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Consolidated Financial Results for the Three Months Ended September 20, 2022 [Japanese GAAP]



November 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 filing quarterly securities report: November 1, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing material on quarterly financial results: None

Schedule of quarterly financial results briefing session: None

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

1. Consolidated Financial Results for the Three Months Ended September 20, 2022 (June 21, 2022 to September 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	%
Three months ended September 20, 2022	8,670	10.0	(87)	–	34	(90.1)	(52)	–
September 20, 2021	7,879	(2.5)	283	(29.2)	351	(26.4)	199	(33.7)

(Note) Comprehensive income: Three months ended September 20, 2022: ¥419 million [103.2%]

Three months ended September 20, 2021: ¥206 million [(52.5)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 20, 2022	(1.86)	–
September 20, 2021	7.00	6.97

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 20, 2022	35,402	24,214	68.2	846.54
As of June 20, 2022	33,512	24,231	72.0	846.80

(Reference) Equity: As of September 20, 2022: ¥24,127 million

As of June 20, 2022: ¥24,135 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 20, 2022	Yen –	Yen 7.00	Yen –	Yen 15.00	Yen 22.00
Fiscal year ending June 20, 2023	–				
Fiscal year ending June 20, 2023 (Forecast)		7.00	–	15.00	22.00

(Note) Revisions to the most recently announced dividend forecast: None

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	0	(100.0)	180	(71.3)	120	(67.5)	4.21
Full year	42,000	14.6	1,120	11.2	1,350	0.9	930	17.9	32.63

(Note) Revisions to the most recently announced consolidated financial results forecasts: Yes

* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Application of special accounting methods for presenting quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
 - September 20, 2022: 31,459,692 shares
 - June 20, 2022: 31,459,692 shares
 - 2) Total number of treasury shares at the end of the period:
 - September 20, 2022: 2,957,834 shares
 - June 20, 2022: 2,957,834 shares
 - 3) Average number of shares during the period:
 - Three months ended September 20, 2022: 28,501,858 shares
 - Three months ended September 20, 2021: 28,474,502 shares

* These quarterly consolidated financial results are outside the scope of quarterly review 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. Qualitative Information on Quarterly Consolidated Financial Results (3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements on page 3.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Business Results

During the three months ended September 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 impacts arising from the situation in Ukraine, soaring raw material prices and exchange rate fluctuations reflecting monetary tightening policies globally.

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 TEPPA and filing tools, the Company is focusing on growth fields including expanding sales of the interior lifestyle business and hygiene and health products, and expanding its business domain through mergers and acquisitions.

As for the consolidated business results for the three months ended September 20, 2022, although there was a significant decrease in sales due to the prolonged effects of the shortage of TEPPA products caused by the shortage of semiconductors, the contribution of sales by Life on Products, Inc., which was turned into a subsidiary in November 2021, resulted in net sales amounting to ¥8,670.58 million (up 10.0% year on year). In terms of profit, operating loss was ¥87.10 million (operating profit of ¥283.66 million in the same period of the previous fiscal year) due to the sharp depreciation of the yen and a surge in distribution costs and others, in addition to continued higher prices of raw materials. Ordinary profit was ¥34.94 million (down 90.1% year on year) due to an increase in non-operating income resulting in part from the recording of foreign exchange gains. Loss attributable to owners of parent was ¥52.88 million (profit attributable to owners of parent of ¥199.18 million in the same period of the previous fiscal year) due to the recording of tax expenses.

In September 2022, the Company concluded a share transfer contract with HIM Co., Ltd. in Narashino City, Chiba Prefecture, under which the Company acquired all shares of HIM Co., Ltd. to turn it into a subsidiary. HIM Co., Ltd. operates in the planning and online selling of kitchenware and everyday sundries that make modern life more convenient and has continued to grow rapidly since its foundation. The Company and its group companies (collectively, the “Group”) aim to further strengthen and expand the E-commerce business dramatically by welcoming HIM Co., Ltd. into the Group.

Business results by segment are as follows.

A. Stationery and office supply business

In electronic and living environment products*, we released a new film tape model for TEPPA Lite, a series of the Company’s core business TEPPA. This new model collaborates with Sumikkogurashi characters and has patterns of the characters on the film tapes. Additionally, we were committed to active sales activities including the launch of original models collaborating with online retailers in planning. As for each category of 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. In digital stationery, we released pomera DM250, a new model of the pomera digital memo. In hygiene and health products, the Company released Droplet Catcher that absorbs droplets in the air generated during conversation. In office and living environment products, we released Alcohol Checker that can detect alcohol in breath. The release was made ahead of the revision of the Regulations for Enforcement of the Road Traffic Act, under which a breath test for alcohol both before and after driving will be mandatory. In addition, in bag and storage products, the Company released the following new products: FLATTY ONE MILE, a mini-bag type of the FLATTY series, with a strap and a transparent cover that allows users to see the contents, Lumillia, an acrylic storage series accented with an aurora color, and LAUNDRY RUCKSACK, a new type of laundry basket that allows users to carry and hang laundry easily.

*The former “electronic products” has been changed to “electronic and living environment products” from the first quarter of the fiscal year ending June 20, 2023 to make the product category name more fitting to

the actual conditions in response to the diversification of the Company's products as its business domain expands.

In stationery, the Company launched the second model of CHEERS! stationery series using PVC as material with popping colors.

Besides the launch of new products stated above, as part of sales activities, the Company proactively strived to expand its sales channels both inside and outside the major marketing routes. Specifically, we worked to utilize television shopping channels and propose our hygiene and health products to rental agents and retailers of construction materials, and others.

The Company also endeavored to assure profitability by revising prices of some products in June and September 2022 amid the ongoing spike in raw material prices and distribution costs.

However, due to the impact of product shortages of TEPPRA and others, the reactionary decline of "tette," a hand sanitizer dispenser that recorded strong performance in the previous fiscal year, and a sales decrease in KING FILE, net sales were ¥5,544.67 million (down 6.8% year on year). Operating loss was ¥180.47 million (operating profit of ¥121.38 million in the same period of the previous fiscal year) due to sustained high raw material prices in addition to sharp yen depreciation and soaring distribution costs.

B. Interior lifestyle business

BON FURNITURE CO., LTD. continued to post strong sales, particularly in storage products. In addition to knockdown furniture that is key in its new products, it started to sell lighting fixtures such as pendant lights as a new product category. LADONNA CO., LTD.'s mainstay kitchen appliances performed well, and its planned products including large orders of campaign giveaways significantly contributed to sales. Additionally, photo frames, especially the OEM-manufactured ones for mass retailers of cameras maintained positive performance. ASCA CO., LTD. continued to enjoy strong performances of its staple products such as floral products and green and ornamental plants mainly in the bridal business that was on a recovery track and in office decoration business in the Kanto region. The large orders of custom-made products also greatly contributed to its sales increase. Life on Products, Inc. broadened its range of seasonal products to capture seasonal demands in summer, such as circulators and hand-held electric fans with diverse lineups.

As a result, net sales were ¥3,125.91 million (up 61.7% year on year), thanks not only to robust sales in the domestic companies of the Group, but also to the addition of Life on Products, Inc., which became a subsidiary of the Group in November 2021. Operating profit was ¥92.59 million (down 41.3% year on year) due to an increase in cost of sales ratio caused by sharp yen depreciation.

(2) Explanation of Financial Position

Total assets as of September 20, 2022 increased by ¥1,890.30 million from the end of the previous fiscal year to ¥35,402.49 million. This is mainly attributable to an increase in merchandise and finished goods.

Total liabilities increased by ¥1,907.26 million from the end of the previous fiscal year to ¥11,187.53 million. This is mainly attributable to an increase in short-term borrowings due to working capital needs.

Total net assets decreased by ¥16.95 million from the end of the previous fiscal year to ¥24,214.95 million. This is mainly attributable to a decrease in retained earnings owing to the payment of year-end dividends for the 74th fiscal year, despite increases in valuation difference on available-for-sale securities and foreign currency translation adjustment.

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

We have revised the consolidated financial results forecasts for both the first half and full year of the fiscal year ending June 20, 2023 that were announced on August 1, 2022. For details, please refer to the Notice of Revisions of Financial Results Forecasts released today.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 20, 2022	As of September 20, 2022
Assets		
Current assets		
Cash and deposits	6,078,942	6,375,275
Notes receivable - trade	453,185	297,695
Accounts receivable - trade	4,919,830	4,363,810
Merchandise and finished goods	8,775,732	10,464,945
Work in process	476,895	516,412
Raw materials and supplies	1,599,620	1,620,789
Other	788,394	858,591
Allowance for doubtful accounts	(2,624)	(1,059)
Total current assets	23,089,976	24,496,460
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,094,134	6,142,895
Accumulated depreciation	(3,888,196)	(3,957,415)
Buildings and structures, net	2,205,938	2,185,479
Machinery, equipment and vehicles	3,101,267	3,248,999
Accumulated depreciation	(2,819,117)	(2,958,002)
Machinery, equipment and vehicles, net	282,149	290,996
Land	1,588,784	1,588,784
Construction in progress	103,220	140,608
Other	2,932,739	2,979,480
Accumulated depreciation	(2,674,249)	(2,732,972)
Other, net	258,489	246,508
Total property, plant and equipment	4,438,582	4,452,378
Intangible assets		
Goodwill	1,232,624	1,191,537
Other	628,658	642,952
Total intangible assets	1,861,283	1,834,490
Investments and other assets		
Investment securities	2,167,593	2,649,581
Retirement benefit asset	1,293,228	1,325,435
Deferred tax assets	244,658	230,721
Other	419,149	415,760
Allowance for doubtful accounts	(2,287)	(2,335)
Total investments and other assets	4,122,341	4,619,163
Total non-current assets	10,422,208	10,906,032
Total assets	33,512,184	35,402,493

(Thousands of yen)

	As of June 20, 2022	As of September 20, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,618,476	1,859,988
Short-term borrowings	1,040,000	2,950,000
Current portion of long-term borrowings	450,055	449,559
Income taxes payable	218,277	46,717
Accounts payable - other	880,632	878,621
Provision for bonuses for directors (and other officers)	33,312	750
Contract liabilities	26,259	42,406
Other	855,420	874,034
Total current liabilities	5,122,431	7,102,076
Non-current liabilities		
Long-term borrowings	2,769,278	2,550,532
Deferred tax liabilities	542,364	657,566
Retirement benefit liability	473,620	498,605
Asset retirement obligations	30,751	31,214
Other	341,819	347,538
Total non-current liabilities	4,157,834	4,085,456
Total liabilities	9,280,266	11,187,533
Net assets		
Shareholders' equity		
Share capital	1,978,690	1,978,690
Capital surplus	1,717,573	1,717,704
Retained earnings	22,487,418	22,007,004
Treasury shares	(2,614,703)	(2,614,703)
Total shareholders' equity	23,568,979	23,088,696
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	545,185	792,566
Deferred gains or losses on hedges	3,548	3,203
Foreign currency translation adjustment	(6,842)	214,042
Remeasurements of defined benefit plans	24,528	29,361
Total accumulated other comprehensive income	566,420	1,039,174
Share acquisition rights	87,088	87,088
Non-controlling interests	9,430	-
Total net assets	24,231,917	24,214,959
Total liabilities and net assets	33,512,184	35,402,493

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
For the three months ended September 20

(Thousands of yen)

	For the three months ended September 20, 2021	For the three months ended September 20, 2022
Net sales	7,879,967	8,670,587
Cost of sales	4,741,007	5,438,263
Gross profit	3,138,960	3,232,324
Selling, general and administrative expenses	2,855,294	3,319,430
Operating profit (loss)	283,666	(87,106)
Non-operating income		
Interest income	3,249	3,268
Dividend income	30,436	42,711
Foreign exchange gains	–	45,812
Rental income	37,621	37,314
Other	20,425	14,650
Total non-operating income	91,732	143,758
Non-operating expenses		
Interest expenses	473	8,952
Foreign exchange losses	11,274	–
Rental costs	11,384	12,053
Other	426	696
Total non-operating expenses	23,560	21,703
Ordinary profit	351,838	34,949
Extraordinary losses		
Loss on retirement of non-current assets	1,625	45
Loss on valuation of investment securities	478	–
Total extraordinary losses	2,103	45
Profit before income taxes	349,734	34,903
Income taxes - current	59,660	40,941
Income taxes - deferred	79,362	25,471
Income taxes for prior periods	11,182	21,275
Total income taxes	150,205	87,688
Profit (loss)	199,528	(52,784)
Profit attributable to non-controlling interests	343	101
Profit (loss) attributable to owners of parent	199,184	(52,886)

Quarterly Consolidated Statements of Comprehensive Income

For the three months ended September 20

(Thousands of yen)

	For the three months ended September 20, 2021	For the three months ended September 20, 2022
Profit (loss)	199,528	(52,784)
Other comprehensive income		
Valuation difference on available-for-sale securities	9,950	247,381
Deferred gains or losses on hedges	(932)	(344)
Foreign currency translation adjustment	4,864	220,884
Remeasurements of defined benefit plans, net of tax	(6,708)	4,832
Total other comprehensive income	7,174	472,754
Comprehensive income	206,703	419,969
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	206,359	419,868
Comprehensive income attributable to non-controlling interests	343	101

(3) Notes to the Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in case of significant changes in shareholders' equity)

There is no relevant information.

(Additional information)

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

There is no significant change in the assumption described in the “Accounting estimates of the impact of the spread of COVID-19” under “Additional information” section of our Annual Securities Report for the fiscal year ended June 20, 2022.

(Segment information, etc.)

Segment information

1. For the three months ended September 20, 2021 (June 21, 2021 to September 20, 2021)

Information on net sales and profit (loss) by reportable segment

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Stationery and office supply	Interior lifestyle	Total		
Sales					
Sales to outside customers	5,946,904	1,933,063	7,879,967	–	7,879,967
Inter-segment net sales or transfers	22,350	40,440	62,791	(62,791)	–
Total	5,969,254	1,973,504	7,942,759	(62,791)	7,879,967
Segment profit	121,381	157,782	279,163	4,502	283,666

(Notes) 1. Adjustment of segment profit of ¥4,502 thousand is an adjustment, etc., associated with elimination of inter-segment transactions.

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

2. For the three months ended September 20, 2022 (June 21, 2022 to September 20, 2022)
Information on net sales and profit (loss) by reportable segment

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Stationery and office supply	Interior lifestyle	Total		
Sales					
Sales to outside customers	5,544,672	3,125,915	8,670,587	–	8,670,587
Inter-segment net sales or transfers	23,861	82,519	106,381	(106,381)	–
Total	5,568,534	3,208,435	8,776,969	(106,381)	8,670,587
Segment profit (loss)	(180,471)	92,592	(87,878)	772	(87,106)

(Notes) 1. Adjustment of segment profit (loss) of ¥772 thousand is an adjustment, etc., associated with elimination of inter-segment transactions.

2. Segment profit (loss) is adjusted with operating loss in the quarterly consolidated statements of income.