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Consolidated Financial Results for the Fiscal Year Ended June 20, 2022 [Japanese GAAP]



August 1, 2022

Company name: KING JIM CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 7962

URL: <https://www.kingjim.co.jp/>

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Scheduled date of Annual General Meeting of Shareholders: September 15, 2022

Scheduled date of filing annual securities report: September 15, 2022

Scheduled date of commencing dividend payments: September 16, 2022

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: None (video distribution only)

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

1. Consolidated Financial Results for the Fiscal Year Ended June 20, 2022 (June 21, 2021 to June 20, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended June 20, 2022	36,636	0.9	1,007	(58.3)	1,338	(51.4)	788	(59.8)
June 20, 2021	36,319	8.6	2,416	96.1	2,755	85.0	1,963	81.5

(Note) Comprehensive income: Fiscal year ended June 20, 2022: ¥859 million [(67.6)%]

Fiscal year ended June 20, 2021: ¥2,652 million [179.8%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
June 20, 2022	27.69	27.57	3.3	4.2	2.8
June 20, 2021	68.99	68.69	8.6	9.4	6.7

(Reference) Share of profit (loss) of investments accounted for using equity method:

Fiscal year ended June 20, 2022: ¥— million

Fiscal year ended June 20, 2021: ¥— million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 20, 2022	33,512	24,231	72.0	846.80
As of June 20, 2021	30,565	24,118	78.6	843.66

(Reference) Equity: As of June 20, 2022: ¥24,135 million

As of June 20, 2021: ¥24,022 million

(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
June 20, 2022	(1,278)	(3,578)	3,206	5,637
June 20, 2021	3,108	(492)	(1,382)	7,032

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
June 20, 2021	-	7.00	-	20.00	27.00	768	39.1	3.4
June 20, 2022	-	7.00	-	15.00	22.00	627	79.5	2.6
Fiscal year ending June 20, 2023 (Forecast)	-	7.00	-	15.00	22.00		51.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 20, 2023 (June 21, 2022 to June 20, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	19,000	16.5	500	3.3	630	0.5	430	16.5	15.09
Full year	42,000	14.6	1,570	55.8	1,750	30.7	1,210	53.4	42.45

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (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: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
June 20, 2022: 31,459,692 shares
June 20, 2021: 31,459,692 shares
 - 2) Total number of treasury shares at the end of the period:
June 20, 2022: 2,957,834 shares
June 20, 2021: 2,985,190 shares
 - 3) Average number of shares during the period:
Fiscal year ended June 20, 2022: 28,491,160 shares
Fiscal year ended June 20, 2021: 28,457,828 shares

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended June 20, 2022 (June 21, 2021 to June 20, 2022)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 20, 2022	23,929	(6.8)	543	(61.9)	762	(53.6)	473	(58.8)
June 20, 2021	25,672	1.0	1,426	27.7	1,643	25.8	1,149	19.2

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 20, 2022	16.63	16.56
June 20, 2021	40.41	40.23

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 20, 2022	26,914	19,670	72.8	687.09
As of June 20, 2021	23,995	20,128	83.5	703.83

(Reference) Equity: As of June 20, 2022: ¥19,583 million

As of June 20, 2021: ¥20,041 million

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable as of the date of publication of this document, and are not intended as a guarantee by the Company that they will be achieved. Actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions underlying the financial results forecast and precautions regarding their use, please refer to “1. Overview of Business Results, etc. (4) Future Outlook” on page 4.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

During the fiscal year ended June 20, 2022, the Japanese economy showed signs of heading towards normalization, from the contraction trend of economic activities caused by COVID-19, but the situation remained harsh due to uncertainties arising from the situation in Ukraine and other factors.

Under these circumstances, KING JIM CO., LTD. (the “Company”) has been implementing measures to achieve the goals of its 10th Medium-term Management Plan (fiscal year ended June 20, 2022 to fiscal year ending June 20, 2024), while ensuring the safety of customers and employees by taking ongoing infection prevention measures.

While further strengthening its core businesses such as TEPRA and filing tools, the Company is focusing on expanding sales of the interior lifestyle business and hygiene and health products, and expanding its business domain through mergers and acquisitions. In the second quarter of the fiscal year ended June 20, 2022, the Company made Life on Products, Inc. a subsidiary in order to realize a dramatic expansion of its interior lifestyle business. Life on Products, Inc. is engaged in the planning and sale of various products, including household appliances, sundries, and room fragrances. In addition to the efficiency gains achieved through joint product procurement and quality control with Life on Products, Inc., the Company and its group companies (collectively, the “Group”) intend to expand sales by mutually utilizing the Group’s sales channels, including those overseas. In addition, the Group has formulated a corporate message, “Surprise, Comfort, Work and Life.” The Group will provide surprise and comfort not only in the realm of business, which has been the focus of its business to date, but also in daily life.

As for the consolidated business results for the fiscal year ended June 20, 2022, although there was a significant decrease in sales due to the prolonged effects of the shortage of TEPRA products caused by the shortage of semiconductors and the shortage of filing tools due to the lockdown of production countries, the contribution of sales by Life on Products, Inc., which was included in the scope of consolidation from the third quarter of the fiscal year ended June 20, 2022, resulted in net sales amounting to ¥36,636.51 million (up 0.9% year on year). In terms of profit, operating profit was ¥1,007.6 million (down 58.3% year on year) and ordinary profit was ¥1,338.59 million (down 51.4% year on year) due to a rise in the cost of sales ratio and SG&A ratio caused by the sharp depreciation of the yen and soaring raw material prices and distribution costs, etc. Profit attributable to owners of parent was ¥788.78 million (down 59.8% year on year), due in part to the posting of extraordinary losses of ¥105 million as a result of a review of the requirements definitions in the sales logistics system restructuring project.

Business results by segment are as follows.

A. Stationery and office supply business

In electronic products, the SR-R980, the highest-end model of the TEPRA series was released to further strengthen the Company’s core businesses. In hygiene and health products, Tabletop CO2 Monitor, which can display indoor CO2 concentration, CO2 Monitor to Remind Ventilation, which notifies the user when to ventilate with a light and buzzer, and THELARGE CO2 Monitor, with its large, easy-to-read display, were also released. In office and living environment products, “Microphone with Speaker,” a loudspeaker and microphone integrated into a single unit that requires no sound equipment, has been well received as equipment for schools and public facilities. At WINCESS CORPORATION, cleanroom gloves for semiconductor factories and pharmaceutical companies performed well and contributed to sales.

In stationery, the Company worked to expand demand by launching products that pursue new functions, such as HOLSACK CLEAR HOLDER FILE, which allows multiple clear holders to be stored and viewed together simply by inserting them into the cover, NANAMEKURI FILE and NANAMEKURI HOLDER, which are document storage products that allow documents to be turned diagonally with a stapled feel, and JILITZ, which

is a side-in type of a freestanding clear file. In addition, amid the continuing sharp rises in raw material and distribution costs, the Company has revised the prices of some of its products since December 2021 in an effort to secure earnings. As for focusing on growth fields, the Company's efforts are centered on the launch of new products for sundry and household goods and new ways of working and living. As part of the HITOTOKI series, a stationery brand, new products KITTA and SODA masking tapes, and HITOTOKI NOTE, notebooks that can be used like a diary, were launched.

However, due to the impact of product shortages of TEPPA and filing tools, net sales were ¥26,060.74 million (down 5.9% year on year), and due to sharp yen depreciation and soaring raw material prices and distribution costs, operating profit was ¥526.71 million (down 67.7% year on year).

B. Interior lifestyle business

BON FURNITURE CO., LTD. took advantage of e-commerce mall sale promotions such as the Rakuten Super Sale and Super PayPay Festival to boost sales, particularly of storage products. LADONNA CO., LTD.'s mainstay kitchen appliances continued to perform well, and new e-commerce stores were developed on the sales front, resulting in sales growth. ASCA CO., LTD. saw sales of its mainstay floral products recover in the bridal business and in photo studios and other decoration-related businesses. In addition, green and ornamental plants continued to perform well, successfully capturing demand for office decorations. Life on Products, Inc., which joined the Group in November 2021, strengthened sales to fixed price-point retailers and achieved significant results, including a new contract for beauty appliances.

As a result, net sales were ¥10,575.77 million (up 22.6% year on year), due to increased sales at LADONNA CO., LTD. and ASCA CO., LTD., and the addition of Life on Products, Inc., which joined the Group, despite a reactionary decline at BON FURNITURE CO., LTD., which had performed well in the previous fiscal year. Operating profit was ¥462.79 million (down 39.3% year on year) due to an increase in cost of sales ratio caused by sharp yen depreciation and higher purchase prices, as well as an increase in SG&A expenses due to the acquisition cost of Life on Products shares, etc.

(2) Overview of Financial Position for the Period Under Review

Total assets as of June 20, 2022 increased by ¥2,946.94 million from the end of the previous fiscal year to ¥33,512.18 million. This is mainly attributable to increases in merchandise and finished goods and goodwill due to the acquisition of shares of Life on Products, Inc. during the second quarter, despite a decrease in cash and deposits.

Liabilities increased by ¥2,833.21 million from the end of the previous fiscal year to ¥9,280.26 million. This is mainly attributable to increases in short-term borrowings and long-term borrowings due to the acquisition of shares of Life on Products, Inc. and working capital needs.

Net assets increased by ¥113.73 million from the end of the previous fiscal year to ¥24,231.91 million. This is mainly attributable to increases in retained earnings and foreign currency translation adjustment, despite a decrease in valuation difference on available-for-sale securities.

(3) Overview of Cash Flows for the Period Under Review

Cash and cash equivalents (hereinafter referred to as "cash") as of June 20, 2022 decreased by ¥1,395.53 million from the end of the previous fiscal year to ¥5,637.38 million (down 19.8% year on year).

The status of each cash flow and their factors for the fiscal year ended June 20, 2022 are as follows.

(Cash flows from operating activities)

Net cash used in operating activities were ¥1,278.30 million (net cash provided by operating activities of ¥3,108.00 million for the previous fiscal year). This is mainly attributable to an increase in inventories of ¥1,304.23 million as well as income taxes paid of ¥1,040.14 million, despite profit before income taxes of ¥1,224.57 million and depreciation of ¥658.96 million.

(Cash flows from investing activities)

Net cash used in investing activities increased by ¥3,086.7 million from the previous fiscal year to ¥3,578.78 million. This is mainly attributable to purchase of shares of subsidiaries resulting in change in scope of

consolidation of ¥2,773.84 million, payments into time deposits of ¥632.20 million, and purchase of property, plant and equipment of ¥508.53 million, despite proceeds from withdrawal of time deposits of ¥613.21 million. (Cash flows from financing activities)

Net cash provided by financing activities increased by ¥4,588.97 million from the previous fiscal year to ¥3,206.64 million. This is mainly attributable to proceeds from long-term borrowings of ¥3,000 million and net increase in short-term borrowings of ¥1,000 million, despite dividends paid of ¥767.75 million.

(Reference) Trends in cash flow-related indicators

	Fiscal year ended June 20, 2018	Fiscal year ended June 20, 2019	Fiscal year ended June 20, 2020	Fiscal year ended June 20, 2021	Fiscal year ended June 20, 2022
Equity ratio (%)	79.0	81.3	77.7	78.6	72.0
Equity ratio based on fair value (%)	114.9	92.0	95.2	85.9	75.5
Cash flow to interest-bearing debt ratio (years)	0.1	0.1	0.5	0.1	(3.5)
Interest coverage ratio (times)	180.5	266.0	265.6	455.0	(55.7)

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on fair value: Total market value of shares / Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debts / Cash flow

Interest coverage ratio: Cash flow / Interest paid

* The indicators were calculated using consolidated financial figures.

* The total market value of shares was calculated based on the total number of shares issued (less treasury shares).

* Operating cash flow is used as cash flow.

* Interest-bearing debts include all liabilities recorded on the consolidated balance sheets for which interest is paid.

(4) Future Outlook

While economic activity in Japan is gradually beginning to normalize and there are signs of a recovery in inbound demand, the outlook for domestic and overseas economies remains uncertain, as raw material prices and logistics costs continue to rise due to geopolitical risks.

In response to such changes in the economic and business environment, in the fiscal year ending June 20, 2023, the second year of the Group's 10th Medium-Term Management Plan, the Group will strive to sustainably increase corporate value through the development of new products and by uncovering new demand in both the stationery and office supply business and the interior lifestyle business under the policies of "focus on growth fields" and "further strengthen core businesses."

Regarding the financial results forecast for the next fiscal year, both sales and profits are expected to exceed those of the previous year, as Life on Products, Inc. which joined the Group in November 2021, will make a full-year contribution to the business results starting in the next fiscal year.

As a result of the above measures, for the next fiscal year, it is forecast that net sales will increase by 14.6% year on year to ¥42,000 million, operating profit will increase by 55.8% year on year to ¥1,570 million, ordinary profit will increase by 30.7% year on year to ¥1,750 million, and profit attributable to owners of parent will increase by 53.4% year on year to ¥1,210 million.

(5) Basic Policy Regarding Distribution of Profits and Dividends for the Current and Next Fiscal Years

The Company's dividend policy is to aim for stable dividends with a payout ratio of 40% based on profit attributable to owners of parent, taking into consideration the overall need for further returns to shareholders and internal reserves for the execution of flexible management measures.

For the fiscal year ended June 20, 2022, the Company plans to propose a year-end ordinary dividend of ¥15 per share to the Annual General Meeting of Shareholders to be held on September 15, 2022. Since the Company paid an interim dividend of ¥7 per share for the fiscal year ended June 20, 2022, the total dividend is expected to be ¥22 per share.

For the next fiscal year, the Company plans to pay an interim dividend of ¥7 per share and a year-end dividend of ¥15 per share, for a total of ¥22 per share.

2. Basic Stance Concerning Selection of Accounting Standards

For the time being, the Group intends to prepare its consolidated financial statements in accordance with Japanese GAAP, taking into consideration the comparability of consolidated financial statements from period to period and the comparability among enterprises.

The Group intends to consider the application of international accounting standards in the future, taking into account trends in the ratio of foreign shareholders and the application of international accounting standards by other domestic companies in the same industry.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of June 20, 2021	As of June 20, 2022
Assets		
Current assets		
Cash and deposits	7,439,265	6,078,942
Notes and accounts receivable - trade	4,722,763	—
Notes receivable - trade	—	453,185
Accounts receivable - trade	—	4,919,830
Merchandise and finished goods	6,760,784	8,775,732
Work in process	383,624	476,895
Raw materials and supplies	1,333,463	1,599,620
Other	589,869	788,394
Allowance for doubtful accounts	(6,817)	(2,624)
Total current assets	21,222,954	23,089,976
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,972,522	6,094,134
Accumulated depreciation	(3,731,364)	(3,888,196)
Buildings and structures, net	2,241,158	2,205,938
Machinery, equipment and vehicles	2,832,925	3,101,267
Accumulated depreciation	(2,556,689)	(2,819,117)
Machinery, equipment and vehicles, net	276,236	282,149
Land	1,588,784	1,588,784
Construction in progress	77,347	103,220
Other	3,152,840	2,932,739
Accumulated depreciation	(2,884,376)	(2,674,249)
Other, net	268,463	258,489
Total property, plant and equipment	4,451,990	4,438,582
Intangible assets		
Goodwill	—	1,232,624
Other	520,801	628,658
Total intangible assets	520,801	1,861,283
Investments and other assets		
Investment securities	2,441,771	2,167,593
Retirement benefit asset	1,331,727	1,293,228
Deferred tax assets	209,795	244,658
Other	401,071	419,149
Allowance for doubtful accounts	(14,872)	(2,287)
Total investments and other assets	4,369,493	4,122,341
Total non-current assets	9,342,285	10,422,208
Total assets	30,565,239	33,512,184

(Thousands of yen)

	As of June 20, 2021	As of June 20, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,159,803	1,618,476
Short-term borrowings	40,000	1,040,000
Current portion of long-term borrowings	26,361	450,055
Income taxes payable	678,217	218,277
Accounts payable - other	921,562	880,632
Provision for bonuses for directors (and other officers)	17,743	33,312
Contract liabilities	—	26,259
Other	1,013,850	855,420
Total current liabilities	4,857,537	5,122,431
Non-current liabilities		
Long-term borrowings	117,680	2,769,278
Deferred tax liabilities	656,035	542,364
Retirement benefit liability	488,341	473,620
Asset retirement obligations	24,251	30,751
Other	303,208	341,819
Total non-current liabilities	1,589,517	4,157,834
Total liabilities	6,447,055	9,280,266
Net assets		
Shareholders' equity		
Share capital	1,978,690	1,978,690
Capital surplus	1,717,573	1,717,573
Retained earnings	22,468,110	22,487,418
Treasury shares	(2,638,851)	(2,614,703)
Total shareholders' equity	23,525,522	23,568,979
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732,394	545,185
Deferred gains or losses on hedges	912	3,548
Foreign currency translation adjustment	(376,878)	(6,842)
Remeasurements of defined benefit plans	140,925	24,528
Total accumulated other comprehensive income	497,353	566,420
Share acquisition rights	87,088	87,088
Non-controlling interests	8,219	9,430
Total net assets	24,118,184	24,231,917
Total liabilities and net assets	30,565,239	33,512,184

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

(Thousands of yen)

	For the fiscal year ended June 20, 2021	For the fiscal year ended June 20, 2022
Net sales	36,319,071	36,636,516
Cost of sales	21,880,290	23,159,303
Gross profit	14,438,780	13,477,212
Selling, general and administrative expenses	12,021,975	12,469,604
Operating profit	2,416,805	1,007,607
Non-operating income		
Interest income	14,077	12,813
Dividend income	58,822	63,014
Foreign exchange gains	55,801	75,961
Rental income	153,064	150,528
Subsidy income	40,252	17,266
Surrender value of insurance policies	44,756	—
Other	27,761	77,438
Total non-operating income	394,536	397,023
Non-operating expenses		
Interest expenses	6,795	18,663
Rental costs	45,554	44,264
Other	3,540	3,110
Total non-operating expenses	55,890	66,039
Ordinary profit	2,755,451	1,338,592
Extraordinary income		
Gain on sale of non-current assets	453	652
Gain on sale of investment securities	—	911
Total extraordinary income	453	1,563
Extraordinary losses		
Loss on retirement of non-current assets	7,073	115,100
Loss on valuation of investment securities	—	478
Extra retirement payments	30,095	—
Total extraordinary losses	37,168	115,578
Profit before income taxes	2,718,736	1,224,577
Income taxes - current	831,476	375,850
Income taxes - deferred	(77,956)	58,734
Total income taxes	753,519	434,584
Profit	1,965,216	789,993
Profit attributable to non-controlling interests	1,875	1,210
Profit attributable to owners of parent	1,963,340	788,782

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended June 20, 2021	For the fiscal year ended June 20, 2022
Profit	1,965,216	789,993
Other comprehensive income		
Valuation difference on available-for-sale securities	300,307	(187,209)
Deferred gains or losses on hedges	1,672	2,636
Foreign currency translation adjustment	117,612	370,036
Remeasurements of defined benefit plans, net of tax	268,130	(116,397)
Total other comprehensive income	687,723	69,066
Comprehensive income	2,652,940	859,059
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,651,064	857,848
Comprehensive income attributable to non-controlling interests	1,875	1,210

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended June 20, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,978,690	2,383,776	21,190,651	(3,568,021)	21,985,097
Changes during period					
Dividends of surplus			(483,543)		(483,543)
Profit attributable to owners of parent			1,963,340		1,963,340
Purchase of treasury shares				(100)	(100)
Disposal of treasury shares		(2,635)		46,270	43,635
Cancellation of treasury shares		(663,568)	(219,431)	883,000	—
Change in scope of consolidation			17,094		17,094
Net changes in items other than shareholders' equity					
Total changes during period	—	(666,203)	1,277,458	929,170	1,540,425
Balance at end of period	1,978,690	1,717,573	22,468,110	(2,638,851)	23,525,522

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	432,086	(760)	(494,491)	(127,205)	(190,370)	109,292	6,343	21,910,363
Changes during period								
Dividends of surplus								(483,543)
Profit attributable to owners of parent								1,963,340
Purchase of treasury shares								(100)
Disposal of treasury shares								43,635
Cancellation of treasury shares								—
Change in scope of consolidation								17,094
Net changes in items other than shareholders' equity	300,307	1,672	117,612	268,130	687,723	(22,204)	1,875	667,395
Total changes during period	300,307	1,672	117,612	268,130	687,723	(22,204)	1,875	2,207,820
Balance at end of period	732,394	912	(376,878)	140,925	497,353	87,088	8,219	24,118,184

For the fiscal year ended June 20, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,978,690	1,717,573	22,468,110	(2,638,851)	23,525,522
Changes during period					
Dividends of surplus			(769,004)		(769,004)
Profit attributable to owners of parent			788,782		788,782
Purchase of treasury shares				(226)	(226)
Disposal of treasury shares			(469)	24,374	23,905
Cancellation of treasury shares					—
Change in scope of consolidation					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	19,308	24,147	43,456
Balance at end of period	1,978,690	1,717,573	22,487,418	(2,614,703)	23,568,979

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	732,394	912	(376,878)	140,925	497,353	87,088	8,219	24,118,184
Changes during period								
Dividends of surplus								(769,004)
Profit attributable to owners of parent								788,782
Purchase of treasury shares								(226)
Disposal of treasury shares								23,905
Cancellation of treasury shares								—
Change in scope of consolidation								—
Net changes in items other than shareholders' equity	(187,209)	2,636	370,036	(116,397)	69,066	—	1,210	70,277
Total changes during period	(187,209)	2,636	370,036	(116,397)	69,066	—	1,210	113,733
Balance at end of period	545,185	3,548	(6,842)	24,528	566,420	87,088	9,430	24,231,917

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended June 20, 2021	For the fiscal year ended June 20, 2022
Cash flows from operating activities		
Profit before income taxes	2,718,736	1,224,577
Depreciation	628,628	658,967
Amortization of goodwill	—	82,174
Increase (decrease) in allowance for doubtful accounts	14,027	(17,690)
Increase (decrease) in retirement benefit liability	87,714	(48,481)
Decrease (increase) in retirement benefit asset	51,974	(161,730)
Interest and dividend income	(72,900)	(75,828)
Interest expenses	6,795	18,663
Foreign exchange losses (gains)	(13,977)	(61,444)
Loss on retirement of non-current assets	7,073	115,100
Loss (gain) on sale of non-current assets	(453)	(652)
Extra retirement payments	30,095	—
Decrease (increase) in trade receivables	208,271	74,508
Decrease (increase) in inventories	(184,096)	(1,304,236)
Decrease (increase) in other assets	(90,951)	174,254
Increase (decrease) in trade payables	(120,652)	(579,818)
Surrender value of insurance policies	(44,756)	—
Subsidy income	(40,252)	(17,266)
Decrease (increase) in consumption taxes refund receivable	5,298	(212,746)
Increase (decrease) in accrued consumption taxes	109,308	(279,464)
Increase (decrease) in other liabilities	234,395	77,692
Other, net	30,103	26,316
Subtotal	3,564,381	(307,104)
Interest and dividends received	70,897	74,615
Interest paid	(6,830)	(22,940)
Income taxes refund	3,173	—
Income taxes paid	(533,771)	(1,040,141)
Extra retirement payments	(30,095)	—
Subsidies received	40,252	17,266
Net cash provided by (used in) operating activities	3,108,007	(1,278,303)
Cash flows from investing activities		
Purchase of intangible assets	(133,844)	(289,954)
Purchase of property, plant and equipment	(296,950)	(508,533)
Proceeds from sale of property, plant and equipment	819	11,187
Payments of guarantee deposits	(2,095)	(3,689)
Proceeds from refund of guarantee deposits	19,582	5,985
Proceeds from cancellation of insurance funds	94,668	—
Payments into time deposits	(600,486)	(632,200)
Proceeds from withdrawal of time deposits	460,676	613,210
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,773,840)
Other, net	(34,458)	(954)
Net cash provided by (used in) investing activities	(492,089)	(3,578,789)

	For the fiscal year ended June 20, 2021	For the fiscal year ended June 20, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(850,000)	1,000,000
Proceeds from long-term borrowings	—	3,000,000
Repayments of long-term borrowings	(47,689)	(24,708)
Purchase of treasury shares	(100)	(226)
Dividends paid	(483,789)	(767,756)
Other, net	(752)	(668)
Net cash provided by (used in) financing activities	(1,382,331)	3,206,640
Effect of exchange rate change on cash and cash equivalents	74,550	254,916
Net increase (decrease) in cash and cash equivalents	1,308,137	(1,395,536)
Cash and cash equivalents at beginning of period	5,410,662	7,032,921
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	314,121	—
Cash and cash equivalents at end of period	7,032,921	5,637,384

(5) Notes to the Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(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 standards from the beginning of the fiscal year ended June 20, 2022. 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. Accordingly, the Company now deducts from net sales the amount of other companies' points, which were previously recorded in selling, general and administrative expenses, and for items for which the price paid varies depending on the sales volume, the Company now estimates the amount of the varying portion and deducts it from net sales. In addition, the Company has changed its method of accounting for paid-in transactions from recognizing the extinguishment of paid-in items to not recognizing the extinguishment of paid-in items when the Company is obligated to buy back the items supplied outside the Group.

In accordance with the alternative treatment prescribed in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition,” the Company recognizes revenue from domestic sales of goods or products at the time of shipment, as far as the period between the shipment and the time when control of the goods or products is transferred to the customer is of a normal length.

The Company applies the Revenue Recognition Standard and other standards in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year ended June 20, 2022, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year ended June 20, 2022 in accordance with the previous treatment.

As a result of this change, in the fiscal year ended June 20, 2022, net sales decreased by ¥160,053 thousand, selling, general and administrative expenses decreased by ¥147,096 thousand, and operating profit, ordinary profit, and profit before income taxes decreased by ¥12,957 thousand, respectively.

In the consolidated statements of cash flows for the fiscal year ended June 20, 2022, profit before income taxes decreased by ¥12,957 thousand, decrease (increase) in inventories decreased by ¥71,840 thousand, and increase (decrease) in other liabilities increased by ¥84,797 thousand.

This does not affect the beginning balance of retained earnings.

The impact of this change on net assets per share and basic earnings per share is immaterial.

Furthermore, “notes and accounts receivable - trade,” which was presented under current assets in the consolidated balance sheets of the previous fiscal year, has been separately presented as “notes receivable - trade” and “accounts receivable - trade.” Additionally, “contract liabilities,” which was included in “other” under current liabilities is presented separately.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures 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 standards from the beginning of the fiscal year ended June 20, 2022, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard and other standards in accordance with the transitional treatment provided 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.

(Additional information)

(Accounting estimates of the impact of the spread of COVID-19)

Although it is difficult to predict the future expansion or convergence of COVID-19, accounting estimates are based on the assumption that the impact on the Group will continue for a certain period of time in the following fiscal year. Future changes in conditions may affect the financial position and operating results of the Group in the following fiscal year and beyond.

(Segment information)

Segment information

1. Description of reportable segments

Reportable segments are components of the Group about which separate financial information is available that is evaluated regularly by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group reports the financial statements of each of the Company and its consolidated subsidiaries to the Company's Board of Directors, which is the unit that makes up its business segments. Segments are aggregated based on similarities in products and sales markets of each segment, and the Group has two reportable segments: the stationery and office supply business and the interior lifestyle business.

Major companies engaged in the stationery and office supply business are as follows: the Company, P.T.KING JIM INDONESIA, KING JIM (MALAYSIA) SDN.BHD., KING JIM (SHANGHAI) TRADING CO., LTD., KING JIM (VIETNAM) CO., LTD., KING JIM (HK) CO., LIMITED and its subsidiary KING JIM (SHENZHEN) TRADING CO., LTD., and WINCESS CORPORATION. This business engages in the manufacture and sale of electric products (TEPRA, pomera, etc.) and stationery (filing tools and OA support products, etc.).

Major companies engaged in the interior lifestyle business are as follows: BON FURNITURE CO., LTD., LADONNA CO., LTD., ASCA CO., LTD., and Life on Products, Inc. This business engages in the planning and sale of furniture, kitchen goods, photo frames, aroma-related products, clocks, artificial flowers, interior lifestyle goods, etc.

2. Method of measurement for the amounts of net sales, profit (loss), assets, liabilities, and other items by reportable segment

The accounting method used for reporting business segments is generally the same as stated in "Important Matters that Form the Basis for Preparing Consolidated Financial Statements."

Segment profit (loss) figures are based on operating profit. Inter-segment sales and transfers are based on prevailing market prices.

3. Information on net sales, profit (loss), assets, liabilities, and other items by reportable segment

For the fiscal year ended June 20, 2021

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Stationery and office supply	Interior lifestyle	Total		
Sales					
Sales to outside customers	27,690,375	8,628,695	36,319,071	—	36,319,071
Inter-segment net sales or transfers	89,163	181,543	270,706	(270,706)	—
Total	27,779,539	8,810,238	36,589,778	(270,706)	36,319,071
Segment profit	1,629,254	762,779	2,392,034	24,771	2,416,805
Segment assets	24,601,935	6,066,897	30,668,833	(103,593)	30,565,239
Other items					
Depreciation	526,833	101,876	628,710	(82)	628,628
Increase in property, plant and equipment and intangible assets	428,517	68,383	496,900	—	496,900

(Notes) 1. Adjustment of segment profit of ¥24,771 thousand and adjustment of segment assets of ¥(103,593) thousand are adjustments, etc. associated with elimination of inter-segment transactions.

2. Segment profit is adjusted with operating profit in the consolidated statements of income.
For the fiscal year ended June 20, 2022

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Stationery and office supply	Interior lifestyle	Total		
Sales					
Sales to outside customers	26,060,742	10,575,773	36,636,516	—	36,636,516
Inter-segment net sales or transfers	92,197	239,113	331,311	(331,311)	—
Total	26,152,939	10,814,887	36,967,827	(331,311)	36,636,516
Segment profit	526,710	462,797	989,507	18,099	1,007,607
Segment assets	23,498,027	10,107,631	33,605,658	(93,473)	33,512,184
Other items					
Depreciation	546,831	112,185	659,016	(49)	658,967
Amortization of goodwill	—	82,174	82,174	—	82,174
Increase in property, plant and equipment and intangible assets	535,446	99,153	634,600	—	634,600

(Notes) 1. Adjustment of segment profit of ¥18,099 thousand and adjustment of segment assets of ¥(93,473) thousand are adjustments, etc., associated with elimination of inter-segment transactions.

2. Segment profit is adjusted with operating profit in the consolidated statements of income.

4. Matters related to changes in reportable segments

As stated in “Changes in Accounting Policies,” the Company has applied the Revenue Recognition Standard and other standards from the beginning of the fiscal year ended June 20, 2022 and has changed the accounting method for revenue recognition. The calculation method for profits of business segments has been therefore changed in the same manner.

As a result of this change, compared with the previous method, sales and segment profit of the stationery and office supply segment decreased by ¥26,155 thousand and ¥12,957 thousand, respectively, and sales of the interior lifestyle segment decreased by ¥133,898 thousand in the fiscal year ended June 20, 2022.

5. Information concerning impairment loss on non-current assets or goodwill by reportable segment (Significant changes in the amount of goodwill)

In the interior lifestyle business, goodwill was recognized due to the acquisition of shares of Life on Products, Inc. The increase in goodwill due to this event was ¥1,314,799 thousand in the fiscal year ended June 20, 2022. The amount of goodwill is tentatively calculated since the allocation of acquisition cost has not been completed as of June 20, 2022.

(Per share information)

	For the fiscal year ended June 20, 2021	For the fiscal year ended June 20, 2022
Net assets per share	¥843.66	¥846.80
Basic earnings per share	¥68.99	¥27.69
Diluted earnings per share	¥68.69	¥27.57

(Note) The basis for the calculation of basic earnings per share and diluted earnings per share is as follows.

	For the fiscal year ended June 20, 2021	For the fiscal year ended June 20, 2022
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	1,963,340	788,782
Amount not attributable to common shareholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common shares (Thousand yen)	1,963,340	788,782
Average number of shares during the period (Shares)	28,457,828	28,491,160
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of common shares (Shares)	123,401	116,300
(of which, share acquisition rights (Shares))	(123,401)	(116,300)
Overview of potential shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	—	—

(Significant subsequent events)

There is no relevant information.