

Consolidated Financial Results for the Six Months Ended August 31, 2021 [Japanese GAAP]



October 7, 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: October 12, 2021

Scheduled date of commencing dividend payments: November 1, 2021

Availability of supplementary explanatory materials on quarterly financial results: 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 Six Months Ended August 31, 2021 (March 1, 2021 – August 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	%
Six months ended August 31, 2021	149,132	6.5	7,392	(4.7)	7,781	(4.5)	5,248	(9.1)
August 31, 2020	140,014	20.5	7,756	56.7	8,151	54.2	5,776	63.9

(Note) Comprehensive income: Six months ended August 31, 2021: ¥5,280 million [(9.1)%]

Six months ended August 31, 2020: ¥5,806 million [64.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2021	251.55	–
August 31, 2020	276.83	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of August 31, 2021	144,481	80,604	55.8
As of February 28, 2021	136,558	76,283	55.9

(Reference) Equity: As of August 31, 2021: ¥80,604 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	–	43.00			
Fiscal year ending February 28, 2022 (Forecast)			–	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):

August 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:

August 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):

Six months ended August 31, 2021:	20,866,647 shares
Six months ended August 31, 2020:	20,866,742 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 six months ended August 31, 2021, expectations are high for the Japanese economy to recover as the level of social and economic activity gradually increases, with efforts, including the COVID-19 vaccination rollout. However, due care must still be taken with respect to the risk of the trends of COVID-19 causing downturns in the domestic or overseas economies, and the economic outlook, including the impact of changes in the financial and capital markets, remains 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.

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, 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 made efforts to give customers more incentives to visit our stores, including a massive promotional campaign in which customers won big prizes. We have also been enhancing the convenience of our customers by gradually expanding the stores that support “Belc otodoke (delivery) pack,” our online grocery shopping service, and “smabelc,” a service that enables smart shopping and eases the lines at the check-out counters. Furthermore, we have pushed ahead with our efforts to provide shopping assistance to the elderly and other customers through increasing the availability of our mobile supermarket, “Tokushimaru.”

In our product measures, we have promoted our select products by creating conceptual flyers that focus on the products. We also 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.

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, we newly opened Toda Hikawa-cho Store in Toda City, Saitama Prefecture in July 2021. In addition, we renovated four 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 123 stores as of August 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 six months ended August 31, 2021 was ¥149,132 million (106.5% of that of the same period of the previous fiscal year), operating profit was ¥7,392 million (95.3% of that of the same period of the previous fiscal year), ordinary profit was ¥7,781 million (95.5% of that of the same period of the previous fiscal year) and profit attributable to owners of parent was ¥5,248 million (90.9% of that of the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Assets)

Total assets as of August 31, 2021 were ¥144,481 million, an increase of ¥7,922 million compared with the end of the previous fiscal year.

Current assets were ¥24,333 million, an increase of ¥1,078 million compared with the end of the previous fiscal year, due mainly to an increase of ¥994 million in accounts receivable - trade.

Non-current assets were ¥120,148 million, an increase of ¥6,844 million compared with the end of the previous fiscal year, due mainly to an increase of ¥3,487 million in land.

(Liabilities)

Liabilities were ¥63,877 million, an increase of ¥3,602 million compared with the end of the previous fiscal year.

Current liabilities were ¥37,201 million, an increase of ¥2,452 million compared with the end of the previous fiscal year, due mainly to an increase of ¥3,245 million in accounts payable - trade.

Non-current liabilities were ¥26,676 million, an increase of ¥1,149 million compared with the end of the previous fiscal year, due mainly to an increase of ¥1,561 million in long-term borrowings.

(Net assets)

Net assets were ¥80,604 million, an increase of ¥4,320 million compared with the end of the previous fiscal year, due mainly to an increase of ¥4,289 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 August 31, 2021
Assets		
Current assets		
Cash and deposits	7,369	7,577
Accounts receivable - trade	4,282	5,276
Merchandise and finished goods	7,013	7,585
Raw materials and supplies	258	186
Other	4,331	3,707
Total current assets	23,255	24,333
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,997	58,028
Land	33,083	36,571
Other, net	6,294	10,003
Total property, plant and equipment	98,376	104,603
Intangible assets	1,443	1,557
Investments and other assets		
Deferred tax assets	2,371	2,423
Guarantee deposits	8,152	8,622
Other	3,016	2,998
Allowance for doubtful accounts	(56)	(55)
Total investments and other assets	13,484	13,987
Total non-current assets	113,303	120,148
Total assets	136,558	144,481

(Million yen)

	As of February 28, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	17,349	20,594
Short-term borrowings	800	500
Current portion of long-term borrowings	5,311	5,194
Lease obligations	906	737
Income taxes payable	2,375	2,816
Provision for bonuses	1,065	1,280
Provision for bonuses for directors (and other officers)	83	40
Provision for point card certificates	398	412
Provision for loss on store closings	10	–
Other	6,447	5,625
Total current liabilities	34,748	37,201
Non-current liabilities		
Long-term borrowings	13,911	15,473
Lease obligations	1,074	747
Provision for retirement benefits for directors (and other officers)	179	175
Retirement benefit liability	307	279
Guarantee deposited	4,496	4,416
Asset retirement obligations	5,048	5,113
Other	509	470
Total non-current liabilities	25,526	26,676
Total liabilities	60,274	63,877
Net assets		
Shareholders' equity		
Share capital	3,912	3,912
Capital surplus	4,102	4,102
Retained earnings	68,549	72,838
Treasury shares	(3)	(3)
Total shareholders' equity	76,562	80,851
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8)	2
Remeasurements of defined benefit plans	(269)	(249)
Total accumulated other comprehensive income	(278)	(246)
Total net assets	76,283	80,604
Total liabilities and net assets	136,558	144,481

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six months ended August 31, 2020 and 2021

(Million yen)

	For the six months ended August 31, 2020	For the six months ended August 31, 2021
Net sales	138,594	147,424
Cost of sales	102,805	110,391
Gross profit	35,788	37,032
Operating revenue	1,420	1,708
Operating costs	504	596
Operating gross profit	36,704	38,144
Selling, general and administrative expenses	28,947	30,751
Operating profit	7,756	7,392
Non-operating income		
Interest income	19	18
Dividend income	1	1
Administrative service fee income	281	311
Penalty income from leaving tenants	8	–
Gain on adjustment of account payable	7	8
Other	129	91
Total non-operating income	448	431
Non-operating expenses		
Interest expenses	46	40
Other	7	2
Total non-operating expenses	53	42
Ordinary profit	8,151	7,781
Extraordinary income		
Gain on sales of non-current assets	0	3
Insurance claim income	567	–
Total extraordinary income	567	3
Extraordinary losses		
Loss on sales of non-current assets	–	12
Loss on retirement of non-current assets	18	38
Loss on fire	678	–
Total extraordinary losses	697	51
Profit before income taxes	8,021	7,733
Income taxes - current	2,484	2,549
Income taxes - deferred	(239)	(65)
Total income taxes	2,245	2,484
Profit	5,776	5,248
Profit attributable to owners of parent	5,776	5,248

Quarterly Consolidated Statements of Comprehensive Income

Six months ended August 31, 2020 and 2021

(Million yen)

	For the six months ended August 31, 2020	For the six months ended August 31, 2021
Profit	5,776	5,248
Other comprehensive income		
Valuation difference on available-for-sale securities	7	11
Remeasurements of defined benefit plans, net of tax	22	20
Total other comprehensive income	30	31
Comprehensive income	5,806	5,280
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,806	5,280
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.