

Consolidated Financial Results for the Three Months Ended May 31, 2021 [Japanese GAAP]



July 6, 2021

Company name: Belc CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9974

URL: <https://www.belc.jp>

Representative: Issei Harashima, President and Representative Director

Contact: Hideo Ueda, Senior Managing Director; Associate GM of Compliance Office; Responsible for Finance and Accounting Department and Operations Support Department, and in charge of Legal Affairs

Phone: +81-49-287-0111

Scheduled date of filing quarterly securities report: July 12, 2021

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended May 31, 2021 (March 1, 2021 – May 31, 2021)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
May 31, 2021	73,369	3.8	3,341	(21.9)	3,551	(20.8)	2,401	(6.6)
May 31, 2020	70,668	23.1	4,277	110.8	4,485	107.5	2,570	81.1

(Note) Comprehensive income: Three months ended May 31, 2021: ¥2,412 million [(6.7)%]

Three months ended May 31, 2020: ¥2,586 million [82.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
May 31, 2021	115.07	–
May 31, 2020	123.18	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2021	141,427	77,736	55.0
As of February 28, 2021	136,558	76,283	55.9

(Reference) Equity: As of May 31, 2021: ¥77,736 million

As of February 28, 2021: ¥76,283 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended February 28, 2021	–	40.00	–	46.00	86.00
Fiscal year ending February 28, 2022	–				
Fiscal year ending February 28, 2022 (Forecast)		43.00	–	43.00	86.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	283,597	(0.3)	11,308	(5.2)	11,996	(5.4)	8,031	(9.0)	384.88

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Changes in significant subsidiaries during the period: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: –
Excluded: –
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

May 31, 2021:	20,867,800 shares
February 28, 2021:	20,867,800 shares
 - 2) Total number of treasury shares at the end of the period:

May 31, 2021:	1,153 shares
February 28, 2021:	1,153 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Three months ended May 31, 2021:	20,866,647 shares
Three months ended May 31, 2020:	20,866,760 shares

* These quarterly consolidated financial results are outside the scope of quarterly reviews by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecasts and other notes

The business outlook and other forward-looking statements in these materials are based on information currently available to the Company and certain assumptions that are deemed reasonable. Actual financial results, etc. may significantly vary from these forecasts due to various factors. For the assumptions used in the above financial results forecasts and other related matters, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements” on page 3.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the three months ended May 31, 2021, the Japanese economic climate remained harsh due to the impact of COVID-19. Meanwhile, in conjunction with vaccination rollout along with the implementation of measures to curb the spread of infection, expectations are high for the economy to recover thanks mainly to the effects of various government policies. Nevertheless, the economic outlook, including the trends of COVID-19 in Japan and overseas and the impact of changes in the financial and capital markets, remain uncertain.

In the retail industry, amid the daily fluctuations in the number of new cases of COVID-19, the voluntary restraints by consumers to go out, and their reluctance to buy as a result of changes in consumer behavior due to the declaration of the state of emergency by the government, conditions remain harsh, with increasingly fierce competition across business types and categories, as well as ongoing difficulties in securing personnel.

In this environment, the Belc Group (the “Group”) has worked to sell delicious and fresh products, emphasize our price appeal, and create stores that are supported and trusted by customers, led by our motto of “Better Quality & Lower Price,” so that we, as a supermarket, can provide members of local communities with richer lives.

Below is an overview of the main initiatives we have implemented.

In our sales measures, we have continued with business as usual in all stores, supplied products, and fulfilled our role as a lifeline in communities while employing various measures to prevent the spread of COVID-19. In April, to commemorate the number of Belc card members exceeding two million, we carried out a massive promotional campaign in which customers won big prizes. In addition to flyers and social media, we also proactively promoted our products to appeal to various generations by using radio broadcasts and other media in collaboration with a popular girl group. We have also been enhancing the convenience of our customers by expanding the stores that support our online grocery shopping service, “Belc otodoke (delivery) pack.” Furthermore, we increased the number of stores with “smabelc,” a service that enables smart shopping and eases the lines at the check-out counters.

In our product measures, we have provided high-quality products at reasonable prices by procuring products from better production sites and developing directly imported products. We have expanded our offering of products in our private brand, “kurabelc (Belc for everyday life),” successively launching new and reasonably priced products that help improve people’s daily lives. Furthermore, in response to the increasing demand for home-cooked meals, we sold select Belc deli products and proposed various recipes to customize such products.

In our store operations, we have used the Company’s greatest feature, our standardized corporate structure, as a foundation on which we have firmly established our labor scheduling program (LSP), appropriately allocated personnel, and leveraged labor-saving equipment to promote efficient chain operation.

As for our store investments, to promote greater competitiveness and standardization, we renovated three existing stores, expanded their deli and convenience food selections, and updated the facilities to provide more pleasant shopping environments. In March 2021, we closed the Satte Minami Store in Satte City, Saitama Prefecture. As a result, we operate 122 stores as of May 31, 2021.

We have leveraged our in-house logistics strengths to carry out large-scale batch procurement of products from production sites and manufacturers, through which we aim to improve our delivery efficiency and product price competitiveness while achieving more consistent product quality. We have also continued to review and revise our delivery system based on the work performed at stores, and to improve the efficiency of store operations.

As a result, operating income (net sales and operating revenue combined) for the three months ended May 31, 2021 was ¥73,369 million (103.8% of that of the same period of the previous fiscal year), operating profit was ¥3,341 million (78.1% of that of the same period of the previous fiscal year), ordinary profit was ¥3,551 million (79.2% of that of the same period of the previous fiscal year) and profit attributable to owners of parent was ¥2,401 million (93.4% of that of the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Assets)

Total assets as of May 31, 2021 were ¥141,427 million, an increase of ¥4,868 million compared with the end of the previous fiscal year.

Current assets were ¥25,376 million, an increase of ¥2,121 million compared with the end of the previous fiscal year, due mainly to an increase of ¥2,946 million in cash and deposits.

Non-current assets were ¥116,050 million, an increase of ¥2,747 million compared with the end of the previous fiscal year, due mainly to an increase of ¥2,851 million in land.

(Liabilities)

Liabilities were ¥63,690 million, an increase of ¥3,415 million compared with the end of the previous fiscal year.

Current liabilities were ¥35,588 million, an increase of ¥839 million compared with the end of the previous fiscal year, due mainly to an increase of ¥1,958 million in accounts payable - trade.

Non-current liabilities were ¥28,102 million, an increase of ¥2,576 million compared with the end of the previous fiscal year, due mainly to an increase of ¥2,775 million in long-term borrowings.

(Net assets)

Net assets were ¥77,736 million, an increase of ¥1,452 million compared with the end of the previous fiscal year, due mainly to an increase of ¥1,441 million in retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Statements

As for the future outlook, amid the daily fluctuations in the spread of COVID-19, the vaccination rollout is gradually taking hold, and expectations are high for economic activities to resume. Nevertheless, given the difficulty of predicting when the pandemic will actually be contained and the prevailing economic instability, the economic outlook is expected to remain uncertain.

Taking into consideration the above circumstances, the Company has decided not to revise the financial results forecast for the fiscal year ending February 28, 2022 announced on April 9, 2021. Going forward, the Company will disclose any events that could significantly impact its business performance as soon as they occur.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2021	As of May 31, 2021
Assets		
Current assets		
Cash and deposits	7,369	10,316
Accounts receivable - trade	4,282	5,011
Merchandise and finished goods	7,013	7,290
Raw materials and supplies	258	206
Other	4,331	2,551
Total current assets	23,255	25,376
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,997	58,315
Land	33,083	35,935
Other, net	6,294	6,509
Total property, plant and equipment	98,376	100,760
Intangible assets	1,443	1,494
Investments and other assets		
Deferred tax assets	2,371	2,510
Guarantee deposits	8,152	8,065
Other	3,016	3,276
Allowance for doubtful accounts	(56)	(56)
Total investments and other assets	13,484	13,795
Total non-current assets	113,303	116,050
Total assets	136,558	141,427

(Million yen)

	As of February 28, 2021	As of May 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	17,349	19,307
Short-term borrowings	800	800
Current portion of long-term borrowings	5,311	5,500
Lease obligations	906	821
Income taxes payable	2,375	1,411
Provision for bonuses	1,065	1,854
Provision for bonuses for directors (and other officers)	83	20
Provision for point card certificates	398	406
Provision for loss on store closings	10	–
Other	6,447	5,466
Total current liabilities	34,748	35,588
Non-current liabilities		
Long-term borrowings	13,911	16,686
Lease obligations	1,074	899
Provision for retirement benefits for directors (and other officers)	179	169
Retirement benefit liability	307	292
Guarantee deposited	4,496	4,489
Asset retirement obligations	5,048	5,074
Other	509	489
Total non-current liabilities	25,526	28,102
Total liabilities	60,274	63,690
Net assets		
Shareholders' equity		
Share capital	3,912	3,912
Capital surplus	4,102	4,102
Retained earnings	68,549	69,991
Treasury shares	(3)	(3)
Total shareholders' equity	76,562	78,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(7)
Remeasurements of defined benefit plans	(269)	(259)
Total accumulated other comprehensive income	(278)	(267)
Total net assets	76,283	77,736
Total liabilities and net assets	136,558	141,427

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended May 31, 2020 and 2021

(Million yen)

	For the three months ended May 31, 2020	For the three months ended May 31, 2021
Net sales	69,910	72,522
Cost of sales	51,878	54,703
Gross profit	18,032	17,818
Operating revenue	757	847
Operating costs	251	297
Operating gross profit	18,538	18,368
Selling, general and administrative expenses	14,261	15,027
Operating profit	4,277	3,341
Non-operating income		
Interest income	9	9
Administrative service fee income	145	163
Penalty income from leaving tenants	7	–
Gain on adjustment of account payable	5	4
Other	66	55
Total non-operating income	235	232
Non-operating expenses		
Interest expenses	23	20
Other	3	1
Total non-operating expenses	27	21
Ordinary profit	4,485	3,551
Extraordinary income		
Gain on sales of non-current assets	0	3
Total extraordinary income	0	3
Extraordinary losses		
Loss on retirement of non-current assets	15	13
Loss on fire	685	–
Total extraordinary losses	701	13
Profit before income taxes	3,784	3,541
Income taxes - current	1,529	1,284
Income taxes - deferred	(315)	(143)
Total income taxes	1,214	1,140
Profit	2,570	2,401
Profit attributable to owners of parent	2,570	2,401

Quarterly Consolidated Statements of Comprehensive Income

Three months ended May 31, 2020 and 2021

(Million yen)

	For the three months ended May 31, 2020	For the three months ended May 31, 2021
Profit	2,570	2,401
Other comprehensive income		
Valuation difference on available-for-sale securities	4	1
Remeasurements of defined benefit plans, net of tax	11	10
Total other comprehensive income	16	11
Comprehensive income	2,586	2,412
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,586	2,412
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.