Consolidated Financial Results
for the Three Months Ended November 30, 2021
[Japanese GAAP]

January 14, 2022

Company name: JINS HOLDINGS Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 3046
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Scheduled date of filing quarterly securities report: January 14, 2022
Scheduled date of commencing dividend payments: –
Availability of supplementary briefing material on quarterly financial results: Not available
Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended November 30, 2021 (September 1, 2021 to November 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
November 30, 2021	15,275	3.1	577	(26.0)	691	(2.1)	433	17.4
November 30, 2020	14,813	(0.8)	781	(42.0)	705	(48.4)	369	(55.7)

(Note) Comprehensive income: Three months ended November 30, 2021 ¥437 million [(1.9)%]
Three months ended November 30, 2020: ¥445 million [(38.0)%]

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
November 30, 2021	18.56	16.47
November 30, 2020	15.82	14.02

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of November 30, 2021	52,684	20,176	38.3
As of August 31, 2021	53,007	20,219	38.1

(Reference) Equity: As of November 30, 2021: ¥20,176 million
As of August 31, 2021: ¥20,219 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 August 31, 2021	–	25.00	–	20.00	45.00
Fiscal year ending August 31, 2022	–				
Fiscal year ending August 31, 2022 (Forecast)		17.00	–	37.00	54.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending August 31, 2022 (September 1, 2021 to August 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Half year	32,755	3.5	1,977	(25.8)	2,061	(20.2)	1,333	(30.3)	57.12
Full year	71,155	11.4	7,177	42.1	7,011	39.6	4,033	22.5	172.80

(Note) Revision to the financial results forecast announced most recently: Yes

*** Notes:**

(1) Changes in significant subsidiaries during the three months ended November 30, 2021 (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: None

(3) 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: None
3) Changes in accounting estimates: Yes
4) Retrospective restatement: None

(4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury stock):
November 30, 2021: 23,980,000 shares
August 31, 2021: 23,980,000 shares
2) Total number of treasury stock at the end of the period:
November 30, 2021: 639,784 shares
August 31, 2021: 639,784 shares
3) Average number of shares during the period (Accumulated total of the quarter):
Three months ended November 30, 2021: 23,340,216 shares
Three months ended November 30, 2020: 23,340,218 shares

*This quarterly financial report is outside the scope of quarterly review by Certified Public Accountants or an Audit firm.

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

Forward-looking statements in this document, such as the financial results forecast, are based on information currently available to the Group and certain assumptions that the Group has deemed reasonable. These statements are not intended as the Group's commitment to achieve them, and actual performance may differ significantly due to various factors.

For the assumptions for financial results forecast and precautions for using financial results forecast, please refer to "Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 4 of the attached document.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

During the three months ended November 30, 2021 (September 1, 2021 to November 30, 2021), the Japanese economy showed signs of a recovery in personal consumption as social and economic activities began to normalize following the complete lifting from October onward of the state of emergency, etc., which had been repeatedly declared due to the spread of the novel coronavirus disease (COVID-19), mainly in urban areas. Looking at the global economy, the number of cases is rising once again in some regions partly owing to the impact of COVID-19 variants, and infection prevention measures, including travel restrictions, remain in place. In addition, there are concerns about a possible worsening of economic conditions owing to factors such as a rapid increase in crude oil prices around the world, the Chinese government's measures to restrict investment, and the impact of electric power shortages on the manufacturing industry.

In the domestic retail eyewear market (eyeglasses for vision correction), although the state of emergency, etc., which had been declared due to the spread of COVID-19 was lifted, the market size continued to trend at a level lower than the same period of the previous year.

Under this market environment, in the eyewear business, the Company and its consolidated subsidiaries (collectively, the "Group") took such initiatives as promoting digital transformation, and strengthening development of innovative products, which they identified as management issues. In the domestic eyewear business, the Company worked to offer consumers a more convenient purchasing experience, including introducing "JINS BRAIN2," a service that uses AI to assess the extent to which pairs of glasses will suit customers with an enhanced level of accuracy, as an initiative to seamlessly connect online and in-store experiences, making it easier for customers to select glasses and creating a more convenient purchasing experience. With regard to product development, as part of our initiatives to realize "the world free from myopia," we conducted a joint project to develop an eyeglass-shaped, violet-light-emitting medical device designed to suppress progress of myopia, and total research and development expenses were ¥55 million for the three months ended November 30, 2021.

In terms of store development, the number of eyewear stores as of November 30, 2021, was 674, including 448 stores in Japan and 226 stores overseas (172 in China, 42 in Taiwan, 6 in Hong Kong, and 6 in the United States).

As a result, for the three months ended November 30, 2021, the Company posted net sales of ¥15,275 million (up 3.1% year-on-year) partly thanks to the impact of new store openings despite the fact that we have yet to fully recover from the impact of COVID-19. Operating profit was ¥577 million (down 26.0% year-on-year) owing to the effect of changes to revenue recognition standards, etc. Ordinary profit was ¥691 million (down 2.1% year-on-year), and profit attributable to owners of parent was ¥433 million (up 17.4% year-on-year).

Business results by segment are as follows.

Net sales by business segment

Segment	For the three months ended November 30, 2021 (September 1, 2021 to November 30, 2021)	Percentage to the Company's net sales	Year-on-year change
Domestic eyewear business	¥11,890 million	77.8%	1.7%
Overseas eyewear business	¥3,384 million	22.2%	8.6%
Total	¥15,275 million	100.0%	3.1%

<Domestic Eyewear Business>

In the domestic eyewear business, we launched a next-generation version of JINS MEME, eyewear that captures mental and physical conditions with sensors using proprietary technology to visualize those conditions on a connected mobile app, with a more compact and lighter sensor and battery. Sales were also driven by the strong performance of high-value-added products, including “Airframe Hingeless,” for which we eliminated the hinges connecting the front of the frame with the temples, creating a unique new fit and comfort for users. In addition, membership of the JINS app reached approximately 9.48 million people as of the end of November 2021, and e-commerce sales continued to grow at a steady pace. Regarding the impact of COVID-19, there were signs of a recovery in footfall to levels prior to the outbreak of the pandemic from October onward, when the declaration of a state of emergency, etc., was lifted.

In terms of store development, the number of stores in Japan was 448 (14 openings and no closures) as of the end of the period under review.

As a result, net sales of the domestic eyewear business were ¥11,890 million (up 1.7% year-on-year), and segment operating profit was ¥518 million (down 7.2% year-on-year).

<Overseas Eyewear Business>

In the overseas eyewear business, in China, personal consumption stalled, owing partly to the strengthening of restrictions on individual movement imposed by the government as a measure to combat COVID-19 from the summer onward. Performance in the country was also impacted by factors such as a fallback from the previous year, when there were exemptions to social security fees.

In Taiwan, performance recovered steadily from the rapid increase in COVID-19 infections in May, but our business was impacted by factors such as an increase in personnel expenses to secure opticians as required by the Optometric Personnel Act.

In Hong Kong, the slump in consumption due to the effects of protests resulting from political unrest and COVID-19 is on a recovery track, and business performance is also recovering steadily.

In the United States, we have reopened all of our brick-and-mortar stores, which had been closed due to the impact of COVID-19, and business performance is on a recovery track.

In terms of store development, the total number of stores overseas was 226 as of the end of the period under review, including 172 stores in China (6 openings and 4 closures), 42 in Taiwan (4 openings and no closures), 6 in Hong Kong (no openings or closures), and 6 in the United States (no openings or closures).

As a result, net sales of the overseas eyewear business were ¥3,384 million (up 8.6% year-on-year), and segment operating profit was ¥59 million (down 73.2% year-on-year).

(2) Explanation of Financial Position

(Status of Assets, Liabilities and Net Assets)

Assets, liabilities and net assets at the end of the first quarter of the fiscal year under review are as follows.

(Millions of yen)

	End of the previous fiscal year (August 31, 2021)	End of 1st quarter of the fiscal year under review (November 30, 2021)	Change (million yen)	Change (%)
Total assets	53,007	52,684	(322)	(0.6)
Liabilities	32,787	32,508	(279)	(0.9)
Net assets	20,219	20,176	(43)	(0.2)

(a) Assets

Current assets decreased ¥992 million from the end of the previous fiscal year to ¥32,213 million.

This was mainly due to a decrease of ¥1,424 million in cash and deposits, despite an increase of ¥292 million in notes and accounts receivable - trade.

Non-current assets increased ¥669 million from the end of the previous fiscal year to ¥20,471 million.

This was mainly due to an increase of ¥380 million in property, plant and equipment such as buildings and structures as a result of the Group's expansion of retail stores and an increase of ¥227 million in leasehold and guarantee deposits.

As a result, total assets decreased ¥322 million from the end of the previous fiscal year to ¥52,684 million.

(b) Liabilities

Current liabilities decreased ¥201 million from the end of the previous fiscal year to ¥10,300 million.

This was mainly due to a decrease of ¥366 million in income taxes payable.

Non-current liabilities decreased ¥77 million from the end of the previous fiscal year to ¥22,207 million.

This was mainly due to a decrease of ¥20 million in long-term borrowings and a decrease of ¥37 million in lease obligations.

As a result, total liabilities decreased ¥279 million from the end of the previous fiscal year to ¥32,508 million.

(c) Net Assets

Net assets decreased ¥43 million from the end of the previous fiscal year to ¥20,176 million.

This was mainly due to a decrease of ¥466 million due to the payment of dividends, despite the recording of ¥433 million in profit attributable to owners of parent.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

For the first-half and full-year consolidated financial results forecasts for the fiscal year ending August 31, 2022, please see the "Notice of Revision of First-half and Full-year Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2022 and Revision of Dividend Forecast," which we announced on January 14, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2021	As of November 30, 2021
Assets		
Current assets		
Cash and deposits	23,206	21,781
Notes and accounts receivable - trade	3,794	4,087
Merchandise and finished goods	4,515	4,549
Raw materials and supplies	359	420
Other	1,328	1,374
Total current assets	33,205	32,213
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,139	7,367
Other, net	1,753	1,906
Total property, plant and equipment	8,892	9,273
Intangible assets	2,244	2,272
Investments and other assets		
Leasehold and guarantee deposits	4,514	4,741
Other	4,150	4,183
Total investments and other assets	8,664	8,925
Total non-current assets	19,801	20,471
Total assets	53,007	52,684

(Millions of yen)

	As of August 31, 2021	As of November 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	1,506	1,763
Short-term borrowings	2,121	2,203
Current portion of long-term borrowings	53	48
Accounts payable - other, and accrued expenses	4,410	4,469
Provision for bonuses	49	75
Provision for product warranties	–	141
Income taxes payable	657	291
Other	1,702	1,306
Total current liabilities	10,501	10,300
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	20,135	20,115
Long-term borrowings	217	197
Asset retirement obligations	528	537
Other	1,404	1,356
Total non-current liabilities	22,285	22,207
Total liabilities	32,787	32,508
Net assets		
Shareholders' equity		
Common stock	3,202	3,202
Capital surplus	3,228	3,228
Retained earnings	18,747	18,700
Treasury stock	(5,002)	(5,002)
Total shareholders' equity	20,176	20,128
Accumulated other comprehensive income		
Foreign currency translation adjustment	43	47
Total accumulated other comprehensive income	43	47
Total net assets	20,219	20,176
Total liabilities and net assets	53,007	52,684

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended November 30, 2020 and November 30, 2021

(Millions of yen)

	For the three months ended November 30, 2020	For the three months ended November 30, 2021
Net sales	14,813	15,275
Cost of sales	3,047	3,341
Gross profit	11,766	11,934
Selling, general and administrative expenses	10,985	11,356
Operating profit	781	577
Non-operating income		
Interest income	20	21
Commission income	9	6
Rental income	1	1
Foreign exchange gains	1	130
Subsidy income	19	73
Other	10	3
Total non-operating income	63	237
Non-operating expenses		
Interest expenses	40	39
Share of loss of entities accounted for using equity method	–	22
Commission expenses	0	0
Rental expenses on real estate	81	56
Other	16	5
Total non-operating expenses	139	124
Ordinary profit	705	691
Extraordinary losses		
Loss on retirement of non-current assets	15	37
Impairment loss	27	—
Loss on store closings	1	3
Total extraordinary losses	44	40
Profit before income taxes	660	650
Income taxes - current	94	162
Income taxes - deferred	197	53
Total income taxes	291	216
Profit	369	433
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	369	433

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended November 30, 2020 and November 30, 2021

(Millions of yen)

	For the three months ended November 30, 2020	For the three months ended November 30, 2021
Profit	369	433
Other comprehensive income		
Foreign currency translation adjustment	76	4
Total other comprehensive income	76	4
Comprehensive income	445	437
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	445	437
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition and other standards)

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc., from the beginning of the first quarter of the fiscal year under review and recognize revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer.

Major changes due to the application of Revenue Recognition Accounting Standard, etc., are shown below.

(1) Sales with right of return

The Company has changed the accounting treatment of sales with a right of return to the method of recognizing revenue and cost of sales after excluding amounts equivalent to revenue and cost of sales for products expected to be returned. Accordingly, any consideration for products expected to be returned is included in "Other" under "Current liabilities" as refund liabilities, and any assets for which the Company recognizes the right to recover products from customers on settling refund liabilities are included in "Other" under "Current assets" as return assets.

(2) Revenue recognition for points from other companies

Previously the Company recorded amounts equivalent to points granted to customers in accordance with the sale of products based on points programs operated by other companies as selling, general and administrative expenses. However, the Company has changed to the method of recognizing revenue after subtracting an amount equivalent to points granted from the transaction price.

The application of the Revenue Recognition Accounting Standard, etc., follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in the case of retroactively applying the new accounting policy to before the beginning of the first quarter of the fiscal year under review were adjusted in retained earnings at the beginning of the first quarter of the fiscal year under review, and the new accounting policy is applied from this initial balance.

As the impacts on profit and loss for the three months ended November 30, 2021, and retained earnings at the beginning of the period are not significant, this information has been omitted.

Furthermore, in accordance with the provisional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, information for previous consolidated fiscal years has not been reclassified based on the new method of presentation. In addition, in accordance with the provisional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the disaggregation of revenue from contracts with customers is not provided for the three months ended November 30, 2020.

(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 the "Fair Value Measurement Accounting Standard") from the beginning of the first quarter of the fiscal year under review. Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Accounting Standard and the like in the future in accordance with the provisional treatment stipulated in Paragraph 19 of the same Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of the accounting standard has no impact on the quarterly consolidated financial statements.

(Changes in accounting estimates)

As announced in the "Notice of Relocation of the Tokyo Head Office" on January 14, 2022, we plan to relocate the Tokyo head office in February 2023. In accordance with this, the Company has shortened the useful lives of non-current assets that it does not expect to use after the relocation. This change will be applied going forward.

In addition, the Company has made changes to asset retirement obligations for restoration costs in accordance with fixed-term building lease contracts such that the recording of expenses associated with asset retirement obligations will end by the planned relocation date.

Furthermore, the impact of this change on profit and loss for the three months ended November 30, 2021, is not significant.

(Segment information)

I. For the three months ended November 30, 2020

1. Information about net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment			Adjustments	Consolidated (Note)
	Domestic eyewear business	Overseas eyewear business	Subtotal		
Net sales:					
Sales to outside customers	11,696	3,117	14,813	–	14,813
Intersegment sales or transfers	121	2	123	(123)	–
Total	11,817	3,119	14,937	(123)	14,813
Segment profit	558	222	781	–	781

(Note) Segment profit is reconciled to operating profit in the quarterly consolidated statements of income.

2. Information about loss on impairment of non-current assets and goodwill by reportable segment

(Significant loss on impairment of non-current assets)

This is primarily an impairment loss in an amount of ¥27 million recorded in the "domestic eyewear business" segment.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

II. For the three months ended November 30, 2021

1. Information about net sales and profit (loss) by reportable segment, and breakdown of revenue

(Millions of yen)

	Reportable segment			Adjustments	Consolidated (Note)
	Domestic eyewear business	Overseas eyewear business	Subtotal		
Net sales:					
Revenue from contracts with customers	11,890	3,384	15,275	–	15,275
Sales to outside customers	11,890	3,384	15,275	–	15,275
Intersegment sales or transfers	85	0	85	(85)	–
Total	11,975	3,385	15,361	(85)	15,275
Segment profit	518	59	577	–	577

(Note) Segment profit is reconciled to operating profit in the quarterly consolidated statements of income.

2. Information about loss on impairment of non-current assets and goodwill by reportable segment

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

3. Changes in reportable segments

As described in Changes in accounting policies, the Company has changed its accounting treatment methods in relation to revenue recognition with the application of the Accounting Standard for Revenue Recognition and other standards from the beginning of the three months ended November 30, 2021. Accordingly, the Company has made similar changes to methods of calculating business segment profit and loss.

Furthermore, the impact of these changes on segment information is not significant.

(Additional information)

(Accounting estimates pertaining to the novel coronavirus disease (COVID-19))

Regarding the impact of COVID-19, the declaration of a state of emergency, etc., was lifted across the country in October 2021, partly owing to a decline in the number of infections in line with an increase in the vaccination rate. However, there are concerns that the number of cases will increase again as more people move around the country, etc., and therefore, we believe that it is still impossible to predict future developments.

Although it is difficult to forecast accurately factors including the timing when the disease is brought under control, the Group has made accounting estimates such as impairment of non-current assets and the recoverability of deferred tax assets, based on an assumption that the impact will continue for a certain period in the fiscal year ending August 31, 2022.