Consolidated Financial Results
for the Fiscal Year Ended February 28, 2023
[Japanese GAAP]

April 13, 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
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Scheduled date of annual general meeting of shareholders: May 25, 2023
Scheduled date of commencing dividend payments: May 26, 2023
Scheduled date of filing securities report: May 25, 2023
Availability of supplementary explanatory materials on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled

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

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022–February 28, 2023)

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

	Operating income		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2023	310,826	–	14,018	–	14,297	3.0	9,614	4.6
February 28, 2022	300,268	5.6	13,072	9.6	13,885	9.5	9,187	4.1

(Note) Comprehensive income: Fiscal year ended February 28, 2023: ¥9,889 million [7.2%]
Fiscal year ended February 28, 2022: ¥9,224 million [3.5%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
February 28, 2023	461.02	–	11.0	8.9	4.6
February 28, 2022	440.30	–	11.5	9.6	4.4

(Reference) Equity in earnings of affiliated companies: Fiscal year ended February 28, 2023: ¥– million
Fiscal year ended February 28, 2022: ¥– 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 ended February 28, 2023. While the above consolidated operating results reflect the application of these accounting standards, changes from the previous fiscal year 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	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2023	169,306	91,304	53.9	4,380.11
As of February 28, 2022	153,214	83,650	54.6	4,008.83

(Reference) Equity: As of February 28, 2023: ¥91,304 million
As of February 28, 2022: ¥83,650 million

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

(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	Million yen	Million yen	Million yen	Million yen
February 28, 2023	15,618	(15,928)	4,097	15,579
February 28, 2022	17,059	(18,476)	5,838	11,791

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended February 28, 2022	–	43.00	–	47.00	90.00	1,877	20.4	2.3
Fiscal year ended February 28, 2023	–	45.00	–	49.00	94.00	1,961	20.4	2.2
Fiscal year ending February 29, 2024 (Forecast)	–	47.00	–	47.00	94.00		21.2	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023–February 29, 2024)

(% 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	327,381	5.3	13,677	(2.4)	13,808	(3.4)	9,231	(4.0)	442.85

*** Notes:**

(1) Changes in significant subsidiaries during the fiscal year under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: –
Excluded: –

(2) 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 “3. Consolidated Financial Statements and Principal Notes (5) Notes to Consolidated Financial Statements (Changes in accounting policies)” on page 14.

(3) Total number of issued and outstanding shares (common shares)
1) Total number of issued and outstanding shares at the end of the fiscal year (including treasury shares):

February 28, 2023:	20,867,800 shares
February 28, 2022:	20,867,800 shares

2) Total number of treasury shares at the end of the fiscal year:

February 28, 2023:	22,587 shares
February 28, 2022:	1,287 shares

3) Average number of shares during the fiscal year:

Fiscal year ended February 28, 2023:	20,853,781 shares
Fiscal year ended February 28, 2022:	20,866,607 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022–February 28, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating income		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
February 28, 2023	311,025	–	13,335	–	13,592	0.0	9,148	1.6
February 28, 2022	300,801	5.6	12,748	10.7	13,591	10.4	9,004	2.8

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 28, 2023	438.69	–
February 28, 2022	431.55	–

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and other related accounting standards from the beginning of the fiscal year ended February 28, 2023. While the above operating results reflect the application of these accounting standards, changes from the previous fiscal year 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) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of February 28, 2023	167,069	86,162	51.6	4,133.44
As of February 28, 2022	151,393	79,234	52.3	3,797.21

(Reference) Equity: As of February 28, 2023: ¥86,363 million
As of February 28, 2022: ¥79,234 million

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

2. Non-consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023–February 29, 2024)

(% indicates changes from the previous corresponding period.)

	Operating income		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	327,581	5.3	13,022	(4.2)	8,710	(4.8)	417.85

* These consolidated financial results are outside the scope of audit 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. Overview of Operating Results, etc. (4) Future Outlook” on page 4.

Table of Contents - Attachments

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other related accounting standards from the beginning of the fiscal year ended February 28, 2023 (the "fiscal year under review"). While the key financial data for the fiscal year under review reflects the application of these accounting standards, changes from the previous fiscal year 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 fiscal year under review, the Japanese economy modestly recovered as the government eased restrictions on activities amid the ongoing effects of COVID-19 and took various policies. 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 exchange rate fluctuations, in addition to a global surge in energy and raw material prices, have 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 seven 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, Higashi-yamato Tateno Store in Higashi-yamato City, Tokyo Prefecture and Maebashi Soujamachi Store in Maebashi City, Gunma Prefecture in November 2022, Forte Shin-Urayasu Store in Urayasu City, Chiba Prefecture in January 2023, and Atsugi-funako Store in Atsugi City, Kanagawa Prefecture in February 2023. 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 133 stores as of February 28, 2023.

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 steadily increased the production capacity of its new No. 1 Plant, which started operation in January 2022. This brought higher net sales and ordinary profit than initially planned. 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.

We report impairment losses of ¥112 million in extraordinary losses for one store with low profitability in light of trends in its business performance.

As a result, operating income (net sales and operating revenue combined) for the fiscal year under review was ¥310,826 million (¥300,268 million for the previous fiscal year), operating profit was ¥14,018 million (¥13,072 million for the previous fiscal year), ordinary profit was ¥14,297 million (103.0% of that of the previous fiscal year), and profit attributable to owners of parent was ¥9,614 million (104.6% of that 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 fiscal year under review. The changes in accounting policies resulted in a decrease of operating income by ¥7,650 million and an increase of operating profit by ¥520 million. For the details, please refer to "3. Consolidated Financial Statements and Principal Notes (5) Notes to Consolidated Financial Statements (Changes in accounting policies)."

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets as of February 28, 2023 were ¥169,306 million, an increase of ¥16,092 million compared with the end of the previous fiscal year.

Current assets were ¥32,682 million, an increase of ¥5,302 million compared with the end of the previous fiscal year, due mainly to an increase of ¥3,787 million in cash and deposits.

Non-current assets were ¥136,624 million, an increase of ¥10,789 million compared with the end of the previous fiscal year, due mainly to increases of ¥7,875 million in buildings and structures, net and ¥2,393 million in land.

(Liabilities)

Liabilities were ¥78,002 million, an increase of ¥8,438 million compared with the end of the previous fiscal year.

Current liabilities were ¥38,294 million, an increase of ¥2,069 million compared with the end of the previous fiscal year, due mainly to an increase of ¥2,023 million in accounts payable - trade.

Non-current liabilities were ¥39,708 million, an increase of ¥6,368 million compared with the end of the previous fiscal year, due mainly to increases of ¥3,226 million in long-term borrowings and ¥2,571 million in bonds payable.

(Net assets)

Net assets were ¥91,304 million, an increase of ¥7,653 million compared with the end of the previous fiscal year, due mainly to an increase of ¥7,492 million in retained earnings.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents ("cash") as of February 28, 2023 were ¥15,579 million, an increase of ¥3,787 million compared with the end of the previous fiscal year.

The status of each cash flow category and the factors thereof during the fiscal year under review are as follows:

(Cash flows from operating activities)
Net cash provided by operating activities was ¥15,618 million (a decrease of ¥1,441 million compared with the previous fiscal year). This is mainly attributable to an increase in “Increase (decrease) in trade payables,” and increases in “Decrease (increase) in trade receivables” and “Income taxes paid.”

(Cash flows from investing activities)
Net cash used in investing activities was ¥15,928 million (a decrease of ¥2,547 million compared with the previous fiscal year). This is mainly attributable to a decrease in payments of guarantee deposits.

(Cash flows from financing activities)
Net cash provided by financing activities was ¥4,097 million (a decrease of ¥1,740 million compared with the previous fiscal year). This is mainly attributable to a decrease in proceeds from long-term borrowings.

(4) Future Outlook

In the next fiscal year, the business environment is expected to gradually recover, as the government will re-categorize the legal status of COVID-19 and accordingly further ease restrictions, and various government policies taken will bring about more positive effects. However, the outlook will remain uncertain, amid the ongoing global monetary tightening and other factors, due to a downturn in overseas economies, which could put downward pressure on the domestic economy, rising prices, and supply-side constraints.

In the retail industry, conditions are forecast to remain harsh, with rising prices due to globally soaring crude oil and raw material prices, sluggish consumer spending, and a concern that sudden changes in the financial market could cause economic downturns.

In this environment, we will further improve the price competitiveness of frequently purchased products, expand our offering of products in our private label “kurabelc (Belc for everyday life)” and directly imported products to enhance our product appeal and vitalize our sales floors as a means to create stores that are supported and trusted by customers.

As for our sales measures, we will strive to turn non-regular customers into regular customers by increasing customer motivation to visit stores through enhancements to our point card sales promotion measures, improvements to the competitiveness of our flier prices, various promotional campaigns, and a wider-range of payment options available at our stores, as well as by continuing to showcase select products, reduce the frequency with which products sell out, and improve our level of customer service.

As for our store operations, we will carry out thorough standardization and make further improvements to our labor scheduling program (LSP) to achieve more efficient chain operations. We will also review and revise operation contents and facilities, and will work to reduce selling and administrative expenses through such means as developing a new store model. Furthermore, we will enrich employee training, enhance our product appeal, and raise the level of service we provide.

As for our store investments, we plan to open six new stores including Forte Hachioji Store, opening in Hachioji City, Tokyo Prefecture, while maintaining standardization, which is one of the Group’s strengths.

As for our logistics system, to respond to soaring crude oil prices, we will further improve the efficiency of our deliveries and shorten the time taken to deliver products to stores. We will also review our delivery routes with a view to overcoming the “2024 issue” in the logistics industry of Japan—new restrictions on truck drivers’ overtime come into effect in April 2024, which could cause a shortage of truck drivers and other issues.

While striving to achieve further stable operation of the No. 1 Plant, consolidated subsidiary Home Delica Co., Ltd. will aim to manufacture products developed in-house that taste good and enhance the management structure by working on meticulous product supply and strengthening product appeal as well as streamlining in-store workloads and striving to contribute to profit. Joytech, Inc. will reinforce the Group’s service business by developing and supplying equipment, supplies, and sales materials.

The outlook of the full-year financial results of the Group is as follows.

We expect operating income (net sales and operating revenue combined) to be ¥327,381 million (105.3% of that of the previous fiscal year), operating profit to be ¥13,677 million (97.6% of that of the previous fiscal year), ordinary profit to be ¥13,808 million (96.6% of that of the previous fiscal year), and profit attributable to owners of parent to be ¥9,231 million (96.0% of that of the previous fiscal year).

2. Basic Policy on Selection of Accounting Standards

In consideration of the comparability of consolidated financial statements among fiscal periods and between companies, the Group has adopted a policy of creating its consolidated financial statements based on Japanese accounting standards for the time being.

The Group plans to make appropriate decisions regarding the adoption of the International Financial Reporting Standards, taking into consideration conditions in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	11,791	15,579
Accounts receivable - trade	3,538	4,148
Merchandise and finished goods	7,278	7,891
Raw materials and supplies	324	428
Other	4,448	4,634
Total current assets	27,380	32,682
Non-current assets		
Property, plant and equipment		
Buildings and structures	101,273	113,427
Accumulated depreciation	(39,203)	(43,481)
Buildings and structures, net	62,069	69,945
Machinery, equipment and vehicles	3,713	3,782
Accumulated depreciation	(1,094)	(1,400)
Machinery, equipment and vehicles, net	2,619	2,381
Tools, furniture and fixtures	8,753	10,456
Accumulated depreciation	(5,302)	(6,089)
Tools, furniture and fixtures, net	3,451	4,367
Land	37,894	40,288
Leased assets	3,459	2,118
Accumulated depreciation	(2,559)	(1,714)
Leased assets, net	899	403
Construction in progress	1,894	1,501
Total property, plant and equipment	108,829	118,888
Intangible assets	1,655	1,646
Investments and other assets		
Investment securities	80	110
Retirement benefit asset	–	106
Deferred tax assets	2,553	2,612
Guarantee deposits	9,546	9,522
Other	3,225	3,793
Allowance for doubtful accounts	(55)	(55)
Total investments and other assets	15,349	16,089
Total non-current assets	125,834	136,624
Total assets	153,214	169,306

(Million yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	17,917	19,940
Short-term borrowings	500	–
Current portion of bonds payable	–	428
Current portion of long-term borrowings	6,296	7,273
Lease liabilities	570	258
Income taxes payable	3,023	2,782
Contract liabilities	–	515
Provision for bonuses	1,142	1,193
Provision for bonuses for directors (and other officers)	84	91
Provision for point card certificates	447	–
Other	6,241	5,809
Total current liabilities	36,225	38,294
Non-current liabilities		
Bonds payable	–	2,571
Long-term borrowings	21,828	25,054
Lease liabilities	503	245
Provision for retirement benefits for directors (and other officers)	235	–
Retirement benefit liability	248	–
Provision for share awards for directors (and other officers)	–	27
Guarantee deposited	4,773	5,143
Asset retirement obligations	5,305	6,043
Other	444	622
Total non-current liabilities	33,339	39,708
Total liabilities	69,564	78,002
Net assets		
Shareholders’ equity		
Share capital	3,912	3,912
Capital surplus	4,102	4,102
Retained earnings	75,880	83,373
Treasury shares	(3)	(118)
Total shareholders’ equity	83,891	91,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	12
Remeasurements of defined benefit plans	(238)	21
Total accumulated other comprehensive income	(241)	34
Total net assets	83,650	91,304
Total liabilities and net assets	153,214	169,306

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net sales	297,019	305,561
Cost of sales	221,919	220,951
Gross profit	75,099	84,610
Operating revenue	3,248	5,264
Operating gross profit	78,348	89,874
Selling, general and administrative expenses	65,276	75,855
Operating profit	13,072	14,018
Non-operating income		
Interest income	38	39
Dividend income	2	3
Administrative service fee income	611	89
Subsidy income	53	67
Gain on adjustment of account payable	19	12
Other	178	186
Total non-operating income	904	399
Non-operating expenses		
Interest expenses	83	98
Interest on bonds	–	0
Bond issuance costs	–	13
Other	8	8
Total non-operating expenses	91	120
Ordinary profit	13,885	14,297
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	0
Loss on retirement of non-current assets	123	89
Impairment losses	157	112
Total extraordinary losses	293	202
Profit before income taxes	13,597	14,241
Income taxes - current	4,607	4,808
Income taxes - deferred	(197)	(180)
Total income taxes	4,410	4,627
Profit	9,187	9,614
Profit attributable to owners of parent	9,187	9,614

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Profit	9,187	9,614
Other comprehensive income		
Valuation difference on available-for-sale securities	6	15
Remeasurements of defined benefit plans, net of tax	30	260
Total other comprehensive income	36	275
Comprehensive income	9,224	9,889
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,224	9,889
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Equity

Fiscal year ended February 28, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,912	4,102	68,549	(3)	76,562
Cumulative effects of changes in accounting policies					–
Restated balance	3,912	4,102	68,549	(3)	76,562
Changes during period					
Dividends of surplus			(1,857)		(1,857)
Profit attributable to owners of parent			9,187		9,187
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	7,330	(0)	7,329
Balance at end of period	3,912	4,102	75,880	(3)	83,891

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(8)	(269)	(278)	76,283
Cumulative effects of changes in accounting policies				–
Restated balance	(8)	(269)	(278)	76,283
Changes during period				
Dividends of surplus				(1,857)
Profit attributable to owners of parent				9,187
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	6	30	36	36
Total changes during period	6	30	36	7,366
Balance at end of period	(2)	(238)	(241)	83,650

Fiscal year ended February 28, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,912	4,102	75,880	(3)	83,891
Cumulative effects of changes in accounting policies			(201)		(201)
Restated balance	3,912	4,102	75,678	(3)	83,690
Changes during period					
Dividends of surplus			(1,919)		(1,919)
Profit attributable to owners of parent			9,614		9,614
Purchase of treasury shares				(114)	(114)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	7,694	(114)	7,579
Balance at end of period	3,912	4,102	83,373	(118)	91,270

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	(2)	(238)	(241)	83,650
Cumulative effects of changes in accounting policies				(201)
Restated balance	(2)	(238)	(241)	83,449
Changes during period				
Dividends of surplus				(1,919)
Profit attributable to owners of parent				9,614
Purchase of treasury shares				(114)
Net changes in items other than shareholders' equity	15	260	275	275
Total changes during period	15	260	275	7,855
Balance at end of period	12	21	34	91,304

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	13,597	14,241
Depreciation	6,291	6,524
Impairment losses	157	112
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for bonuses	76	51
Increase (decrease) in provision for bonuses for directors (and other officers)	1	7
Increase (decrease) in provision for point card certificates	49	(447)
Increase (decrease) in contract liabilities	–	515
Increase (decrease) in provision for loss on store closings	(10)	–
Increase (decrease) in retirement benefit liability	(14)	(248)
Decrease (increase) in retirement benefit asset	–	268
Increase (decrease) in provision for retirement benefits for directors (and other officers)	56	(235)
Increase (decrease) in provision for share awards for directors (and other officers)	–	27
Interest and dividend income	(41)	(42)
Interest expenses	83	98
Interest expenses on bonds	–	0
Loss (gain) on sale of investment securities	–	(0)
Loss (gain) on sale of non-current assets	6	(145)
Loss on retirement of non-current assets	123	89
Decrease (increase) in trade receivables	744	(609)
Decrease (increase) in inventories	(330)	(918)
Increase (decrease) in trade payables	568	2,023
Increase (decrease) in guarantee deposits received	2	(12)
Other, net	(231)	(573)
Subtotal	21,127	20,724
Interest and dividends received	5	5
Interest paid	(56)	(72)
Income taxes paid	(4,015)	(5,038)
Net cash provided by (used in) operating activities	17,059	15,618
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,251)	(16,538)
Proceeds from sale of property, plant and equipment	18	867
Payments for retirement of property, plant and equipment	(84)	(68)
Purchase of intangible assets	(512)	(271)
Purchase of investment securities	–	(10)
Proceeds from sale of investment securities	–	3
Loan advances	(30)	(90)
Proceeds from collection of loans receivable	19	19
Payments of guarantee deposits	(2,016)	(403)
Proceeds from refund of guarantee deposits	321	296
Guarantee deposits received	593	738
Refund of guarantee deposits received	(338)	(390)
Payments for asset retirement obligations	(61)	–
Other, net	(134)	(81)
Net cash provided by (used in) investing activities	(18,476)	(15,928)

(Million yen)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(300)	(500)
Proceeds from long-term borrowings	15,000	11,000
Proceeds from issuance of bonds	–	3,000
Repayments of long-term borrowings	(6,098)	(6,796)
Purchase of treasury shares	(0)	(114)
Repayments of lease liabilities	(906)	(570)
Dividends paid	(1,856)	(1,919)
Net cash provided by (used in) financing activities	5,838	4,097
Net increase (decrease) in cash and cash equivalents	4,421	3,787
Cash and cash equivalents at beginning of period	7,369	11,791
Cash and cash equivalents at end of period	11,791	15,579

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

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 the "Revenue Recognition Standard") and other related accounting standards from the beginning of the fiscal year under review. 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 the good or service.

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 amounts 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 ¥7,650 million, net sales decreased ¥9,342 million, cost of sales decreased ¥13,590 million, operating revenue increased ¥1,692 million, and operating profit increased ¥520 million for the fiscal year under review, 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 to 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 the "Fair Value Measurement Standard") and other related accounting standards from the beginning of the fiscal year under review, 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 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 consolidated statement of income for the previous fiscal year has been reclassified.

As a result, operating costs of ¥1,244 million in the consolidated statement of income for the previous fiscal year have been reclassified as selling, general and administrative expenses.

In addition, subsidy income, which was included in other under non-operating income in the previous fiscal year, is now separately presented due to its increased materiality.

To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, ¥232 million, which was presented in other under non-operating income in the consolidated statement of income for the previous fiscal year, has been reclassified as subsidy income of ¥53 million and other of ¥178 million.

(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 held 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.

(Segment information, etc.)

Fiscal year ended February 28, 2022

Information is omitted as the Group engages only in the retail business comprising a single segment.

Fiscal year ended February 28, 2023

Information is omitted as the Group engages only in the retail business comprising a single segment.

(Per share information)

	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Net assets per share	¥4,008.83	¥4,380.11
Basic earnings per share	¥440.30	¥461.02

(Notes) 1. Information on diluted earnings per share is not provided because there are no potentially dilutive shares.

2. In the calculation of “Basic earnings per share,” the Company’s shares held by the Officer Remuneration BIP Trust were included in treasury shares, which were excluded from the calculation of the average number of shares during the fiscal year (21,000 shares for the fiscal year under review).

3. The basis for calculating basic earnings per share is as follows:

Item	For the fiscal year ended February 28, 2022	For the fiscal year ended February 28, 2023
Profit attributable to owners of parent (million yen)	9,187	9,614
Amount not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent relating to common shares (million yen)	9,187	9,614
Average number of common shares outstanding during the fiscal year (shares)	20,866,607	20,853,781

(Significant subsequent events)

Not applicable.