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Consolidated Financial Results for the Three Months Ended January 31, 2024 (Under Japanese GAAP)

March 14, 2024

Company name: Kobe Bussan Co., Ltd. Listing: Tokyo Stock Exchange
 Securities code: 3038 URL: <https://www.kobebussan.co.jp/english/>
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 Scheduled date to file Quarterly Securities Report: March 15, 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 three months ended January 31, 2024 (from November 1, 2023 to January 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	%
Three months ended								
January 31, 2024	120,904	12.0	8,531	34.6	8,063	280.6	5,524	309.7
January 31, 2023	107,942	11.5	6,338	(14.9)	2,118	(72.2)	1,348	(73.7)

Note: Comprehensive income

For the three months ended January 31, 2024: ¥5,732 million [333.6%]

For the three months ended January 31, 2023: ¥1,322 million [(74.9) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
January 31, 2024	25.03	24.85
January 31, 2023	6.15	6.07

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
January 31, 2024	203,479	115,789	55.5	511.21
October 31, 2023	211,891	114,451	52.7	506.23

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

As of January 31, 2024: ¥112,859 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	–	–	–	–	–
Ending October 31, 2024 (Forecast)	–	0.00	–	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 January 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 January 31, 2024:	52,830,255 shares
As of October 31, 2023:	52,968,055 shares
 - (iii) Average number of shares of common shares outstanding during the period

Three months ended January 31, 2024:	220,684,153 shares
Three months ended January 31, 2023:	219,195,680 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 three months ended January 31, 2024 and 168,400 shares for the three months ended January 31, 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 operating results

During the three months ended January 31, 2024 (from November 1, 2023 to January 31, 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 ¥120,904 million (up 12.0% year on year), operating profit of ¥8,531 million (up 34.6%), ordinary profit of ¥8,063 million (up 280.6%), and profit attributable to owners of parent of ¥5,524 million (up 309.7%).

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 1,051 stores as a result of a net increase of three stores after opening three stores and closing none.

Of the three new store openings, none was in directly managed areas and all three 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 ¥116,817 million (up 11.4% 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 three shops and closed none, resulting in 117 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 ¥3,145 million (up 30.1% 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 ¥933 million (up 32.8% year on year).

(2) Overview of quarterly financial position

(Assets)

Total assets as of January 31, 2024 decreased by ¥8,412 million from the end of the previous fiscal year to ¥203,479 million. This was mainly due to a decrease in current assets of ¥7,962 million. This decrease was mostly attributable to a decrease in cash and deposits of ¥5,030 million.

(Liabilities)

Total liabilities as of January 31, 2024 decreased by ¥9,749 million from the end of the previous fiscal year to ¥87,689 million. This was mainly due to a decrease in current liabilities of ¥9,950 million.

The decrease in current liabilities was mainly attributable to decreases in accounts payables - trade of ¥5,118 million and income taxes payable of ¥1,895 million.

(Net assets)

Total net assets as of January 31, 2024 increased by ¥1,337 million from the end of the previous fiscal year to ¥115,789 million. This was mainly due to an increase in retained earnings of ¥664 million resulting from accumulation of earnings, partially offset by payment of dividends.

(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 January 31, 2024)
Assets		
Current assets:		
Cash and deposits	92,590	87,559
Accounts receivable - trade	26,939	23,140
Merchandise and finished goods	16,645	17,070
Work in process	378	387
Raw materials and supplies	1,801	1,941
Other	3,303	3,591
Allowance for doubtful accounts	(17)	(12)
Total current assets	141,641	133,679
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	16,186	16,424
Machinery, equipment and vehicles, net	22,977	22,286
Land	19,897	19,917
Other, net	5,133	5,149
Total property, plant and equipment	64,195	63,777
Intangible assets	1,509	1,449
Investments and other assets	4,544	4,572
Total non-current assets	70,249	69,799
Total assets	211,891	203,479
Liabilities		
Current liabilities:		
Accounts payable - trade	32,231	27,112
Short-term borrowings	1,317	1,005
Income taxes payable	4,562	2,667
Provision for bonuses	473	259
Other	10,473	8,061
Total current liabilities	49,057	39,106
Non-current liabilities:		
Long-term borrowings	37,000	36,846
Retirement benefit liability	688	706
Guarantee deposits received	7,589	7,647
Asset retirement obligations	1,672	1,684
Provision for share awards for directors (and other officers)	110	118
Other	1,320	1,579
Total non-current liabilities	48,382	48,583
Total liabilities	97,439	87,689

(Millions of yen)

	Previous fiscal year (As of October 31, 2023)	Current quarter (As of January 31, 2024)
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	12,137	12,411
Retained earnings	108,797	109,462
Treasury shares	(9,087)	(9,065)
Total shareholders' equity	112,348	113,308
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	27	67
Foreign currency translation adjustment	(684)	(516)
Total accumulated other comprehensive income	(657)	(449)
Share acquisition rights	2,760	2,929
Total net assets	114,451	115,789
Total liabilities and net assets	211,891	203,479

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

Quarterly consolidated statements of income

(Millions of yen)

	For the three months ended January 31, 2023 (From November 1, 2022 to January 31, 2023)	For the three months ended January 31, 2024 (From November 1, 2023 to January 31, 2024)
Net sales	107,942	120,904
Cost of sales	96,681	106,673
Gross profit	11,261	14,231
Selling, general and administrative expenses	4,922	5,699
Operating profit	6,338	8,531
Non-operating income:		
Interest income	88	37
Dividend income	0	0
Rental income	12	78
Subsidy income	23	22
Other	68	97
Total non-operating income	192	235
Non-operating expenses:		
Interest expenses	16	6
Foreign exchange losses	787	13
Rental costs	8	7
Fuel sale costs	20	21
Loss on valuation of derivatives	3,576	635
Provision of allowance for doubtful accounts	0	9
Other	2	8
Total non-operating expenses	4,412	703
Ordinary profit	2,118	8,063
Extraordinary income:		
Gain on sale of non-current assets	0	0
Gain on reversal of share acquisition rights	–	11
Total extraordinary income	0	12
Extraordinary losses:		
Loss on retirement of non-current assets	1	8
Total extraordinary losses	1	8
Profit before income taxes	2,117	8,066
Income taxes - current	473	2,497
Income taxes - deferred	295	45
Total income taxes	768	2,542
Profit	1,348	5,524
Profit attributable to owners of parent	1,348	5,524

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the three months ended January 31, 2023 (From November 1, 2022 to January 31, 2023)	For the three months ended January 31, 2024 (From November 1, 2023 to January 31, 2024)
Profit	1,348	5,524
Other comprehensive income:		
Valuation difference on available-for-sale securities	63	40
Foreign currency translation adjustment	(89)	167
Total other comprehensive income	(26)	207
Comprehensive income	1,322	5,732
Comprehensive income attributable to:		
Owners of parent	1,322	5,732

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Segment information)

I. For the three months ended January 31, 2023 (from November 1, 2022 to January 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	103,901	2,398	–	106,299	4	106,304	–	106,304
Goods or services transferred over time	917	19	702	1,638	–	1,638	–	1,638
Revenue from contracts with customers	104,818	2,417	702	107,938	4	107,942	–	107,942
Net sales								
Sales to external customers	104,818	2,417	702	107,938	4	107,942	–	107,942
Intersegment sales or transfers	1,097	59	–	1,156	–	1,156	(1,156)	–
Total	105,915	2,477	702	109,095	4	109,099	(1,156)	107,942
Segment profit (loss)	7,306	17	44	7,368	(21)	7,347	(1,008)	6,338

*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 ¥(1,008) 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.

Not applicable.

II. For the three months ended January 31, 2024 (from November 1, 2023 to January 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	115,795	3,118	–	118,913	8	118,922	–	118,922
Goods or services transferred over time	1,022	27	933	1,982	–	1,982	–	1,982
Revenue from contracts with customers	116,817	3,145	933	120,895	8	120,904	–	120,904
Net sales								
Sales to external customers	116,817	3,145	933	120,895	8	120,904	–	120,904
Intersegment sales or transfers	1,458	120	–	1,579	–	1,579	(1,579)	–
Total	118,276	3,265	933	122,475	8	122,483	(1,579)	120,904
Segment profit (loss)	9,432	198	75	9,706	(8)	9,697	(1,166)	8,531

*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 ¥(1,166) 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.

Not applicable.