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Consolidated Financial Results for the Three Months Ended January 31, 2021 (Under Japanese GAAP)

March 15, 2021

Company name: Kobe Bussan Co., Ltd. Listing: Tokyo Stock Exchange
 Security code: 3038 URL: <https://www.kobebussan.co.jp/>
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 Scheduled date to file Quarterly Securities Report: March 16, 2021
 Scheduled date to commence payment of dividends: –
 Preparation of supplementary material on quarterly financial results: Yes (<https://www.kobebussan.co.jp/ir/news.php>)
 Investors meeting presentation for quarterly financial results: No

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

1. Consolidated financial results for the three months ended January 31, 2021 (from November 1, 2020 to January 31, 2021)

(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, 2021	85,045	4.2	7,034	24.9	7,019	22.0	4,598	29.2
January 31, 2020	81,597	15.5	5,634	33.5	5,751	42.2	3,559	32.1

Note: Comprehensive income

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

For the three months ended January 31, 2020: ¥3,775 million [34.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended January 31, 2021	21.29	20.80
January 31, 2020	16.55	16.22

Note: As we conducted a 2-for-1 stock split of common shares effective on November 1, 2020, both basic and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended October 31, 2020.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of January 31, 2021	140,488	60,875	42.1	273.85
October 31, 2020	148,175	59,268	39.0	267.42

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

As of January 31, 2021: ¥59,171 million

As of October 31, 2020: ¥57,758 million

Note: As we conducted a 2-for-1 stock split of common shares effective on November 1, 2020, net assets per share was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended October 31, 2020.

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year Ended October 31, 2020	Yen —	Yen 0.00	Yen —	Yen 30.00	Yen 30.00
Ending October 31, 2021	—	—	—	—	—
Ending October 31, 2021 (Forecast)	—	0.00	—	15.00	15.00

Notes: 1. Revisions to cash dividend forecast published most recently: None

2. Reflecting the effect of the 2-for-1 stock split of common shares effective on November 1, 2020, the year-end dividend forecast for the fiscal year ending October 31, 2021 is ¥15.00 per share (or ¥30.00 had the stock split not been carried out).

3. Consolidated financial forecast for the fiscal year ending October 31, 2021 (from November 1, 2020 to October 31, 2021)

(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	341,000	0.0	24,800	4.0	24,800	4.9	16,000	6.3	74.28

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: None
 - (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
- (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, 2021: 273,600,000 shares
 - As of October 31, 2020: 273,600,000 shares
 - (ii) Number of shares of treasury shares at the end of the period
 - As of January 31, 2021: 57,524,508 shares
 - As of October 31, 2020: 57,614,064 shares
 - (iii) Average number of shares of common shares outstanding during the period
 - Three months ended January 31, 2021: 216,018,209 shares
 - Three months ended January 31, 2020: 215,005,032 shares

- Notes:
1. As we conducted a 2-for-1 stock split of common shares effective on November 1, 2020, the number of shares issued was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended October 31, 2020.
 2. 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, 2020 and January 31, 2021, 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 for the three months ended January 31, 2020 and the three months ended January 31, 2021.

* 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, 2021 (from November 1, 2020 to January 31, 2021) (hereinafter the “period under review”), Japan’s economic outlook remained uncertain, reflecting labor shortage, an increase in logistics costs, and the COVID-19 pandemic around the world.

Japan’s food retail industry has become more competitive because players in other industries such as e-commerce operators and drugstore chains have expanded the sale of food products, and food delivery service providers are coming to the fore. Additionally, the environment surrounding, and what consumers require of, the food retail industry are rapidly changing. The change is caused by an implementation of measures to prevent the COVID-19 infections at restaurants, as well as an increase in the demand for eating at home, resulting from remote work and request for certain restaurants to temporarily close or shorten opening hours as measures against the spread of COVID-19.

Under such circumstances, with the corporate vision of continuously strengthening “Integrated Food Production & Distribution Operations,” the Kobe Bussan Group has enhanced competitiveness by proactively developing products. 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 ¥85,045 million (up 4.2% year on year), operating profit of ¥7,034 million (up 24.9%), ordinary profit of ¥7,019 million (up 22.0%), and profit attributable to owners of parent of ¥4,598 million (up 29.2%).

The operating results by business segment are as follows:

Note that Cook Innoventure Co., Ltd., G.communication Co., Ltd., G.taste Co., Ltd., and 11 other consolidated subsidiaries, which comprised the Cook Innoventure Business in the previous fiscal year, were excluded from the scope of consolidation on April 1, 2020, the deemed date of sale. Accordingly, the business segment no longer existed at the beginning of the period under review.

Also, we reviewed the classification of business segments based on perspectives of our group’s business expansion and management control system. Since the beginning of the period under review, the Restaurant & Delicatessen Business has been renamed from the Kobe Cook Business to incorporate the BBQ business, which was previously classified into the Other businesses.

(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 900 stores as a result of a net increase of 21 stores after opening 22 stores and closing one.

The breakdown of new store openings was 17 stores in directly managed areas and five stores in indirectly managed areas. We work on store openings focusing on Kanto and Kyusyu areas, and strongly encourage franchise owners to relocate stores which have been deteriorated with many years in operation.

Our private label products, which represent Gyomu Super’s attractiveness, have been frequently featured on television, magazines, newspapers, and other media, leading to enhancement of its brand recognition and acquisition of new customers. Also, we analyze that the increased demand for eating at home amid the COVID-19 crisis helped attract more customers to the stores, which contributed to stronger operating results. Consequently, net sales of the Gyomu Super Business for the period under review stood at ¥83,709 million (up 16.6% 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 BBQ buffet style restaurant chain where customers enjoy the best selected premium meats; 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 one restaurant, resulting in 16 restaurants nationwide. Net sales decreased year on year because certain restaurants have temporarily closed or shortened opening hours to prevent the COVID-19 infections since early January this year. Premium Karubi opened one restaurant and closed

none, resulting in four restaurants nationwide. Although the restaurants have also shortened opening hours, net sales showed a positive trend given an increase in the number of the restaurants and BBQ popularity. Chisouna opened four shops and closed none, resulting in 29 shops nationwide. Net sales remained strong thanks to an increase in Gyomu Super customers and the implementation of measures to prevent the COVID-19 infections at shops.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥750 million (down 10.6% year on year).

(iii) Eco Renewable Energy Business

This business segment covers renewable energies generated by our own solar and woody biomass power plants. As we did not open any power plants in the period under review, we currently operate 16 solar power plants collectively generating approximately 22.0 MW and one woody biomass plant generating approximately 6.2 MW. The plant count and output remain unchanged from the end of the previous fiscal year.

Consequently, net sales of the Eco Renewable Energy Business for the period under review stood at ¥581 million (up 8.3% year on year).

(2) Overview of quarterly financial position

(Assets)

Total assets as of January 31, 2021 decreased by ¥7,686 million from a year earlier to ¥140,488 million. This was mainly due to a decrease in current assets of ¥11,332 million, which was mostly attributable to a decrease in cash and deposits of ¥7,017 million, resulting from repayment of borrowings and payment of dividends.

(Liabilities)

Total liabilities as of January 31, 2021 decreased by ¥9,293 million from a year earlier to ¥79,612 million. This was mainly due to decreases in income taxes payable of ¥2,589 million, accounts payables - trade of ¥2,545 million, and short-term borrowings of ¥2,360 million.

(Net assets)

Total net assets as of January 31, 2021 increased by ¥1,607 million from a year earlier to ¥60,875 million. This was mainly due to an increase of retained earnings of ¥1,347 million.

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

It remains unchanged from our financial forecast published on December 14, 2020.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of October 31, 2020)	Current quarter (As of January 31, 2021)
Assets		
Current assets:		
Cash and deposits	69,810	62,793
Notes and accounts receivable - trade	17,546	16,206
Merchandise and finished goods	9,065	8,159
Work in process	298	267
Raw materials and supplies	1,222	1,484
Other	4,227	1,926
Allowance for doubtful accounts	(14)	(14)
Total current assets	102,156	90,823
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	11,430	11,508
Land	10,353	10,368
Other, net	19,260	20,902
Total property, plant and equipment	41,044	42,779
Intangible assets	547	634
Investments and other assets	4,426	6,252
Total non-current assets	46,019	49,665
Total assets	148,175	140,488

(Millions of yen)

	Previous fiscal year (As of October 31, 2020)	Current quarter (As of January 31, 2021)
Liabilities		
Current liabilities:		
Accounts payable - trade	22,161	19,615
Short-term borrowings	14,598	12,238
Income taxes payable	4,812	2,222
Provision for bonuses	299	137
Other	5,033	4,306
Total current liabilities	46,906	38,521
Non-current liabilities:		
Long-term borrowings	34,690	33,668
Retirement benefit liability	612	629
Guarantee deposits received	6,048	6,148
Asset retirement obligations	332	329
Provision for share awards for directors (and other officers)	39	43
Other	276	272
Total non-current liabilities	41,999	41,091
Total liabilities	88,906	79,612
Net assets		
Shareholders' equity:		
Share capital	64	64
Capital surplus	8,539	8,562
Retained earnings	60,243	61,590
Treasury shares	(9,465)	(9,451)
Total shareholders' equity	59,380	60,765
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	13	(44)
Foreign currency translation adjustment	(1,634)	(1,549)
Total accumulated other comprehensive income	(1,621)	(1,593)
Share acquisition rights	1,510	1,703
Total net assets	59,268	60,875
Total liabilities and net assets	148,175	140,488

(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, 2020 (From November 1, 2019 to January 31, 2020)	For the three months ended January 31, 2021 (From November 1, 2020 to January 31, 2021)
Net sales	81,597	85,045
Cost of sales	68,616	74,600
Gross profit	12,980	10,444
Selling, general and administrative expenses	7,346	3,410
Operating profit	5,634	7,034
Non-operating income:		
Interest income	51	32
Dividend income	0	0
Rental income	18	18
Gain on valuation of derivatives	46	–
Subsidy income	14	17
Other	168	57
Total non-operating income	299	125
Non-operating expenses:		
Interest expenses	85	52
Foreign exchange losses	1	22
Rental costs	7	7
Loss on valuation of derivatives	–	15
Provision of allowance for doubtful accounts	14	13
Other	73	30
Total non-operating expenses	182	141
Ordinary profit	5,751	7,019
Extraordinary income:		
Gain on sale of non-current assets	12	0
Gain on reversal of share acquisition rights	2	–
Total extraordinary income	15	0
Extraordinary losses:		
Loss on retirement of non-current assets	8	2
Loss on sale of non-current assets	–	5
Impairment losses	24	–
Loss on store closings	3	–
Provision for loss on store closings	13	–
Total extraordinary losses	49	8
Profit before income taxes	5,717	7,011
Income taxes - current	1,750	1,949
Income taxes - deferred	345	463
Total income taxes	2,095	2,413
Profit	3,621	4,598
Profit attributable to non-controlling interests	62	–
Profit attributable to owners of parent	3,559	4,598

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the three months ended January 31, 2020 (From November 1, 2019 to January 31, 2020)	For the three months ended January 31, 2021 (From November 1, 2020 to January 31, 2021)
Profit	3,621	4,598
Other comprehensive income:		
Valuation difference on available-for-sale securities	0	(57)
Foreign currency translation adjustment	153	85
Total other comprehensive income	153	27
Comprehensive income	3,775	4,626
Comprehensive income attributable to:		
Owners of parent	3,712	4,626
Non-controlling interests	62	-

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Segment information)

I. For the three months ended January 31, 2020 (from November 1, 2019 to January 31, 2020)

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	Cook Innoventure Business	Eco Renewable Energy Business	Total				
Net sales									
Sales to external customers	71,792	839	8,392	537	81,561	36	81,597	–	81,597
Intersegment sales or transfers	623	45	–	–	668	–	668	(668)	–
Total	72,415	885	8,392	537	82,230	36	82,266	(668)	81,597
Segment profit (loss)	6,074	25	227	46	6,374	(24)	6,350	(715)	5,634

*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 ¥(715) 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)

The recorded amount of impairment losses of non-current assets was ¥24 million yen for the three months ended January 31, 2020, of which ¥0 million was incurred by the Gyomu Super Business segment and ¥23 million by the Cook Innoventure Business segment.

II. 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 quarterly consolidated statements of income.

2. Changes in reportable segments

Cook Innoventure Co., Ltd., G.communication Co., Ltd., G.taste Co., Ltd., and 11 other consolidated subsidiaries, which comprised the Cook Innoventure Business in the previous fiscal year, were excluded from the scope of consolidation on April 1, 2020, the deemed date of sale. Accordingly, the business segment no longer existed at the beginning of the period under review. Also, we reviewed the classification of business segments based on perspectives of our group's business expansion and management control system. Since the beginning of the period under review, the Restaurant & Delicatessen Business has been renamed from the Kobe Cook Business to incorporate the BBQ business, which was previously classified into the Other businesses.

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.