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Consolidated Financial Results for the Six Months Ended December 20, 2022 [Japanese GAAP]



February 1, 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: February 1, 2023

Scheduled date of commencing dividend payments: March 2, 2023

Availability of supplementary briefing material on quarterly financial results: Available

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

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

1. Consolidated Financial Results for the Six Months Ended December 20, 2022 (June 21, 2022 to December 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	%
Six months ended December 20, 2022	18,582	14.0	(274)	—	(109)	—	(197)	—
December 20, 2021	16,302	(1.7)	483	(44.1)	626	(39.4)	368	(46.6)

(Note) Comprehensive income: Six months ended December 20, 2022: ¥312 million [33.2%]

Six months ended December 20, 2021: ¥234 million [(73.9)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 20, 2022	(6.92)	—
December 20, 2021	12.95	12.90

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 20, 2022	37,285	24,135	64.5	842.83
As of June 20, 2022	33,512	24,231	72.0	846.80

(Reference) Equity: As of December 20, 2022: ¥24,048 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 20, 2022	–	7.00	–	15.00	22.00
Fiscal year ending June 20, 2023	–	7.00			
Fiscal year ending June 20, 2023 (Forecast)			–	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
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: 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):
 - December 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:
 - December 20, 2022: 2,926,682 shares
 - June 20, 2022: 2,957,834 shares
 - 3) Average number of shares during the period:
 - Six months ended December 20, 2022: 28,508,667 shares
 - Six months ended December 20, 2021: 28,480,380 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 4.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation of Business Results

During the six months ended December 20, 2022, 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 six months ended December 20, 2022, although there was a significant decrease in sales due to the prolonged effects of the shortage of TEPRAs 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 ¥18,582.31 million (up 14.0% year on year). In terms of profit, operating loss was ¥274.35 million (operating profit of ¥483.79 million in the same period of the previous fiscal year), ordinary loss was ¥109.66 million (ordinary profit of ¥626.66 million in the same period of the previous fiscal year), and loss attributable to owners of parent was ¥197.36 million (profit attributable to owners of parent of ¥368.95 million in the same period of the previous fiscal year). The losses 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.

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. On February 1, 2023, the Company absorbs and merges with 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. Additionally, we were committed to active sales activities including the launch of original models collaborating with distributors in planning. In stationery, the Company launched Document Sorting File, which helps users organize documents neatly. We also added products to the EMILY series, the stationery series of neutral colors, as well as to SODA, transparent PET film masking tape that is easy to re-stick, and HITOTOKI NOTE, notebooks that can be used like a diary, which are both in the HITOTOKI series.

As for each category of growth fields, the Company released pomera DM250, a new model of the pomera digital memo in digital stationery. In hygiene and health products, we released Droplet Catcher that absorbs droplets in the air generated during conversation, as well as Body Pressure Dispersion Room Shoes that support walking in the correct posture. 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. We also released In-Vehicle Survival Kit to prepare for in-vehicle emergencies. In addition, in bag and storage products, the Company released HANDY POUCH, drawstring pouches from which it is easy to take out items, and TEX-

POUCH, multi-purpose small silicone pouches.

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. In addition, we strived to increase the level of recognition and achieve the sale of disaster supplies kits for office. Specific initiatives included the creation of 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.

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

However, due to the impact of product shortages of TEPPA 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 ¥11,961.87 million (down 1.6% year on year). Operating loss was ¥456.62 million (operating profit of ¥102.97 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 and photo frames showed solid performance, while humidifiers struggled due to a warm winter. ASCA CO., LTD.’s mainstay floral products grew, and green and ornamental plants enjoyed strong performance mainly in the decoration business. Life on Products, Inc. broadened its range of winter products. In particular, sales of new products, rechargeable hand warmers and electric hot-water bottles, were strong. Those products incorporate the SDGs perspective.

As a result, net sales for the interior lifestyle business as a whole were ¥6,620.44 million (up 59.5% 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 ¥172.30 million (down 54.6% 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 December 20, 2022 increased by ¥3,773.16 million from the end of the previous fiscal year to ¥37,285.35 million. This is mainly attributable to increases in merchandise and finished goods of ¥2,122.80 million and shares of subsidiaries and associates of ¥550.00 million primarily due to the acquisition of HIM Co., Ltd.’s shares.

Total liabilities increased by ¥3,869.42 million from the end of the previous fiscal year to ¥13,149.68 million. This is mainly attributable to an increase in short-term borrowings of ¥3,500 million partly due to working capital needs.

Total net assets decreased by ¥96.25 million from the end of the previous fiscal year to ¥24,135.66 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.

(Status of cash flows)

Cash and cash equivalents (hereinafter referred to as “cash”) as of December 20, 2022 decreased by ¥102.61 million from the end of the previous fiscal year to ¥5,534.76 million.

The status of each cash flow and their factors for the six months ended December 20, 2022 are as follows.

(Cash flows from operating activities)

Net cash used in operating activities were ¥1,821.58 million (net cash used in operating activities of ¥1,414.61 million for the previous fiscal year). This is mainly attributable to an increase in inventories of

¥2,273.14 million, income taxes paid of ¥240.17 million, and loss before income taxes of ¥95.03 million, despite an increase in trade payables of ¥485.11 million, depreciation of ¥295.21 million, and others.

(Cash flows from investing activities)

Net cash used in investing activities decreased by ¥2,095.77 million from the previous fiscal year to ¥1,260.19 million. This is mainly attributable to purchase of shares of subsidiaries of ¥550.00 million, purchase of property, plant and equipment and intangible assets of ¥333.73 million, and payments into time deposits of ¥321.00 million, despite proceeds from withdrawal of time deposits of ¥219.60 million.

(Cash flows from financing activities)

Net cash provided by financing activities decreased by ¥989.08 million from the previous fiscal year to ¥2,837.95 million. This is mainly attributable to net increase in short-term borrowings of ¥3,500 million, despite dividends paid of ¥426.60 million.

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

We have not revised the consolidated financial results forecasts announced on January 27, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of June 20, 2022	As of December 20, 2022
Assets		
Current assets		
Cash and deposits	6,078,942	6,085,493
Notes receivable - trade	453,185	426,489
Accounts receivable - trade	4,919,830	5,155,969
Merchandise and finished goods	8,775,732	10,898,535
Work in process	476,895	480,612
Raw materials and supplies	1,599,620	1,817,267
Other	788,394	833,621
Allowance for doubtful accounts	(2,624)	(876)
Total current assets	23,089,976	25,697,113
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,094,134	6,172,461
Accumulated depreciation	(3,888,196)	(3,995,386)
Buildings and structures, net	2,205,938	2,177,075
Machinery, equipment and vehicles	3,101,267	3,297,446
Accumulated depreciation	(2,819,117)	(2,973,771)
Machinery, equipment and vehicles, net	282,149	323,675
Land	1,588,784	1,588,784
Construction in progress	103,220	131,899
Other	2,932,739	3,053,718
Accumulated depreciation	(2,674,249)	(2,791,116)
Other, net	258,489	262,601
Total property, plant and equipment	4,438,582	4,484,036
Intangible assets		
Goodwill	1,232,624	1,150,449
Other	628,658	647,477
Total intangible assets	1,861,283	1,797,927
Investments and other assets		
Investment securities	2,167,593	2,740,370
Shares of subsidiaries and associates	–	550,000
Retirement benefit asset	1,293,228	1,357,078
Deferred tax assets	244,658	247,301
Other	419,149	413,782
Allowance for doubtful accounts	(2,287)	(2,259)
Total investments and other assets	4,122,341	5,306,273
Total non-current assets	10,422,208	11,588,237
Total assets	33,512,184	37,285,350

(Thousands of yen)

	As of June 20, 2022	As of December 20, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,618,476	2,121,092
Short-term borrowings	1,040,000	4,540,000
Current portion of long-term borrowings	450,055	446,328
Income taxes payable	218,277	118,485
Accounts payable - other	880,632	860,172
Provision for bonuses for directors (and other officers)	33,312	7,484
Contract liabilities	26,259	16,478
Other	855,420	993,945
Total current liabilities	5,122,431	9,103,987
Non-current liabilities		
Long-term borrowings	2,769,278	2,547,151
Deferred tax liabilities	542,364	631,434
Retirement benefit liability	473,620	489,478
Asset retirement obligations	30,751	31,250
Other	341,819	346,385
Total non-current liabilities	4,157,834	4,045,700
Total liabilities	9,280,266	13,149,687
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	21,862,523
Treasury shares	(2,614,703)	(2,587,196)
Total shareholders' equity	23,568,979	22,972,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	545,185	841,515
Deferred gains or losses on hedges	3,548	(26,174)
Foreign currency translation adjustment	(6,842)	230,083
Remeasurements of defined benefit plans	24,528	30,462
Total accumulated other comprehensive income	566,420	1,075,886
Share acquisition rights	87,088	87,088
Non-controlling interests	9,430	–
Total net assets	24,231,917	24,135,663
Total liabilities and net assets	33,512,184	37,285,350

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
For the six months ended December 20

(Thousands of yen)

	For the six months ended December 20, 2021	For the six months ended December 20, 2022
Net sales	16,302,069	18,582,314
Cost of sales	10,041,152	12,054,116
Gross profit	6,260,917	6,528,197
Selling, general and administrative expenses	5,777,121	6,802,550
Operating profit (loss)	483,796	(274,352)
Non-operating income		
Interest income	5,714	6,120
Dividend income	54,600	78,692
Foreign exchange gains	–	20,771
Rental income	75,306	75,432
Other	37,046	29,802
Total non-operating income	172,668	210,819
Non-operating expenses		
Interest expenses	4,083	19,853
Foreign exchange losses	1,802	–
Rental costs	22,849	23,015
Other	1,067	3,260
Total non-operating expenses	29,802	46,129
Ordinary profit (loss)	626,663	(109,662)
Extraordinary income		
Gain on sale of non-current assets	9	–
Gain on sale of investment securities	911	–
Gain on sale of investments in capital of subsidiaries and associates	–	14,693
Total extraordinary income	920	14,693
Extraordinary losses		
Loss on retirement of non-current assets	1,764	65
Loss on valuation of investment securities	478	–
Total extraordinary losses	2,243	65
Profit (loss) before income taxes	625,340	(95,034)
Income taxes - current	199,271	100,903
Income taxes - deferred	45,226	(23,088)
Income taxes for prior periods	11,342	24,416
Total income taxes	255,840	102,230
Profit (loss)	369,499	(197,265)
Profit attributable to non-controlling interests	541	101
Profit (loss) attributable to owners of parent	368,957	(197,367)

Quarterly Consolidated Statements of Comprehensive Income

For the six months ended December 20

(Thousands of yen)

	For the six months ended December 20, 2021	For the six months ended December 20, 2022
Profit (loss)	369,499	(197,265)
Other comprehensive income		
Valuation difference on available-for-sale securities	(192,862)	296,330
Deferred gains or losses on hedges	(1,844)	(29,723)
Foreign currency translation adjustment	72,742	236,925
Remeasurements of defined benefit plans, net of tax	(13,172)	5,933
Total other comprehensive income	(135,137)	509,466
Comprehensive income	234,362	312,200
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	233,820	312,098
Comprehensive income attributable to non-controlling interests	541	101

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	For the six months ended December 20, 2021	For the six months ended December 20, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	625,340	(95,034)
Depreciation	294,649	295,218
Amortization of goodwill	–	82,174
Increase (decrease) in allowance for doubtful accounts	(5,086)	(1,807)
Increase (decrease) in retirement benefit liability	15,914	(32,941)
Decrease (increase) in retirement benefit asset	(80,973)	(48,827)
Interest and dividend income	(60,315)	(84,812)
Interest expenses	4,083	19,853
Foreign exchange losses (gains)	(4,842)	43,246
Loss (gain) on sale and retirement of non-current assets	1,755	65
Loss (gain) on sale of investment securities	(911)	–
Loss (gain) on valuation of investment securities	478	–
Gain on sale of investments in capital of subsidiaries and associates	–	(14,693)
Decrease (increase) in trade receivables	(33,259)	(183,892)
Decrease (increase) in inventories	(1,037,916)	(2,273,146)
Decrease (increase) in other assets	86,621	76,979
Increase (decrease) in trade payables	(284,619)	485,114
Decrease (increase) in consumption taxes refund receivable	(70,994)	31,893
Increase (decrease) in accrued consumption taxes	(245,170)	(3,456)
Increase (decrease) in other liabilities	(20,648)	26,225
Other, net	5,331	11,927
Subtotal	(810,563)	(1,665,913)
Interest and dividends received	60,315	84,711
Interest paid	(5,429)	(22,057)
Income taxes paid	(659,067)	(240,171)
Income taxes refund	133	21,846
Net cash provided by (used in) operating activities	(1,414,611)	(1,821,584)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(440,817)	(333,739)
Proceeds from sale of property, plant and equipment and intangible assets	9	–
Purchase of investment securities	–	(149,642)
Loan advances	–	(137,450)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,792,566)	–
Payments of leasehold and guarantee deposits	(2,185)	(2,944)
Proceeds from refund of leasehold and guarantee deposits	3,335	3,632
Payments into time deposits	(311,200)	(321,000)
Proceeds from withdrawal of time deposits	190,800	219,602
Purchase of shares of subsidiaries	–	(550,000)
Proceeds from sale of investment in capital of subsidiaries and associates	–	14,693
Other, net	(3,342)	(3,342)
Net cash provided by (used in) investing activities	(3,355,966)	(1,260,191)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,410,000	3,500,000
Repayments of long-term borrowings	(14,790)	(225,854)
Dividends paid	(567,769)	(426,600)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(9,400)
Other, net	(403)	(187)
Net cash provided by (used in) financing activities	3,827,037	2,837,957
Effect of exchange rate change on cash and cash equivalents	52,164	141,202
Net increase (decrease) in cash and cash equivalents	(891,376)	(102,615)
Cash and cash equivalents at beginning of period	7,032,921	5,637,384
Cash and cash equivalents at end of period	6,141,545	5,534,768

(4) 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 six months ended December 20, 2021 (June 21, 2021 to December 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	12,151,445	4,150,624	16,302,069	–	16,302,069
Inter-segment net sales or transfers	45,579	120,952	166,532	(166,532)	–
Total	12,197,024	4,271,577	16,468,601	(166,532)	16,302,069
Segment profit	102,972	379,321	482,293	1,502	483,796

(Notes) 1. Adjustment of segment profit of ¥1,502 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 six months ended December 20, 2022 (June 21, 2022 to December 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	11,961,871	6,620,443	18,582,314	–	18,582,314
Inter-segment net sales or transfers	50,409	139,896	190,305	(190,305)	–
Total	12,012,280	6,760,339	18,772,619	(190,305)	18,582,314
Segment profit (loss)	(456,625)	172,306	(284,318)	9,966	(274,352)

(Notes) 1. Adjustment of segment profit (loss) of ¥9,966 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.