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Consolidated Financial Results for the Fiscal Year Ended October 31, 2022 (Under Japanese GAAP)

December 15, 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
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 Scheduled date to hold ordinary general meeting of shareholders: January 27, 2023
 Scheduled date to file Annual Securities Report: January 30, 2023
 Scheduled date to commence payment of dividends: January 12, 2023
 Preparation of supplementary material on financial results: Yes (<https://www.kobebussan.co.jp/english/ir/news.php>)
 Holding of 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 fiscal year ended October 31, 2022 (from November 1, 2021 to October 31, 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	%
Fiscal year ended October 31, 2022	406,813	12.4	27,820	1.9	32,125	10.4	20,832	6.3
October 31, 2021	362,064	6.2	27,311	14.5	29,087	23.0	19,592	30.2

Note: Comprehensive income

For the fiscal year ended October 31, 2022: ¥21,876 million [8.9%]

For the fiscal year ended October 31, 2021: ¥20,086 million [41.0%]

	Basic earnings per share	Diluted earnings per share	Return on equity*	Ordinary profit to total assets ratio	Operating profit margin
Fiscal year ended	Yen	Yen	%	%	%
October 31, 2022	95.35	93.87	24.3	19.1	6.8
October 31, 2021	90.48	88.52	29.2	19.1	7.5

* Equity = Shareholders' equity + Valuation and translation adjustments

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
October 31, 2022	180,275	97,220	52.7	433.53
October 31, 2021	156,737	78,218	48.8	350.49

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

As of October 31, 2022: ¥94,990 million

As of October 31, 2021: ¥76,411 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
October 31, 2022	21,582	(12,483)	(3,752)	65,753
October 31, 2021	21,261	(17,407)	(16,526)	56,710

2. Cash dividends

	Annual dividend per share					Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
October 31, 2021	–	0.00	–	20.00	20.00	4,363	22.1	6.5
October 31, 2022	–	0.00	–	22.00	22.00	4,824	23.1	5.6
Fiscal year ending October 31, 2023 (Forecast)	–	0.00	–	22.00	22.00		22.7	

Note: Breakdown of year-end dividend for the fiscal year ended October 31, 2022:
 Ordinary dividend of ¥21.00 per share and special dividend of ¥1.00 per share

3. Consolidated financial forecast for the fiscal year ending October 31, 2023 (from November 1, 2022 to October 31, 2023)

(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
	440,000	8.2	29,700	6.8	32,500	1.2	21,200	1.8	97.02

[Notes]

- (1) Changes in significant subsidiaries during the current period (Changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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 “3. Consolidated Financial Statements and Notes (5) Notes to consolidated financial statements (Changes in accounting policies)” on page 14 of the Attached Materials.
- (3) Number of shares issued (common shares)
- (i) Number of shares issued at the end of the period (including treasury shares)
- As of October 31, 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 October 31, 2022: 54,490,520 shares
- As of October 31, 2021: 55,587,320 shares
- (iii) Average number of shares of common shares outstanding during the period
- Fiscal year ended October 31, 2022: 218,489,985 shares
- Fiscal year ended October 31, 2021: 216,527,896 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 fiscal year ended October 31, 2021 and 168,400 shares for the fiscal year ended October 31, 2022) was included in the number of shares of treasury shares as of October 31, 2021 and October 31, 2022.

Also, the number of shares of Kobe Bussan held by Custody Bank of Japan, Ltd. (“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 for the fiscal year ended October 31, 2021 and the fiscal year ended October 13, 2022 (176,000 shares for the fiscal year ended October 31, 2021 and 171,090 shares for the fiscal year ended October 31, 2022).

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended October 31, 2022 (from November 1, 2021 to October 31, 2022)

(1) Non-consolidated operating results

(Percentage indicates year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
October 31, 2022	395,092	–	24,710	–	28,756	–	19,668	–
October 31, 2021	370,772	11.0	22,930	18.4	24,702	26.2	16,705	34.9

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
October 31, 2022	90.02	88.63
October 31, 2021	77.15	75.47

Note: Since the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the fiscal year ended October 31, 2022, the figures for the current fiscal year reflect the adoption of the said standards. Accordingly, year-on-year percentage changes have not been provided.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
October 31, 2022	168,078	83,419	48.3	370.54
October 31, 2021	145,973	66,696	44.5	297.64

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

As of October 31, 2022: ¥81,189 million

As of October 31, 2021: ¥64,889 million

Note: Since the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the fiscal year ended October 31, 2022, the figures for the current fiscal year reflect the adoption of the said standards.

* 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. Overview of Operating Results (4) Outlook for the fiscal year ending October 31, 2023” on page 4 of the Attached Materials.

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1. Overview of Operating Results

(1) Analysis of operating results

During the fiscal year ended October 31, 2022 (from November 1, 2021 to October 31, 2022) (hereinafter the “period under review”), Japan lifted movement restrictions and was gradually resuming its economic activities thanks to expanded vaccination and testing capabilities as well as improved medical delivery system in spite of the rebound of COVID-19. Meanwhile, various costs were sharply rising partly due to poor harvests caused by droughts around the world, restrictions on import and export of grains and energy resources 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 a savings-oriented attitude of consumers is still prevailing, players in the food retail industry are hard-pressed to deal with such cost rises.

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 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 ¥406,813 million (up 12.4% year on year), operating profit of ¥27,820 million (up 1.9%), ordinary profit of ¥32,125 million (up 10.4%), and profit attributable to owners of parent of ¥20,832 million (up 6.3%).

The operating results by business segment are as follows:

[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 1,007 stores as a result of a net increase of 57 stores after opening 79 stores and closing 22.

The breakdown of new store openings was 61 stores in directly managed areas and 18 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. Although we fell short of our store opening target for the period under review partly due to a delay in delivery of refrigeration equipment caused by the semiconductor shortage, our franchisees remain keen to open new stores.

In terms of operating results, we have continued expanding business performance. This is because we have overcome a decline in profit margin due to the rise in purchase costs caused by the depreciation of yen and price hikes through a successfully implemented pricing strategy and a significantly increased mass and social 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 ¥396,296 million (up 11.5% year on year).

[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 three and closed seven restaurants, resulting in 11 restaurants nationwide. Although the certain restaurants closed down because of the COVID-19 infections, the number of customer visits to the restaurants has gradually recovered partly due to the reopening of three restaurants after renovation and menu changes. Premium Karubi opened six restaurants and closed none, resulting in 16 restaurants nationwide. Each restaurant performed well by continuing to attract more customers. Accordingly, the expansion of the business scale through an increase in the number of restaurants helped operations become more efficient. Chisouna opened 38 shops and closed none, resulting in 87 shops nationwide. Net sales expanded thanks to a variety of foods that caters to customers’ needs and the significantly increased number of shops.

Consequently, net sales of the Restaurant & Delicatessen Business for the period under review stood at ¥7,323 million (up 88.3% year on year).

[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 Nishigo-mura, Nishishirakawa-gun, Fukushima since June in the period under review, we currently operate 18 solar power plants collectively generating approximately 51.0 MW and one woody biomass power plant generating approximately 6.2 MW. The existing power plants also continue generating electricity steadily.

Consequently, net sales of the Eco Renewable Energy Business for the period under review stood at ¥3,152 million (up 18.1% year on year).

(2) Analysis of financial position

(Assets)

Total assets as of October 31, 2022 increased by ¥23,538 million from the end of the previous fiscal year to ¥180,275 million (up 15.0% year on year).

This was mostly attributable to an increase in current assets of ¥20,148 million to ¥116,011 million (up 21.0% year on year). This was mainly due to increases in cash and deposits of ¥9,241 million resulting from new borrowings to be used for the facility enhancement of our group's domestic plants, merchandise and finished goods of ¥4,677 million following the expansion of our business scale and product range, and accounts receivable - trade of ¥3,412 million.

(Liabilities)

Total liabilities as of October 31, 2022 increased by ¥4,536 million from the end of the previous fiscal year to ¥83,055 million (up 5.8% year on year). This was mostly attributable to a decrease in current liabilities of ¥3,060 million and an increase in non-current liabilities of ¥7,596 million.

Current liabilities amounted to ¥47,987 million (down 6.0% year on year). This was mainly due to a decrease in short-term borrowings of ¥6,937 million resulting from the partial repayment of the outstanding borrowings, partially offset by an increase in accounts payable-trade of ¥4,008 million caused by the expansion of our business scale.

Non-current liabilities amounted to ¥35,067 million (up 27.7% year on year). This was mainly due to an increase in long-term borrowings of ¥6,782 million to be used for the facility enhancement of our group's domestic plants.

(Net assets)

Total net assets as of October 31, 2022 increased by ¥19,002 million from the end of the previous fiscal year to ¥97,220 million (up 24.3% year on year). This was mainly due to an increase in retained earnings of ¥16,469 million.

Consequently, the equity ratio as of October 31, 2022 increased by 3.9 percentage points year on year to 52.7%. Net assets per share stood at ¥433.53 for the current fiscal year compared to ¥350.49 for the previous fiscal year.

(3) Analysis of cash flows

Total cash and cash equivalents as of October 31, 2022 (hereinafter "net cash") increased by ¥9,042 million from the end of the previous fiscal year to ¥65,753 million.

The status of each cash flow and its factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the period under review amounted to an inflow of ¥21,582 million (up ¥320 million year on year). This was mainly due to an increase in profit before income taxes of ¥2,287 million, and foreign exchange gains of ¥2,133.

(Cash flows from investing activities)

Net cash used in investing activities for the period under review amounted to an outflow of ¥12,483 million (down ¥4,924 million year on year). This was mainly due to a decrease in an outflow of ¥6,887 million resulting from purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities for the period under review amounted to an outflow of ¥3,752 million (down ¥12,774 million year on year). This was mainly due to an increase in the proceeds of ¥15,000 million from long-term borrowings.

(4) Outlook for the fiscal year ending October 31, 2023

We are planning to further grow our mainstay Gyomu Super Business with an aim to have 1,047 Gyomu Super stores (net increase of 40 stores) by the end of the fiscal year ending October 31, 2023. To further enhance private label products derived from Gyomu Super's strength of "Integrated Food Production & Distribution Operations," we continue to make capital investment in facilities of our group's plants and expand the variety of our directly imported products.

In the Restaurant & Delicatessen Business, we work on developing and expanding the competitive business formats by addressing constantly changing consumer needs and taking advantage of our product strength.

Although costs will likely continue to increase due to soaring prices of food ingredients and crude oil caused by the unstable world situation and natural disasters as well as rising labor costs, we carry on striving to expand our business performance as described above.

All in all, in terms of operating results for the fiscal year ending October 31, 2023, we forecast nets sales of ¥440,000 million, operating profit of ¥29,700 million, ordinary profit of ¥32,500 million, and profit attributable to owners of parent of ¥21,200 million on a consolidated basis.

2. Basic Policy Regarding Selection of Accounting Standards

With respect to accounting standards, we apply Japanese GAAP to ensure comparability with other domestic competitors.

3. Consolidated Financial Statements and Notes

(1) Consolidated balance sheets

(Millions of yen)

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Assets		
Current assets:		
Cash and deposits	57,799	67,040
Accounts receivable - trade	19,837	23,249
Securities	–	2,000
Merchandise and finished goods	12,817	17,495
Work in process	353	435
Raw materials and supplies	1,493	1,798
Other	3,576	3,995
Allowance for doubtful accounts	(15)	(2)
Total current assets	95,862	116,011
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	23,474	25,194
Accumulated depreciation	(7,939)	(9,192)
Buildings and structures, net	15,534	16,001
Machinery, equipment and vehicles	28,253	34,378
Accumulated depreciation	(13,689)	(16,579)
Machinery, equipment and vehicles, net	14,564	17,799
Land	13,350	16,430
Leased assets	22	25
Accumulated depreciation	(17)	(18)
Leased assets, net	5	6
Construction in progress	10,314	7,031
Other	2,462	2,961
Accumulated depreciation	(1,738)	(2,118)
Other, net	724	842
Total property, plant and equipment	54,493	58,112
Intangible assets		
Goodwill	17	12
Other	867	1,028
Total Intangible assets	884	1,041
Investments and other assets		
Investment securities	1,784	1,267
Long-term loans receivable	1,645	1,135
Deferred tax assets	1,470	1,564
Leasehold and guarantee deposits	430	561
Other	392	803
Allowance for doubtful accounts	(226)	(222)
Total investments and other assets	5,496	5,109
Total non-current assets	60,874	64,263
Total assets	156,737	180,275

(Millions of yen)

	Previous fiscal year (As of October 31, 2021)	Current fiscal year (As of October 31, 2022)
Liabilities		
Current liabilities:		
Accounts payable - trade	25,158	29,167
Short-term borrowings	15,155	8,217
Lease obligations	1	2
Income taxes payable	5,194	6,026
Provision for bonuses	354	414
Other	5,182	4,159
Total current liabilities	51,047	47,987
Non-current liabilities:		
Long-term borrowings	19,534	26,317
Lease obligations	4	3
Deferred tax liabilities	117	120
Retirement benefit liability	713	650
Guarantee deposits received	6,512	7,167
Asset retirement obligations	465	528
Provision for share awards for directors (and other officers)	58	81
Other	64	198
Total non-current liabilities	27,471	35,067
Total liabilities	78,518	83,055
Net assets		
Shareholders' equity:		
Share capital	500	500
Capital surplus	9,581	10,466
Retained earnings	76,592	93,061
Treasury shares	(9,135)	(8,953)
Total shareholders' equity	77,539	95,074
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	62	(3)
Foreign currency translation adjustment	(1,190)	(80)
Total valuation and translation adjustments	(1,127)	(84)
Share acquisition rights	1,807	2,229
Total net assets	78,218	97,220
Total liabilities and net assets	156,737	180,275

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)
Net sales	362,064	406,813
Cost of sales	318,940	360,217
Gross profit	43,123	46,596
Selling, general and administrative expenses:		
Advertising expenses	158	262
Rent expenses on land and buildings	564	759
Freight costs	6,378	7,504
Promotion expenses	459	362
Outsourcing expenses	625	709
Wages, salaries and expenses	3,316	4,051
Legal welfare expenses	448	485
Provision for bonuses	191	236
Retirement benefit expenses	90	13
Depreciation	494	666
Provision for bonuses for directors (and other officers)	18	23
Provision of allowance for doubtful accounts	1	(1)
Amortization of goodwill	5	5
Other	3,058	3,697
Total selling, general and administrative expenses	15,812	18,776
Operating profit	27,311	27,820
Non-operating income:		
Interest income	101	279
Dividend income	0	9
Lease revenue	110	251
Gain on valuation of derivatives	220	478
Foreign exchange gains	826	2,790
Subsidy income	529	323
Fuel sale income	67	81
Other	241	306
Total non-operating income	2,097	4,520
Non-operating expenses:		
Interest expenses	181	86
Rental costs	29	32
Commission expenses	1	0
Fuel sale cost	64	79
Provision of allowance for doubtful accounts	16	—
Other	28	16
Total non-operating expenses	321	215
Ordinary profit	29,087	32,125

	(Millions of yen)	
	For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)
Extraordinary income:		
Gain on sale of non-current assets	5	6
Gain on reversal of share acquisition rights	18	15
Total extraordinary income	24	22
Extraordinary losses:		
Loss on retirement of non-current assets	70	73
Loss on sale of non-current assets	127	4
Loss on sale of investment securities	-	50
Impairment losses	176	994
Total extraordinary losses	373	1,122
Profit before income taxes	28,738	31,025
Income taxes - current	8,877	10,254
Income taxes - deferred	268	(62)
Total income taxes	9,145	10,192
Profit	19,592	20,832
Profit attributable to owners of parent	19,592	20,832

Consolidated statements of comprehensive income

(Millions of yen)

	For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)
Profit	19,592	20,832
Other comprehensive income:		
Valuation difference on available-for-sale securities	49	(66)
Foreign currency translation adjustment	444	1,109
Total other comprehensive income	494	1,043
Comprehensive income	20,086	21,876
Comprehensive income attributable to:		
Owners of parent	20,086	21,876

(3) Consolidated statements of changes in equity

For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance, November 1, 2020	64	8,539	60,243	(9,465)	59,380
Changes of items during period					
Dividends of surplus			(3,242)		(3,242)
Profit attributable to owners of parent			19,592		19,592
Purchase of treasury shares				(0)	(0)
Disposable of treasury shares		1,478		330	1,809
Transfer from capital surplus to share capital	436	(436)			–
Net change of items other than shareholders' equity					–
Total changes of items during period	436	1,042	16,349	330	18,158
Balance, October 31, 2021	500	9,581	76,592	(9,135)	77,539

	Accumulated other comprehensive income			Share Acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total		
Balance, November 1, 2020	13	(1,634)	(1,621)	1,510	59,268
Changes of items during period					
Dividends of surplus			–		(3,242)
Profit attributable to owners of parent			–		19,592
Purchase of treasury shares			–		(0)
Disposable of treasury shares			–		1,809
Transfer from capital surplus to share capital			–		–
Net change of items other than shareholders' equity	49	444	494	296	791
Total changes of items during period	49	444	494	296	18,949
Balance, October 31, 2021	62	(1,190)	(1,127)	1,807	78,218

For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total
Balance, November 1, 2021	500	9,581	76,592	(9,135)	77,539
Changes of items during period					
Dividends of surplus			(4,363)		(4,363)
Profit attributable to owners of parent			20,832		20,832
Purchase of treasury shares				–	–
Disposable of treasury shares		884		181	1,066
Net change of items other than shareholders' equity					
Total changes of items during period	–	884	16,469	181	17,535
Balance, October 31, 2022	500	10,466	93,061	(8,953)	95,074

	Accumulated other comprehensive income			Share Acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total		
Balance, November 1, 2021	62	(1,190)	(1,127)	1,807	78,218
Changes of items during period					
Dividends of surplus					(4,363)
Profit attributable to owners of parent					20,832
Purchase of treasury shares					–
Disposable of treasury shares					1,066
Net change of items other than shareholders' equity	(66)	1,109	1,043	422	1,466
Total changes of items during period	(66)	1,109	1,043	422	19,002
Balance, October 31, 2022	(3)	(80)	(84)	2,229	97,220

(4) Consolidated statements of cash flows

(Millions of yen)

	For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)
Cash flows from operating activities:		
Profit before income taxes	28,738	31,025
Depreciation	4,151	4,896
Impairment losses	176	994
Share-based payment expenses	808	731
Increase (decrease) in allowance for doubtful accounts	2	(16)
Increase (decrease) in provision for bonuses	55	59
Increase (decrease) in retirement benefit liability	100	(62)
Interest and dividend income	(101)	(288)
Loss (gain) on valuation of derivatives	(220)	(478)
Interest expenses	181	86
Foreign exchange losses (gains)	(936)	(3,069)
Loss (gain) on sale of investment securities	–	50
Loss (gain) on sale of property, plant and equipment	121	(2)
Loss on retirement of property, plant and equipment	69	73
Decrease (increase) in trade receivables	(2,283)	(3,378)
Decrease (increase) in inventories	(4,050)	(5,003)
Decrease (increase) in other current assets	(237)	162
Increase (decrease) in trade payables	3,002	4,020
Increase (decrease) in other current liabilities	760	480
Increase (decrease) in guarantee deposits received	463	655
Decrease (increase) in advance payments to suppliers	(787)	(195)
Other, net	218	120
Subtotal	30,234	30,860
Interest and dividends received	91	295
Interest paid	(189)	(74)
Income taxes paid	(8,874)	(9,499)
Net cash provided by (used in) operating activities	21,261	21,582

(Millions of yen)

	For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)
Cash flows from investing activities:		
Payments into time deposits	(685)	(1,158)
Proceeds from withdrawal of time deposits	1,225	1,158
Purchase of property, plant and equipment	(17,994)	(11,106)
Proceeds from sale of property, plant and equipment	69	176
Purchase of intangible assets	(434)	(288)
Proceeds from sale of investment securities	240	370
Purchase of securities	–	(2,000)
Loan advances	(63)	–
Proceeds from collection of loans receivable	517	514
Other, net	(282)	(150)
Net cash provided by (used in) investing activities	(17,407)	(12,483)
Cash flows from financing activities:		
Proceeds from long-term borrowings	–	15,000
Repayments of long-term borrowings	(14,598)	(15,155)
Purchase of treasury shares	(0)	–
Proceeds from disposal of treasury shares	1,316	769
Dividends paid	(3,242)	(4,363)
Repayments of finance lease obligations	(1)	(2)
Net cash provided by (used in) financing activities	(16,526)	(3,752)
Effect of exchange rate change on cash and cash equivalents	1,098	3,695
Net increase (decrease) in cash and cash equivalents	(11,574)	9,042
Cash and cash equivalents at beginning of period	68,285	56,710
Cash and cash equivalents at end of period	56,710	65,753

(5) Notes to consolidated financial statements

(Going concern assumption)

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 current 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 current 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.

As a result of the application of the Accounting Standard for Revenue Recognition, etc., “Notes and accounts receivable - trade” presented under “Current assets” in the consolidated balance sheet as of October 31, 2021 is presented as “Accounts receivable - trade” effective from the fiscal year under review.

Note that, in accordance with the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the line items for the previous fiscal year have not been reclassified using the new presentation method. In addition, in accordance with the transitional treatment set forth in paragraph 89-3 of the Accounting Standard for Revenue Recognition, the disaggregation of revenue from contracts with customers has not been provided for the previous fiscal year. Consequently, this change in accounting policies has a minimal effect on the consolidated financial statements.

(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 current 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, etc.)

1. Overview of reportable segment

The reportable segment of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about allocation of resources and assess its performance.

We have business headquarters in head office to manage stores and restaurants as a franchisor of each business, and work on business activities based on comprehensive domestic and overseas strategies for our products and services.

Also, to resolve power shortage by stably supplying safe and reliable energy and address environmental issues including global warming, we engage in the solar power business and the biomass power business in accordance with Feed-in Tariffs (FIT) for renewable energy sources under the “Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities of Japan” enacted on July 1, 2012.

2. Method of calculating the amount of net sales, profit or loss, assets, and other items by reportable segment

The accounting standards and methods for the business segments subject to segment reporting are largely identical to the description in “Significant Accounting Policies for the Consolidated Financial Statements.”

Segment profit is the figure on a basis of operating profit.

Intersegment sales or transfers is calculated at prevailing market prices.

3. Information on amounts of net sales, profit or loss, assets, and other items by reportable segment

For the fiscal year ended October 31, 2021 (from November 1, 2020 to October 31, 2021)

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated
	Gyomu Super Business	Restaurant & Delicatessen Business	Eco Renewable Energy Business	Total				
Net sales								
Sales to external customers	355,466	3,889	2,668	362,024	40	362,064	–	362,064
Intersegment sales or transfers	1,742	148	–	1,891	–	1,891	(1,891)	–
Total	357,209	4,038	2,668	363,916	40	363,956	(1,891)	362,064
Segment profit (loss)	31,035	(455)	480	31,060	(52)	31,008	(3,696)	27,311
Segment assets	107,392	3,005	20,773	131,172	141	131,313	25,423	156,737
Other items:								
Depreciation*3	2,950	139	863	3,953	9	3,962	188	4,151
Increases in property, plant and equipment and intangible assets*3	7,040	1,387	5,399	13,827	43	13,871	4,514	18,385

*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 ¥(3,696) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.
- (3) The amount of adjustment for segment assets of ¥25,423 million is corporate assets unattributable to any reportable segments. The assets are attributable to the Company’s administrative departments.
- (4) The amount of adjustment for depreciation of ¥188 million is the amount of corporate expenses unattributable to any reportable segments.
- (5) The amount of adjustment for increases in property, plant and equipment and intangible assets of ¥4,514 million is an increase in corporate assets unattributable to any reportable segments.

*3 Increases in property, plant and equipment and intangible assets include recognition and amortization of long-term prepaid expense.

For the fiscal year ended October 31, 2022 (from November 1, 2021 to October 31, 2022)

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated
	Gyomu Super Business	Restaurant & Delicatessen Business	Eco Renewable Energy Business	Total				
Timing of revenue recognition								
Goods or services transferred at a point in time	392,853	7,271	—	400,124	40	400,165	—	400,165
Goods or services transferred over time	3,443	52	3,152	6,648	—	6,648	—	6,648
Revenue from contracts with customers	396,296	7,323	3,152	406,773	40	406,813	—	406,813
Net sales								
Sales to external customers	396,296	7,323	3,152	406,773	40	406,813	—	406,813
Intersegment sales or transfers	3,073	167	—	3,241	—	3,241	(3,241)	—
Total	399,370	7,491	3,152	410,015	40	410,055	(3,241)	406,813
Segment profit (loss)	31,612	(119)	676	32,169	(39)	32,130	(4,310)	27,820
Segment assets	125,662	5,191	22,590	153,443	17	153,461	26,814	180,275
Other items:								
Depreciation*3	3,381	248	1,075	4,706	10	4,716	180	4,896
Increases in property, plant and equipment and intangible assets*3	4,835	974	3,867	9,677	3	9,680	602	10,283

*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 ¥(4,310) million is corporate expenses unallocated to each reportable segment. The expenses are general and administrative expenses unattributable to any reportable segments.

(3) The amount of adjustment for segment assets of ¥26,814 million is corporate assets unattributable to any reportable segments. The assets are attributable to the Company's administrative departments.

(4) The amount of adjustment for depreciation of ¥180 million is the amount of corporate expenses unattributable to any reportable segments.

(5) The amount of adjustment for increases in property, plant and equipment and intangible assets of ¥602 million is an increase in corporate assets unattributable to any reportable segments.

*3 Increases in property, plant and equipment and intangible assets include recognition and amortization of long-term prepaid expense.

(Per share information)

	For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)
Net assets per share	¥350.49	¥433.53
Basic earnings per share	¥90.48	¥95.35
Diluted earnings per share	¥88.52	¥93.87

(Notes)

- For the purpose of calculating the amount of net assets per share, the number of shares of the Company held by a Board Benefit Trust (176,000 shares (on a post-stock split basis) and 168,400 shares at the end of the previous and current fiscal years, respectively) was included in the number of treasury shares, which was to be deducted from the number of shares issued at the end of the fiscal year.
For the purpose of calculating basic earnings per share and diluted earnings per share, the number of shares of the Company held by the Trust (176,000 shares (on a post-stock split basis) and 171,090 shares at the end of the previous and current fiscal years, respectively) was included in the number of treasury shares, which was to be deducted from the calculation of the average of shares of common shares outstanding during the period.
- As we conducted a 2-for-1 stock split of common shares effective on November 1, 2020, basic earnings per share 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, 2021.
- The calculation basis for basic earnings per share and diluted earnings per share are shown as follows.

	For the fiscal year ended October 31, 2021 (From November 1, 2020 to October 31, 2021)	For the fiscal year ended October 31, 2022 (From November 1, 2021 to October 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	19,592	20,832
Profit not attributable to common shareholders (millions of yen)	–	–
Profit attributable to common shareholders of parent (millions of yen)	19,592	20,832
Average number of shares of common shares outstanding during the fiscal year (shares)	216,527,896	218,489,985
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (millions of yen)	–	–
(Of which, interest expenses after deducting the amount equivalent to taxes) (millions of yen)	–	–
Number of shares of common shares to be increased (share)	4,810,911	3,444,782
(Of which, number of share acquisition rights) (share)	(4,810,911)	(3,444,782)
Summary of potentially dilutive shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	–	–

(Subsequent events)

Not applicable