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Consolidated Financial Results for the Nine Months Ended March 20, 2023 [Japanese GAAP]



April 28, 2023

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: April 28, 2023

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 Nine Months Ended March 20, 2023 (June 21, 2022 to March 20, 2023)

(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	%
Nine months ended								
March 20, 2023	28,935	9.8	81	(89.6)	245	(74.8)	65	(89.1)
March 20, 2022	26,345	(2.1)	781	(64.1)	974	(59.4)	598	(64.1)

(Note) Comprehensive income: Nine months ended March 20, 2023: ¥640 million [5.7%]

Nine months ended March 20, 2022: ¥605 million [(71.6)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 20, 2023	2.28	2.27
March 20, 2022	21.00	20.92

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 20, 2023	37,966	24,263	63.7	847.33
As of June 20, 2022	33,512	24,231	72.0	846.80

(Reference) Equity: As of March 20, 2023: ¥24,176 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	–	7.00	–		
Fiscal year ending June 20, 2023 (Forecast)				7.00	14.00

(Note) Revisions to the most recently announced dividend forecast: Yes

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
Full year	40,000	9.2	0	(100.0)	200	(85.1)	260	(67.0)	9.12

(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):
 - March 20, 2023: 31,459,692 shares
 - June 20, 2022: 31,459,692 shares
 - 2) Total number of treasury shares at the end of the period:
 - March 20, 2023: 2,926,776 shares
 - June 20, 2022: 2,957,834 shares
 - 3) Average number of shares during the period:
 - Nine months ended March 20, 2023: 28,516,671 shares
 - Nine months ended March 20, 2022: 28,487,526 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 nine months ended March 20, 2023, the Japanese economy showed signs of a moderate recovery from the contraction trend of economic activities caused by COVID-19, but the situation remained harsh due to the impact of rising prices, as well as volatile financial and capital markets 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 further strengthening its core businesses such as TEPRAs 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 nine months ended March 20, 2023, the contribution of sales by Life on Products, Inc., which was turned into a subsidiary in November 2021, and by HIM Co., Ltd., which was absorbed and merged with the Group in February 2023, resulted in net sales amounting to ¥28,935.48 million (up 9.8% year on year). In terms of profit, operating profit was ¥81.41 million (down 89.6% year on year) and ordinary profit was ¥245.40 million (down 74.8% year on year). The decreases were 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, despite the Company’s efforts to assure profitability by revising prices of products. Profit attributable to owners of parent was ¥65.05 million (down 89.1% year on year). The decrease was due to a heavy tax burden, despite the posting of extraordinary income, including settlement income in connection with the delayed restructuring of the sales distribution system and gain on extinguishment of tie-in shares due to the absorption-type merger of HIM Co., Ltd.

Business results by segment are as follows.

A. Stationery and office supply business

In the stationery and office supply business, the core business of the Company, we released a model for TEPRAs Lite, a series of the Company’s mainstay product line TEPRAs. This new model collaborates with Sumikkogurashi characters and has patterns of the characters on its body. We also released SR-R2500P, which enables easy label creation with a smartphone. In stationery, the Company launched the "COLOR SELECTION" series, a renewal of previously released functional products in trendy colors.

As for each category of growth fields, the Company released pomera DM250, a new model of the pomera digital memo in digital stationery. In office and living environment products, we also focused on the development of new category products, such as by releasing 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 bag and storage products, the Company made the second addition to the "New Basic" series, a series of storage items featuring simple designs and functions, and added it to the product lineup. It has been well received on social networking sites.

In terms of measures to expand sales channels, the Company proactively promoted sales activities outside the major marketing routes. Specifically, we worked to utilize television shopping channels, propose our hygiene and health products to rental agents and retailers of construction materials, sell original TEPRAs models through collaboration projects, and others. In addition, we strived to increase the level of recognition and achieve the sale of disaster supplies kits for office by creating a pamphlet titled “All You Need to Know About Disaster Prevention Goods.” We thus worked to capture new demand from a perspective unique to an office supply manufacturer.

In addition, we exhibited at “The 95th TOKYO INTERNATIONAL Gift Show Spring 2023” held at Tokyo Big Sight from February 15 to 17, 2023, with the aim of developing new sales channels and increasing the level of product recognition. We actively engaged in business negotiations with new clients during the show, which was later aired in the media, making it an effective external measure. In addition, the EC business grew due to

the addition of sales in connection with the absorption-type merger of HIM Co., Ltd.

However, the reactionary decline of “tette,” a hand sanitizer dispenser that recorded strong performance in the previous fiscal year, resulted in net sales of ¥19,127.32 million (down 0.8% year on year). Operating loss was ¥165.46 million (operating profit of ¥365.98 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, GEKIKAGU, our flagship store, received the "Rakuten SHOP OF THE YEAR 2022 Furniture & Storage Category Prize." Life on Products, Inc. strengthened the development of room fragrance products, which are selling well. LADONNA CO., LTD. maintained steady sales of its mainstay kitchen appliances and photo frames, but sales of humidifiers declined significantly due to a change in demand caused by continued high temperatures. At ASCA CO.,LTD., the sales of the Flower materials, Greenery and Foliage plants as the regular products has been brisk, and over-the-counter sales also remained strong due to an increase in the number of members.

As a result, net sales for the interior lifestyle business as a whole were ¥9,808.15 million (up 38.8% year on year), thanks not only to robust sales in BON FURNITURE CO., LTD. and ASCA CO., LTD., but also to the addition of Life on Products, Inc., which became a subsidiary of the Group in November 2021. Operating profit was ¥233.50 million (down 42.0% year on year) due to an increase in the cost of sales ratio caused by sharp yen depreciation.

(2) Explanation of Financial Position

Total assets as of March 20, 2023 increased by ¥4,453.99 million from the end of the previous fiscal year to ¥37,966.17 million. This is mainly attributable to increases in cash and deposits of ¥809.43 million, merchandise and finished goods of ¥2,248.83 million, and goodwill of ¥295.89 million primarily due to the acquisition of HIM Co., Ltd.'s shares.

Total liabilities increased by ¥4,422.08 million from the end of the previous fiscal year to ¥13,702.35 million. This is mainly attributable to an increase in short-term borrowings of ¥4,620.00 million partly due to working capital needs.

Total net assets increased by ¥31.90 million from the end of the previous fiscal year to ¥24,263.82 million.

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

We have revised the consolidated financial results forecasts and dividend forecasts announced on February 1, 2023. For details, please refer to the “Notice of Revisions of Financial Results and Dividend 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 March 20, 2023
Assets		
Current assets		
Cash and deposits	6,078,942	6,888,375
Notes receivable - trade	453,185	305,950
Accounts receivable - trade	4,919,830	5,285,919
Merchandise and finished goods	8,775,732	11,024,566
Work in process	476,895	422,271
Raw materials and supplies	1,599,620	1,531,390
Other	788,394	900,040
Allowance for doubtful accounts	(2,624)	(708)
Total current assets	23,089,976	26,357,806
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,094,134	6,162,218
Accumulated depreciation	(3,888,196)	(4,024,616)
Buildings and structures, net	2,205,938	2,137,601
Machinery, equipment and vehicles	3,101,267	3,253,980
Accumulated depreciation	(2,819,117)	(2,945,906)
Machinery, equipment and vehicles, net	282,149	308,074
Land	1,588,784	1,588,784
Construction in progress	103,220	160,051
Other	2,932,739	3,037,857
Accumulated depreciation	(2,674,249)	(2,787,994)
Other, net	258,489	249,863
Total property, plant and equipment	4,438,582	4,444,374
Intangible assets		
Goodwill	1,232,624	1,528,517
Other	628,658	686,152
Total intangible assets	1,861,283	2,214,670
Investments and other assets		
Investment securities	2,167,593	2,893,347
Retirement benefit asset	1,293,228	1,388,167
Deferred tax assets	244,658	253,674
Other	419,149	416,242
Allowance for doubtful accounts	(2,287)	(2,109)
Total investments and other assets	4,122,341	4,949,323
Total non-current assets	10,422,208	11,608,368
Total assets	33,512,184	37,966,175

(Thousands of yen)

	As of June 20, 2022	As of March 20, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,618,476	1,736,058
Short-term borrowings	1,040,000	5,660,000
Current portion of long-term borrowings	450,055	451,890
Income taxes payable	218,277	81,374
Accounts payable - other	880,632	775,630
Provision for bonuses for directors (and other officers)	33,312	14,218
Contract liabilities	26,259	37,934
Other	855,420	979,747
Total current liabilities	5,122,431	9,736,854
Non-current liabilities		
Long-term borrowings	2,769,278	2,322,347
Deferred tax liabilities	542,364	747,229
Retirement benefit liability	473,620	508,010
Asset retirement obligations	30,751	31,259
Other	341,819	356,653
Total non-current liabilities	4,157,834	3,965,500
Total liabilities	9,280,266	13,702,354
Net assets		
Shareholders' equity		
Share capital	1,978,690	1,978,690
Capital surplus	1,717,573	1,718,670
Retained earnings	22,487,418	21,925,214
Treasury shares	(2,614,703)	(2,587,278)
Total shareholders' equity	23,568,979	23,035,296
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	545,185	948,011
Deferred gains or losses on hedges	3,548	(1,065)
Foreign currency translation adjustment	(6,842)	163,744
Remeasurements of defined benefit plans	24,528	30,743
Total accumulated other comprehensive income	566,420	1,141,435
Share acquisition rights	87,088	87,088
Non-controlling interests	9,430	–
Total net assets	24,231,917	24,263,820
Total liabilities and net assets	33,512,184	37,966,175

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
For the nine months ended March 20

(Thousands of yen)

	For the nine months ended March 20, 2022	For the nine months ended March 20, 2023
Net sales	26,345,699	28,935,481
Cost of sales	16,516,991	18,509,680
Gross profit	9,828,708	10,425,800
Selling, general and administrative expenses	9,047,241	10,344,384
Operating profit	781,466	81,416
Non-operating income		
Interest income	10,046	11,453
Dividend income	57,171	81,449
Foreign exchange gains	26,501	–
Rental income	112,806	112,921
Other	41,059	36,954
Total non-operating income	247,585	242,779
Non-operating expenses		
Interest expenses	10,608	31,837
Foreign exchange losses	–	4,817
Rental costs	41,217	36,204
Other	2,451	5,926
Total non-operating expenses	54,277	78,786
Ordinary profit	974,775	245,408
Extraordinary income		
Gain on sale of non-current assets	92	139
Gain on sale of investment securities	911	–
Gain on sale of investments in capital of subsidiaries and associates	–	14,693
Settlement income	–	20,680
Gain on extinguishment of tie-in shares	–	8,477
Total extraordinary income	1,003	43,990
Extraordinary losses		
Loss on retirement of non-current assets	3,178	81
Loss on valuation of investment securities	478	–
Total extraordinary losses	3,656	81
Profit before income taxes	972,122	289,318
Income taxes - current	304,641	166,064
Income taxes - deferred	68,399	33,983
Income taxes for prior periods	–	24,114
Total income taxes	373,040	224,162
Profit	599,082	65,156
Profit attributable to non-controlling interests	832	101
Profit attributable to owners of parent	598,249	65,054

Quarterly Consolidated Statements of Comprehensive Income

For the nine months ended March 20

(Thousands of yen)

	For the nine months ended March 20, 2022	For the nine months ended March 20, 2023
Profit	599,082	65,156
Other comprehensive income		
Valuation difference on available-for-sale securities	(100,026)	402,826
Deferred gains or losses on hedges	819	(4,613)
Foreign currency translation adjustment	126,008	170,586
Remeasurements of defined benefit plans, net of tax	(20,183)	6,215
Total other comprehensive income	6,618	575,015
Comprehensive income	605,700	640,171
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	604,868	640,069
Comprehensive income attributable to non-controlling interests	832	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 nine months ended March 20, 2022 (June 21, 2021 to March 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	19,278,687	7,067,012	26,345,699	—	26,345,699
Inter-segment net sales or transfers	68,812	182,606	251,418	(251,418)	—
Total	19,347,500	7,249,618	26,597,118	(251,418)	26,345,699
Segment profit	365,987	402,828	768,816	12,650	781,466

(Notes) 1. Adjustment of segment profit of ¥12,650 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 nine months ended March 20, 2023 (June 21, 2022 to March 20, 2023)

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	19,127,324	9,808,156	28,935,481	—	28,935,481
Inter-segment net sales or transfers	76,683	205,059	281,743	(281,743)	—
Total	19,204,008	10,013,216	29,217,224	(281,743)	28,935,481
Segment profit (loss)	(165,469)	233,503	68,033	13,382	81,416

(Notes) 1. Adjustment of segment profit (loss) of ¥13,382 thousand is an adjustment, etc., associated with elimination of inter-segment transactions.

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