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Consolidated Financial Results for the Three Months Ended January 31, 2023 (Under Japanese GAAP)

March 14, 2023

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, 2023
 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, 2023 (from November 1, 2022 to January 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	%
Three months ended January 31, 2023	107,942	11.5	6,338	(14.9)	2,118	(72.2)	1,348	(73.7)
January 31, 2022	96,809	13.8	7,446	5.9	7,629	8.7	5,121	11.4

Note: Comprehensive income

For the three months ended January 31, 2023: ¥1,322 million [(74.9) %]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended January 31, 2023	6.15	6.07
January 31, 2022	23.48	23.07

(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, 2023	180,767	94,044	50.7	418.12
October 31, 2022	180,275	97,220	52.7	433.53

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

As of January 31, 2023: ¥91,698 million

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

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, 2022	–	0.00	–	22.00	22.00
Ending October 31, 2023	–	–	–	–	–
Ending October 31, 2023 (Forecast)	–	0.00	–	22.00	22.00

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

3. Consolidated financial forecast for the fiscal year ending October 31, 2023 (from November 1, 2022 to October 31, 2023)

(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	440,000	8.2	29,700	6.8	32,500	1.2	21,200	1.8	97.02

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
- (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, 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 January 31, 2023:	54,288,520 shares
As of October 31, 2022:	54,490,520 shares
 - (iii) Average number of shares of common shares outstanding during the period

Three months ended January 31, 2023:	219,195,680 shares
Three months ended January 31, 2022:	218,128,928 shares

Note: The number of shares of Kobe Bussan (168,400 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 January 31, 2023. Also, the number of shares of Kobe Bussan held by Custody Bank of Japan, Ltd. (“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 for the three months ended January 31, 2022 and the three months ended January 31, 2023 (176,000 shares for the three months ended January 31, 2022 and 168,400 shares for the three months ended January 31, 2023).

* 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, 2023 (from November 1, 2022 to January 31, 2023) (hereinafter the “period under review”), the Japanese economy began to show signs of gradual recovery as the easing of movement and immigration restrictions due to COVID-19 resulted in increased traffic. Nevertheless, the future economic situation has still remained unclear due to the prolonged Russian-Ukraine situation and soaring costs of raw materials and energy, as well as sharp fluctuations in foreign exchange rates.

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

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 ¥107,942 million (up 11.5% year on year), operating profit of ¥6,338 million (down 14.9%), ordinary profit of ¥2,118 million (down 72.2%), and profit attributable to owners of parent of ¥1,348 million (down 73.7%).

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 1,012 stores as a result of a net increase of five stores after opening seven stores and closing two.

The breakdown of new store openings was five stores in directly managed areas and two 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. Our franchisees remain keen to open new stores and some of them are strongly encouraged to relocate stores whose facilities have deteriorated over many years in service.

In terms of operating results, we have continued expanding business performance. This is because we have overcome a decline in profit margin due to the rise in purchase costs caused by the sharp fluctuations in foreign exchange rates and price hikes 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 ¥104,818 million (up 10.8% 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 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 one restaurant and closed none, resulting in 12 restaurants nationwide. 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 one restaurant and closed none, resulting in 17 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 five shops and closed none, resulting in 92 shops nationwide. Net sales expanded thanks to a variety of foods that caters to customers’ needs and the significantly increased number of shops.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥2,417 million (up 51.8% 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 Nishigo-mura, Nishishirakawa-gun, Fukushima since June 2022, resulting in a year-on-year increase by one solar power plant. 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 ¥702 million (up 10.4% year on year).

(2) Overview of quarterly financial position

(Assets)

Total assets as of January 31, 2023 increased by ¥491 million from the end of the previous fiscal year to ¥180,767 million. This was mainly due to an increase in non-current assets of ¥312 million. This increase was mostly attributable to an increase in property, plant and equipment of ¥683 million resulting from the facility enhancement of our group's domestic plants.

(Liabilities)

Total liabilities as of January 31, 2023 increased by ¥3,668 million from the end of the previous fiscal year to ¥86,723 million. This was mainly due to an increase in non-current liabilities of ¥12,918 million, partially offset by a decrease in current liabilities of ¥9,249 million.

The decrease in current liabilities was mainly attributable to decreases in accounts payables - trade of ¥5,313 million and income taxes payable of ¥5,444 million.

The increase in non-current liabilities was mainly attributable to an increase in long-term borrowings of ¥11,534 million resulting from new borrowings for a reason already mentioned above.

(Net assets)

Total net assets as of January 31, 2023 decreased by ¥3,176 million from the end of the previous fiscal year to ¥94,044 million. This was mainly due to a decrease in retained earnings of ¥3,475 million resulting from payment of dividends.

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

It remains unchanged from our financial forecast published on December 15, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of October 31, 2022)	Current quarter (As of January 31, 2023)
Assets		
Current assets:		
Cash and deposits	67,040	70,875
Accounts receivable - trade	23,249	20,472
Securities	2,000	2,000
Merchandise and finished goods	17,495	16,779
Work in process	435	410
Raw materials and supplies	1,798	2,056
Other	3,995	3,589
Allowance for doubtful accounts	(2)	(13)
Total current assets	116,011	116,190
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	16,001	16,118
Machinery, equipment and vehicles, net	17,799	17,781
Land	16,430	16,594
Other, net	7,880	8,301
Total property, plant and equipment	58,112	58,796
Intangible assets	1,041	1,118
Investments and other assets	5,109	4,661
Total non-current assets	64,263	64,576
Total assets	180,275	180,767
Liabilities		
Current liabilities:		
Accounts payable - trade	29,167	23,853
Short-term borrowings	8,217	7,912
Income taxes payable	6,026	581
Provision for bonuses	414	235
Other	4,162	6,155
Total current liabilities	47,987	38,737
Non-current liabilities:		
Long-term borrowings	26,317	37,852
Retirement benefit liability	650	665
Guarantee deposits received	7,167	7,360
Asset retirement obligations	528	528
Provision for share awards for directors (and other officers)	81	87
Other	322	1,491
Total non-current liabilities	35,067	47,985
Total liabilities	83,055	86,723

(Millions of yen)

	Previous fiscal year (As of October 31, 2022)	Current quarter (As of January 31, 2023)
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	10,466	10,643
Retained earnings	93,061	89,586
Treasury shares	(8,953)	(8,920)
Total shareholders' equity	95,074	(91,808)
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(3)	59
Foreign currency translation adjustment	(80)	(169)
Total accumulated other comprehensive income	(84)	(110)
Share acquisition rights	2,229	2,345
Total net assets	97,220	94,044
Total liabilities and net assets	180,275	180,767

(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, 2022 (From November 1, 2021 to January 31, 2022)	For the three months ended January 31, 2023 (From November 1, 2022 to January 31, 2023)
Net sales	96,809	107,942
Cost of sales	85,028	96,681
Gross profit	11,781	11,261
Selling, general and administrative expenses	4,335	4,922
Operating profit	7,446	6,338
Non-operating income:		
Interest income	20	88
Dividend income	0	0
Rental income	63	12
Subsidy income	84	23
Foreign exchange gain	8	—
Other	66	68
Total non-operating income	242	192
Non-operating expenses:		
Interest expenses	18	16
Foreign exchange losses	—	787
Rental costs	7	8
Fuel sale costs	18	20
Loss on valuation of derivatives	7	3,576
Provision of allowance for doubtful accounts	—	0
Other	7	2
Total non-operating expenses	59	4,412
Ordinary profit	7,629	2,118
Extraordinary income:		
Gain on sale of non-current assets	6	0
Gain on reversal of share acquisition rights	5	—
Total extraordinary income	11	0
Extraordinary losses:		
Loss on retirement of non-current assets	1	1
Loss on sale of investment securities	50	—
Total extraordinary losses	51	1
Profit before income taxes	7,589	2,117
Income taxes - current	2,463	473
Income taxes - deferred	5	295
Total income taxes	2,468	768
Profit	5,121	1,348
Profit attributable to owners of parent	5,121	1,348

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the three months ended January 31, 2022 (From November 1, 2021 to January 31, 2022)	For the three months ended January 31, 2023 (From November 1, 2022 to January 31, 2023)
Profit	5,121	1,348
Other comprehensive income:		
Valuation difference on available-for-sale securities	(141)	63
Foreign currency translation adjustment	282	(89)
Total other comprehensive income	140	(26)
Comprehensive income	5,261	1,322
Comprehensive income attributable to:		
Owners of parent	5,261	1,322

(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 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.

(Subsequent events)

(Completion of liquidation of consolidated subsidiaries)

The Company completed liquidating its consolidated subsidiaries, KB Global Partners, Inc. and J.J. Dining, Inc. on February 11, 2023, and Kobe Bussan USA, Inc. on February 13, 2023.

1. Reason for dissolution and liquidation

The Company established Kobe Bussan USA, Inc., KB Global Partners, Inc., and J.J. Dining, Inc. to operate restaurant business in the United States. However, it dissolved and liquidated them as it had suspended the operations since 2018 in view of their profitability.

2. Outline of consolidated subsidiaries

Name	Kobe Bussan USA, Inc.
Line of business	International restaurant business
Shareholder and shareholding ratio	Kobe Bussan 100%

Name	KB Global Partners, Inc.
Line of business	International wholesale business
Shareholder and shareholding ratio	Kobe Bussan 100%

Name	J.J. Dining, Inc.
Line of business	International restaurant business
Shareholder and shareholding ratio	Kobe Bussan 100%

3. Date of completion of the liquidation

February 11, 2023	KB Global Partners, Inc. J.J. Dining, Inc.
February 13, 2023	Kobe Bussan USA, Inc.

4. Impact of the dissolution and liquidation on the Group's profit or loss

This dissolution and liquidation have a minimal effect on the Group's profit or loss.

5. Impact of the dissolution and liquidation on the Group operating activities

This dissolution and liquidation have a minimal effect on our operating activities.

(Segment information)

I. 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) 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.

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, 2023 (from November 1, 2022 to January 31, 2023)

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	103,901	2,398	–	106,299	4	106,304	–	106,304
Goods or services transferred over time	917	19	702	1,638	–	1,638	–	1,638
Revenue from contracts with customers	104,818	2,417	702	107,938	4	107,942	–	107,942
Net sales								
Sales to external customers	104,818	2,417	702	107,938	4	107,942	–	107,942
Intersegment sales or transfers	1,097	59	–	1,156	–	1,156	(1,156)	–
Total	105,915	2,477	702	109,095	4	109,099	(1,156)	107,942
Segment profit (loss)	7,306	17	44	7,368	(21)	7,347	(1,008)	6,338

*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 ¥(1,008) 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. 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.