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Consolidated Financial Results for the Nine Months Ended July 31, 2022 (Under Japanese GAAP)

September 12, 2022

Company name: Kobe Bussan Co., Ltd. Listing: Prime Market of Tokyo Stock Exchange
 Securities code: 3038 URL: <https://www.kobebussan.co.jp/english/>
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Scheduled date to file Quarterly Securities Report: September 13, 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 nine months ended July 31, 2022 (from November 1, 2021 to July 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	%
Nine months ended								
July 31, 2022	300,016	12.2	21,847	2.9	23,638	6.5	15,932	7.1
July 31, 2021	267,374	3.1	21,228	13.7	22,205	20.1	14,883	27.7

Note: Comprehensive income

For the nine months ended July 31, 2022: ¥16,643 million [7.8%]

For the nine months ended July 31, 2021: ¥15,439 million [41.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
July 31, 2022	72.97	71.81
July 31, 2021	68.83	67.29

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
July 31, 2022	173,318	91,510	51.5	408.59
October 31, 2021	156,737	78,218	48.8	350.49

Reference: Equity (Shareholders' equity + Valuation and translation adjustments)

As of July 31, 2022: ¥89,332 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	–	0.00	–		
Ending October 31, 2022 (Forecast)				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 July 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 July 31, 2022:	54,961,720 shares
As of October 31, 2021:	55,587,320 shares
 - (iii) Average number of shares of common shares outstanding during the period

Nine months ended July 31, 2022:	218,355,926 shares
Nine months ended July 31, 2021:	216,230,356 shares

Note: The number of shares of Kobe Bussan held by Custody Bank of Japan, Ltd. (“Trust Account”) as trust property for a Board Benefit Trust (176,000 shares for the nine months ended July 31, 2021 and 168,400 shares for the nine months ended July 31, 2022) was included in the number of shares of treasury shares as of October 31, 2021 and July 31, 2022, and the number of shares of treasury shares to be deducted from the calculation of the average number of shares of common shares outstanding for the nine months ended July 31, 2021 and the nine months ended July 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.

Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Results	P. 2
(1) Overview of quarterly consolidated operating results	P. 2
(2) Overview of quarterly consolidated financial position	P. 3
(3) Overview of forward-looking statements including consolidated financial forecast	P. 3
2. Quarterly Consolidated Financial Statements and Major Notes	P. 4
(1) Quarterly consolidated balance sheets	P. 4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	P. 6
Quarterly consolidated statements of income	P. 6
Quarterly consolidated statements of comprehensive income	P. 7
(3) Notes to quarterly consolidated financial statements	P. 8
(Going concern assumption)	P. 8
(Significant changes in shareholders' equity)	P. 8
(Changes in accounting policies)	P. 8
(Segment information)	P. 8

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Overview of quarterly consolidated operating results

During the nine months ended July 31, 2022 (from November 1, 2021 to July 31, 2022) (hereinafter the “period under review”), Japan lifted movement restrictions and was gradually resuming its economic activities thanks to expanded vaccination and testing capabilities as well as improved medical delivery system in spite of the rebound of COVID-19. Meanwhile, various costs were sharply rising partly due to poor harvests caused by droughts around the world, restrictions on import and export of grains and energy resources against the backdrop of the Russian invasion of Ukraine, and the rapidly weakening yen triggered by the interest rate increase in the United States.

As a savings-oriented attitude of consumers is still prevailing, players in the food retail industry are hard-pressed to deal with the impact of such cost rises on their operating results.

Under such circumstances, in line with the Group’s goal of further strengthening “Integrated Food Production & Distribution Operations,” the Kobe Bussan Group has enhanced its competitiveness through increased production capacity and proactive product development. Also, we have provided consumers with high-quality and attractive products at best prices by being attentive and responsive to their needs.

Consequently, in terms of operating results for the period under review, we reported net sales of ¥300,016 million (up 12.2% year on year), operating profit of ¥21,847 million (up 2.9%), ordinary profit of ¥23,638 million (up 6.5%), and profit attributable to owners of parent of ¥15,932 million (up 7.1%).

The operating results by business segment are as follows:

(i) Gyomu Super Business

This business segment covers Gyomu Super stores, which mainly sell products at best prices including those originally produced by our group’s domestic plants or those with attractive private labels directly imported by ourselves under the concept of providing authentic food products from around the world. In the period under review, Gyomu Super stores have expanded nationwide with 979 stores as a result of a net increase of 29 stores after opening 48 stores and closing 19.

The breakdown of new store openings was 35 stores in directly managed areas and 13 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 terms of operating results, we have overcome the rise in purchase costs due to price increases and continued to expand business performance, through a successfully implemented pricing strategy and a significantly increased mass and social media coverage of our private label products, which represent Gyomu Super’s attractiveness.

Consequently, net sales of the Gyomu Super Business for the period under review stood at ¥292,602 million (up 11.4% 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 one and closed seven restaurants, resulting in nine restaurants nationwide. Although the certain restaurants closed down because of the COVID-19 infections, the number of customer visits to the restaurants has gradually recovered partly due to the reopening of one restaurant after renovation and menu changes. Premium Karubi opened five restaurants and closed none, resulting in 15 restaurants nationwide. Each restaurant performed well by continuing to attract more customers. Accordingly, the expansion of the business scale through an increase in the number of restaurants helped operations become more efficient. Chisouna opened 24 shops and closed none, resulting in 73 shops nationwide. Net sales expanded thanks to an increase in Gyomu Super customers, the implementation of measures to prevent the COVID-19 infections at shops, and the significantly increased number of shops.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥5,169 million (up 96.4% year on year).

(iii) Eco Renewable Energy Business

This business segment covers renewable energies generated by our own solar and woody biomass power plants. During the period under review, we newly opened one solar power plant in Nishigo-mura, Nishishirakawa-gun, Fukushima. Currently, we operate 18 solar power plants collectively generating approximately 51.0 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 ¥2,220 million (up 12.0% year on year).

(2) Overview of quarterly consolidated financial position

Assets, liabilities, and net assets

(Assets)

Total assets as of July 31, 2022 increased by ¥16,581 million from the end of the previous fiscal year to ¥173,318 million.

This was mainly due to an increase in current assets of ¥13,808 million, which was mostly attributable to an increase in cash and deposits of ¥8,060 million resulting from new borrowings for the facility enhancement of our group's domestic plants.

(Liabilities)

Total liabilities as of July 31, 2022 increased by ¥3,289 million from the end of the previous fiscal year to ¥81,808 million.

This was mainly due to an increase in long-term borrowings of ¥10,148 million resulting from new borrowings for the reason mentioned above, partially offset by a decrease in short-term borrowings of ¥6,452 million resulting from repayment in part of the outstanding borrowings.

(Net assets)

Total net assets as of July 31, 2022 increased by ¥13,291 million from the end of the previous fiscal year to ¥91,510 million.

This was mainly due to an increase in retained earnings of ¥11,568 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 July 31, 2022)
Assets		
Current assets:		
Cash and deposits	57,799	65,860
Notes and accounts receivable - trade	19,837	20,818
Securities	-	2,000
Merchandise and finished goods	12,817	14,466
Work in process	353	397
Raw materials and supplies	1,493	1,784
Other	3,576	4,347
Allowance for doubtful accounts	(15)	(2)
Total current assets	95,862	109,671
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	15,534	16,251
Machinery, equipment and vehicles, net	14,564	18,093
Land	13,350	16,024
Other, net	11,043	7,432
Total property, plant and equipment	54,493	57,801
Intangible assets	884	1,017
Investments and other assets	5,496	4,828
Total non-current assets	60,874	63,647
Total assets	156,737	173,318

(Millions of yen)

	Previous fiscal year (As of October 31, 2021)	Current quarter (As of July 31, 2022)
Liabilities		
Current liabilities:		
Accounts payable - trade	25,158	26,529
Short-term borrowings	15,155	8,702
Income taxes payable	5,194	3,279
Provision for bonuses	354	195
Other	5,184	4,856
Total current liabilities	51,047	43,564
Non-current liabilities:		
Long-term borrowings	19,534	29,683
Retirement benefit liability	713	757
Guarantee deposits received	6,512	6,879
Asset retirement obligations	465	519
Provision for share awards for directors (and other officers)	58	71
Other	186	333
Total non-current liabilities	27,471	38,244
Total liabilities	78,518	81,808
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	9,581	10,118
Retained earnings	76,592	88,161
Treasury shares	(9,135)	(9,030)
Total shareholders' equity	77,539	89,750
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	62	(16)
Foreign currency translation adjustment	(1,190)	(400)
Total accumulated other comprehensive income	(1,127)	(417)
Share acquisition rights	1,807	2,177
Total net assets	78,218	91,510
Total liabilities and net assets	156,737	173,318

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

Quarterly consolidated statements of income

(Millions of yen)

	For the nine months ended July 31, 2021 (From November 1, 2020 to July 31, 2021)	For the nine months ended July 31, 2022 (From November 1, 2021 to July 31, 2022)
Net sales	267,374	300,016
Cost of sales	234,963	264,532
Gross profit	32,410	35,484
Selling, general and administrative expenses	11,181	13,636
Operating profit	21,228	21,847
Non-operating income:		
Interest income	78	99
Dividend income	0	9
Rental income	45	188
Foreign exchange gain	512	1,401
Gain on valuation of derivatives	135	–
Subsidy income	202	311
Other	243	305
Total non-operating income	1,218	2,315
Non-operating expenses:		
Interest expenses	137	65
Rental costs	22	24
Fuel sale costs	45	58
Loss on valuation of derivatives	–	367
Provision of allowance for doubtful accounts	14	–
Other	21	9
Total non-operating expenses	241	525
Ordinary profit	22,205	23,638
Extraordinary income:		
Gain on sale of non-current assets	2	6
Gain on reversal of share acquisition rights	–	7
Total extraordinary income	2	13
Extraordinary losses:		
Loss on retirement of non-current assets	29	25
Loss on sale of non-current assets	127	4
Loss on sale of investment securities	–	50
Total extraordinary losses	156	81
Profit before income taxes	22,051	23,570
Income taxes - current	6,669	7,578
Income taxes - deferred	498	59
Total income taxes	7,168	7,638
Profit	14,883	15,932
Profit attributable to owners of parent	14,883	15,932

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the nine months ended July 31, 2021 (From November 1, 2020 to July 31, 2021)	For the nine months ended July 31, 2022 (From November 1, 2021 to July 31, 2022)
Profit	14,883	15,932
Other comprehensive income:		
Valuation difference on available-for-sale securities	116	(78)
Foreign currency translation adjustment	439	789
Total other comprehensive income	556	710
Comprehensive income	15,439	16,643
Comprehensive income attributable to:		
Owners of parent	15,439	16,643

(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 first 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 first 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 nine months ended July 31, 2021.

(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 nine months ended July 31, 2021 (from November 1, 2020 to July 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	262,749	2,632	1,981	267,364	10	267,374	–	267,374
Intersegment sales or transfers	1,192	107	–	1,300	–	1,300	(1,300)	–
Total	263,942	2,740	1,981	268,664	10	268,674	(1,300)	267,374
Segment profit (loss)	23,925	(308)	380	23,997	(61)	23,935	(2,707)	21,228

*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 ¥(2,707) 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.

Not applicable.

II. For the nine months ended July 31, 2022 (from November 1, 2021 to July 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	290,053	5,132	–	295,186	24	295,210	–	295,210
Goods or services transferred over time	2,549	36	2,220	4,806	–	4,806	–	4,806
Revenue from contracts with customers	292,602	5,169	2,220	299,992	24	300,016	–	300,016
Net sales								
Sales to external customers	292,602	5,169	2,220	299,992	24	300,016	–	300,016
Intersegment sales or transfers	2,172	122	–	2,294	–	2,294	(2,294)	–
Total	294,774	5,291	2,220	302,286	24	302,310	(2,294)	300,016
Segment profit (loss)	24,432	(102)	427	24,757	(33)	24,724	(2,876)	21,847

*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 ¥(2,876) 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 nine months ended July 31, 2022.

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

Not applicable.