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Consolidated Financial Results for the Nine Months Ended July 31, 2024 (Under Japanese GAAP)

September 11, 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 commence payment of dividends: –
 Preparation of supplementary material on quarterly financial results: Yes (<https://www.kobebussan.co.jp/english/ir/news.php>)
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

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

1. Consolidated financial results for the nine months ended July 31, 2024 (from November 1, 2023 to July 31, 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	%
Nine months ended July 31, 2024	377,283	11.4	26,640	14.4	21,980	(3.1)	14,847	(4.8)
July 31, 2023	338,767	12.9	23,278	6.6	22,694	(4.0)	15,590	(2.1)

Note: Comprehensive income

For the nine months ended July 31, 2024: ¥15,200 million [2.0%]

For the nine months ended July 31, 2023: ¥14,902 million [(10.5)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
July 31, 2024	67.24	66.80
July 31, 2023	71.04	70.16

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
July 31, 2024	224,040	125,927	54.7	554.98
October 31, 2023	211,891	114,451	52.7	506.23

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

As of July 31, 2024: ¥122,610 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.)

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

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 July 31, 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 July 31, 2024:	52,671,455 shares
As of October 31, 2023:	52,968,055 shares
 - (iii) Average number of shares of common shares outstanding during the period

Nine months ended July 31, 2024:	220,800,697 shares
Nine months ended July 31, 2023:	219,465,181 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 July 31, 2024 and 275,200 shares as of October 31, 2023). 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 nine months ended July 31, 2024 and 275,200 shares for the nine months ended July 31, 2023).

* Review procedures for the attached quarterly financial statements by certified public accountants or an audit firm: None

* 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 Financial Performance (3) Overview of forward-looking statements including consolidated financial forecast" on page 3 of the Attached Materials.

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1. Overview of Financial Performance

(1) Overview of quarterly consolidated operating results

During the nine months ended July 31, 2024 (from November 1, 2023 to July 31, 2024) (hereinafter the “period under review”), Japan’s economy was on a moderate recovery trend, with the normalization of its economic activities leading to increased traffic of people, recovery in the demand of inbound tourists, and the improvement in income environments. Nevertheless, the economic outlook has still remained unclear due to the factors such as the prolonged Russia-Ukraine conflict, the intensified situation in the Middle East, 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 ¥377,283 million (up 11.4% year on year), operating profit of ¥26,640 million (up 14.4%), ordinary profit of ¥21,980 million (down 3.1%), and profit attributable to owners of parent of ¥14,847 million (down 4.8%).

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 1,071 stores as a result of a net increase of 23 stores after opening 41 stores and closing 18.

The breakdown of new store openings was 28 stores in directly managed areas and 13 stores in indirectly managed areas. We proceeded smoothly with the store opening plan for the current fiscal year, working on new store openings in all locations in Japan with a particular focus on the Kyushu area.

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 ¥363,723 million (up 10.9% 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. The sales recovered to the level before the COVID-19 pandemic backed by high demand from families and more tourists from abroad in addition to our efforts to improve customer satisfaction through measures such as menu changes. Premium Karubi opened two restaurants and closed none, resulting in 22 restaurants nationwide. The number of customer visits increased thanks to the increased media coverage. Chisouna opened 15 shops and closed 3, resulting in 126 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 ¥10,093 million (up 26.3% 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 ¥3,431 million (up 28.3% year on year).

(2) Overview of quarterly consolidated financial position

(Assets)

Total assets as of July 31, 2024 increased by ¥12,149 million from the end of the previous fiscal year to ¥224,040 million. This was mainly due to an increase in current assets of ¥10,704 million.

This increase was mostly attributable to increases in cash and deposits of ¥5,096 million and in merchandise and finished goods of ¥4,057 million.

(Liabilities)

Total liabilities as of July 31, 2024 increased by ¥673 million from the end of the previous fiscal year to ¥98,113 million. This was mainly due to an increase in current liabilities of ¥3,455 million, partly offset by a decrease in non-current liabilities of ¥2,781 million.

The increase in current liabilities was mainly attributable to an increase in short-term borrowings of ¥4,787 million, partly offset by a decrease in income taxes payable of ¥2,324 million.

The decrease in non-current liabilities was mainly attributable to a decrease in long-term borrowings of ¥6,086 million, partly offset by an increase in other (non-current liabilities) of ¥2,783 million

(Net assets)

Total net assets as of July 31, 2024 increased by ¥11,475 million from the end of the previous fiscal year to ¥125,927 million. This was mainly due to an increase in retained earnings of ¥9,987 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 July 31, 2024)
Assets		
Current assets:		
Cash and deposits	92,590	97,687
Accounts receivable - trade	26,939	26,839
Merchandise and finished goods	16,645	20,703
Work in process	378	387
Raw materials and supplies	1,801	1,980
Other	3,303	4,762
Allowance for doubtful accounts	(17)	(13)
Total current assets	141,641	152,346
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	16,186	19,461
Machinery, equipment and vehicles, net	22,977	24,588
Land	19,897	19,870
Other, net	5,133	1,737
Total property, plant and equipment	64,195	65,657
Intangible assets	1,509	1,865
Investments and other assets	4,544	4,171
Total non-current assets	70,249	71,694
Total assets	211,891	224,040
Liabilities		
Current liabilities:		
Accounts payable - trade	32,231	33,659
Short-term borrowings	1,317	6,105
Income taxes payable	4,562	2,237
Provision for bonuses	473	271
Other	10,473	10,238
Total current liabilities	49,057	52,512
Non-current liabilities:		
Long-term borrowings	37,000	30,913
Retirement benefit liability	688	742
Guarantee deposits received	7,589	7,985
Asset retirement obligations	1,672	1,725
Provision for share awards for directors (and other officers)	110	130
Other	1,320	4,103
Total non-current liabilities	48,382	45,600
Total liabilities	97,439	98,113

(Millions of yen)

	Previous fiscal year (As of October 31, 2023)	Current quarter (As of July 31, 2024)
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	12,137	12,668
Retained earnings	108,797	118,785
Treasury shares	(9,087)	(9,039)
Total shareholders' equity	112,348	122,914
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	27	64
Foreign currency translation adjustment	(684)	(368)
Total accumulated other comprehensive income	(657)	(304)
Share acquisition rights	2,760	3,316
Total net assets	114,451	125,927
Total liabilities and net assets	211,891	224,040

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

Quarterly consolidated statements of income

(Millions of yen)

	For the nine months ended July, 31, 2023 (From November 1, 2022 to July, 31, 2023)	For the nine months ended July, 31, 2024 (From November 1, 2023 to July, 31, 2024)
Net sales	338,767	377,283
Cost of sales	299,658	333,189
Gross profit	39,109	44,093
Selling, general and administrative expenses	15,830	17,453
Operating profit	23,278	26,640
Non-operating income:		
Interest income	371	384
Dividend income	8	6
Rental income	122	202
Foreign exchange gain	811	–
Subsidy income	113	117
Other	331	318
Total non-operating income	1,759	1,029
Non-operating expenses:		
Interest expenses	46	21
Rental costs	26	22
Foreign exchange losses	–	626
Fuel sale costs	64	62
Loss on valuation of derivatives	2,180	4,918
Other	26	37
Total non-operating expenses	2,344	5,688
Ordinary profit	22,694	21,980
Extraordinary income:		
Gain on sale of investment securities	5	14
Gain on sale of non-current assets	3	1
Gain on reversal of share acquisition rights	10	28
Total extraordinary income	18	44
Extraordinary losses:		
Loss on retirement of non-current assets	41	151
Loss on sale of non-current assets	–	0
Loss on sale of investment securities	–	81
Total extraordinary losses	41	233
Profit before income taxes	22,671	21,791
Income taxes - current	6,873	6,938
Income taxes - deferred	207	5
Total income taxes	7,081	6,944
Profit	15,590	14,847
Profit attributable to owners of parent	15,590	14,847

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the nine months ended July, 31 2023 (From November 1, 2022 to July, 31, 2023)	For the nine months ended July, 31, 2024 (From November 1, 2023 to July, 31, 2024)
Profit	15,590	14,847
Other comprehensive income:		
Valuation difference on available-for-sale securities	23	36
Foreign currency translation adjustment	(711)	315
Total other comprehensive income	(688)	352
Comprehensive income	14,902	15,200
Comprehensive income attributable to:		
Owners of parent	14,902	15,200

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

Not applicable.

(Quarterly consolidated statements of cash flows)

The quarterly consolidated statements of cash flows for the period under review are not prepared. The amounts of depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the period under review are as follows.

	(Millions of yen)	
	For the nine months ended July, 31 2023 (From November 1, 2022 to July, 31, 2023)	For the nine months ended July, 31, 2024 (From November 1, 2023 to July, 31, 2024)
Depreciation	3,764	4,399
Amortization of goodwill	3	17

(Segment information)

I. For the nine months ended July 31, 2023 (from November 1, 2022 to July 31, 2023)

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	325,223	7,929	–	333,153	30	333,183	–	333,183
Goods or services transferred over time	2,844	64	2,675	5,584	–	5,584	–	5,584
Revenue from contracts with customers	328,067	7,994	2,675	338,737	30	338,767	–	338,767
Net sales								
Sales to external customers	328,067	7,994	2,675	338,737	30	338,767	–	338,767
Intersegment sales or transfers	3,546	229	–	3,775	–	3,775	(3,775)	–
Total	331,614	8,223	2,675	342,512	30	342,543	(3,775)	338,767
Segment profit (loss)	25,550	360	726	26,637	(33)	26,604	(3,325)	23,278

*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 ¥(3,325) 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 nine months ended July 31, 2024 (from November 1, 2023 to July 31, 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	360,595	10,005	–	370,601	35	370,636	–	370,636
Goods or services transferred over time	3,128	87	3,431	6,647	–	6,647	–	6,647
Revenue from contracts with customers	363,723	10,093	3,431	377,248	35	377,283	–	377,283
Net sales								
Sales to external customers	363,723	10,093	3,431	377,248	35	377,283	–	377,283
Intersegment sales or transfers	4,561	388	–	4,950	–	4,950	(4,950)	–
Total	368,285	10,481	3,431	382,198	35	382,233	(4,950)	377,283
Segment profit (loss)	28,593	778	876	30,247	(21)	30,226	(3,586)	26,640

*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 ¥(3,586) 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)

For the nine months ended July 31, 2024, an impairment loss on non-current assets was recorded. The amount of the said loss was ¥81 million in the Gyomu Super Business segment.