

Consolidated Financial Results for the Nine Months Ended November 30, 2023 [Japanese GAAP]



January 10, 2024

Company name: Belc CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 9974

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Scheduled date of filing quarterly securities report: January 12, 2024

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, 2023 (March 1, 2023 – November 30, 2023)

(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	%
Nine months ended November 30, 2023	258,230	13.4	12,612	29.4	12,962	29.6	9,290	36.9
Nine months ended November 30, 2022	227,749	–	9,750	–	9,999	(6.6)	6,784	(5.6)

(Note) Comprehensive income: Nine months ended November 30, 2023: ¥9,307 million [36.6%]

Nine months ended November 30, 2022: ¥6,815 million [(5.7)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2023	445.70	–
Nine months ended November 30, 2022	325.28	–

(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 corresponding period for operating income and operating profit for the nine months ended November 30, 2022 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, 2023	180,591	98,545	54.6
As of February 28, 2023	169,306	91,304	53.9

(Reference) Equity: As of November 30, 2023: ¥98,545 million

As of February 28, 2023: ¥91,304 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, 2023	–	45.00	–	49.00	94.00
Fiscal year ending February 29, 2024	–	50.00	–		
Fiscal year ending February 29, 2024 (Forecast)				50.00	100.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending 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	345,000	11.0	15,000	7.0	15,300	7.0	10,200	6.1	489.32

(Note) Revision to the financial results forecast announced most recently: Yes

*** 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):

November 30, 2023:	20,867,800 shares
February 28, 2023:	20,867,800 shares
 - 2) Total number of treasury shares at the end of the period:

November 30, 2023:	22,619 shares
February 28, 2023:	22,587 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Nine months ended November 30, 2023:	20,845,182 shares
Nine months ended November 30, 2022:	20,856,585 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 nine months ended November 30, 2023, the Japanese economy experienced improvements in the employment and income situation. Although the economy appears to be pausing in part, it is expected to recover modestly, along with support from various government 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, despite signs of recovery in consumer spending, consumer prices continued to rise, resulting in a polarization of consumption. Conditions remain harsh as a global surge in energy prices since last year has led to a rise in selling, general and administrative expenses and repeated increases in purchase prices for food products.

In this environment, the Belc Group (the “Group”) has worked to sell delicious and fresh products, emphasize the appeal of our affordable prices, 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 enhanced point card sales promotion measures, improved competitiveness of our flier prices, and implemented product promotions on social media in an effort to give a wider range of customers more incentives to visit our stores. In April, to commemorate the achievement of ¥300 billion in net sales, we launched a massive promotional campaign in which customers won big prizes. We have also been enhancing the convenience of our customers by continuously 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 further expanded our offering of products developed in-house, including our private label, “kurabelc (Belc for everyday life),” 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 appropriately allocated personnel, leveraged labor-saving equipment, and reviewed and improved the conventional work to promote efficient chain operations.

As for our store investments, we newly opened three stores, Forte Hachioji Store in Hachioji City, Tokyo Prefecture in May 2023, Hikarigaoka Store in Wako City, Saitama Prefecture in June 2023, and Forte Tomisato Store in Tomisato City, Chiba Prefecture in September 2023. In addition, we renovated five existing stores, expanded their deli and convenience food selections, and updated the facilities to provide more pleasant shopping environments. Of the five stores renovated, we reopened Egi Store in Takasaki City, Gunma Prefecture as “CLBE Egi,” our new store model, in July 2023. We closed Kamisato SC Store in Kamisato-machi, Kodama-gun, Saitama Prefecture in August 2023. As a result, we operate 135 stores as of November 30, 2023.

As for our logistics system, through large-scale batch procurement of products from production sites and manufacturers, we have improved our delivery efficiency leveraging our in-house logistics, with the aim of improving 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 and built a supply system for products that taste good, improving 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, 2023 was ¥258,230 million (113.4% of that of the same period of the previous fiscal year),

operating profit was ¥12,612 million (129.4% of that of the same period of the previous fiscal year), ordinary profit was ¥12,962 million (129.6% of that of the same period of the previous fiscal year) and profit attributable to owners of parent was ¥9,290 million (136.9% of that of the same period of the previous fiscal year).

(2) Explanation of Financial Position

(Assets)

Total assets as of November 30, 2023 were ¥180,591 million, an increase of ¥11,284 million compared with the end of the previous fiscal year.

Current assets were ¥36,940 million, an increase of ¥4,258 million compared with the end of the previous fiscal year, due mainly to increases of ¥1,923 million in cash and deposits and ¥1,211 million in merchandise and finished goods.

Non-current assets were ¥143,650 million, an increase of ¥7,026 million compared with the end of the previous fiscal year, due mainly to increases of ¥2,403 million in buildings and structures and ¥1,833 million in land.

(Liabilities)

Liabilities were ¥82,046 million, an increase of ¥4,043 million compared with the end of the previous fiscal year.

Current liabilities were ¥42,567 million, an increase of ¥4,272 million compared with the end of the previous fiscal year, due mainly to an increase of ¥2,842 million in accounts payable - trade.

Non-current liabilities were ¥39,479 million, a decrease of ¥229 million compared with the end of the previous fiscal year, due mainly to a decrease of ¥397 million in long-term borrowings.

(Net assets)

Net assets were ¥98,545 million, an increase of ¥7,241 million compared with the end of the previous fiscal year, due mainly to an increase of ¥7,224 million in retained earnings.

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

Net sales for the nine months ended November 30, 2023 exceeded our initial forecast as sales of the existing stores reached 108.6% of that of the same period of the previous fiscal year. This is primarily because we revised prices in a timely and appropriate manner while maintaining relatively low prices compared to peers in the face of higher purchase prices. Behind this lie continued high prices caused by elevated prices of resource, energy, and raw materials, as well as rising labor and logistics costs. The increase in net sales also reflects an increase in the number of customers compared to the previous year as a result of our enhanced promotions and other efforts.

Profits are also on track to exceed the plan partly due to lower-than-anticipated electricity costs through government subsidies.

Going forward, we will continue to emphasize our price appeal and launch various promotional campaigns, with the aim of further enhancing customers' satisfaction. To cope with the uncertain outlook, we will also introduce labor-saving equipment and fixtures and maintain existing store facilities for efficient chain operations.

Based on the situation above, the Company has revised the financial results forecast for the fiscal year ending February 29, 2024 announced on April 13, 2023. For details, please refer to the "Notice of Revision to Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2024" released today.

The Company will disclose any reportable events as soon as they occur.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2023	As of November 30, 2023
Assets		
Current assets		
Cash and deposits	15,579	17,502
Accounts receivable - trade	4,148	5,322
Securities	-	1,000
Merchandise and finished goods	7,891	9,102
Raw materials and supplies	428	417
Other	4,634	3,594
Total current assets	32,682	36,940
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	69,945	72,348
Land	40,288	42,121
Other, net	8,654	10,896
Total property, plant and equipment	118,888	125,367
Intangible assets	1,646	1,806
Investments and other assets		
Retirement benefit asset	106	120
Deferred tax assets	2,612	2,346
Guarantee deposits	9,522	9,474
Other	3,903	4,591
Allowance for doubtful accounts	(55)	(55)
Total investments and other assets	16,089	16,477
Total non-current assets	136,624	143,650
Total assets	169,306	180,591

(Million yen)

	As of February 28, 2023	As of November 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	19,940	22,783
Current portion of bonds payable	428	428
Current portion of long-term borrowings	7,273	6,994
Lease liabilities	258	87
Income taxes payable	2,782	1,056
Contract liabilities	515	580
Provision for bonuses	1,193	422
Provision for bonuses for directors (and other officers)	91	60
Other	5,809	10,154
Total current liabilities	38,294	42,567
Non-current liabilities		
Bonds payable	2,571	2,357
Long-term borrowings	25,054	24,656
Lease liabilities	245	191
Provision for share awards for directors (and other officers)	27	54
Guarantee deposited	5,143	5,235
Asset retirement obligations	6,043	6,404
Other	622	578
Total non-current liabilities	39,708	39,479
Total liabilities	78,002	82,046
Net assets		
Shareholders' equity		
Share capital	3,912	3,912
Capital surplus	4,102	4,102
Retained earnings	83,373	90,598
Treasury shares	(118)	(118)
Total shareholders' equity	91,270	98,494
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12	19
Remeasurements of defined benefit plans	21	31
Total accumulated other comprehensive income	34	50
Total net assets	91,304	98,545
Total liabilities and net assets	169,306	180,591

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine months ended November 30, 2022 and 2023

(Million yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Net sales	223,853	253,921
Cost of sales	162,526	184,948
Gross profit	61,327	68,973
Operating revenue	3,895	4,308
Operating gross profit	65,223	73,282
Selling, general and administrative expenses	55,472	60,669
Operating profit	9,750	12,612
Non-operating income		
Interest income	29	27
Dividend income	1	1
Administrative service fee income	74	78
Penalty income from leaving tenants	–	2
Gain on adjustment of account payable	12	–
Subsidy income	67	183
Other	140	161
Total non-operating income	326	455
Non-operating expenses		
Interest expenses	71	89
Interest on bonds	–	7
Other	5	8
Total non-operating expenses	77	105
Ordinary profit	9,999	12,962
Extraordinary income		
Gain on sale of non-current assets	146	–
Gain on sale of investment securities	0	–
Gain on reversal of asset retirement obligations	–	20
Total extraordinary income	147	20
Extraordinary losses		
Loss on retirement of non-current assets	88	144
Total extraordinary losses	88	144
Profit before income taxes	10,058	12,838
Income taxes - current	2,988	3,288
Income taxes - deferred	285	258
Total income taxes	3,274	3,547
Profit	6,784	9,290
Profit attributable to owners of parent	6,784	9,290

Quarterly Consolidated Statements of Comprehensive Income

Nine months ended November 30, 2022 and 2023

(Million yen)

	For the nine months ended November 30, 2022	For the nine months ended November 30, 2023
Profit	6,784	9,290
Other comprehensive income		
Valuation difference on available-for-sale securities	3	6
Remeasurements of defined benefit plans, net of tax	27	9
Total other comprehensive income	31	16
Comprehensive income	6,815	9,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,815	9,307
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.