities and net assets	156,737	163,902

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income

(Millions of yen)

	For the three months ended January 31, 2021 (From November 1, 2020 to January 31, 2021)	For the three months ended January 31, 2022 (From November 1, 2021 to January 31, 2022)
Net sales	85,045	96,809
Cost of sales	74,600	85,028
Gross profit	10,444	11,781
Selling, general and administrative expenses	3,410	4,335
Operating profit	7,034	7,446
Non-operating income:		
Interest income	32	20
Dividend income	0	0
Rental income	18	63
Subsidy income	17	84
Foreign exchange gain	–	8
Other	57	66
Total non-operating income	125	242
Non-operating expenses:		
Interest expenses	52	18
Foreign exchange losses	22	–
Rental costs	7	7
Fuel sale costs	13	18
Loss on valuation of derivatives	15	7
Provision of allowance for doubtful accounts	13	–
Other	16	7
Total non-operating expenses	141	59
Ordinary profit	7,019	7,629
Extraordinary income:		
Gain on sale of non-current assets	0	6
Gain on reversal of share acquisition rights	–	5
Total extraordinary income	0	11
Extraordinary losses:		
Loss on retirement of non-current assets	2	1
Loss on sale of non-current assets	5	–
Loss on sale of investment securities	–	50
Total extraordinary losses	8	51
Profit before income taxes	7,011	7,589
Income taxes - current	1,949	2,463
Income taxes - deferred	463	5
Total income taxes	2,413	2,468
Profit	4,598	5,121
Profit attributable to owners of parent	4,598	5,121

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the three months ended January 31, 2021 (From November 1, 2020 to January 31, 2021)	For the three months ended January 31, 2022 (From November 1, 2021 to January 31, 2022)
Profit	4,598	5,121
Other comprehensive income:		
Valuation difference on available-for-sale securities	(57)	(141)
Foreign currency translation adjustment	85	282
Total other comprehensive income	27	140
Comprehensive income	4,626	5,261
Comprehensive income attributable to:		
Owners of parent	4,626	5,261

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

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

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) since the beginning of the fiscal quarter of this fiscal year. In accordance with these accounting policies, when control over the promised goods or services are transferred to the customer, revenue will be recognized at the amount expected to be received in exchange for the said goods or services.

In applying the Accounting Standard for Revenue Recognition and other standards, the Company has added or subtracted the cumulative effect of applying the new accounting policy retrospectively to or from retained earnings at the beginning of the fiscal quarter of this fiscal year and applied the new accounting policy from the restated balance pursuant to the transitional treatment set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition.

This change in accounting policies has a minimal effect on the quarterly consolidated financial statements.

Moreover, in accordance with the transitional treatment set forth in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), disaggregated revenue from contracts with customers has not been presented for the first quarter of the previous fiscal year.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No.30; July 4, 2019; hereinafter, the "Fair Value Accounting Standards") and other standards since the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in paragraph 19 of the Fair Value Accounting Standards and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has applied the new accounting policies set forth by the Fair Value Accounting Standards and others prospectively. There is no effect on the quarterly consolidated financial statements by applying the standard.

(Segment information)

I. For the three months ended January 31, 2021 (from November 1, 2020 to January 31, 2021)

1. Information on amounts of net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated *3
	Gyomu Super Business	Restaurant & Delicatessen Business	Eco Renewable Energy Business	Total				
Net sales								
Sales to external customers	83,709	750	581	85,041	4	85,045	—	85,045
Intersegment sales or transfers	353	35	—	389	—	389	(389)	—
Total	84,063	786	581	85,431	4	85,435	(389)	85,045
Segment profit (loss)	7,853	(46)	89	7,896	(15)	7,880	(846)	7,034

*1 The Other businesses are those not classified into any reportable segment, including the rental facilities business and the tourism business.

*2 Details of adjustment are as follows:

(1) The amount of adjustment for net sales represents eliminations of intersegment transactions.

(2) The amount of adjustment for segment profit (loss) of ¥(846) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.

*3 Segment profit (loss) is adjusted with operating income reported on the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets, goodwill, and other information by reportable segment.

(Significant impairment losses related to non-current assets)

Not applicable.

II. For the three months ended January 31, 2022 (from November 1, 2021 to January 31, 2022)

1. Information on amounts of net sales and profit (loss) and disaggregated revenue by reportable segment

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated *3
	Gyomu Super Business	Restaurant & Delicatessen Business	Eco Renewable Energy Business	Total				
Timing of revenue recognition								
Goods or services transferred at a point in time	93,754	1,581	–	95,335	1	95,337	–	95,337
Goods or services transferred over time	824	10	636	1,472	–	1,472	–	1,472
Revenue from contracts with customers	94,579	1,592	636	96,808	1	96,809	–	96,809
Net sales								
Sales to external customers	94,579	1,592	636	96,808	1	96,809	–	96,809
Intersegment sales or transfers	686	33	–	719	–	719	(719)	–
Total	95,265	1,625	636	97,527	1	97,529	(719)	96,809
Segment profit (loss)	8,408	(62)	60	8,406	(16)	8,390	(943)	7,446

*1 The Other businesses are those not classified into any reportable segment, including the tourism business.

*2 Details of adjustment are as follows:

(1) The amount of adjustment for net sales represents eliminations of intersegment transactions.

(2) The amount of adjustment for segment profit (loss) of ¥(943) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.

*3 Segment profit (loss) is adjusted with operating income reported on quarterly consolidated statements of income.

*4 The revenue recognition method is as described in “Changes in accounting policies” in the Notes.

2. Matters related to changes in segment reporting

As described in “Changes in accounting policies,” the method of accounting for revenue recognition was changed by applying the Revenue Recognition Standard, etc. from the beginning of the first quarter of this fiscal year. Accordingly, the method of measuring segment profit or loss was changed.

This change has a minimal effect on “Sales to external customers” and “Segment profit (loss)” of each reportable segment for the first quarter of this fiscal year.

3. Information on impairment losses of non-current assets, goodwill, and other information by reportable segment.

(Significant impairment losses related to non-current assets)

Not applicable.