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Consolidated Financial Results for the Fiscal Year Ended October 31, 2023 (Under Japanese GAAP)

December 15, 2023

Company name: Kobe Bussan Co., Ltd. Listing: Prime Market of Tokyo Stock Exchange
 Securities code: 3038 URL: <https://www.kobebussan.co.jp/english/>
 Representative: Hirokazu Numata, President and Representative Director
 Contact: Masahiro Sakamoto, Manager, Corporate Planning Department
 Phone: +81-79-458-0339
 Scheduled date to hold ordinary general meeting of shareholders: January 30, 2024
 Scheduled date to file Annual Securities Report: January 31, 2024
 Scheduled date to commence payment of dividends: January 15, 2024
 Preparation of supplementary material on financial results: Yes (<https://www.kobebussan.co.jp/english/ir/news.php>)
 Holding of 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 fiscal year ended October 31, 2023 (from November 1, 2022 to October 31, 2023)

(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	%
Fiscal year ended October 31, 2023	461,546	13.5	30,717	10.4	29,970	(6.7)	20,560	(1.3)
October 31, 2022	406,813	12.4	27,820	1.9	32,125	10.4	20,832	6.3

Note: Comprehensive income

For the fiscal year ended October 31, 2023: ¥19,987 million [(8.6)%]

For the fiscal year ended October 31, 2022: ¥21,876 million [8.9%]

	Basic earnings per share	Diluted earnings per share	Return on equity*	Ordinary profit to total assets ratio	Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
October 31, 2023	93.59	92.51	19.9	15.3	6.7
October 31, 2022	95.35	93.87	24.3	19.1	6.8

* Equity = Shareholders' equity + Valuation and translation adjustments

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
October 31, 2023	211,891	114,451	52.7	506.23
October 31, 2022	180,275	97,220	52.7	433.53

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

As of October 31, 2023: ¥111,691 million

As of October 31, 2022: ¥94,990 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
October 31, 2023	30,343	(6,821)	80	91,265
October 31, 2022	21,582	(12,483)	(3,752)	65,753

2. Cash dividends

	Annual dividend per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
October 31, 2022	–	0.00	–	22.00	22.00	4,824	23.1	5.6
October 31, 2023	–	0.00	–	22.00	22.00	4,859	23.5	4.7
Fiscal year ending October 31, 2024 (Forecast)	–	0.00	–	23.00	23.00		23.6	

Note: Breakdown of year-end dividend for the fiscal year ended October 31, 2023:

Ordinary dividend of ¥22.00 per share

3. Consolidated financial forecast for the fiscal year ending October 31, 2024 (from November 1, 2023 to October 31, 2024)

(Percentage indicates year-on-year changes.)

Fiscal year	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
	498,000	7.9	31,000	0.9	33,000	10.1	21,500	4.6	97.44

[Notes]

- (1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
 Newly included: None
 Excluded: 3 companies
 (Company name: KB GLOBAL PARTNERS, INC., J.J. DINING, INC., KOBE BUSSAN USA, INC.)
- (2) 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 “3. Consolidated Financial Statements and Notes (5) Notes to consolidated financial statements (Changes in accounting policies)” on page 14 of the Attached Materials.
- (3) Number of shares issued (common shares)
 (i) Number of shares issued at the end of the period (including treasury shares)
 As of October 31, 2023: 273,600,000 shares
 As of October 31, 2022: 273,600,000 shares
 (ii) Number of shares of treasury shares at the end of the period
 As of October 31, 2023: 52,968,055 shares
 As of October 31, 2022: 54,490,520 shares
 (iii) Average number of shares of common shares outstanding during the period
 Fiscal year ended October 31, 2023: 219,677,661 shares
 Fiscal year ended October 31, 2022: 218,489,985 shares
 Note: The number of shares of Kobe Bussan held by Custody Bank of Japan, Ltd. (the “Trust Account”) as trust property for a Board Benefit Trust was included in the number of shares of treasury shares at the end of the period (275,200 shares as of October 31, 2023 and 168,400 shares as of October 31, 2022). Also, the number of shares of Kobe Bussan held by the Trust Account was included in the number of shares of treasury shares to be deducted from the calculation of the average number of shares of common shares outstanding during the period (202,635 shares for the fiscal year ended October 31, 2023 and 168,400 shares for the fiscal year ended October 31, 2022).

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended October 31, 2023 (from November 1, 2022 to October 31, 2023)

(1) Non-consolidated operating results

(Percentage indicates year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
October 31, 2023	446,858	13.1	26,782	8.4	25,993	(9.6)	17,812	(9.4)
October 31, 2022	395,092	–	24,710	–	28,756	–	19,668	–

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
October 31, 2023	81.09	80.15
October 31, 2022	90.02	88.63

Note: Since the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the previous fiscal year, the figures for the fiscal year ended October 31, 2022 reflect the adoption of the said standards. Accordingly, year-on-year percentage changes have not been provided.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
October 31, 2023	195,966	98,506	48.9	433.96
October 31, 2022	168,078	83,419	48.3	370.54

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

As of October 31, 2023: ¥95,745 million

As of October 31, 2022: ¥81,189 million

* 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. Overview of Operating Results (4) Outlook for the fiscal year ending October 31, 2024” on page 4 of the Attached Materials.

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1. Overview of Operating Results

(1) Analysis of operating results

During the fiscal year ended October 31, 2023 (from November 1, 2022 to October 31, 2023) (hereinafter the “period under review” or the “current fiscal year”), Japan further normalized its socioeconomic activities thanks to the lifting of movement and immigration restrictions due to COVID-19 as well as the reclassification of COVID-19 into Category V infectious disease (the same category as common infectious diseases) in May. Nevertheless, the economic outlook has still remained unclear due to the prolonged Russian-Ukraine situation, the concern about the economic slowdown caused by monetary tightening around the world, precarious fluctuations in foreign exchange rates, and soaring energy costs.

Players in the food retail industry have continued to face severe circumstances, including a fall in demand for the home cooking with more consumers dining out and a rise in a savings-oriented attitude of consumers caused by the galloping inflations, as well as an increase in various costs.

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 been engaged in a business that is attentive and responsive to customers’ needs by enhancing our strength to provide them with high-quality and attractive products at best prices.

Consequently, in terms of operating results for the period under review, we reported net sales of ¥461,546 million (up 13.5% year on year), operating profit of ¥30,717 million (up 10.4%), ordinary profit of ¥29,970 million (down 6.7%), and profit attributable to owners of parent of ¥20,560 million (down 1.3%).

The operating results by business segment are as follows:

[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 1,048 stores as a result of a net increase of 41 stores after opening 53 stores and closing 12.

The breakdown of new store openings was 38 stores in directly managed areas and 15 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 some of our franchisees to relocate stores which have deteriorated after many years in operations.

In terms of operating results, we have continued expanding business performance. This is because we have overcome a rise in purchase costs caused by the sharp fluctuations in foreign exchange rates and price hikes through a successfully implemented pricing strategy as well as a great deal of 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 ¥446,908 million (up 12.8% year on year).

[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 under the concept of offering everyday dining with a focus on foods made in-house and available at affordable prices.

In the period under review, Kobe Cook World Buffet opened three restaurants and closed none, resulting in 14 restaurants nationwide. We strived to improve customer satisfaction through measures such as menu changes. Our efforts paid off with the number of customer visits almost recovering to the level before the COVID-19 pandemic backed by the Japanese government lifting the mask mandate and the limit on the number of people per table as well as more tourists from abroad visiting Japan. Premium Karubi opened four restaurants and closed none, resulting in 20 restaurants nationwide. The attention to this restaurant brand grew year by year thanks to increased media coverage. Given this environment, we successfully improved our operational efficiency by not only increasing customer visits at the existing restaurants but also pursuing the economy of scale through increasing the number of restaurants. Chisouna opened 29 shops and closed two, resulting in 114 shops nationwide. While more customers were attracted by a variety of foods relevant to their needs and an introduction of new dishes, such a significant increase in the number of shops helped boost net sales.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥10,950 million (up 49.5% year on year).

[Eco Renewable Energy Business]

This business segment covers renewable energies generated by our own solar and woody biomass power plants. Having opened one solar power plant in Higashimatsushima-shi, Miyagi since October in the period under review, we currently operate 19 solar power plants collectively generating approximately 81.0 MW and one woody biomass power plant generating approximately 6.2 MW. The existing power plants also continue generating electricity steadily.

Consequently, net sales of the Eco Renewable Energy Business for the period under review stood at ¥3,646 million (up 15.7% year on year).

(2) Analysis of financial position

(Assets)

Total assets as of October 31, 2023 increased by ¥31,615 million from the end of the previous fiscal year to ¥211,891 million (up 17.5% year on year).

This was mostly attributable to an increase in current assets of ¥25,629 million to ¥141,641 million (up 22.1% year on year).

This was mainly due to increases in cash and deposits of ¥25,550 million.

(Liabilities)

Total liabilities as of October 31, 2023 increased by ¥14,384 million from the end of the previous fiscal year to ¥97,439 million (up 17.3% year on year). This was mostly attributable to an increase in non-current liabilities of ¥13,314 million.

Non-current liabilities amounted to ¥48,382 million (up 38.0% year on year). This was mainly due to an increase in long-term borrowings of ¥10,682 million to be used for the facility enhancement of our group's domestic plants.

(Net assets)

Total net assets as of October 31, 2023 increased by ¥17,230 million from the end of the previous fiscal year to ¥114,451 million (up 17.7% year on year). This was mainly due to an increase in retained earnings of ¥15,736 million.

Consequently, the equity ratio as of October 31, 2023 remained at 52.7%, unchanged from the end of the previous fiscal year. Net assets per share stood at ¥506.23 for the current fiscal year compared to ¥433.53 for the previous fiscal year.

(3) Analysis of cash flows

Total cash and cash equivalents as of October 31, 2023 (hereinafter "net cash") increased by ¥25,512 million from the end of the previous fiscal year to ¥91,265 million.

The status of each cash flow and its factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the period under review amounted to an inflow of ¥30,343 million (up ¥8,760 million year on year). This was mainly due to decreases in inventories of ¥5,897 million and income taxes paid of ¥1,552 million, partially offset by an increase in loss on valuation of derivatives of ¥4,560 million

(Cash flows from investing activities)

Net cash used in investing activities for the period under review amounted to an outflow of ¥6,821 million (down ¥5,662 million year on year). This was mainly due to a decrease in an outflow of ¥2,419 million resulting from purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities for the period under review amounted to an inflow of ¥80 million (down ¥3,832 million year on year). This was mainly due to a decrease in an outflow of ¥6,937 million due to repayments of long-term borrowings.

(4) Outlook for the fiscal year ending October 31, 2024

We are planning to further grow our mainstay Gyomu Super Business with an aim to have 1,083 Gyomu Super stores (net increase of 35 stores) by the end of the fiscal year ending October 31, 2024. To further enhance private label products derived from Gyomu Super's strength of "Integrated Food Production & Distribution Operations," we continue to make capital investment in facilities of our group's plants and expand the variety of our directly imported products.

In the Restaurant & Delicatessen Business, we work on developing and expanding the competitive business formats by addressing constantly changing consumer needs and taking advantage of our product strength.

We carry on striving to expand our business performance as described above, although the outlook has still remained unclear due to precarious fluctuations in foreign exchange rates, changes in the military situations around the world, and Japan's 2024 problem in transportation and logistics industries (an expected shortage of truck drivers resulting from their overtime hours cap).

All in all, in terms of operating results for the fiscal year ending October 31, 2024, we forecast nets sales of ¥498,000 million, operating profit of ¥31,000 million, ordinary profit of ¥33,000 million, and profit attributable to owners of parent of ¥21,500 million on a consolidated basis.

2. Basic Policy Regarding Selection of Accounting Standards

With respect to accounting standards, we apply Japanese GAAP to ensure comparability with other domestic competitors.

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of October 31, 2022)	Current fiscal year (As of October 31, 2023)
Assets		
Current assets:		
Cash and deposits	67,040	92,590
Accounts receivable - trade	23,249	26,939
Securities	2,000	—
Merchandise and finished goods	17,495	16,645
Work in process	435	378
Raw materials and supplies	1,798	1,801
Other	3,995	3,303
Allowance for doubtful accounts	(2)	(17)
Total current assets	116,011	141,641
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	25,194	26,431
Accumulated depreciation	(9,192)	(10,245)
Buildings and structures, net	16,001	16,186
Machinery, equipment and vehicles	34,378	42,477
Accumulated depreciation	(16,579)	(19,499)
Machinery, equipment and vehicles, net	17,799	22,977
Land	16,430	19,897
Leased assets	25	25
Accumulated depreciation	(18)	(21)
Leased assets, net	6	3
Construction in progress	7,031	4,200
Other	2,961	3,344
Accumulated depreciation	(2,118)	(2,415)
Other, net	842	929
Total property, plant and equipment	58,112	64,195
Intangible assets		
Goodwill	12	7
Other	1,028	1,502
Total Intangible assets	1,041	1,509
Investments and other assets		
Investment securities	1,267	1,051
Long-term loans receivable	1,135	607
Deferred tax assets	1,564	1,744
Leasehold and guarantee deposits	561	703
Other	803	867
Allowance for doubtful accounts	(222)	(431)
Total investments and other assets	5,109	4,544
Total non-current assets	64,263	70,249
Total assets	180,275	211,891

(Millions of yen)

	Previous fiscal year (As of October 31, 2022)	Current fiscal year (As of October 31, 2023)
Liabilities		
Current liabilities:		
Accounts payable - trade	29,167	32,231
Short-term borrowings	8,217	1,317
Lease obligations	2	2
Income taxes payable	6,026	4,562
Provision for bonuses	414	473
Other	4,159	10,471
Total current liabilities	47,987	49,057
Non-current liabilities:		
Long-term borrowings	26,317	37,000
Lease obligations	3	1
Deferred tax liabilities	120	161
Retirement benefit liability	650	688
Guarantee deposits received	7,167	7,589
Asset retirement obligations	528	1,672
Provision for share awards for directors (and other officers)	81	110
Other	198	1,157
Total non-current liabilities	35,067	48,382
Total liabilities	83,055	97,439
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	10,466	12,137
Retained earnings	93,061	108,797
Treasury shares	(8,953)	(9,087)
Total shareholders' equity	95,074	112,348
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(3)	27
Foreign currency translation adjustment	(80)	(684)
Total valuation and translation adjustments	(84)	(657)
Share acquisition rights	2,229	2,760
Total net assets	97,220	114,451
Total liabilities and net assets	180,275	211,891

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)	For the fiscal year ended October 31, 2023 (From November 1, 2022 to October 31, 2023)
Net sales	406,813	461,546
Cost of sales	360,217	408,827
Gross profit	46,596	52,719
Selling, general and administrative expenses:		
Advertising expenses	262	324
Rent expenses on land and buildings	759	1,066
Freight costs	7,504	8,003
Promotion expenses	362	354
Outsourcing expenses	709	857
Wages, salaries and expenses	4,051	4,975
Legal welfare expenses	485	630
Provision for bonuses	236	310
Retirement benefit expenses	13	78
Depreciation	666	764
Provision for bonuses for directors (and other officers)	23	29
Provision of allowance for doubtful accounts	(1)	14
Amortization of goodwill	5	5
Other	3,697	4,586
Total selling, general and administrative expenses	18,776	22,002
Operating profit	27,820	30,717
Non-operating income:		
Interest income	279	872
Dividend income	9	9
Lease revenue	251	212
Gain on valuation of derivatives	478	—
Foreign exchange gains	2,790	2,156
Subsidy income	323	130
Fuel sale income	81	92
Other	306	333
Total non-operating income	4,520	3,807
Non-operating expenses:		
Interest expenses	86	58
Rental costs	32	35
Commission expenses	0	—
Loss on valuation of derivatives	—	4,082
Fuel sale cost	79	88
Provision of allowance for doubtful accounts	—	248
Other	16	41
Total non-operating expenses	215	4,554
Ordinary profit	32,125	29,970

(Millions of yen)

	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)	For the fiscal year ended October 31, 2023 (From November 1, 2022 to October 31, 2023)
Extraordinary income:		
Gain on sale of investment securities	—	9
Gain on sale of non-current assets	6	6
Gain on reversal of share acquisition rights	15	30
Total extraordinary income	22	46
Extraordinary losses:		
Loss on retirement of non-current assets	73	61
Loss on sale of non-current assets	4	—
Loss on sale of investment securities	50	—
Impairment losses	994	—
Total extraordinary losses	1,122	61
Profit before income taxes	31,025	29,956
Income taxes - current	10,254	9,610
Income taxes - deferred	(62)	(215)
Total income taxes	10,192	9,395
Profit	20,832	20,560
Profit attributable to owners of parent	20,832	20,560

Consolidated statements of comprehensive income

(Millions of yen)

	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)	For the fiscal year ended October 31, 2023 (From November 1, 2022 to October 31, 2023)
Profit	20,832	20,560
Other comprehensive income:		
Valuation difference on available-for-sale securities	(66)	30
Foreign currency translation adjustment	1,109	(603)
Total other comprehensive income	1,043	(572)
Comprehensive income	21,876	19,987
Comprehensive income attributable to:		
Owners of parent	21,876	19,987

(3) Consolidated statements of changes in equity

For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance, November 1, 2021	500	9,581	76,592	(9,135)	77,539
Changes of items during period					
Dividends of surplus			(4,363)		(4,363)
Profit attributable to owners of parent			20,832		20,832
Disposable of treasury shares		884		181	1,066
Net change of items other than shareholders' equity					
Total changes of items during period	–	884	16,469	181	17,535
Balance, October 31, 2022	500	10,466	93,061	(8,953)	95,074

	Accumulated other comprehensive income			Share Acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total		
Balance, November 1, 2021	62	(1,190)	(1,127)	1,807	78,218
Changes of items during period					
Dividends of surplus			–		(4,363)
Profit attributable to owners of parent			–		20,832
Disposable of treasury shares			–		1,066
Net change of items other than shareholders' equity	(66)	1,109	1,043	422	1,466
Total changes of items during period	(66)	1,109	1,043	422	19,002
Balance, October 31, 2022	(3)	(80)	(84)	2,229	97,220

For the fiscal year ended October 31, 2023 (From November 1, 2022 to October 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance, November 1, 2022	500	10,466	93,061	(8,953)	95,074
Changes of items during period					
Dividends of surplus			(4,824)		(4,824)
Profit attributable to owners of parent			20,560		20,560
Purchase of treasury shares				(399)	(399)
Disposable of treasury shares		1,671		265	1,936
Net change of items other than shareholders' equity					—
Total changes of items during period	—	1,671	15,736	(134)	17,273
Balance, October 31, 2023	500	12,137	108,797	(9,087)	112,348

	Accumulated other comprehensive income			Share Acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total		
Balance, November 1, 2022	(3)	(80)	(84)	2,229	97,220
Changes of items during period					
Dividends of surplus			—		(4,824)
Profit attributable to owners of parent			—		20,560
Purchase of treasury shares					(399)
Disposable of treasury shares			—		1,936
Net change of items other than shareholders' equity	30	(603)	(572)	530	(42)
Total changes of items during period	30	(603)	(572)	530	17,230
Balance, October 31, 2023	27	(684)	(657)	2,760	114,451

(4) Consolidated statements of cash flows

(Millions of yen)

	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)	For the fiscal year ended October 31, 2023 (From November 1, 2022 to October 31, 2023)
Cash flows from operating activities:		
Profit before income taxes	31,025	29,956
Depreciation	4,896	5,195
Impairment losses	994	—
Share-based payment expenses	731	974
Increase (decrease) in allowance for doubtful accounts	(16)	262
Increase (decrease) in provision for bonuses	59	58
Increase (decrease) in retirement benefit liability	(62)	38
Interest and dividend income	(288)	(881)
Loss (gain) on valuation of derivatives	(478)	4,082
Interest expenses	86	58
Foreign exchange losses (gains)	(3,069)	(2,080)
Loss (gain) on sale of investment securities	50	(9)
Loss (gain) on sale of property, plant and equipment	(2)	(6)
Loss on retirement of property, plant and equipment	73	61
Decrease (increase) in trade receivables	(3,378)	(3,687)
Decrease (increase) in inventories	(5,003)	893
Decrease (increase) in other current assets	162	172
Increase (decrease) in trade payables	4,020	3,062
Increase (decrease) in other current liabilities	480	1,928
Increase (decrease) in guarantee deposits received	655	422
Decrease (increase) in advance payments to suppliers	(195)	407
Other, net	120	(324)
Subtotal	30,860	40,582
Interest and dividends received	295	863
Interest paid	(74)	(51)
Income taxes paid	(9,499)	(11,051)
Net cash provided by (used in) operating activities	21,582	30,343
Cash flows from investing activities:		
Payments into time deposits	(1,158)	(624)
Proceeds from withdrawal of time deposits	1,158	532
Purchase of property, plant and equipment	(11,106)	(8,687)
Proceeds from sale of property, plant and equipment	176	47
Purchase of intangible assets	(288)	(689)
Proceeds from sale of investment securities	370	269
Purchase of securities	(2,000)	—
Loan advances	—	2,000
Proceeds from collection of loans receivable	514	518
Other, net	(150)	(187)
Net cash provided by (used in) investing activities	(12,483)	(6,821)

(Millions of yen)

	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)	For the fiscal year ended October 31, 2023 (From November 1, 2022 to October 31, 2023)
Cash flows from financing activities:		
Proceeds from long-term borrowings	15,000	12,000
Repayments of long-term borrowings	(15,155)	(8,217)
Purchase of treasury shares	—	(399)
Proceeds from disposal of treasury shares	769	1,524
Dividends paid	(4,363)	(4,824)
Repayments of finance lease obligations	(2)	(2)
Net cash provided by (used in) financing activities	(3,752)	80
Effect of exchange rate change on cash and cash equivalents	3,695	1,909
Net increase (decrease) in cash and cash equivalents	9,042	25,512
Cash and cash equivalents at beginning of period	56,710	65,753
Cash and cash equivalents at end of period	65,753	91,265

(5) Notes to consolidated financial statements

(Going concern assumption)

Not applicable.

(Changes in accounting policies)

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

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Guidance No.31; June 17, 2021; hereinafter, the “Fair Value Accounting Standards”) since the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in paragraph 27-2 of the Fair Value Accounting Standards, the Company has applied the new accounting policies set forth by the Fair Value Accounting Standard prospectively. There is no effect on the quarterly consolidated financial statements by applying the standard.

(Segment information)

1. Overview of reportable segment

The reportable segment of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about allocation of resources and assess its performance.

We have business headquarters in head office to manage stores and restaurants as a franchisor of each business, and work on business activities based on comprehensive domestic and overseas strategies for our products and services. Also, to resolve power shortage by stably supplying safe and reliable energy and address environmental issues including global warming, we engage in the solar power business and the biomass power business in accordance with Feed-in Tariffs (FIT) for renewable energy sources under the “Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities of Japan” enacted on July 1, 2012.

2. Method of calculating the amount of net sales, profit or loss, assets, and other items by reportable segment

The accounting standards and methods for the business segments subject to segment reporting are largely identical to the description in “Significant Accounting Policies for the Consolidated Financial Statements.”

Segment profit is the figure on a basis of operating profit.

Intersegment sales or transfers is calculated at prevailing market prices.

3. Information on amounts of net sales, profit or loss, assets, and other items by reportable segment

For the fiscal year ended October 31, 2022 (from November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated
	Gyomu Super Business	Restaurant & Delicatessen Business	Eco Renewable Energy Business	Total				
Timing of revenue recognition								
Goods or services transferred at a point in time	392,853	7,271	—	400,124	40	400,165	—	400,165
Goods or services transferred over time	3,443	52	3,152	6,648	—	6,648	—	6,648
Revenue from contracts with customers	396,296	7,323	3,152	406,773	40	406,813	—	406,813
Net sales								
Sales to external customers	396,296	7,323	3,152	406,773	40	406,813	—	406,813
Intersegment sales or transfers	3,073	167	—	3,241	—	3,241	(3,241)	—
Total	399,370	7,491	3,152	410,015	40	410,055	(3,241)	406,813
Segment profit (loss)	31,612	(119)	676	32,169	(39)	32,130	(4,310)	27,820
Segment assets	125,662	5,191	22,590	153,443	17	153,461	26,814	180,275
Other items:								
Depreciation*3	3,381	248	1,075	4,706	10	4,716	180	4,896
Increases in property, plant and equipment and intangible assets*3	4,835	974	3,867	9,677	3	9,680	602	10,283

*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 ¥(4,310) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.

(3) The amount of adjustment for segment assets of ¥26,814 million is corporate assets unattributable to any reportable segments. The assets are attributable to the Company's administrative departments.

(4) The amount of adjustment for depreciation of ¥180 million is the amount of corporate expenses unattributable to any reportable segments.

(5) The amount of adjustment for increases in property, plant and equipment and intangible assets of ¥602 million is an increase in corporate assets unattributable to any reportable segments.

*3 Increases in property, plant and equipment and intangible assets include recognition and amortization of long-term prepaid expense.

For the fiscal year ended October 31, 2023 (from November 1, 2022 to October 31, 2023)

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated
	Gyomu Super Business	Restaurant & Delicatessen Business	Eco Renewable Energy Business	Total				
Timing of revenue recognition								
Goods or services transferred at a point in time	443,042	10,860	—	453,902	40	453,943	—	453,943
Goods or services transferred over time	3,866	90	3,646	7,603	—	7,603	—	7,603
Revenue from contracts with customers	446,908	10,950	3,646	461,505	40	461,546	—	461,546
Net sales								
Sales to external customers	446,908	10,950	3,646	461,505	40	461,546	—	461,546
Intersegment sales or transfers	4,867	362	—	5,230	—	5,230	(5,230)	—
Total	451,776	11,313	3,646	466,736	40	466,777	(5,230)	461,546
Segment profit (loss)	34,139	512	938	35,589	(53)	35,536	(4,819)	30,717
Segment assets	155,354	7,328	26,651	189,334	15	189,349	22,541	211,891
Other items:								
Depreciation*3	3,320	312	1,335	4,967	1	4,968	226	5,195
Increases in property, plant and equipment and intangible assets*3	6,572	781	3,472	10,825	9	10,835	874	11,709

*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 ¥(4,819) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.
- (3) The amount of adjustment for segment assets of ¥22,541 million is corporate assets unattributable to any reportable segments. The assets are attributable to the Company's administrative departments.
- (4) The amount of adjustment for depreciation of ¥226 million is the amount of corporate expenses unattributable to any reportable segments.
- (5) The amount of adjustment for increases in property, plant and equipment and intangible assets of ¥874 million is an increase in corporate assets unattributable to any reportable segments.

*3 Increases in property, plant and equipment and intangible assets include recognition and amortization of long-term prepaid expense.

(Per share information)

	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)	For the fiscal year ended October 31, 2023 (From November 1, 2022 to October 31, 2023)
Net assets per share	¥433.53	¥506.23
Basic earnings per share	¥95.35	¥93.59
Diluted earnings per share	¥93.87	¥92.51

(Notes)

- For the purpose of calculating the amount of net assets per share, the number of shares of the Company held by a Board Benefit Trust (275,200 shares as of October 31, 2023 and 168,400 shares as of October 31, 2022) was included in the number of treasury shares, which was to be deducted from the number of shares issued at the end of the fiscal year.
For the purpose of calculating basic earnings per share and diluted earnings per share, the number of shares of the Company held by the Trust (202,635 shares as of October 31, 2023 and 168,400 shares as of October 31, 2022) was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares of common shares outstanding during the period.
- The calculation basis for basic earnings per share and diluted earnings per share are shown as follows.

	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)	For the fiscal year ended October 31, 2023 (From November 1, 2022 to October 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	20,832	20,560
Profit not attributable to common shareholders (millions of yen)	—	—
Profit attributable to common shareholders of parent (millions of yen)	20,832	20,560
Average number of shares of common shares outstanding during the fiscal year (shares)	218,489,985	219,677,661
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (millions of yen)	—	—
(Of which, interest expenses after deducting the amount equivalent to taxes) (millions of yen)	—	—
Number of shares of common shares to be increased (share)	3,444,782	2,574,229
(Of which, number of share acquisition rights) (share)	(3,444,782)	(2,574,229)
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	—	—

(Subsequent events)

Not applicable