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Consolidated Financial Results for the Six Months Ended April 30, 2024 (Under Japanese GAAP)

June 13, 2024

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: June 14, 2024
 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 six months ended April 30, 2024 (from November 1, 2023 to April 30, 2024)

(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	%
Six months ended								
April 30, 2024	248,123	11.8	17,720	25.4	18,036	36.7	12,345	35.5
April 30, 2023	221,968	12.0	14,133	(4.1)	13,198	(19.4)	9,110	(17.5)

Note: Comprehensive income

For the six months ended April 30, 2024: ¥12,643 million [51.1%]

For the six months ended April 30, 2023: ¥8,365 million [(26.2)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
April 30, 2024	55.93	55.54
April 30, 2023	41.54	41.02

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
April 30, 2024	222,177	123,069	54.0	543.07
October 31, 2023	211,891	114,451	52.7	506.23

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

As of April 30, 2024: ¥119,946 million

As of October 31, 2023: ¥111,691 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, 2023	–	0.00	–	22.00	22.00
Ending October 31, 2024	–	0.00	–	–	–
Ending October 31, 2024 (Forecast)	–	–	–	23.00	23.00

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

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.)

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

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: 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 April 30, 2024:	273,600,000 shares
As of October 31, 2023:	273,600,000 shares
 - (ii) Number of shares of treasury shares at the end of the period

As of April 30, 2024:	52,730,155 shares
As of October 31, 2023:	52,968,055 shares
 - (iii) Average number of shares of common shares outstanding during the period

Six months ended April 30, 2024:	220,754,543 shares
Six months ended April 30, 2023:	219,292,944 shares

Note: The number of shares of Kobe Bussan (275,200 shares) 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. 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 (275,200 shares for the six months ended April 30, 2024 and 168,400 shares for the six months ended April 30, 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 consolidated operating results

During the six months ended April 30, 2024 (from November 1, 2023 to April 30, 2024) (hereinafter the “period under review”), Japan’s economy was on a gradual recovery trend thanks to the lifting of restrictions on economic activities due to COVID-19. Nevertheless, the economic outlook has still remained unclear due to new geopolitical risks such as the intensified situation in the Middle East in addition to the prolonged Russia-Ukraine conflict, precarious fluctuations in foreign exchange rates, and soaring energy costs.

Players in the food retail industry have continued to face severe circumstances, including a rise in a savings-oriented attitude of consumers caused by the galloping inflations and 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 ¥248,123 million (up 11.8% year on year), operating profit of ¥17,720 million (up 25.4%), ordinary profit of ¥18,036 million (up 36.7%), and profit attributable to owners of parent of ¥12,345 million (up 35.5%).

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 1,062 stores as a result of a net increase of 14 stores after opening 23 stores and closing nine. Effective April 1, 2024, the area category of Kagoshima prefecture was changed from the previous category of indirectly managed areas to directly managed areas.

The breakdown of new store openings was 17 stores in directly managed areas and six stores in indirectly managed areas. 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 the rise in purchase costs caused by the sharp exchange rate fluctuations and price hikes resulted in a decline in personal consumption, which further encouraged a savings-oriented attitude of consumers. This very attitude led to customers visiting our stores to buy low price products of Gyomu Super. Also, the expanded performance resulted from mass and social media coverage of our products.

Consequently, net sales of the Gyomu Super Business for the period under review stood at ¥239,436 million (up 11.3% 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 15 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 more tourists from abroad visiting Japan. Premium Karubi opened one restaurant and closed none, resulting in 21 restaurants nationwide. The number of customer visits increased thanks to the increased media coverage. Chisouna opened seven shops and closed none, resulting in 121 shops nationwide. While more customers were attracted by a variety of foods relevant to their needs and an introduction of new dishes, such an 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 ¥6,539 million (up 25.2% year on year).

(iii) Eco Renewable Energy Business

This business segment covers renewable energies generated by our own solar and woody biomass power plants. Currently, we operate 19 solar power plants collectively generating approximately 81.0 MW and one woody biomass power plant generating approximately 6.2 MW, all of which are generating electricity steadily. We continue supplying safe and environmentally friendly electricity using renewable energy.

Consequently, net sales of the Eco Renewable Energy Business for the period under review stood at ¥2,138 million (up 31.1% year on year).

(2) Overview of quarterly consolidated financial position

(Assets)

Total assets as of April 30, 2024 increased by ¥10,285 million from the end of the previous fiscal year to ¥222,177 million.

This was mainly due to an increase in current assets of ¥8,251 million.

This increase was mostly attributable to an increase in cash and deposits of ¥6,929 million.

(Liabilities)

Total liabilities as of April 30, 2024 increased by ¥1,668 million from the end of the previous fiscal year to ¥99,107 million.

This was mainly due to an increase in current liabilities of ¥3,127 million, partly offset by a decrease in non-current liabilities of ¥1,459 million.

The increase in current liabilities was mainly attributable to increases in accounts payables - trade of ¥1,661 million and income taxes payable of ¥1,429 million.

The decrease in non-current liabilities was mainly attributable to a decrease in other (non-current liabilities) of ¥1,241 million.

(Net assets)

Total net assets as of April 30, 2024 increased by ¥8,617 million from the end of the previous fiscal year to ¥123,069 million.

This was mainly due to an increase in retained earnings of ¥7,486 million.

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

It remains unchanged from our financial forecast published on December 15, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of October 31, 2023)	Current quarter (As of April 30, 2024)
Assets		
Current assets:		
Cash and deposits	92,590	99,519
Accounts receivable - trade	26,939	26,940
Merchandise and finished goods	16,645	17,030
Work in process	378	380
Raw materials and supplies	1,801	1,925
Other	3,303	4,110
Allowance for doubtful accounts	(17)	(14)
Total current assets	141,641	149,893
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	16,186	16,388
Machinery, equipment and vehicles, net	22,977	21,718
Land	19,897	19,974
Other, net	5,133	8,046
Total property, plant and equipment	64,195	66,127
Intangible assets	1,509	1,901
Investments and other assets	4,544	4,254
Total non-current assets	70,249	72,283
Total assets	211,891	222,177
Liabilities		
Current liabilities:		
Accounts payable - trade	32,231	33,892
Short-term borrowings	1,317	856
Income taxes payable	4,562	5,991
Provision for bonuses	473	498
Other	10,473	10,944
Total current liabilities	49,057	52,184
Non-current liabilities:		
Long-term borrowings	37,000	36,451
Retirement benefit liability	688	723
Guarantee deposits received	7,589	7,840
Asset retirement obligations	1,672	1,706
Provision for share awards for directors (and other officers)	110	122
Other	1,320	78
Total non-current liabilities	48,382	46,922
Total liabilities	97,439	99,107

(Millions of yen)

	Previous fiscal year (As of October 31, 2023)	Current quarter (As of April 30, 2024)
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	12,137	12,571
Retained earnings	108,797	116,284
Treasury shares	(9,087)	(9,048)
Total shareholders' equity	112,348	120,306
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	27	55
Foreign currency translation adjustment	(684)	(415)
Total accumulated other comprehensive income	(657)	(359)
Share acquisition rights	2,760	3,122
Total net assets	114,451	123,069
Total liabilities and net assets	211,891	222,177

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

Quarterly consolidated statements of income

(Millions of yen)

	For the six months ended April 30, 2023 (From November 1, 2022 to April 30, 2023)	For the six months ended April 30, 2024 (From November 1, 2023 to April 30, 2024)
Net sales	221,968	248,123
Cost of sales	197,450	218,883
Gross profit	24,518	29,239
Selling, general and administrative expenses	10,384	11,519
Operating profit	14,133	17,720
Non-operating income:		
Interest income	247	351
Dividend income	0	0
Rental income	68	154
Foreign exchange gain	213	—
Subsidy income	67	82
Other	226	218
Total non-operating income	823	807
Non-operating expenses:		
Interest expenses	31	19
Rental costs	17	14
Foreign exchange losses	—	49
Fuel sale costs	41	41
Loss on valuation of derivatives	1,659	330
Other	9	35
Total non-operating expenses	1,759	491
Ordinary profit	13,198	18,036
Extraordinary income:		
Gain on sale of investment securities	4	14
Gain on sale of non-current assets	0	0
Gain on reversal of share acquisition rights	0	17
Total extraordinary income	5	31
Extraordinary losses:		
Loss on retirement of non-current assets	7	20
Total extraordinary losses	7	20
Profit before income taxes	13,195	18,047
Income taxes - current	4,045	5,897
Income taxes - deferred	40	(195)
Total income taxes	4,085	5,701
Profit	9,110	12,345
Profit attributable to owners of parent	9,110	12,345

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended April 30, 2023 (From November 1, 2022 to April 30, 2023)	For the six months ended April 30, 2024 (From November 1, 2023 to April 30, 2024)
Profit	9,110	12,345
Other comprehensive income:		
Valuation difference on available-for-sale securities	23	28
Foreign currency translation adjustment	(768)	268
Total other comprehensive income	(744)	297
Comprehensive income	8,365	12,643
Comprehensive income attributable to:		
Owners of parent	8,365	12,643

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Segment information)

I. For the six months ended April 30, 2023 (from November 1, 2022 to April 30, 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	213,242	5,181	—	218,423	4	218,427	—	218,427
Goods or services transferred over time	1,869	41	1,630	3,541	—	3,541	—	3,541
Revenue from contracts with customers	215,111	5,222	1,630	221,964	4	221,968	—	221,968
Net sales								
Sales to external customers	215,111	5,222	1,630	221,964	4	221,968	—	221,968
Intersegment sales or transfers	2,308	122	—	2,430	—	2,430	(2,430)	—
Total	217,419	5,344	1,630	224,394	4	224,399	(2,430)	221,968
Segment profit (loss)	15,822	154	332	16,309	(31)	16,278	(2,144)	14,133

*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 ¥(2,144) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.

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

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

(Significant impairment losses related to non-current assets)

Not applicable.

II. For the six months ended April 30, 2024 (from November 1, 2023 to April 30, 2024)

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	237,366	6,485	—	243,852	8	243,860	—	243,860
Goods or services transferred over time	2,070	54	2,138	4,262	—	4,262	—	4,262
Revenue from contracts with customers	239,436	6,539	2,138	248,114	8	248,123	—	248,123
Net sales								
Sales to external customers	239,436	6,539	2,138	248,114	8	248,123	—	248,123
Intersegment sales or transfers	2,981	247	—	3,229	—	3,229	(3,229)	—
Total	242,418	6,786	2,138	251,343	8	251,352	(3,229)	248,123
Segment profit (loss)	19,239	515	449	20,204	(20)	20,184	(2,464)	17,720

*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 ¥(2,464) 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.