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Consolidated Financial Results for the Nine Months Ended March 20, 2024 [Japanese GAAP]



April 26, 2024

Company name: KING JIM CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7962
 URL: <https://www.kingjim.co.jp/english/>
 Representative: Akira Miyamoto, President & CEO
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 Scheduled date of filing quarterly securities report: April 26, 2024
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing material on quarterly financial results: Available
 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, 2024 (June 21, 2023 to March 20, 2024)

(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, 2024	28,590	(1.2)	(245)	–	24	(90.0)	(73)	–
March 20, 2023	28,935	9.8	81	(89.6)	245	(74.8)	65	(89.1)

(Note) Comprehensive income: Nine months ended March 20, 2024: ¥337 million [(47.3)%]
 Nine months ended March 20, 2023: ¥640 million [5.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 20, 2024	(2.59)	–
March 20, 2023	2.28	2.27

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 20, 2024	38,550	24,798	64.1	865.13
As of June 20, 2023	35,812	24,833	69.1	867.29

(Reference) Equity: As of March 20, 2024: ¥24,711 million
 As of June 20, 2023: ¥24,746 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended June 20, 2023	Yen –	Yen 7.00	Yen –	Yen 7.00	Yen 14.00
Fiscal year ending June 20, 2024	–	7.00	–		
Fiscal year ending June 20, 2024 (Forecast)				7.00	14.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 20, 2024 (June 21, 2023 to June 20, 2024)

(% 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	1.5	0	(100.0)	280	(56.1)	260	(38.1)	9.11

(Note) Revisions to the most recently announced consolidated financial results forecasts: None

* 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, 2024: 31,459,692 shares
 - June 20, 2023: 31,459,692 shares
 - 2) Total number of treasury shares at the end of the period:
 - March 20, 2024: 2,895,649 shares
 - June 20, 2023: 2,926,776 shares
 - 3) Average number of shares during the period:
 - Nine months ended March 20, 2024: 28,547,942 shares
 - Nine months ended March 20, 2023: 28,516,671 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.
- Supplementary briefing materials for the financial results will be posted on the Company’s website today.
Supplementary briefing material (Japanese only): <https://www.kingjim.co.jp/ir/library/tansin.html>

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Business Results

During the nine months ended March 20, 2024, the Japanese economy showed signs of recovery due to normalization following the relaxation of restrictions in economic activities caused by COVID-19. On the other hand, the situation remained uncertain in the future domestic economy due to the impacts of continuous rising prices, as well as volatile foreign exchange rates against the backdrop of global monetary tightening policies.

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 TEPPRA and filing tools, the Company is focusing on growth fields, such as by 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, 2024, net sales amounted to ¥28,590.36 million (down 1.2% year on year) due to the reduction of overall sales, despite the growth of the EC business resulting from the contribution of sales by HIM Co., Ltd., which was absorbed and merged with the Group in February 2023. In terms of profit, operating loss was ¥245.90 million (profit of ¥81.41 million in the same period of the previous fiscal year), ordinary profit was ¥24.43 million (down 90.0% year on year), and loss attributable to owners of parent was ¥73.89 million (profit of ¥65.05 million in the same period of the previous fiscal year). The decreases were due to insignificant improvement despite the improvement of cost of sales ratio by the revision of prices, because of greater than expected depreciation of yen, as well as processing of inventory of COVID-19-related products and an increase in selling, general and administrative expenses.

Business results by segment are as follows.

A. Stationery and office supply business

In TEPPRA, the core business of the Company, we are providing the second version of online advertisements in which Work Cats (Shigoto Neko), a popular character well known for its signature phrase “Yoshi! (OK!),” and TEPPRA Cat (TEPPRA Neko), a new character, solve problems that occur in workplaces, and actively conducting various other sales promotion and advertisement activities to explore potential demand for labeling.

In digital stationery, the Company released “Boogie Board papery,” a new model of electronic memo pad series which is soft, light and extremely thin like sticky notes. We received an influx of orders from many distributors as the model can potentially be used in more various applications due to a different texture from that in previous models. In style stationery, we released new products of KITTA series, which are small and handy masking tapes, including a new form of “flake type” and “changing foil” with which users can enjoy the change of pictures depending on the angle from which they are viewed.

The Company is also focusing on activities to propose products that respond to social changes. We offered various emergency supplies including a disaster preparedness kit series to prepare for disasters in a workplace which can be easily managed by individuals in bookshelves and drawers, “In-vehicle Survival kit,” “Stock Pouch for Emergency,” and “Earthquake Countermeasures Rubber Stopper” to prevent furniture from toppling over, about which we received a surging number of inquiries after the earthquake in Noto Peninsula. We also have more employees qualified as a disaster prevention expert to carry out activities of making more professional proposals. In addition, the Company exhibited at Tokyo International Gift Show Spring 2024 in February and introduced our products to a wide range of industries.

As a result, the recovery trend of TEPPRA and the growth of the EC business resulted in net sales of ¥19,150.99 million (up 0.1% year on year), despite the decline of sales of “tette,” a hand sanitizer dispenser. Operating loss was ¥393.24 million (loss of ¥165.46 million in the same period of the previous fiscal year) mainly due to greater than expected depreciation of yen, the processing of inventory of COVID-19-related products, and an increase in selling, general and administrative expenses.

B. Interior lifestyle business

BON FURNITURE CO., LTD. continuously posted robust sales of its mainstay storage products overall including those for kids. In new products, in addition to its mainstay knockdown furniture, the company increased products in the category of lighting fixtures which it is focusing on, such as stand lights and ceiling lights. Life on Products, Inc. made up for the decline in sales after receiving large orders the previous year, thanks to popular fragrance products and other products, resulting in solid sales exceeding the previous year. LADONNA CO., LTD. had difficulty in the sale of its mainstay kitchen appliances at electronics retail stores and variety goods shops due to change in consumer trends. On the other hand, its EC sales were in a recovery trend and its television shopping continuously saw a steady increase in sales. Its photo frames did not sell well at variety goods shops while their sales remained strong mainly in the OEM business for camera mass retailers. ASCA CO., LTD. continuously saw a slowdown in sales to retail stores, while the company performed favorably in sales of office interior and bridal-related products.

As a result, net sales for the interior lifestyle business as a whole were ¥9,439.37 million (down 3.8% year on year) due to the stagnant performance of group companies in Japan other than Life on Products, Inc., which saw favorable results, and operating profit was ¥129.87 million (down 44.4% year on year) due to a large impact of a decrease in sales despite a slight improvement of the cost of sales ratio thanks to price increases and introduction of new products.

(2) Explanation of Financial Position

Total assets as of March 20, 2024 increased by ¥2,738.83 million from the end of the previous fiscal year to ¥38,550.98 million. This is mainly attributable to increases in merchandise and finished goods, accounts receivable trade, and cash and deposits.

Total liabilities increased by ¥2,773.61 million from the end of the previous fiscal year to ¥13,752.42 million. This is mainly attributable to an increase in short-term borrowings partly due to working capital needs.

Total net assets decreased by ¥34.77 million from the end of the previous fiscal year to ¥24,798.56 million. This is mainly attributable to the recording of loss attributable to owners of parent, 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 not revised the consolidated financial results forecasts announced on January 26, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 20, 2023	As of March 20, 2024
Assets		
Current assets		
Cash and deposits	6,372,104	7,103,652
Notes receivable - trade	419,505	196,809
Accounts receivable - trade	4,647,476	5,620,898
Merchandise and finished goods	10,003,871	11,294,477
Work in process	392,743	355,514
Raw materials and supplies	1,457,402	1,383,347
Other	814,015	670,486
Allowance for doubtful accounts	(385)	(440)
Total current assets	24,106,732	26,624,746
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,163,085	6,171,625
Accumulated depreciation	(4,054,465)	(4,147,967)
Buildings and structures, net	2,108,619	2,023,658
Machinery, equipment and vehicles	3,281,832	3,410,613
Accumulated depreciation	(2,986,364)	(3,139,110)
Machinery, equipment and vehicles, net	295,467	271,503
Land	1,582,384	1,570,022
Construction in progress	170,930	175,267
Other	2,999,850	3,090,726
Accumulated depreciation	(2,759,704)	(2,826,488)
Other, net	240,145	264,237
Total property, plant and equipment	4,397,548	4,304,689
Intangible assets		
Goodwill	1,468,377	1,287,957
Other	751,694	818,892
Total intangible assets	2,220,071	2,106,850
Investments and other assets		
Investment securities	2,937,881	3,239,400
Retirement benefit asset	1,516,615	1,600,218
Deferred tax assets	196,139	221,475
Other	439,105	454,827
Allowance for doubtful accounts	(1,949)	(1,224)
Total investments and other assets	5,087,793	5,514,697
Total non-current assets	11,705,413	11,926,237
Total assets	35,812,145	38,550,983

(Thousands of yen)

	As of June 20, 2023	As of March 20, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,334,717	1,401,556
Short-term borrowings	3,190,000	6,100,000
Current portion of long-term borrowings	505,547	650,316
Income taxes payable	188,871	116,768
Accounts payable - other	811,689	720,395
Provision for bonuses for directors (and other officers)	17,952	9,841
Contract liabilities	35,805	48,335
Other	959,533	1,121,035
Total current liabilities	7,044,116	10,168,248
Non-current liabilities		
Long-term borrowings	2,265,384	1,740,598
Deferred tax liabilities	819,665	927,311
Retirement benefit liability	452,213	487,234
Asset retirement obligations	31,447	32,007
Other	365,984	397,022
Total non-current liabilities	3,934,694	3,584,173
Total liabilities	10,978,811	13,752,422
Net assets		
Shareholders' equity		
Share capital	1,978,690	1,978,690
Capital surplus	1,718,670	1,718,919
Retained earnings	22,279,949	21,806,379
Treasury shares	(2,587,278)	(2,559,762)
Total shareholders' equity	23,390,032	22,944,227
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,048,538	1,268,352
Deferred gains or losses on hedges	5,179	1,324
Foreign currency translation adjustment	193,884	401,367
Remeasurements of defined benefit plans	108,612	96,199
Total accumulated other comprehensive income	1,356,214	1,767,244
Share acquisition rights	87,088	87,088
Total net assets	24,833,334	24,798,560
Total liabilities and net assets	35,812,145	38,550,983

(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, 2023	For the nine months ended March 20, 2024
Net sales	28,935,481	28,590,364
Cost of sales	18,509,680	17,961,800
Gross profit	10,425,800	10,628,563
Selling, general and administrative expenses	10,344,384	10,874,469
Operating profit (loss)	81,416	(245,905)
Non-operating income		
Interest income	11,453	17,728
Dividend income	81,449	102,989
Foreign exchange gains	–	71,509
Rental income	112,921	111,925
Other	36,954	33,987
Total non-operating income	242,779	338,141
Non-operating expenses		
Interest expenses	31,837	33,345
Foreign exchange losses	4,817	–
Rental costs	36,204	33,265
Other	5,926	1,185
Total non-operating expenses	78,786	67,796
Ordinary profit	245,408	24,438
Extraordinary income		
Gain on sale of non-current assets	139	137,747
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	43,990	137,747
Extraordinary losses		
Loss on sale of non-current assets	–	7
Loss on retirement of non-current assets	81	3,228
Extra retirement payments	–	49,868
Total extraordinary losses	81	53,104
Profit before income taxes	289,318	109,081
Income taxes - current	166,064	173,945
Income taxes - deferred	33,983	12,671
Income taxes for prior periods	24,114	(3,644)
Total income taxes	224,162	182,972
Profit (loss)	65,156	(73,891)
Profit attributable to non-controlling interests	101	–
Profit (loss) attributable to owners of parent	65,054	(73,891)

Quarterly Consolidated Statements of Comprehensive Income

For the nine months ended March 20

(Thousands of yen)

	For the nine months ended March 20, 2023	For the nine months ended March 20, 2024
Profit (loss)	65,156	(73,891)
Other comprehensive income		
Valuation difference on available-for-sale securities	402,826	219,814
Deferred gains or losses on hedges	(4,613)	(3,854)
Foreign currency translation adjustment	170,586	207,483
Remeasurements of defined benefit plans, net of tax	6,215	(12,412)
Total other comprehensive income	575,015	411,030
Comprehensive income	640,171	337,139
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	640,069	337,139
Comprehensive income attributable to non-controlling interests	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.

(Segment information, etc.)

Segment information

1. 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.

2. For the nine months ended March 20, 2024 (June 21, 2023 to March 20, 2024)

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	19,150,991	9,439,372	28,590,364	—	28,590,364
Inter-segment net sales or transfers	57,744	176,035	233,779	(233,779)	—
Total	19,208,736	9,615,407	28,824,143	(233,779)	28,590,364
Segment profit (loss)	(393,244)	129,871	(263,373)	17,467	(245,905)

(Notes) 1. Adjustment of segment profit (loss) of ¥17,467 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.