

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Consolidated Financial Results for the Six Months Ended April 30, 2022 (Under Japanese GAAP)

June 13, 2022

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 file Quarterly Securities Report: June 14, 2022
 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, 2022 (from November 1, 2021 to April 30, 2022)

(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, 2022	198,161	12.3	14,733	2.4	16,380	7.8	11,037	8.9
April 30, 2021	176,437	0.2	14,387	16.1	15,190	21.9	10,133	34.3

Note: Comprehensive income

For the six months ended April 30, 2022: ¥11,331 million [10.2%]

For the six months ended April 30, 2021: ¥10,283 million [49.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
April 30, 2022	50.57	49.74
April 30, 2021	46.89	45.83

(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, 2022	171,923	85,907	48.8	383.86
October 31, 2021	156,737	78,218	48.8	350.49

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

As of April 30, 2022: ¥83,872 million

As of October 31, 2021: ¥76,411 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, 2021	–	0.00	–	20.00	20.00
Ending October 31, 2022	–	0.00	–	–	–
Ending October 31, 2022 (Forecast)	–	–	–	21.00	21.00

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

3. Consolidated financial forecast for the fiscal year ending October 31, 2022 (from November 1, 2021 to October 31, 2022)

(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	380,000	5.0	28,800	5.4	29,200	0.4	19,800	1.1	91.44

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: 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 “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 8 of the Attached Materials.

- (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, 2022:	273,600,000 shares
As of October 31, 2021:	273,600,000 shares
 - (ii) Number of shares of treasury shares at the end of the period

As of April 30, 2022:	55,102,520 shares
As of October 31, 2021:	55,587,320 shares
 - (iii) Average number of shares of common shares outstanding during the period

Six months ended April 30, 2022:	218,257,206 shares
Six months ended April 30, 2021:	216,099,989 shares

Note: The number of shares of Kobe Bussan held by Custody Bank of Japan, Ltd. (“Trust Account”) as trust property for a Board Benefit Trust (176,000 shares for the six months ended April 30, 2021 and 168,400 shares for the six months ended April 30, 2022) was included in the number of shares of treasury shares as of October 31, 2021 and April 30, 2022, and 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 six months ended April 30, 2021 and the six months ended April 30, 2022.

* 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.

Contents of Attached Materials

1. Qualitative Information on Quarterly Consolidated Financial Results	P. 2
(1) Overview of quarterly consolidated operating results	P. 2
(2) Overview of quarterly consolidated financial position	P. 3
(3) Overview of forward-looking statements including consolidated financial forecast	P. 3
2. Quarterly Consolidated Financial Statements and Major Notes	P. 4
(1) Quarterly consolidated balance sheets	P. 4
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	P. 6
Quarterly consolidated statements of income	P. 6
Quarterly consolidated statements of comprehensive income	P. 7
(3) Notes to quarterly consolidated financial statements	P. 8
(Going concern assumption)	P. 8
(Significant changes in shareholders' equity)	P. 8
(Changes in accounting policies)	P. 8
(Segment information)	P. 8

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Overview of quarterly consolidated operating results

During the six months ended April 30, 2022 (from November 1, 2021 to April 30, 2022) (hereinafter the “period under review”), Japan was on the way to resuming its economic activities thanks to expanded vaccination and testing as well as improved medical delivery system in spite of the rebound of COVID-19. Overseas countries are also restarting their economic activities in a phased manner by easing movement restrictions. Such developments have increased demand for various items, resulting in a rise in prices around the world. In addition, the environment surrounding Japan has remained precarious due to the surge in prices of energy against the backdrop of the Russian invasion of Ukraine and the rapidly weakening yen triggered by the interest rate increase in the United States.

As such, Japan’s food retail industry is hard-pressed to deal with a further increase in costs resulting from the global hike in prices, the weakened yen, and a rise in personnel and utility expenses.

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 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 ¥198,161 million (up 12.3% year on year), operating profit of ¥14,733 million (up 2.4%), ordinary profit of ¥16,380 million (up 7.8%), and profit attributable to owners of parent of ¥11,037 million (up 8.9%).

The operating results by business segment are as follows:

(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 969 stores as a result of a net increase of 19 stores after opening 34 stores and closing 15.

The breakdown of new store openings was 26 stores in directly managed areas and eight 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 franchise owners to relocate stores which have deteriorated after many years in operations.

In terms of operating results, despite the rise in purchase costs due to price increases, we have continued expanding business performance, driven by successful pricing strategy and significantly increased 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 ¥193,532 million (up 11.5% 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 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 one and closed seven restaurants, resulting in nine restaurants nationwide. The certain restaurants temporarily closed or shortened opening hours to prevent the COVID-19 infections. Premium Karubi opened three restaurants and closed none, resulting in 13 restaurants nationwide. Given an increase in the number of the restaurants and BBQ popularity, Premium Karubi has only a limited effect on net sales from COVID-19. Chisouna opened 16 shops and closed none, resulting in 65 shops nationwide. It remained positive due to an improved brand recognition through increased exposure to media as well as strong shop openings.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥3,238 million (up 102.2% year on year).

(iii) Eco Renewable Energy Business

This business segment covers renewable energies generated by our own solar and woody biomass power plants. We did

not open any power plants during the period under review, but opened one solar power plant in Misaki-cho, Sennan-gun, Osaka in May 2021, resulting in a year-on-year increase by one solar power plant. Currently, we operate 17 solar power plants collectively generating approximately 32.1 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 ¥1,388 million (up 12.4% year on year).

(2) Overview of quarterly consolidated financial position

Assets, liabilities, and net assets

(Assets)

Total assets as of April 30, 2022 increased by ¥15,186 million from the end of the previous fiscal year to ¥171,923 million. This was mainly due to an increase in current assets of ¥13,635 million, which was mostly attributable to an increase in cash and deposits of ¥10,086 million resulting from new borrowings for the facility enhancement of our group's domestic plants.

(Liabilities)

Total liabilities as of April 30, 2022 increased by ¥7,497 million from the end of the previous fiscal year to ¥86,015 million. This was mainly due to an increase in long-term borrowings of ¥10,613 million resulting from new borrowings for a reason already mentioned above.

(Net assets)

Total net assets as of April 30, 2022 increased by ¥7,689 million from the end of the previous fiscal year to ¥85,907 million. This was mainly due to an increase in retained earnings of ¥6,674 million.

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

It remains unchanged from our financial forecast published on December 14, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

	(Millions of yen)	
	Previous fiscal year (As of October 31, 2021)	Current quarter (As of April 30, 2022)
Assets		
Current assets:		
Cash and deposits	57,799	67,886
Notes and accounts receivable - trade	19,837	21,637
Securities	-	2,000
Merchandise and finished goods	12,817	12,861
Work in process	353	380
Raw materials and supplies	1,493	1,821
Other	3,576	2,912
Allowance for doubtful accounts	(15)	(2)
Total current assets	95,862	109,498
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	15,534	15,952
Land	13,350	13,264
Other, net	25,607	27,311
Total property, plant and equipment	54,493	56,528
Intangible assets	884	1,028
Investments and other assets	5,496	4,868
Total non-current assets	60,874	62,425
Total assets	156,737	171,923

(Millions of yen)

	Previous fiscal year (As of October 31, 2021)	Current quarter (As of April 30, 2022)
Liabilities		
Current liabilities:		
Accounts payable - trade	25,158	27,856
Short-term borrowings	15,155	10,072
Income taxes payable	5,194	5,531
Provision for bonuses	354	402
Other	5,184	3,716
Total current liabilities	51,047	47,580
Non-current liabilities:		
Long-term borrowings	19,534	30,148
Retirement benefit liability	713	739
Guarantee deposits received	6,512	6,751
Asset retirement obligations	465	492
Provision for share awards for directors (and other officers)	58	65
Other	186	237
Total non-current liabilities	27,471	38,435
Total liabilities	78,518	86,015
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	9,581	9,992
Retained earnings	76,592	83,266
Treasury shares	(9,135)	(9,053)
Total shareholders' equity	77,539	84,706
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	62	(54)
Foreign currency translation adjustment	(1,190)	(779)
Total accumulated other comprehensive income	(1,127)	(833)
Share acquisition rights	1,807	2,035
Total net assets	78,218	85,907
Total liabilities and net assets	156,737	171,923

(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, 2021 (From November 1, 2020 to April 30, 2021)	For the six months ended April 30, 2022 (From November 1, 2021 to April 30, 2022)
Net sales	176,437	198,161
Cost of sales	154,865	174,438
Gross profit	21,572	23,722
Selling, general and administrative expenses	7,184	8,989
Operating profit	14,387	14,733
Non-operating income:		
Interest income	60	42
Dividend income	0	0
Rental income	31	125
Foreign exchange gain	454	987
Gain on valuation of derivatives	136	231
Subsidy income	144	182
Other	147	186
Total non-operating income	975	1,755
Non-operating expenses:		
Interest expenses	92	45
Rental costs	14	15
Fuel sale costs	28	38
Provision of allowance for doubtful accounts	15	–
Other	20	9
Total non-operating expenses	171	108
Ordinary profit	15,190	16,380
Extraordinary income:		
Gain on sale of non-current assets	1	6
Gain on reversal of share acquisition rights	–	7
Total extraordinary income	1	13
Extraordinary losses:		
Loss on retirement of non-current assets	22	18
Loss on sale of investment securities	–	50
Loss on sale of non-current assets	110	–
Total extraordinary losses	132	68
Profit before income taxes	15,060	16,325
Income taxes - current	4,648	5,475
Income taxes - deferred	277	(187)
Total income taxes	4,926	5,287
Profit	10,133	11,037
Profit attributable to owners of parent	10,133	11,037

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended April 30, 2021 (From November 1, 2020 to April 30, 2021)	For the six months ended April 30, 2022 (From November 1, 2021 to April 30, 2022)
Profit	10,133	11,037
Other comprehensive income:		
Valuation difference on available-for-sale securities	(57)	(116)
Foreign currency translation adjustment	207	410
Total other comprehensive income	149	293
Comprehensive income	10,283	11,331
Comprehensive income attributable to owners of parent	10,283	11,331

(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 Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) since the beginning of the first quarter of this fiscal year. In accordance with these accounting policies, when control over the promised goods or services are transferred to the customer, revenue will be recognized at the amount expected to be received in exchange for the said goods or services.

In applying the Accounting Standard for Revenue Recognition and other standards, the Company has added or subtracted the cumulative effect of applying the new accounting policy retrospectively to or from retained earnings at the beginning of the first quarter of this fiscal year and applied the new accounting policy from the restated balance pursuant to the transitional treatment set forth in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition.

This change in accounting policies has a minimal effect on the quarterly consolidated financial statements.

Moreover, in accordance with the transitional treatment set forth in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), disaggregated revenue from contracts with customers has not been presented for the six months ended April 30, 2021.

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

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No.30; July 4, 2019; hereinafter, the "Fair Value Accounting Standards") and other standards since the beginning of the first quarter of this fiscal year. In accordance with the transitional treatment set forth in paragraph 19 of the Fair Value Accounting Standards and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has applied the new accounting policies set forth by the Fair Value Accounting Standards and others prospectively. There is no effect on the quarterly consolidated financial statements by applying the standard.

(Segment information)

I. For the six months ended April 30, 2021 (from November 1, 2020 to April 30, 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	173,596	1,601	1,234	176,433	4	176,437	–	176,437
Intersegment sales or transfers	753	74	–	827	–	827	(827)	–
Total	174,350	1,676	1,234	177,261	4	177,265	(827)	176,437
Segment profit (loss)	16,052	(156)	226	16,121	(36)	16,085	(1,697)	14,387

*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 ¥(1,697) 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, 2022 (from November 1, 2021 to April 30, 2022)

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	191,844	3,216	–	195,060	1	195,062	–	195,062
Goods or services transferred over time	1,688	22	1,388	3,098	–	3,098	–	3,098
Revenue from contracts with customers	193,532	3,238	1,388	198,159	1	198,161	–	198,161
Net sales								
Sales to external customers	193,532	3,238	1,388	198,159	1	198,161	–	198,161
Intersegment sales or transfers	1,360	74	–	1,435	–	1,435	(1,435)	–
Total	194,893	3,312	1,388	199,594	1	199,596	(1,435)	198,161
Segment profit (loss)	16,620	(89)	244	16,774	(26)	16,748	(2,014)	14,733

*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 ¥(2,014) 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.

*4 The revenue recognition method is as described in “Changes in accounting policies” in the Notes.

2. Matters related to changes in segment reporting

As described in “Changes in accounting policies,” the method of accounting for revenue recognition was changed by applying the Revenue Recognition Standard, etc. from the beginning of the first quarter of this fiscal year. Accordingly, the method of measuring segment profit or loss was changed.

This change has a minimal effect on “Sales to external customers” and “Segment profit (loss)” of each reportable segment for the six months ended April 30, 2022.

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.