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Consolidated Financial Results for the Six Months Ended April 30, 2021 (Under Japanese GAAP)

June 11, 2021

Company name: Kobe Bussan Co., Ltd. Listing: Tokyo Stock Exchange
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 Scheduled date to file Quarterly Securities Report: June 14, 2021
 Scheduled date to commence payment of dividends: –
 Preparation of supplementary material on quarterly financial results: Yes (<https://www.kobebussan.co.jp/ir/news.php>)
 Investors meeting presentation for quarterly financial results: 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, 2021 (from November 1, 2020 to April 30, 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	%
Six months ended April 30, 2021	176,437	0.2	14,387	16.1	15,190	21.9	10,133	34.3
April 30, 2020	176,069	21.8	12,393	32.9	12,465	31.4	7,546	24.7

Note: Comprehensive income

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

For the six months ended April 30, 2020: ¥6,887 million [17.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended April 30, 2021	46.89	45.83
April 30, 2020	35.08	34.32

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 April 30, 2021	142,424	66,857	45.6	300.41
October 31, 2020	148,175	59,268	39.0	267.42

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

As of April 30, 2021: ¥64,979 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: Yes

For more information on the revisions, please refer to the Notice of Revisions to Consolidated Financial Forecast and Cash Dividend Forecast (available in Japanese only) published on June 11, 2021.

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.)

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
	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: Yes

For more information on the revisions, please refer to the Notice of Revisions to Consolidated Financial Forecast and Cash Dividend Forecast (available in Japanese only) published on June 11, 2021.

[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 April 30, 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 April 30, 2021:	57,295,708 shares
As of October 31, 2020:	57,614,064 shares
 - (iii) Average number of shares of common shares outstanding during the period

Six months ended April 30, 2021:	216,099,989 shares
Six months ended April 30, 2020:	215,145,584 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 April 30, 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 six months ended April 30, 2020 and the six months ended April 30, 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 six months ended April 30, 2021 (from November 1, 2020 to April 30, 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 ¥176,437 million (up 0.2% year on year), operating profit of ¥14,387 million (up 16.1%), ordinary profit of ¥15,190 million (up 21.9%), and profit attributable to owners of parent of ¥10,133 million (up 34.3%).

The operating results by business segment are as follows:

Note that Cook Innoventure Co., Ltd., G.communication Co., Ltd., G.taste Co., Ltd., 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 922 stores as a result of a net increase of 43 stores after opening 45 stores and closing two.

The breakdown of new store openings was 31 stores in directly managed areas and 14 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 operation.

Our private label products, which represent Gyomu Super’s attractiveness, have been frequently featured on television, magazines, newspapers, and other media, leading to enhancement of its brand recognition and acquisition of new customers. Also, we analyze that the increased demand for eating at home amid the COVID-19 crisis helped attract more customers to the stores, which contributed to stronger operating results. Consequently, net sales of the Gyomu Super Business for the period under review stood at ¥173,596 million (up 10.2% 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 none and closed three restaurants, resulting in 14 restaurants nationwide. Net sales decreased year on year because certain restaurants have temporarily closed or shortened opening hours to prevent the COVID-19 infections since early January this year. Premium Karubi opened three restaurants and closed none, resulting in six 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 12 shops and closed none, resulting in 37 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 ¥1,601 million (up 9.5% year on year).

(iii) Eco Renewable Energy Business

This business segment covers renewable energies generated by our own solar and woody biomass power plants. As we did not open any power plants in the period under review, we currently operate 16 solar power plants collectively generating approximately 22.0 MW and one woody biomass plant generating approximately 6.2 MW. The plant count and output remain unchanged from the end of the previous fiscal year.

Consequently, net sales of the Eco Renewable Energy Business for the period under review stood at ¥1,234 million (up 3.5% year on year).

(2) Overview of quarterly consolidated financial position

(i) Assets, liabilities, and net assets

(Assets)

Total assets as of April 30, 2021 decreased by ¥5,750 million from the end of the previous fiscal year to ¥142,424 million. This was mainly due to a decrease in cash and deposits of ¥13,218 million resulting from repayment of borrowings, and an increase in property, plant and equipment of ¥5,159 million resulting from the construction of a new office building and the facility expansion of food production plants for private label products.

(Liabilities)

Total liabilities as of April 30, 2021 decreased by ¥13,339 million from the end of the previous fiscal year to ¥75,566 million. This was mainly due to a decrease in long-term borrowings of ¥9,469 million.

(Net assets)

Total net assets as of April 30, 2021 increased by ¥7,588 million from the end of the previous fiscal year to ¥66,857 million. This was mainly due to an increase in retained earnings of ¥6,891 million.

(ii) Cash flows

Total cash and cash equivalents as of April 30, 2021 decreased by ¥12,761 million from the end of the previous fiscal year to ¥55,523 million.

Each cash flow and their factors are as follows:

(Cash flows from operating activities)

Cash flows from operating activities for the period under review amounted to an inflow of ¥5,156 million (an inflow of ¥14,043 million for the same period of the previous fiscal year). This was mainly due to an increase in profit before income taxes and a decrease in trade payables.

(Cash flows from investing activities)

Cash flows from investing activities for the period under review amounted to an outflow of ¥7,254 million (an outflow of ¥10,126 million for the same period of the previous fiscal year). This was mainly due to purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash flows from financing activities for the period under review amounted to an outflow of ¥11,232 million (an inflow of ¥3,495 million for the same period of the previous fiscal year). This was mainly due to repayment of long-term borrowings.

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

We revised upward the financial forecast for the fiscal year ending October 31, 2021. This was because the number of store openings of Gyomu Super, which is our core business, will significantly be higher than that in the initial plan; the product shipments to Gyomu Super franchisees remain better-than-expected; and the profit margin has improved due to the increased ratio of private label products and the improved efficiency in logistics-related operations. For more information on the revision, please refer to 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 April 30, 2021)
Assets		
Current assets:		
Cash and deposits	69,810	56,591
Notes and accounts receivable - trade	17,546	19,609
Merchandise and finished goods	9,065	9,376
Work in process	298	338
Raw materials and supplies	1,222	1,553
Other	4,227	2,388
Allowance for doubtful accounts	(14)	(15)
Total current assets	102,156	89,842
Non-current assets:		
Property, plant and equipment:		
Buildings and structures, net	11,430	13,254
Land	10,353	10,249
Other, net	19,260	22,700
Total property, plant and equipment	41,044	46,204
Intangible assets	547	869
Investments and other assets	4,426	5,507
Total non-current assets	46,019	52,582
Total assets	148,175	142,424

(Millions of yen)

	Previous fiscal year (As of October 31, 2020)	Current quarter (As of April 30, 2021)
Liabilities		
Current liabilities:		
Accounts payable - trade	22,161	17,786
Short-term borrowings	14,598	15,944
Income taxes payable	4,812	4,856
Provision for bonuses	299	291
Other	5,033	3,944
Total current liabilities	46,906	42,824
Non-current liabilities:		
Long-term borrowings	34,690	25,220
Retirement benefit liability	612	654
Guarantee deposits received	6,048	6,300
Asset retirement obligations	332	327
Provision for share awards for directors (and other officers)	39	48
Other	276	191
Total non-current liabilities	41,999	32,742
Total liabilities	88,906	75,566
Net assets		
Shareholders' equity:		
Share capital	64	500
Capital surplus	8,539	8,230
Retained earnings	60,243	67,134
Treasury shares	(9,465)	(9,413)
Total shareholders' equity	59,380	66,451
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	13	(44)
Foreign currency translation adjustment	(1,634)	(1,427)
Total accumulated other comprehensive income	(1,621)	(1,471)
Share acquisition rights	1,510	1,878
Total net assets	59,268	66,857
Total liabilities and net assets	148,175	142,424

(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, 2020 (From November 1, 2019 to April 30, 2020)	For the six months ended April 30, 2021 (From November 1, 2020 to April 30, 2021)
Net sales	176,069	176,437
Cost of sales	148,979	154,865
Gross profit	27,089	21,572
Selling, general and administrative expenses	14,696	7,184
Operating profit	12,393	14,387
Non-operating income:		
Interest income	126	60
Dividend income	0	0
Rental income	31	31
Foreign exchange gains	70	454
Gain on valuation of derivatives	41	136
Subsidy income	112	144
Other	309	147
Total non-operating income	692	975
Non-operating expenses:		
Interest expenses	181	92
Rental costs	14	14
Provision of allowance for doubtful accounts	273	15
Other	149	49
Total non-operating expenses	619	171
Ordinary profit	12,465	15,190
Extraordinary income:		
Gain on sale of non-current assets	14	1
Gain on reversal of share acquisition rights	2	–
Total extraordinary income	16	1
Extraordinary losses:		
Loss on retirement of non-current assets	18	22
Loss on sale of non-current assets	–	110
Impairment losses	1,380	–
Loss on store closings	12	–
Provision for loss on store closings	112	–
Total extraordinary losses	1,524	132
Profit before income taxes	10,958	15,060
Income taxes - current	4,316	4,648
Income taxes - deferred	(56)	277
Total income taxes	4,260	4,926
Profit	6,697	10,133
Profit (loss) attributable to non-controlling interests	(849)	–
Profit attributable to owners of parent	7,546	10,133

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	For the six months ended April 30, 2020 (From November 1, 2019 to April 30, 2020)	For the six months ended April 30, 2021 (From November 1, 2020 to April 30, 2021)
Profit	6,697	10,133
Other comprehensive income:		
Valuation difference on available-for-sale securities	(2)	(57)
Foreign currency translation adjustment	191	207
Total other comprehensive income	189	149
Comprehensive income	6,887	10,283
Comprehensive income attributable to:		
Owners of parent	7,737	10,283
Non-controlling interests	(850)	-

(3) Notes to quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Significant changes in shareholders' equity)

Not applicable.

(Segment information)

I. For the six months ended April 30, 2020 (from November 1, 2019 to April 30, 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	157,586	1,462	15,772	1,192	176,013	55	176,069	–	176,069
Intersegment sales or transfers	1,082	77	–	–	1,159	–	1,159	(1,159)	–
Total	158,668	1,539	15,772	1,192	177,173	55	177,228	(1,159)	176,069
Segment profit (loss)	13,301	17	379	183	13,882	(55)	13,827	(1,433)	12,393

*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 ¥(1,433) 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 yen for the six months ended April 30, 2020, of which ¥0 million was incurred by the Gyomu Super Business segment and ¥1,379 million by the Cook Innoventure Business segment.

II. 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 quarterly consolidated statements of income.

2. Changes in reportable segments

Cook Innoventure Co., Ltd., G.communication Co., Ltd., G.taste Co., Ltd., 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 six months ended April 30, 2020 was prepared according to the reportable segments applied to the six months ended April 30, 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.