Consolidated Financial Results
for the Nine Months Ended November 30, 2022
[Japanese GAAP]

January 6, 2023

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: January 12, 2023
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 Nine Months Ended November 30, 2022 (March 1, 2022 – November 30, 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 30, 2022	227,749	–	9,750	–	9,999	(6.6)	6,784	(5.6)
November 30, 2021	222,935	6.2	10,105	9.2	10,700	8.8	7,188	3.1

(Note) Comprehensive income: Nine months ended November 30, 2022: ¥6,815 million [(5.7)%]
Nine months ended November 30, 2021: ¥7,229 million [3.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
November 30, 2022	325.28	–
November 30, 2021	344.49	–

(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 November 30, 2022	159,879	88,230	55.2
As of February 28, 2022	153,214	83,650	54.6

(Reference) Equity: As of November 30, 2022: ¥88,230 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	–	45.00	–		
Fiscal year ending February 28, 2023 (Forecast)				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 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.

*** 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):

November 30, 2022:	20,867,800 shares
February 28, 2022:	20,867,800 shares

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

November 30, 2022:	22,587 shares
February 28, 2022:	1,287 shares

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

Nine months ended November 30, 2022:	20,856,585 shares
Nine months ended November 30, 2021:	20,866,632 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.

Table of Contents - Attachments

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 nine months ended November 30, 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 nine months ended November 30, 2022, the Japanese economy is expected to recover as a result of various government policies taken while social and economic activities are being normalized in the era of living with COVID-19. However, the economic outlook remains uncertain as a downturn in overseas economies triggered by global monetary tightening and other factors could put downward pressure on the domestic economy. This is coupled with the impact of rising prices on household finances and companies, supply-side constraints, among other factors.

In the retail industry, conditions remain harsh, as a sharp drop in the exchange value of the yen, in addition to a global surge in crude oil and raw material prices, has led to higher purchase prices for food products and a rise in selling, general and administrative expenses.

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. We implemented a massive promotional campaign in which customers won big prizes and product promotions on social media in an effort to solicit a wider-range of customers to visit our stores. 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 newly opened five stores, Forte Abiko Store in Abiko City, Chiba Prefecture in April 2022, Forte Yokohama Kawawacho Store in Yokohama City, Kanagawa Prefecture in August 2022, Kasukabe Umeda Store in Kasukabe City, Saitama Prefecture in October 2022, and Higashi-yamato Tateno Store in Higashi-yamato City, Tokyo Prefecture and Maebashi Soujamachi Store in Maebashi City, Gunma Prefecture in November 2022. In addition, we renovated six existing stores, expanded their deli and convenience food selections, and updated the facilities to provide more pleasant shopping environments. As a result, we operate 131 stores as of November 30, 2022.

We have leveraged the strengths 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 nine months ended November 30, 2022 was ¥227,749 million (¥222,935 million for the same period of the previous fiscal year), operating profit was ¥9,750 million (¥10,105 million for the same period of the previous fiscal year), ordinary profit was ¥9,999 million (93.4% of that of the same period of the previous fiscal year) and profit attributable to owners of parent was ¥6,784 million (94.4% 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 ¥5,450 million and an increase of operating profit by ¥366 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 November 30, 2022 were ¥159,879 million, an increase of ¥6,664 million compared with the end of the previous fiscal year.

Current assets were ¥26,766 million, a decrease of ¥613 million compared with the end of the previous fiscal year, due mainly to a decrease of ¥1,607 million in cash and deposits.

Non-current assets were ¥133,112 million, an increase of ¥7,278 million compared with the end of the previous fiscal year, due mainly to increases of ¥5,591 million in buildings and structures and ¥1,485 million in land.

(Liabilities)

Liabilities were ¥71,648 million, an increase of ¥2,084 million compared with the end of the previous fiscal year.

Current liabilities were ¥37,261 million, an increase of ¥1,036 million compared with the end of the previous fiscal year, due mainly to an increase of ¥2,651 million in accounts payable - trade.

Non-current liabilities were ¥34,387 million, an increase of ¥1,048 million compared with the end of the previous fiscal year, due mainly to increases of ¥591 million in asset retirement obligations and ¥537 million in long-term borrowings.

(Net assets)

Net assets were ¥88,230 million, an increase of ¥4,579 million compared with the end of the previous fiscal year, due mainly to an increase of ¥4,663 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, a global surge in crude oil and raw material prices, and a sharp drop in the exchange value of the yen, among other factors, 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 November 30, 2022
Assets		
Current assets		
Cash and deposits	11,791	10,184
Accounts receivable - trade	3,538	4,664
Merchandise and finished goods	7,278	8,255
Raw materials and supplies	324	367
Other	4,448	3,294
Total current assets	27,380	26,766
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	62,069	67,661
Land	37,894	39,380
Other, net	8,864	8,853
Total property, plant and equipment	108,829	115,896
Intangible assets	1,655	1,629
Investments and other assets		
Deferred tax assets	2,553	2,253
Guarantee deposits	9,546	9,564
Other	3,306	3,825
Allowance for doubtful accounts	(55)	(56)
Total investments and other assets	15,349	15,587
Total non-current assets	125,834	133,112
Total assets	153,214	159,879

(Million yen)

	As of February 28, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	17,917	20,569
Short-term borrowings	500	–
Current portion of long-term borrowings	6,296	6,684
Lease obligations	570	339
Income taxes payable	3,023	805
Contract liabilities	–	471
Provision for bonuses	1,142	399
Provision for bonuses for directors (and other officers)	84	60
Provision for point card certificates	447	–
Other	6,241	7,931
Total current liabilities	36,225	37,261
Non-current liabilities		
Long-term borrowings	21,828	22,365
Lease obligations	503	278
Provision for retirement benefits for directors (and other officers)	235	–
Provision for share awards for directors (and other officers)	–	18
Retirement benefit liability	248	216
Guarantee deposited	4,773	4,973
Asset retirement obligations	5,305	5,897
Other	444	637
Total non-current liabilities	33,339	34,387
Total liabilities	69,564	71,648
Net assets		
Shareholders' equity		
Share capital	3,912	3,912
Capital surplus	4,102	4,102
Retained earnings	75,880	80,543
Treasury shares	(3)	(118)
Total shareholders' equity	83,891	88,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	0
Remeasurements of defined benefit plans	(238)	(211)
Total accumulated other comprehensive income	(241)	(210)
Total net assets	83,650	88,230
Total liabilities and net assets	153,214	159,879

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine months ended November 30, 2021 and 2022

(Million yen)

	For the nine months ended November 30, 2021	For the nine months ended November 30, 2022
Net sales	220,405	223,853
Cost of sales	165,473	162,526
Gross profit	54,931	61,327
Operating revenue	2,530	3,895
Operating gross profit	57,461	65,223
Selling, general and administrative expenses	47,356	55,472
Operating profit	10,105	9,750
Non-operating income		
Interest income	28	29
Dividend income	1	1
Administrative service fee income	462	74
Gain on adjustment of account payable	15	12
Other	150	207
Total non-operating income	659	326
Non-operating expenses		
Interest expenses	60	71
Other	3	5
Total non-operating expenses	63	77
Ordinary profit	10,700	9,999
Extraordinary income		
Gain on sale of non-current assets	5	146
Gain on sale of investment securities	–	0
Total extraordinary income	5	147
Extraordinary losses		
Loss on sale of non-current assets	12	–
Loss on retirement of non-current assets	67	88
Total extraordinary losses	80	88
Profit before income taxes	10,626	10,058
Income taxes - current	3,141	2,988
Income taxes - deferred	297	285
Total income taxes	3,438	3,274
Profit	7,188	6,784
Profit attributable to owners of parent	7,188	6,784

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended November 30, 2021 and 2022

(Million yen)

	For the nine months ended November 30, 2021	For the nine months ended November 30, 2022
Profit	7,188	6,784
Other comprehensive income		
Valuation difference on available-for-sale securities	11	3
Remeasurements of defined benefit plans, net of tax	30	27
Total other comprehensive income	41	31
Comprehensive income	7,229	6,815
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,229	6,815
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 ¥5,450 million, net sales decreased ¥6,716 million, cost of sales decreased ¥10,023 million, operating revenue increased ¥1,265 million, and operating profit increased ¥366 million for the nine months ended November 30, 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 ¥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 nine months ended November 30, 2021 have been reclassified.

As a result, cost of lease revenue of ¥908 million, which was presented as operating costs in the quarterly consolidated statements of income for the nine months ended November 30, 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.