Consolidated Financial Results
for the Three Months Ended May 31, 2022
[Japanese GAAP]

July 8, 2022

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, 2022
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, 2022 (March 1, 2022 – May 31, 2022)

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

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
May 31, 2022	74,050	–	2,986	–	3,120	(12.1)	2,078	(13.5)
May 31, 2021	73,369	3.8	3,341	(21.9)	3,551	(20.8)	2,401	(6.6)

(Note) Comprehensive income: Three months ended May 31, 2022: ¥2,086 million [(13.5)%]
Three months ended May 31, 2021: ¥2,412 million [(6.7)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
May 31, 2022	99.59	–
May 31, 2021	115.07	–

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29) and other related accounting standards from the beginning of the fiscal year ending February 28, 2023. While the above consolidated operating results reflect the application of these accounting standards, changes from the previous corresponding period for operating income and operating profit are not provided as the figures for the previous fiscal year were prepared using a different accounting process.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2022	152,213	84,554	55.6
As of February 28, 2022	153,214	83,650	54.6

(Reference) Equity: As of May 31, 2022: ¥84,554 million
As of February 28, 2022: ¥83,650 million

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29) and other related accounting standards from the beginning of the fiscal year ending February 28, 2023. The figures for the fiscal year ending February 28, 2023 reflect the application of these accounting standards.

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, 2022	–	43.00	–	47.00	90.00
Fiscal year ending February 28, 2023	–				
Fiscal year ending February 28, 2023 (Forecast)		45.00	–	45.00	90.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 28, 2023

(% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	296,166	–	13,193	–	13,223	(4.8)	8,850	(3.7)	424.14

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

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29) and other related accounting standards from the beginning of the fiscal year ending February 28, 2023. While the above forecast reflect the application of these accounting standards, changes from the previous corresponding period for operating income and operating profit are not provided as the figures for the previous fiscal year were prepared using a different accounting process.

*** 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: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(Note) For the details, please refer to "2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)" on page 8.

(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, 2022:	20,867,800 shares
February 28, 2022:	20,867,800 shares

2) Total number of treasury shares at the end of the period:

May 31, 2022:	1,287 shares
February 28, 2022:	1,287 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Three months ended May 31, 2022:	20,866,513 shares
Three months ended May 31, 2021:	20,866,647 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

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other related accounting standards from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023. While the key financial data for the three months ended May 31, 2022 reflects the application of these accounting standards, changes from the previous corresponding period for operating income and operating profit are not provided as the figures for the previous fiscal year were prepared using a different accounting process.

During the three months ended May 31, 2022, the Japanese economy is expected to recover as a result of various government policies taken while social and economic activities are being normalized, with full measures against COVID-19. However, due care must be taken with respect to the risk of the recurring spread of infection overseas, the protracted conflict in Ukraine, and the impact of changes in the financial and capital markets causing downturns. The economic outlook remains uncertain.

In the retail industry, although consumer spending shows some signs of recovery, a sharp drop in the exchange value of the yen has caused severe business conditions, including increased transportation costs due to soaring crude oil prices, and higher purchase prices for food products due to rising raw material prices.

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.

As for 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, we made efforts to give a wider-range of customers more incentives to visit our stores, including a massive promotional campaign in which customers won big prizes, and product promotions on social media. 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.”

As for our product measures, we have promoted select products using conceptual flyers that focus on the products. We have also further expanded our offering of products in our private label, “kurabelc (Belc for everyday life),” including a campaign in March to celebrate the 4th anniversary of the brand, successively launching reasonably priced products that help improve people’s daily lives.

As for 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 operations.

As for our store investments, we opened one new store, Forte Abiko Store in Abiko City, Chiba Prefecture in April 2022. In addition, we renovated two existing stores, expanded their deli and convenience food selections, and updated the facilities to provide more pleasant shopping environments. As a result, we operate 127 stores as of May 31, 2022.

We have leveraged the strength of our in-house logistics 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.

Meanwhile, our consolidated subsidiary Home Delica Co., Ltd. has increased the production capacity of its new No. 1 Plant, which started operation in January 2022. Going forward, together with the No. 2 Plant, we intend to build a supply system for products that taste even better and improve the efficiency of our stores. In addition, Joytech, Inc. strived to reinforce the Group's service business by developing and supplying equipment, supplies, and sales materials and through its store cleaning service business.

As a result, operating income (net sales and operating revenue combined) for the three months ended May 31, 2022 was ¥74,050 million (¥73,369 million for the same period of the previous fiscal year), operating profit was ¥2,986 million (¥3,341 million for the same period of the previous fiscal year), ordinary profit was ¥3,120 million (87.9% of that of the same period of the previous fiscal year) and profit attributable to owners of parent was ¥2,078 million (86.5% of that of the same period of the previous fiscal year).

The Company has applied the "Accounting Standard for Revenue Recognition" and other related accounting standards from the beginning of the three months ended May 31, 2022. The changes in accounting policies resulted in a decrease of operating income by ¥1,761 million and an increase of operating profit by ¥121 million. For the details, please refer to "2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)."

(2) Explanation of Financial Position

(Assets)

Total assets as of May 31, 2022 were ¥152,213 million, a decrease of ¥1,001 million compared with the end of the previous fiscal year.

Current assets were ¥23,755 million, a decrease of ¥3,624 million compared with the end of the previous fiscal year, due mainly to a decrease of ¥3,078 million in cash and deposits.

Non-current assets were ¥128,458 million, an increase of ¥2,623 million compared with the end of the previous fiscal year, due mainly to increases of ¥834 million in buildings and structures, and ¥754 million in land.

(Liabilities)

Liabilities were ¥67,658 million, a decrease of ¥1,905 million compared with the end of the previous fiscal year.

Current liabilities were ¥35,723 million, a decrease of ¥501million compared with the end of the previous fiscal year, due mainly to a decrease of ¥1,678 million in income taxes payable, despite an increase of ¥834 million in provision for bonuses.

Non-current liabilities were ¥31,935 million, a decrease of ¥1,403 million compared with the end of the previous fiscal year, due mainly to a decrease of ¥1,463 million in long-term borrowings.

(Net assets)

Net assets were ¥84,554 million, an increase of ¥904 million compared with the end of the previous fiscal year, due mainly to an increase of ¥896 million in retained earnings.

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

As for the future outlook, the fluctuations in the spread of COVID-19, the protracted conflict in Ukraine, and the exchange rate trends may raise concerns about the risk of downturns in the economy. Thus, 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, 2023 announced on April 14, 2022. 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, 2022	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	11,791	8,712
Accounts receivable - trade	3,538	4,442
Merchandise and finished goods	7,278	7,517
Raw materials and supplies	324	301
Other	4,448	2,780
Total current assets	27,380	23,755
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	62,069	62,903
Land	37,894	38,649
Other, net	8,864	9,321
Total property, plant and equipment	108,829	110,875
Intangible assets	1,655	1,687
Investments and other assets		
Deferred tax assets	2,553	2,759
Guarantee deposits	9,546	9,553
Other	3,306	3,639
Allowance for doubtful accounts	(55)	(56)
Total investments and other assets	15,349	15,895
Total non-current assets	125,834	128,458
Total assets	153,214	152,213

(Million yen)

	As of February 28, 2022	As of May 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	17,917	19,332
Short-term borrowings	500	–
Current portion of long-term borrowings	6,296	6,142
Lease obligations	570	495
Income taxes payable	3,023	1,345
Contract liabilities	–	456
Provision for bonuses	1,142	1,977
Provision for bonuses for directors (and other officers)	84	20
Provision for point card certificates	447	–
Other	6,241	5,954
Total current liabilities	36,225	35,723
Non-current liabilities		
Long-term borrowings	21,828	20,365
Lease obligations	503	404
Provision for retirement benefits for directors (and other officers)	235	–
Retirement benefit liability	248	232
Guarantee deposited	4,773	4,833
Asset retirement obligations	5,305	5,430
Other	444	669
Total non-current liabilities	33,339	31,935
Total liabilities	69,564	67,658
Net assets		
Shareholders' equity		
Share capital	3,912	3,912
Capital surplus	4,102	4,102
Retained earnings	75,880	76,776
Treasury shares	(3)	(3)
Total shareholders' equity	83,891	84,788
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(3)
Remeasurements of defined benefit plans	(238)	(229)
Total accumulated other comprehensive income	(241)	(233)
Total net assets	83,650	84,554
Total liabilities and net assets	153,214	152,213

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three months ended May 31, 2021 and 2022

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Net sales	72,522	72,770
Cost of sales	54,703	53,257
Gross profit	17,818	19,513
Operating revenue	847	1,279
Operating gross profit	18,666	20,793
Selling, general and administrative expenses	15,324	17,806
Operating profit	3,341	2,986
Non-operating income		
Interest income	9	10
Administrative service fee income	163	41
Gain on adjustment of account payable	4	12
Other	55	96
Total non-operating income	232	161
Non-operating expenses		
Interest expenses	20	21
Other	1	5
Total non-operating expenses	21	27
Ordinary profit	3,551	3,120
Extraordinary income		
Gain on sale of non-current assets	3	–
Total extraordinary income	3	–
Extraordinary losses		
Loss on retirement of non-current assets	13	34
Total extraordinary losses	13	34
Profit before income taxes	3,541	3,086
Income taxes - current	1,284	1,217
Income taxes - deferred	(143)	(209)
Total income taxes	1,140	1,008
Profit	2,401	2,078
Profit attributable to owners of parent	2,401	2,078

Quarterly Consolidated Statements of Comprehensive Income

Three months ended May 31, 2021 and 2022

(Million yen)

	For the three months ended May 31, 2021	For the three months ended May 31, 2022
Profit	2,401	2,078
Other comprehensive income		
Valuation difference on available-for-sale securities	1	(1)
Remeasurements of defined benefit plans, net of tax	10	9
Total other comprehensive income	11	8
Comprehensive income	2,412	2,086
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,412	2,086
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.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other related accounting standards from the first quarter of the consolidated fiscal year ending February 28, 2023. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes resulting from the application of the Revenue Recognition Standard and other related accounting standards are as follows.

1) Revenue recognition for agent transactions

Regarding revenue related to transactions when the Company acts as an agent in providing goods, etc. to customers (consignment buying transactions), the Company previously recognized revenue at the gross amount to be received from customers. However, the Company has changed the method of recognizing revenue to the net amount of the gross consideration less the amount paid to the suppliers.

As a result, for such transactions, the amount previously recorded as net sales and cost of sales on a gross basis are now recorded as operating revenue on a net basis.

2) Revenue recognition for point system

The Company offers a customer loyalty program with the Belc Card. Regarding the points awarded based on the purchase amount spent by the customer, the Company previously recorded the amount expected to be used by customers in the future as liabilities, based on the actual usage rate in the past, to prepare for the point usage by the customers. However, the Company now has changed to a method of identifying the performance obligations, after allocating the points to the stand-alone selling price with the consideration of expected future expirations and other factors.

As a result, for such transactions, the amount previously recorded as provision for point card certificates is now recorded as contract liabilities, and the amount previously recorded as selling, general and administrative expenses is deducted from net sales.

3) Revenue recognition for distribution center

Regarding the service of distributing goods to stores via the Company's distribution center, the Company previously recorded the net amount received from suppliers less operating expenses for the distribution center as income or expense. After a comprehensive review of the connection between the purchase of goods and their distribution services, the Company now has changed to a method in which a gross consideration received from suppliers is deducted from purchase price of goods. In addition, the Company changed to a method in which the usage fees for delivery materials received from suppliers, which were previously recorded as income, are now deducted from the amount of purchases.

As a result, for transactions falling under the former case, the net amount previously recorded as operating revenue or operating costs is now recorded after deducting consideration received from suppliers from cost of sales and allocating the expenses associated with the operation as selling, general and administrative expenses. In addition, transactions falling under the latter, which were previously recorded under non-operating income, are now deducted from cost of sales.

Accordingly, operating income decreased ¥1,761 million, net sales decreased ¥2,196 million, cost of sales decreased ¥3,256 million, operating revenue increased ¥435 million, and operating profit increased ¥121 million for the three months ended May 31, 2022, compared with those calculated based on the previous accounting method. In addition, the balance of retained earnings at the beginning of the fiscal year under review decreased by ¥201 million.

The Company has applied the Revenue Recognition Standard and other related accounting standards following the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Standard.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, the consolidated financial statements for the previous fiscal year have not been reclassified based on the new presentation method.

(Application of Accounting Standard for Fair Value Measurement)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other related accounting standards from the first quarter of the consolidated fiscal year ending February 28, 2023, and will prospectively apply the new accounting policies set forth by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the quarterly consolidated financial statements.

(Changes in presentation)

Upon the application of the Revenue Recognition Standard, the Company reexamined the meaning of operating costs in terms of profit and loss management of stores, and changed the presentation method of cost of lease revenue, which was previously presented as operating costs, to include in the selling, general and administrative expenses to present the actual status of store operations more appropriately.

To reflect this change in presentation, the quarterly consolidated statements of income for the three months ended May 31, 2021 have been reclassified.

As a result, cost of lease revenue of ¥297 million, which was presented as operating costs in the quarterly consolidated statements of income for the three months ended May 31, 2021, has been reclassified as selling, general and administrative expenses.

(Additional information)

(Abolishment of the retirement benefit system for officers)

The Company resolved to discontinue the retirement benefit payment in accordance with the abolishment of the retirement benefit system for officers at the 63rd Annual General Meeting of Shareholders on May 26, 2022.

Accordingly, the Company has reversed the entire amount of provision for retirement benefits for directors (and other officers), and ¥241 million, which was recorded in provision for retirement benefits for directors (and other officers), is now included as long-term accounts payable – other in other under non-current liabilities.