

Supplementary Material for
FY2024 Q3 Financial Results

September 11, 2024



Securities code: 3038

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(Millions of yen)

	FY23 Nov.-July	FY24 Nov.-July	Percentage change	FY23 May-July	FY24 May-July	Percentage change	FY24 forecast	Progress towards full-year forecast
Net sales	338,767	377,283	11.4%	116,798	129,160	10.6%	498,000	75.8%
Gross profit (Gross margin)	39,109 (11.5%)	44,093 (11.7%)	12.7%	14,591	14,854	1.8%	—	—
SG&A expenses (SG&A ratio)	15,830 (4.7%)	17,453 (4.6%)	10.3%	5,446	5,934	9.0%	—	—
Operating profit (Operating margin)	23,278 (6.9%)	26,640 (7.1%)	14.4%	9,144	8,919	-2.5%	31,000	85.9%
Ordinary profit (Ordinary margin)	22,694 (6.7%)	21,980 (5.8%)	-3.1%	9,495	3,944	-58.5%	33,000	66.6%
Profit attributable to owners of parent (Net margin)	15,590 (4.6%)	14,847 (3.9%)	-4.8%	6,480	2,501	-61.4%	21,500	69.1%

[Financial Overview]

- **Net sales**

Net sales increased by ¥38,515 million (11.4%) year on year with robust new store openings and continued strong product shipments to existing stores.

- **Gross profit**

Gross profit increased by ¥4,984 million (12.7%) year on year due to the continued strong net sales despite the impact of the exchange rate fluctuations.

- **SG&A expenses**

SG&A expenses increased by ¥1,623 million (10.3%) year on year due to increases in freight costs along with increased net sales of the Gyomu Super Business and personnel and rent expenses resulting from the opening of Premium Karubi restaurants. On the other hand, the SG&A ratio decreased by 0.1 percentage point due to the improvement in logistics efficiency.

- **Operating profit**

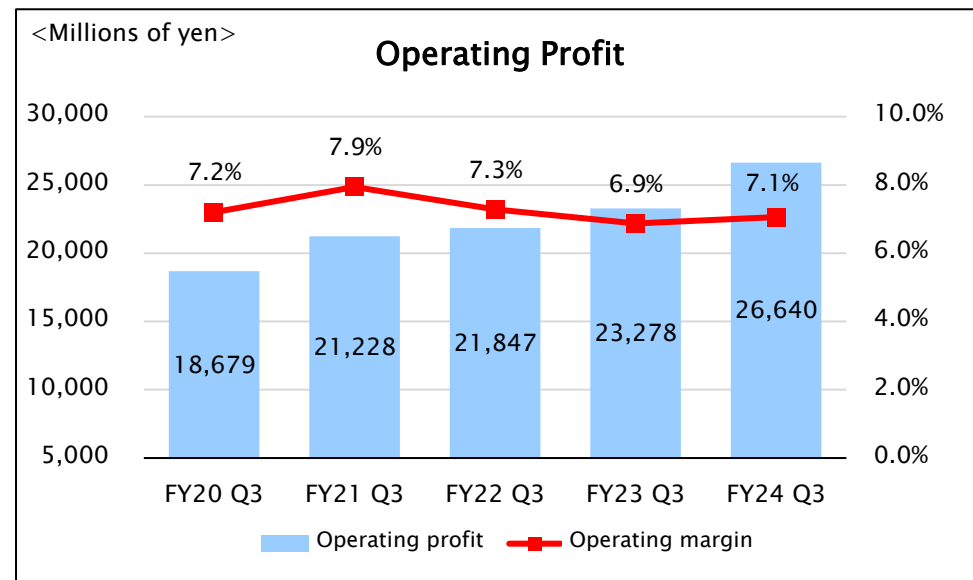
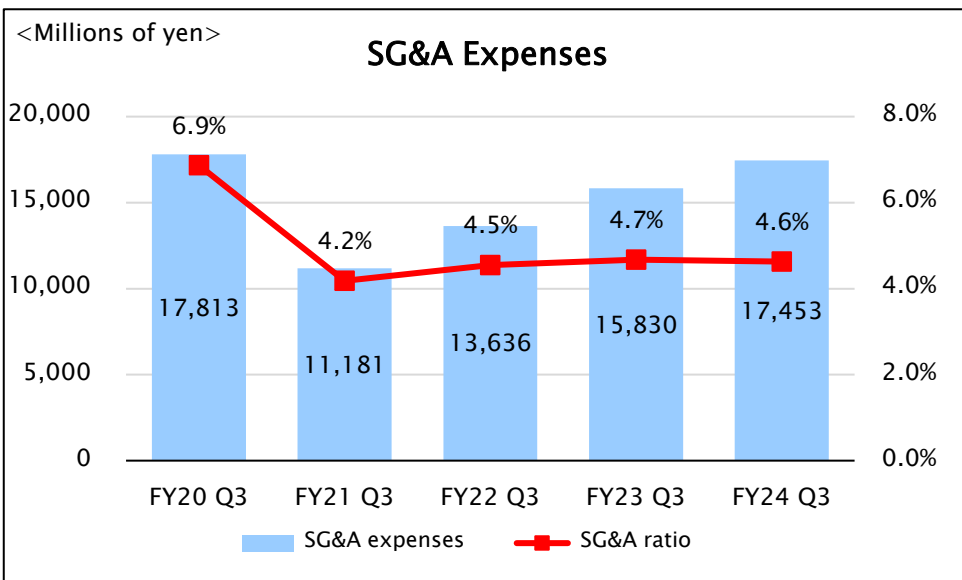
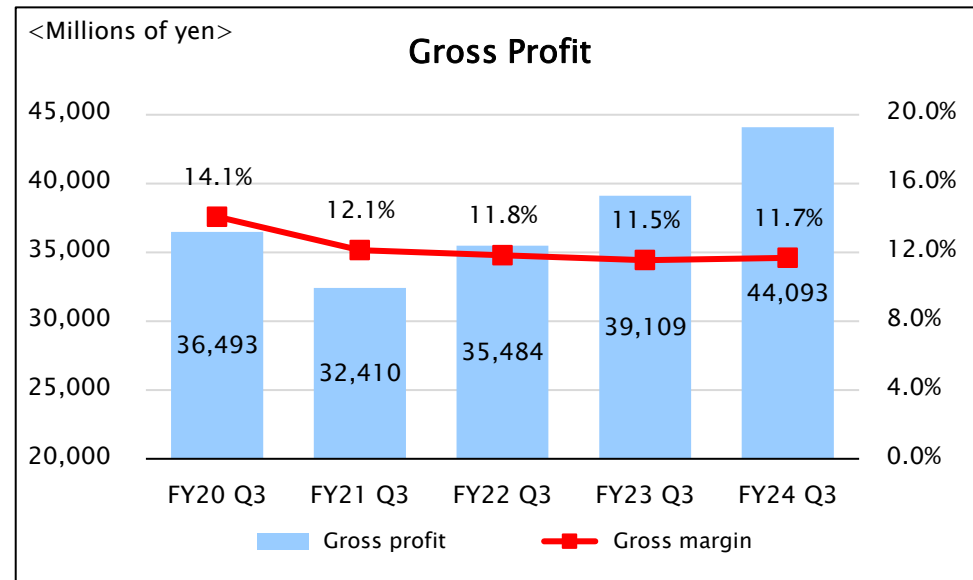
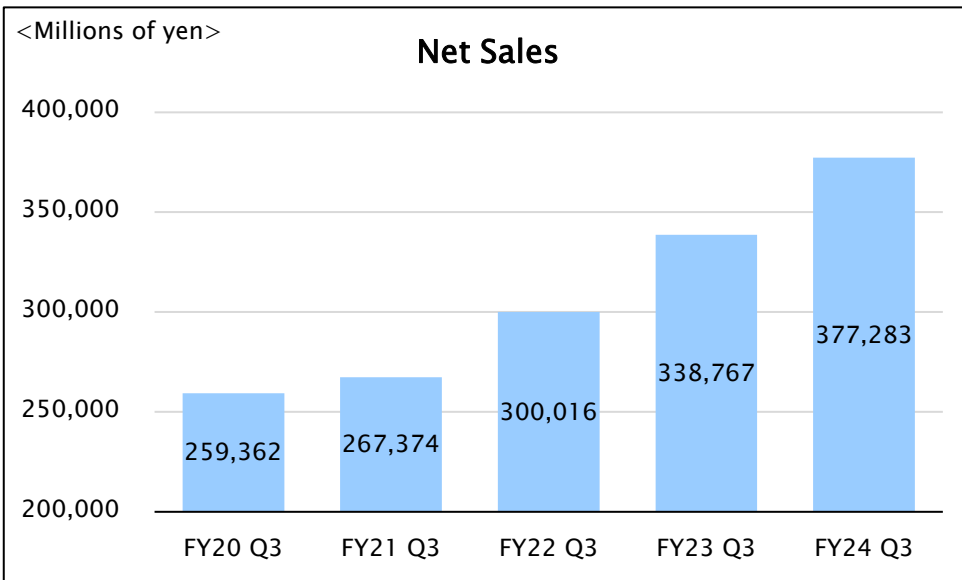
As a result of the factors above, operating profit increased by ¥3,361 million (14.4%) year on year.

- **Ordinary profit**

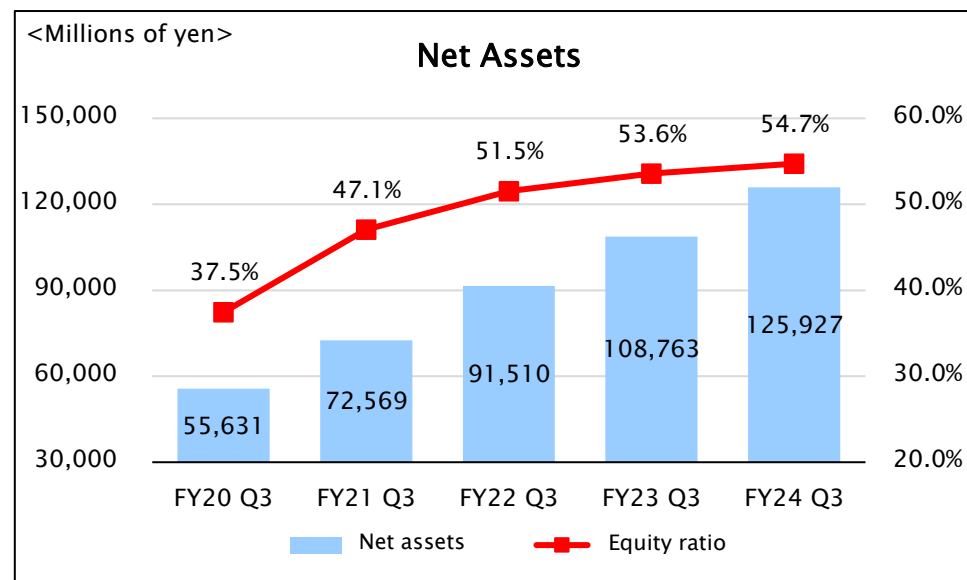
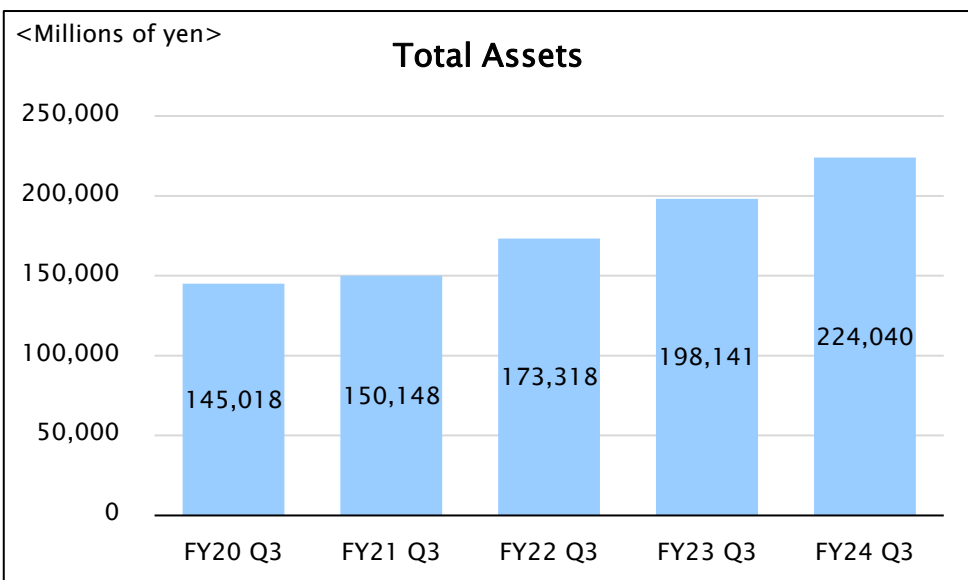
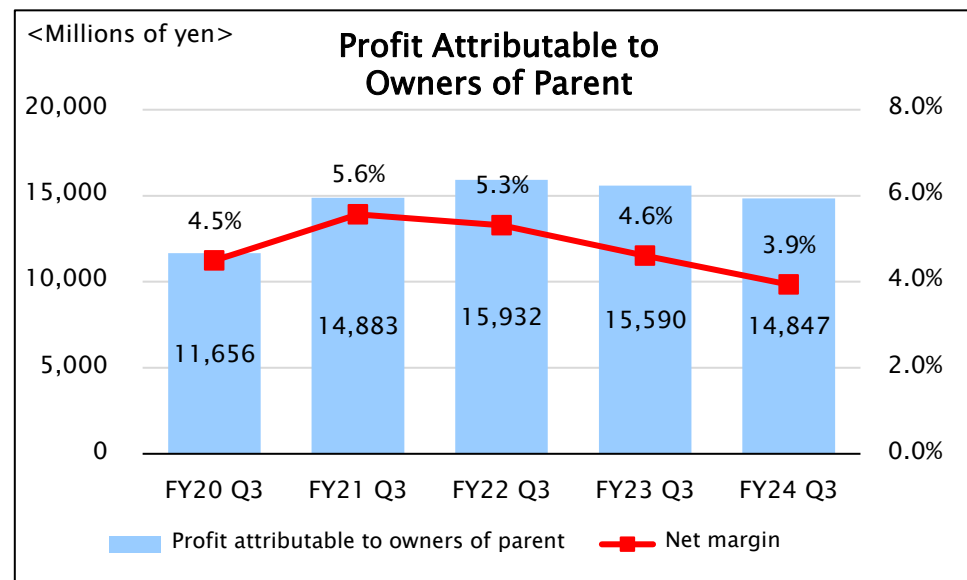
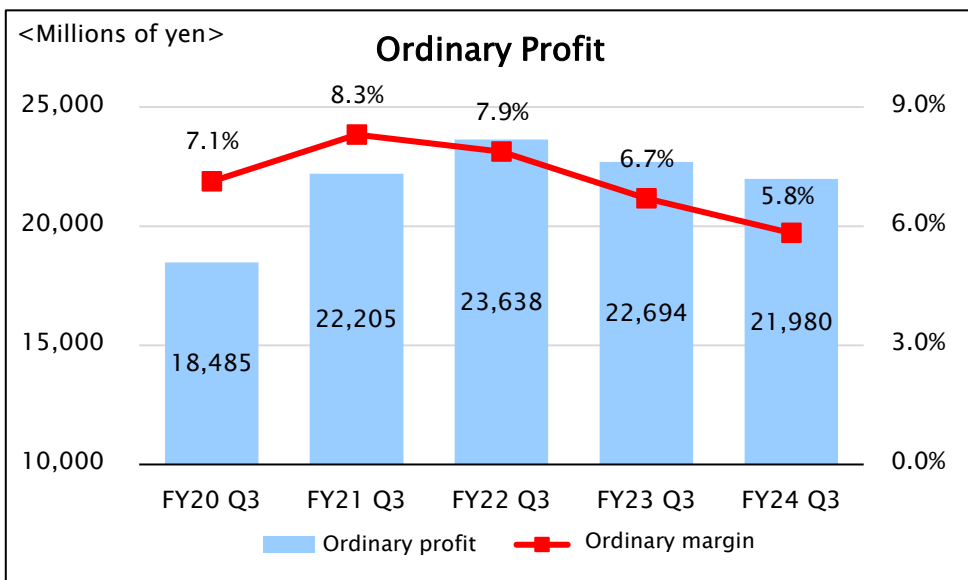
Ordinary profit decreased by ¥713 million (3.1%) year on year due to a significant valuation loss on derivatives for forward exchange contracts resulting from the yen turning to appreciation from July.

- **Profit attributable to owners of parent**

As a result of the factors above, profit attributable to owners of parent decreased by ¥742 million (4.8%) year on year.



Note: Fiscal year (FY) represents the one-year period from November 1 to October 31 of the following year.

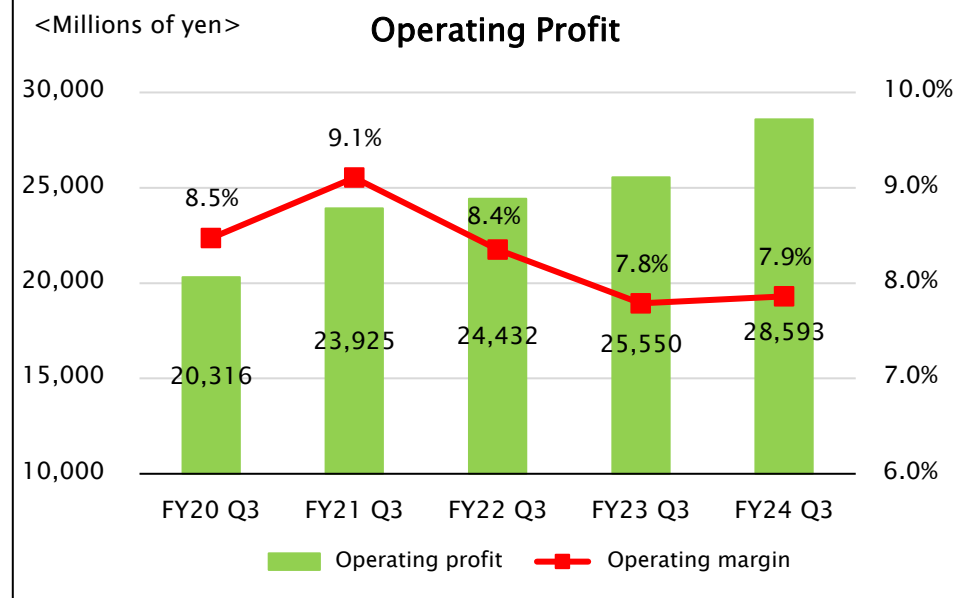
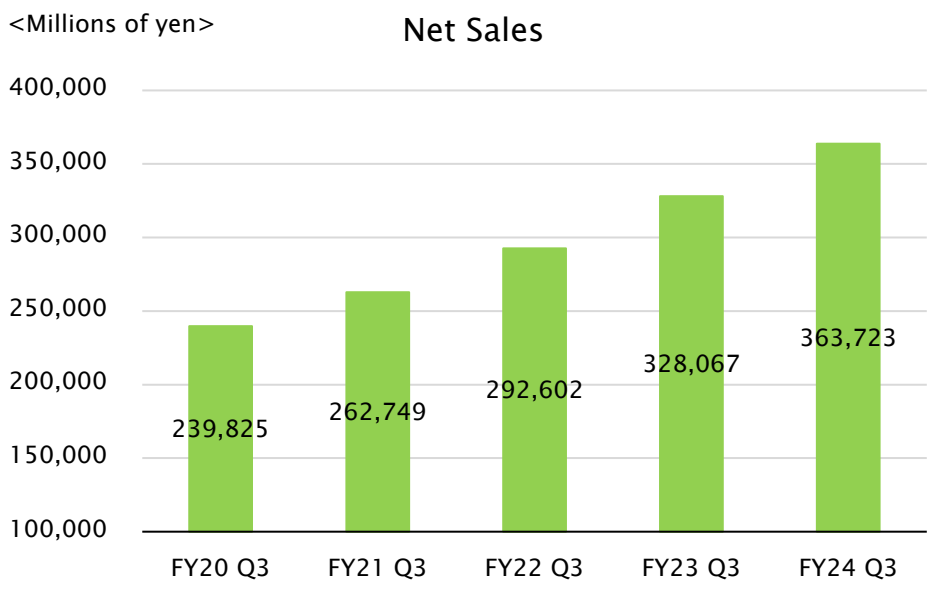


Gyomu Super is our core business. Operating results of this business segment reflect wholesale sales to, and royalty fee from, Gyomu Super franchisees earned by Kobe Bussan, a franchisor (franchising headquarters), as well as earnings of Kobe Bussan Group's plants.

- Gyomu Super stores have expanded nationwide with 1,071 stores as of July 31, 2024.
- Net sales for FY2024 Q3 exceeded the planned amount due to strong performance of the existing stores.
- With Kagoshima being classified into the directly managed areas on April 1, all the prefectures of Kyushu are now classified as the directly managed areas.



Inside the Gyomu Super Yokohama Izumi Store



Note: Due to a change in the reportable segment structure in FY2021, the figures for FY2020 are reclassified retrospectively to reflect the change.

We operate Gyomu Super stores under a franchise system except 4 stores of our own.

Our franchise agreement has 2 types as follows:

- General franchise contract, which allows a franchisee to open 1 store in our directly managed areas (*1).
- Area franchise contract, which allows a franchisee to open multiple stores in a defined prefecture in our indirectly managed areas (*2).

Also, we own 4 stores in Hyogo, Osaka and Kanagawa prefectures under direct operations.

*1 Directly managed areas

- Hokkaido area: Hokkaido prefecture
- Kanto area: Tokyo, Chiba, Kanagawa, and Saitama prefectures
- Kansai area: Osaka, Kyoto, Hyogo (excl. Awaji Island), Nara, Wakayama, and Shiga prefectures
- Kyushu area: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, and Kagoshima prefectures

*2 Indirectly managed areas

- Other areas: Prefectures other than those listed above

Outline of Franchise Contract & Requirements (as of July 31, 2024)

	Directly managed areas	Indirectly managed areas
Number of franchisees	90	15
Type of franchise agreement	Single-unit franchise (A general franchisee can open 1 store per contract.)	Multi-unit franchise (An area franchisee has an exclusive right to open multiple stores in a prefecture defined under the contract.)
Initial franchise fee (excl. consumption taxes)	¥2,000,000	Population in the prefecture x ¥2
Franchise deposit	¥10,000,000	Population in the prefecture x ¥5
Royalty fee	1% of total purchase of goods	1% of purchase of defined goods
Facility expenses	It costs between ¥32 million and ¥38 million to construct racks for shelf-stable foods and refrigeration equipment (the above construction cost is a rough estimate and varies depending on properties). Equipment, construction work, POS registers, and other funds for start-up are required separately.	
Distribution expenses	Principally paid by franchise headquarters	Negotiable

Simulated Earnings (Standard Store Franchisees)

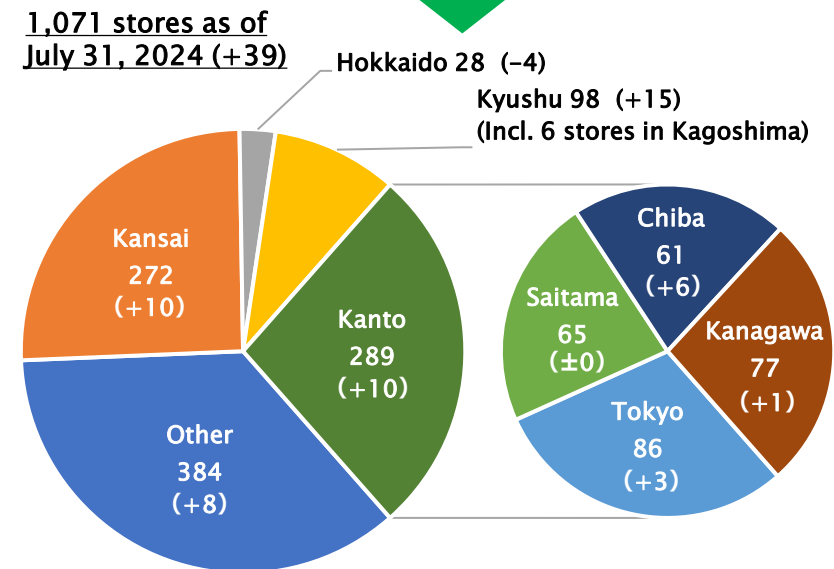
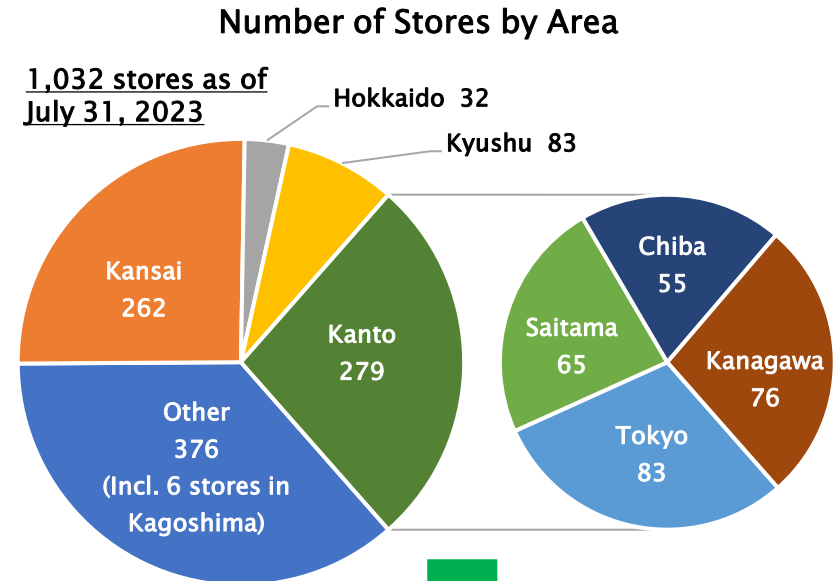
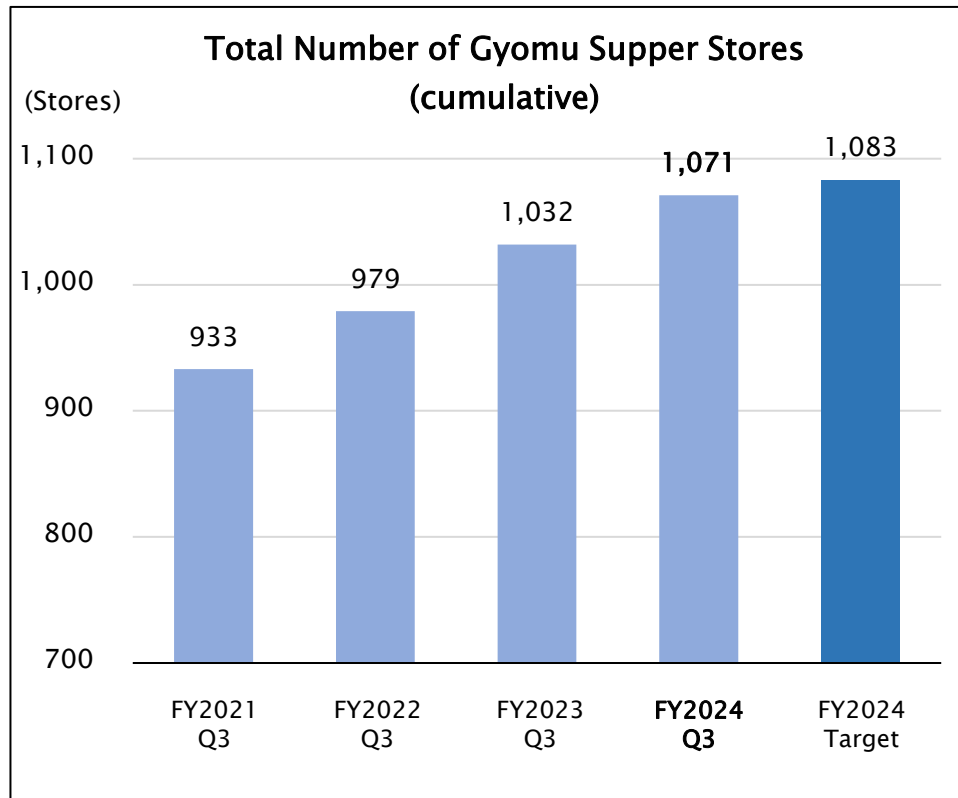
P&L account	Monthly amount	Composition
Net sales	¥43,500,000	100.0%
Gross profit	¥7,395,000	17.0%
SG&A expenses	¥6,499,000	14.9%
(Rent expenses)	¥1,300,000	3.0%
(Personnel expenses)	¥2,393,000	5.5%
Operating profit	¥896,000	2.1%

* By purchasing items such as fresh food separately, many of franchisees operate more efficiently than the above simulation.

Gyomu Super opened 41 stores and closed 18 during FY2024 Q3 cumulative, and opened 18 stores and closed 9 stores during FY2024 Q3 alone.

The progress at the end of FY2024 Q3 was 66% toward the full-year target of a net increase of 35 stores.

During FY2024 Q3, we expanded store openings ranging widely from Kanto to Kyushu.

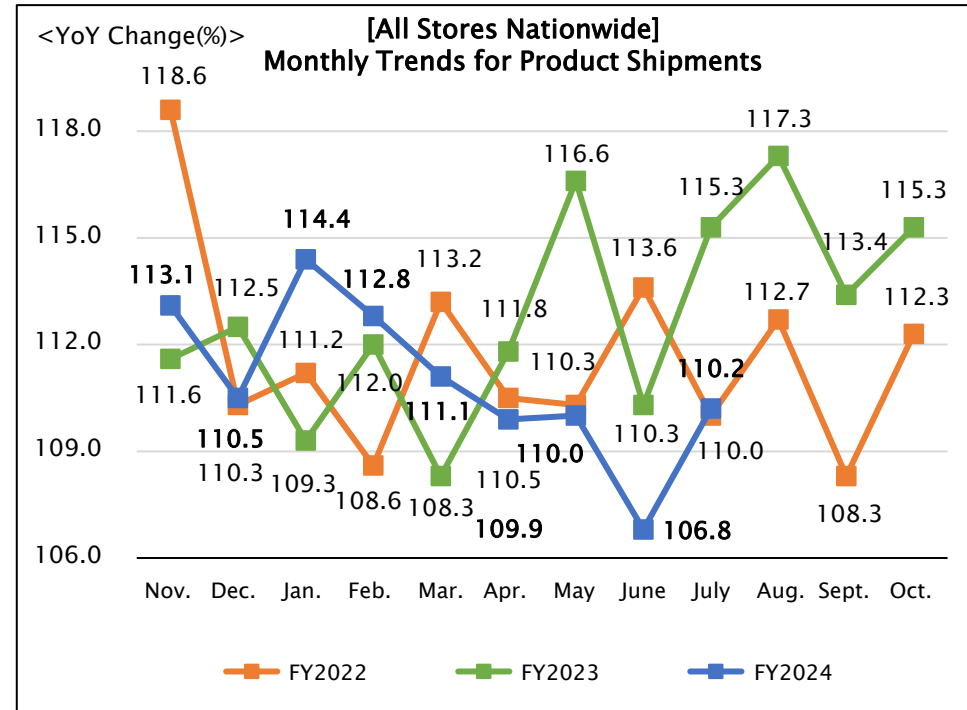
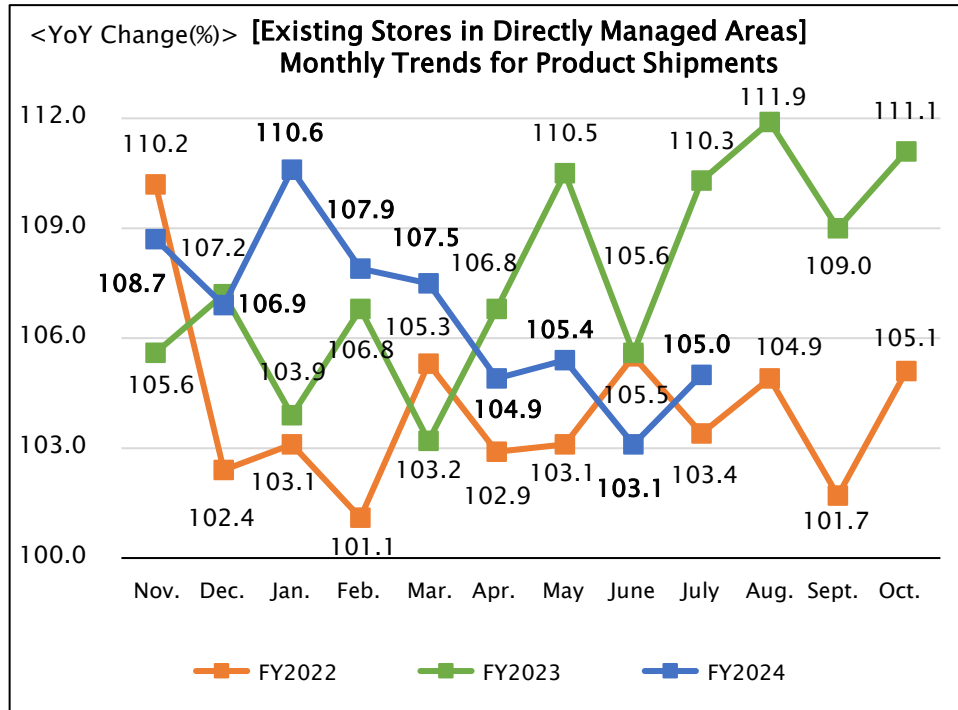


Directly managed areas: Hokkaido, Kanto, Kansai, and Kyushu
Indirectly managed areas: Other

Note: Effective April 1, 2024, the area category of Kagoshima prefecture was changed from indirectly managed areas to directly managed areas.

Year-on-year Changes in Product Shipments to Gyomu Super Stores

- Product shipments to existing stores during FY2024 Q3 increased year on year, with the number of customer visits recovering nationwide.



[Year-on-year % Changes in Product Shipments to Gyomu Super Stores]

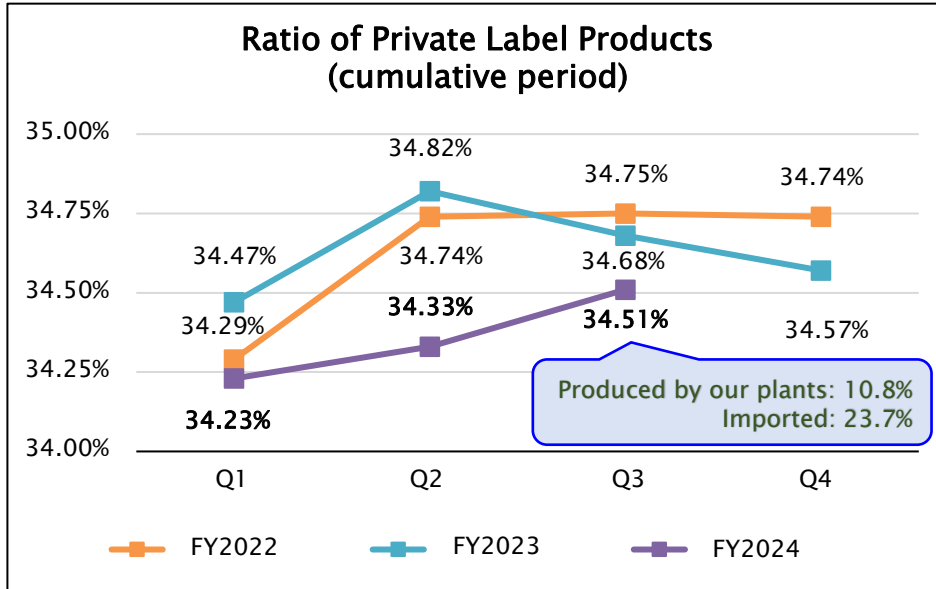
		FY2023			FY2024									
		H1	H2	Full	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	H1	May	June	July
Directly managed areas	Existing stores	105.6	109.4	107.7	108.7	106.9	110.6	107.9	107.5	104.9	107.7	105.4	103.1	105.0
	All stores	111.4	114.7	113.1	112.7	110.2	113.8	111.7	111.0	109.1	111.3	109.8	107.4	109.7
Nationwide		111.0	114.7	112.9	113.1	110.5	114.4	112.8	111.1	109.3	111.7	110.0	106.8	110.2

Products shipments to existing stores in directly managed areas for each quarter alone

Q1: 108.6%
Q2: 106.7%
Q3: 104.5%

Note: "Nationwide" represents the product shipments to the stores in both directly and indirectly managed areas.

Enhancing Original Products



Private label products



Sauteed onions
¥300 (500g)



Rabbit-shaped custard buns
¥483 (360g)



Rich mango pudding
¥537 (1kg)

New Plant Started Operations

The new plant increased Miyagi Seifun's production capacity by approx. 2.5 times.

Photo:
Exterior view of the new plant



- A new head factory of Miyagi Seifun in Watari-gun, Miyagi started its operations in April 2024.
- With the factory added to the Group, we have come to own 26 domestic food plants.

Products produced by the new plant of Miyagi Seifun



Medium-spicy, large-size curry for grown-ups
¥343 (220g×4)



Tenderly braised pork
¥505 (550g)



Petit daifuku
¥321 (750g)

Note: All prices include tax.

Products and prices are different depending on stores and seasons.

The Restaurant & Delicatessen Business covers restaurants and delicatessen shops that we operate directly or as a franchisor (franchising headquarters). This business segment includes Kobe Cook World Buffet, a buffet-style restaurant chain; Premium Karubi, a served a-la-carte buffet style BBQ restaurant chain; and Chisouna, a delicatessen shop chain.

- All the three brands performed well.
- The restaurant business successfully attracted customers due to the effects of summer vacation and other events.
- Chisouna steadily opened new shops.

As a result of the above, the segment performance improved significantly.



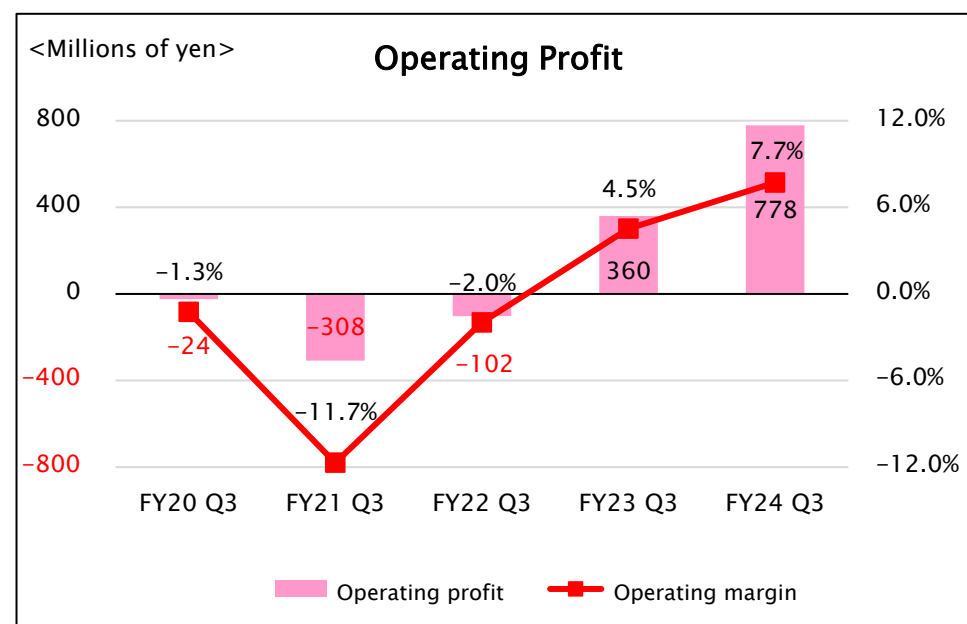
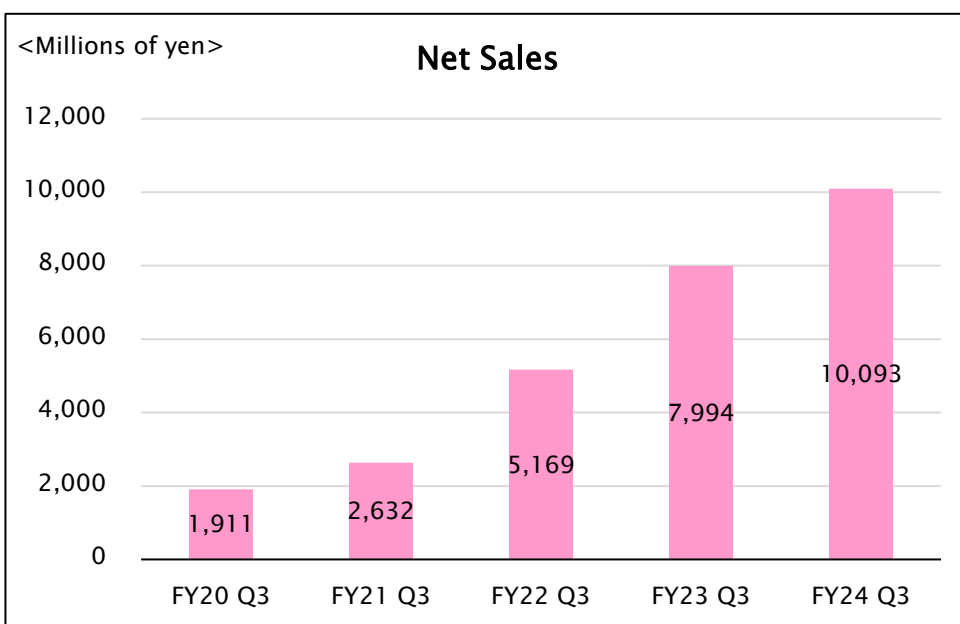
Kobe Cook World Buffet



Premium Karubi



Chisouna



Note: Due to a change in the reportable segment structure in FY2021, the figures for FY2020 are reclassified retrospectively to reflect the change.

Kobe Cook World Buffet

Total Number of Restaurants: 15 (as of July 31, 2024)

Kobe Cook World Buffet opened 1 restaurant and closed none, resulting in a net increase of 1 restaurant during FY2024 Q3 cumulative, and did not open or close any restaurants during FY2024 Q3 alone.

We got increased exposure on TV programs and social media.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Measures to Attract Customers

We held the *China Fair* from May 1 to June 30 and the *Sweets Fair* from July 1 to August 31 as we hold a new fair every two months. The China Fair is always popular and was well-received by people of all ages.

The Sweets Fair, our first attempt to feature a specific food category, offered more than 25 kinds of desserts. Many guests enjoyed the fair partly because its period overlapped the summer vacation. During the Sweets Fair, we also held the special features on *Japanese Food Stalls* and the *World Beer Fair*.

Business Strategy for FY2024 H2

Net sales at all restaurants recovered to pre-pandemic levels. We will aim to further grow throughout the fiscal year, keeping the pre-pandemic sales levels. Even after April, we had high demand from families and also expect demand from large party guests such as tourists from home and abroad to continue.

Going forward, we will encourage customers to visit the restaurant more frequently by continuing to offer services that satisfy customers with a dining experience unparalleled to any other restaurant chains in terms of the menu, volume of food, and price.



Seasonal special offer in July and August: "Sweets Fair"

Premium Karubi

Total Number of Restaurants: 22 (as of July 31, 2024)

Premium Karubi opened 2 restaurants and closed none, resulting in a net increase of 2 restaurants during FY2024 Q3 cumulative, and opened 1 restaurant and closed none during FY2024 Q3 alone.

Shizuoka Magarikane 5-chome Store opened in Suruga-ku, Shizuoka-shi, Shizuoka on July 18.

We plan to start franchising the brand.



Overview of FY2024 Q3

In July, we opened Shizuoka Magarikane 5-chome Store, the second store in Shizuoka. This store introduced a beverage station because customer satisfaction was improved by the beverage station installed at Shonandai store for the first time. In addition, we aired a commercial on TV in Shizuoka for the new store opening, which was the first TV commercial for this brand.

Sales for June was quite strong due to the brand featured on *Hirunandesu!*, a daytime TV program, on June 17. Sales for July remained strong thanks to the effect of the abovementioned TV program. We are aiming to franchise this brand by developing services that meet customer needs.



Restaurants Opened during FY2024

Shonandai	7-37-9 Shonandai, Fujisawa-shi, Kanagawa
Shizuoka Magarikane 5-chome	5-5-10 Magarikane, Suruga-ku, Shizuoka-shi, Shizuoka



Premium Karubi Shonandai Store

Note: Menus may vary by restaurant and season.

Chisouna

Total Number of Shops: 126 (as of July 31, 2024)

Chisouna opened 15 shops and closed 3, resulting in a net increase of 12 shops during FY2024 Q3 cumulative, and opened 8 shops and closed 3 during FY2024 Q3 alone.

The number of shops has been expanding since we started establishing them in Gyomu Super stores while our franchisees remained eager to open new shops.



Factors behind Strong Performance

Despite continuous soaring prices of raw materials, Chisouna maintains a price advantage by working on menu changes and improvement in cooking operations efficiency. In addition, a strong synergy effect on attracting more customers to Gyomu Super stores is accelerating the willingness of franchisees to open new shops.

The store policy of providing freshly prepared dishes by in-store cooking staff with large serving size keeps attracting customers.

To create more attractive shop floor that satisfies customers, we continue to expand a variety of menu items while increasing the number of shops along with Gyomu Super store openings.



Note: Products and prices may vary by shop and season.

7 AFFORDABLE AND CLEAN ENERGY

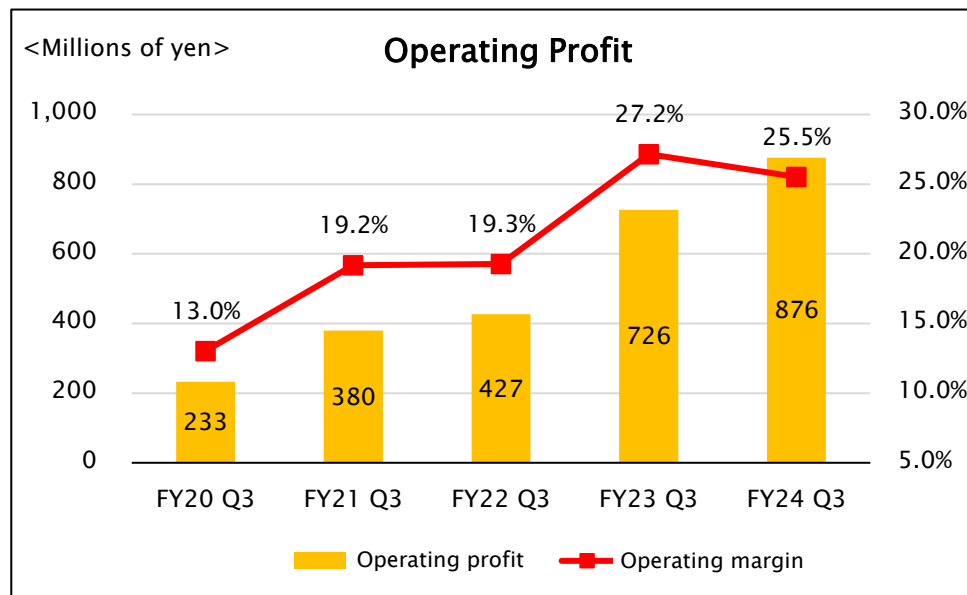
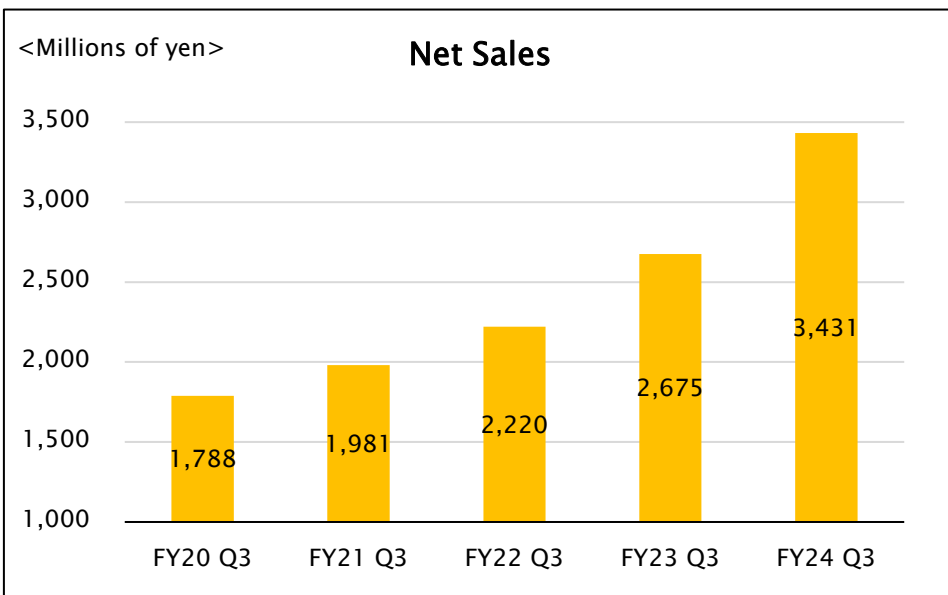


We provide eco-friendly, safe, and reliable renewable energy by operating solar and woody biomass power plants.

- A new plant in Higashimatsushima-shi, Miyagi with a generation capacity of 30 MW started operations on October 18, 2023, which is generating electricity steadily.
- As a result of the above, all of our planned solar power plants are now in operation with a total capacity of 81 MW.



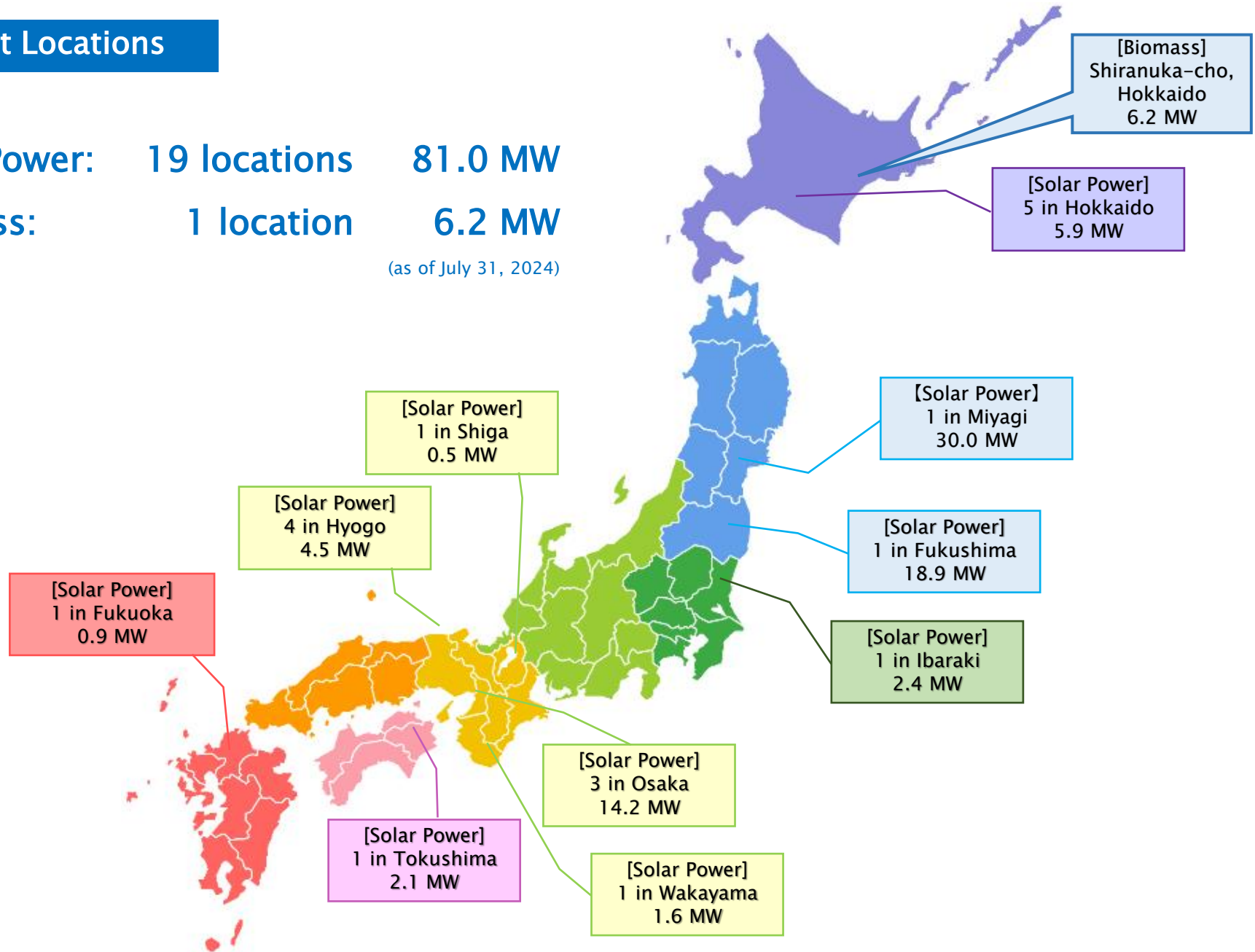
(Photo: Higashimatsushima Solar Power Plant with a capacity of 30 MW, which started operations in October 18, 2023)



Plant Locations

Solar Power: 19 locations 81.0 MW
Biomass: 1 location 6.2 MW

(as of July 31, 2024)



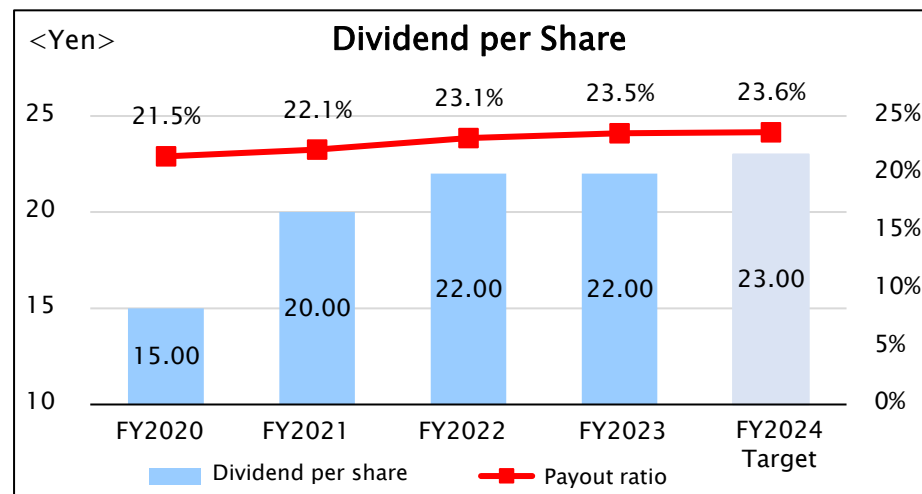
Dividends

Kobe Bussan regards returning profits to shareholders as one of key management issues. Our basic policy is to secure funds necessary for our business growth and distribute profits to shareholders according to the operating results.

For FY2023, we paid the annual year-end dividends of ¥22.00 per share as in previous years.

For FY2024, we plan to pay the annual dividends of ¥23.00 per share.

Note: The figures in the graph on the right have been adjusted for the effect of the 2-for-1 stock splits carried out in November 2020.



Shareholder Benefit Program

The shareholder benefit program has been introduced to express Kobe Bussan's gratitude for the continuous support of its shareholders and to gain the deeper understanding of customers for its businesses. We will send JCB Gift Card to shareholders who hold 100 shares or more as of October 31 of each year, according to the number of years of ownership and the number of shares held.

Number of shares held	Shareholder incentives	
	Continuous ownership years Less than 3 years	Continuous ownership years 3 years or more
100-999	JCB Gift Card ¥1,000	JCB Gift Card ¥3,000
1,000-1,999	JCB Gift Card ¥10,000	JCB Gift Card ¥15,000
2,000 or more	JCB Gift Card ¥15,000	JCB Gift Card ¥20,000



Sample

Note: Shareholders may opt to exchange the gift cards for an assortment of private label products worth the face value.

**Seek to consistently grow our businesses
with a focus on the Gyomu Super Business by enhancing private label products.**

■ Basic Policy and Strategy

1. Expand Restaurant & Delicatessen Business
2. Strengthen production capacity of private label items produced by our plants
3. Consistently grow Gyomu Super Business

■ Key Measures

1. Open new Gyomu Super stores consistently to exceed 1,130 stores.
2. Increase product shipments to existing Gyomu Super stores by 2% or higher year on year.
3. Increase the PB ratio to 37%.
4. Invest more than 10 billion yen in our group's plants annually to strengthen domestic PB products.
5. Encourage our franchisees to introduce energy-saving refrigeration equipment and automatic ordering systems to improve efficiency in store operations.
6. Open new shops consistently in the Restaurant & Delicatessen Business and start franchising Premium Karubi.

(Millions of yen)

	FY2024 Q3 actual	FY2024 forecast	FY2026 target
Net sales	377,283	498,000	543,000
Operating profit	26,640	31,000	37,000
ROIC	Maintain 10% or higher, aiming for growth every year		

**By serving a noble cause of offering more value with less price,
we, as an integrated food company,
are committed to improving customers' affluent life.**

■ Targets for Achievement of Long-term Vision

1. Expand the Gyomu Super chain to reach over 1,500 stores
2. Raise the PB ratio to 40% or higher
3. Achieve a total of over 500 shops for all brands of the Restaurant & Delicatessen Business
4. Reduce the SG&A ratio by investing in distribution centers
5. Raise the consolidated operating margin to 10% or higher

- This material contains forward-looking statements based on assumptions, estimates, and plans as of September 11, 2024.
- Please note that actual results may differ significantly from these forward-looking statements due to uncertain factors arising from changes in the economic climate.
- This material is not intended to solicit and encourage purchase of shares.
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