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Consolidated Financial Results for the Nine Months Ended July 31, 2021 (Under Japanese GAAP)

September 13, 2021

Company name: Kobe Bussan Co., Ltd. Listing: Tokyo Stock Exchange
 Security code: 3038 URL: <https://www.kobebussan.co.jp/english/>
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 Scheduled date to file Quarterly Securities Report: September 14, 2021
 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>)
 Investors meeting presentation for quarterly financial results: None

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

1. Consolidated financial results for the nine months ended July 31, 2021 (from November 1, 2020 to July 31, 2021)

(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, 2021	267,374	3.1	21,228	13.7	22,205	20.1	14,883	27.7
July 31, 2020	259,362	17.7	18,679	28.9	18,485	26.6	11,656	25.4

Note: Comprehensive income

For the nine months ended July 31, 2021: ¥15,439 million [41.7%]

For the nine months ended July 31, 2020: ¥10,892 million [19.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended July 31, 2021	68.83	67.29
July 31, 2020	54.15	52.89

Note: As we conducted a 2-for-1 stock split of common shares effective on November 1, 2020, both basic and diluted earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended October 31, 2020.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of July 31, 2021	150,148	72,569	47.1	325.87
October 31, 2020	148,175	59,268	39.0	267.42

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

As of July 31, 2021: ¥70,650 million

As of October 31, 2020: ¥57,758 million

Note: As we conducted a 2-for-1 stock split of common shares effective on November 1, 2020, net assets per share was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended October 31, 2020.

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, 2020	—	0.00	—	30.00	30.00
Ending October 31, 2021	—	0.00	—		
Ending October 31, 2021 (Forecast)				20.00	20.00

Notes: 1. Revisions to cash dividend forecast published most recently: None

2. Reflecting the effect of the 2-for-1 stock split of common shares effective on November 1, 2020, the year-end dividend forecast for the fiscal year ending October 31, 2021 is ¥20.00 per share (or ¥40.00 had the stock split not been carried out).

3. Consolidated financial forecast for the fiscal year ending October 31, 2021 (from November 1, 2020 to October 31, 2021)

(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	358,000	5.0	29,400	23.3	30,000	26.9	20,000	32.9	92.84

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, 2021:	273,600,000 shares
As of October 31, 2020:	273,600,000 shares
 - (ii) Number of shares of treasury shares at the end of the period

As of July 31, 2021:	56,796,508 shares
As of October 31, 2020:	57,614,064 shares
 - (iii) Average number of shares of common shares outstanding during the period

Nine months ended July 31, 2021:	216,230,356 shares
Nine months ended July 31, 2020:	215,261,744 shares

- Notes:
1. As we conducted a 2-for-1 stock split of common shares effective on November 1, 2020, the number of shares issued was calculated based on the assumption that the stock split had been conducted at the beginning of the fiscal year ended October 31, 2020.
 2. The number of shares of Kobe Bussan (176,000 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 October 31, 2020 and July 31, 2021, which was to be deducted from the calculation of the number of shares of treasury shares as of such periods, and the average number of shares of common shares for the nine months ended July 31, 2020 and the nine months ended July 31, 2021.

* 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 nine months ended July 31, 2021 (from November 1, 2020 to July 31, 2021) (hereinafter the “period under review”), Japan’s economic outlook remained uncertain, reflecting labor shortage, an increase in logistics costs, and the COVID-19 pandemic around the world.

Japan’s food retail industry has become more competitive because players in other industries such as e-commerce operators and drugstore chains have expanded the sale of food products, and food delivery service providers are coming to the fore. Additionally, the environment surrounding, and what consumers require of, the food retail industry are rapidly changing. The change is caused by an implementation of measures to prevent the COVID-19 infections at restaurants, as well as an increase in the demand for eating at home, resulting from remote work and request for certain restaurants to temporarily close or shorten opening hours as measures against the spread of COVID-19.

Under such circumstances, with the corporate vision of continuously strengthening “Integrated Food Production & Distribution Operations,” the Kobe Bussan Group has enhanced competitiveness by proactively developing products. 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 ¥267,374 million (up 3.1% year on year), operating profit of ¥21,228 million (up 13.7%), ordinary profit of ¥22,205 million (up 20.1%), and profit attributable to owners of parent of ¥14,883 million (up 27.7%).

The operating results by business segment are as follows:

Note that Cook Innoventure Co., Ltd., G.communication Co., Ltd., G.taste Co., Ltd. (presently Yakiniku Sakai Holdings Inc.), and 11 other consolidated subsidiaries, which comprised the Cook Innoventure Business in the previous fiscal year, were excluded from the scope of consolidation on April 1, 2020, the deemed date of sale. Accordingly, the business segment no longer existed at the beginning of the period under review.

Also, we reviewed the classification of business segments based on perspectives of our group’s business expansion and management control system. Since the beginning of the period under review, the Restaurant & Delicatessen Business has been renamed from the Kobe Cook Business to incorporate the BBQ business, which was previously classified into the Other businesses.

(i) Gyomu Super Business

This business segment covers Gyomu Super stores, selling at best prices not only national brand 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 933 stores as a result of a net increase of 54 stores after opening 58 stores and closing four.

The breakdown of new store openings was 41 stores in directly managed areas and 17 stores in indirectly managed areas. We work on store openings focusing on the Kanto and Kyushu areas under direct management, and strongly encourage franchise owners to relocate stores which have been deteriorated with many years in operations.

We analyze that the growth of operating results was driven by continuous strong store openings, as well as enhancement of Gyomu Super’s brand recognition and acquisition of new customers led by our private label products, which represent Gyomu Super’s attractiveness and have been frequently featured on television, magazines, newspapers, and other media.

Consequently, net sales of the Gyomu Super Business for the period under review stood at ¥262,749 million (up 9.6% 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 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, under 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 three restaurants, resulting in 15 restaurants nationwide. Net sales decreased year on year because certain restaurants temporarily closed or shortened opening hours to prevent the COVID-19 infections appropriately. Premium Karubi opened five restaurants and closed none, resulting in eight

restaurants nationwide. Although the restaurants have also shortened opening hours, net sales showed a positive trend given an increase in the number of the restaurants and BBQ popularity. Chisouna opened 17 shops and closed none, resulting in 42 shops nationwide. Net sales remained strong thanks to an increase in Gyomu Super customers and the implementation of measures to prevent the COVID-19 infections at shops.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥2,632 million (up 37.7% year on year).

(iii) Eco Renewable Energy Business

This business segment covers renewable energies generated by our own solar and woody biomass power plants. Having opened one solar power plant in Osaka in the period under review, we currently 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 ¥1,981 million (up 10.8% year on year).

(2) Overview of quarterly consolidated financial position

(Assets)

Total assets as of July 31, 2021 increased by ¥1,973 million from the end of the previous fiscal year to ¥150,148 million. This was mainly due to increases in property, plant and equipment of ¥9,997 million resulting from the construction of a new office building and the facility expansion of our group's domestic plants; merchandise and finished goods of ¥2,063 million resulting from the increased product shipments; and notes and accounts receivable - trade of ¥1,601 million, which were partially offset by a decrease in cash and deposits of ¥12,449 million resulting from the repayment of borrowings.

(Liabilities)

Total liabilities as of July 31, 2021 decreased by ¥11,327 million from the end of the previous fiscal year to ¥77,579 million. This was mainly due to a decrease in long-term borrowings of ¥11,304 million.

(Net assets)

Total net assets as of July 31, 2021 increased by ¥13,300 million from the end of the previous fiscal year to ¥72,569 million. This was mainly due to an increase in retained earnings of ¥11,640 million.

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

The consolidated financial forecast for the fiscal year ending October 31, 2021 remains unchanged from the Notice of Revisions to Consolidated Financial Forecast and Cash Dividend Forecast (available in Japanese only) published on June 11, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of October 31, 2020)	Current quarter (As of July 31, 2021)
Assets		
Current assets:		
Cash and deposits	69,810	57,360
Notes and accounts receivable - trade	17,546	19,147
Merchandise and finished goods	9,065	11,128
Work in process	298	329
Raw materials and supplies	1,222	1,510
Other	4,227	3,164
Allowance for doubtful accounts	(14)	(14)
Total current assets	102,156	92,626
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	11,430	14,124
Land	10,353	13,340
Other, net	19,260	23,578
Total property, plant and equipment	41,044	51,042
Intangible assets	547	866
Investments and other assets	4,426	5,613
Total non-current assets	46,019	57,522
Total assets	148,175	150,148

(Millions of yen)

	Previous fiscal year (As of October 31, 2020)	Current quarter (As of July 31, 2021)
Liabilities		
Current liabilities:		
Accounts payable - trade	22,161	24,174
Short-term borrowings	14,598	15,956
Income taxes payable	4,812	3,128
Provision for bonuses	299	154
Other	5,033	3,098
Total current liabilities	46,906	46,512
Non-current liabilities:		
Long-term borrowings	34,690	23,386
Retirement benefit liability	612	672
Guarantee deposits received	6,048	6,395
Asset retirement obligations	332	328
Provision for share awards for directors (and other officers)	39	53
Other	276	231
Total non-current liabilities	41,999	31,066
Total liabilities	88,906	77,579
Net assets		
Shareholders' equity:		
Share capital	64	500
Capital surplus	8,539	8,665
Retained earnings	60,243	71,883
Treasury shares	(9,465)	(9,332)
Total shareholders' equity	59,380	71,716
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	13	129
Foreign currency translation adjustment	(1,634)	(1,195)
Total accumulated other comprehensive income	(1,621)	(1,065)
Share acquisition rights	1,510	1,919
Total net assets	59,268	72,569
Total liabilities and net assets	148,175	150,148

(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, 2020 (From November 1, 2019 to July 31, 2020)	For the nine months ended July 31, 2021 (From November 1, 2020 to July 31, 2021)
Net sales	259,362	267,374
Cost of sales	222,869	234,963
Gross profit	36,493	32,410
Selling, general and administrative expenses	17,813	11,181
Operating profit	18,679	21,228
Non-operating income:		
Interest income	213	78
Dividend income	0	0
Rental income	65	45
Foreign exchange gains	–	512
Gain on valuation of derivatives	–	135
Subsidy income	113	202
Other	375	243
Total non-operating income	769	1,218
Non-operating expenses:		
Interest expenses	256	137
Rental costs	21	22
Foreign exchange losses	22	–
Loss on valuation of derivatives	51	–
Provision of allowance for doubtful accounts	434	14
Other	175	67
Total non-operating expenses	962	241
Ordinary profit	18,485	22,205
Extraordinary income:		
Gain on sale of non-current assets	16	2
Gain on sale of shares of subsidiaries and associates	245	–
Total extraordinary income	261	2
Extraordinary losses:		
Loss on retirement of non-current assets	21	29
Loss on sale of non-current assets	39	127
Impairment losses	1,380	–
Loss on store closings	12	–
Provision for loss on store closings	112	–
Total extraordinary losses	1,567	156
Profit before income taxes	17,179	22,051
Income taxes - current	6,157	6,669
Income taxes - deferred	215	498
Total income taxes	6,372	7,168
Profit	10,806	14,883
Profit (loss) attributable to non-controlling interests	(849)	–
Profit attributable to owners of parent	11,656	14,883

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the nine months ended July 31, 2020 (From November 1, 2019 to July 31, 2020)	For the nine months ended July 31, 2021 (From November 1, 2020 to July 31, 2021)
Profit	10,806	14,883
Other comprehensive income:		
Valuation difference on available-for-sale securities	32	116
Foreign currency translation adjustment	52	439
Total other comprehensive income	85	556
Comprehensive income	10,892	15,439
Comprehensive income attributable to:		
Owners of parent	11,741	15,439
Non-controlling interests	(849)	-

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Segment information)

I. For the nine months ended July 31, 2020 (from November 1, 2019 to July 31, 2020)

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	Cook Innoventure Business	Eco Renewable Energy Business	Total				
Net sales									
Sales to external customers	239,825	1,911	15,772	1,788	259,297	64	259,362	–	259,362
Intersegment sales or transfers	1,309	100	–	–	1,409	–	1,409	(1,409)	–
Total	241,135	2,012	15,772	1,788	260,707	64	260,772	(1,409)	259,362
Segment profit (loss)	20,316	(24)	379	233	20,904	(84)	20,820	(2,141)	18,679

*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 ¥(2,141) 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)

The recorded amount of impairment losses of non-current assets was ¥1,380 million for the nine months ended July 31, 2020, of which ¥0 million was incurred by the Gyomu Super Business segment and ¥1,379 million by the Cook Innoventure Business segment.

3. Information on assets by reportable segment

(Significant decrease in assets due to a decline in the number of subsidiaries)

The segment assets of the Cook Innoventure Business as of July 31, 2020 decreased by ¥24,637 million from the end of the fiscal year ended October 31, 2019. This was because Cook Innoventure Co., Ltd., G.communication Co., Ltd., G.taste Co., Ltd. (presently Yakiniku Sakai Holdings Inc.), and 11 other consolidated subsidiaries were excluded from the scope of consolidation.

II. For the nine months ended July 31, 2021 (from November 1, 2020 to July 31, 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	262,749	2,632	1,981	267,364	10	267,374	–	267,374
Intersegment sales or transfers	1,192	107	–	1,300	–	1,300	(1,300)	–
Total	263,942	2,740	1,981	268,664	10	268,674	(1,300)	267,374
Segment profit (loss)	23,925	(308)	380	23,997	(61)	23,935	(2,707)	21,228

*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 ¥(2,707) 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. Changes in reportable segments

Cook Innoventure Co., Ltd., G.communication Co., Ltd., G.taste Co., Ltd. (presently Yakiniku Sakai Holdings Inc.), and 11 other consolidated subsidiaries, which comprised the Cook Innoventure Business in the previous fiscal year, were excluded from the scope of consolidation on April 1, 2020, the deemed date of sale. Accordingly, the business segment no longer existed at the beginning of the period under review. Also, we reviewed the classification of business segments based on perspectives of our group's business expansion and management control system. Since the beginning of the period under review, the Restaurant & Delicatessen Business has been renamed from the Kobe Cook Business to incorporate the BBQ business, which was previously classified into the Other businesses.

The segment information for the nine months ended July 31, 2020 was prepared according to the reportable segments applied to the nine months ended July 31, 2021.

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.