

Consolidated Financial Results for the Six Months Ended February 28, 2022 [Japanese GAAP]



April 8, 2022

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of commencing dividend payments: May 13, 2022
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended February 28, 2022 (September 1, 2021 to February 28, 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 February 28, 2022	32,704	3.4	1,902	(28.5)	2,172	(15.9)	1,170	(38.8)
February 28, 2021	31,643	0.4	2,662	(18.9)	2,584	(23.3)	1,913	(7.3)

(Note) Comprehensive income: Six months ended February 28, 2022: ¥1,289 million [(38.1)%]
 Six months ended February 28, 2021: ¥2,084 million [5.7%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 28, 2022	50.14	44.86
February 28, 2021	81.99	74.35

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2022	53,993	21,030	38.9
As of August 31, 2021	53,007	20,219	38.1

(Reference) Equity: As of February 28, 2022: ¥21,030 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	–	17.00			
Fiscal year ending August 31, 2022 (Forecast)			–	37.00	54.00

(Note) Revision to the forecast for dividends announced most recently: No

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
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: No

* Notes:

- (1) Changes in significant subsidiaries during the six months ended February 28, 2022 (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):
 - February 28, 2022: 23,980,000 shares
 - August 31, 2021: 23,980,000 shares
 - 2) Total number of treasury stock at the end of the period:
 - February 28, 2022: 639,784 shares
 - August 31, 2021: 639,784 shares
 - 3) Average number of shares during the period (Accumulated total of the quarter):
 - Six months ended February 28, 2022: 23,340,216 shares
 - Six months ended February 28, 2021: 23,340,217 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 "1. Qualitative Information on Quarterly Financial Results for the Period under Review, (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 4 of the attached document.

(How to obtain the supplementary briefing materials on quarterly financial results)

The Company plans to hold a financial results briefing for analysts and institutional investors on Friday, April 8, 2022. Financial results materials to be used at the briefing will be available on the Company's website immediately after the session.

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

(1) Explanation of Business Results

During the six months ended February 28, 2022 (September 1, 2021 to February 28, 2022), the Japanese economy experienced the continued seesawing impact of the novel coronavirus disease (COVID-19) on personal consumption as semi-emergency coronavirus measures were declared again in mid-January due to the prevalence of variants despite the complete lifting from October onward of the state of emergency, etc., which had been declared due to the spread of COVID-19, mainly in urban areas. Looking at the global economy, infection prevention measures, including travel restrictions, remain in place in many regions partly owing to the impact of COVID-19 variants. Particularly in China, urban areas have been intermittently locked down under the zero-Covid policy, leading to concerns about the impact on economic conditions. In addition, there are concerns about a possible worsening of economic conditions as the economic impact of the Russian invasion of Ukraine should be carefully watched and global inflation has become more apparent due to the rising price of crude oil and raw materials.

The domestic retail eyewear market (eyeglasses for vision correction) continues to experience ups and downs versus the same period of the previous year owing to the impact of COVID-19.

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, we worked to improve management efficiency and offer consumers a more convenient purchasing experience, including introducing a solution to improve supply and demand management with an eye on globalization using AI without relying on prior experience alone. 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 ¥110 million for the six months ended February 28, 2022.

In terms of store development, the number of eyewear stores as of February 28, 2022, was 680, including 451 stores in Japan and 229 stores overseas (173 in China, 44 in Taiwan, 6 in Hong Kong, and 6 in the United States).

As a result, for the six months ended February 28, 2022, the Company posted net sales of ¥32,704 million (up 3.4% year-on-year) partly thanks to the impact of new store openings despite the impact of COVID-19. Operating profit was ¥1,902 million (down 28.5% year-on-year) partly owing to the effect of changes to revenue recognition standards, etc. Ordinary profit was ¥2,172 million (down 15.9% year-on-year), and profit attributable to owners of parent was ¥1,170 million (down 38.8% year-on-year), partly due to the recording of provision of allowance for office relocation expenses related to relocation of the Tokyo head office in extraordinary losses.

Business results by segment are as follows.

Net sales by business segment

Segment	For the six months ended February 28, 2022 (September 1, 2021 to February 28, 2022)	Percentage to the Company’s net sales	Year-on-year change
Domestic eyewear business	¥25,630 million	78.4%	0.7%
Overseas eyewear business	¥7,074 million	21.6%	14.3%
Total	¥32,704 million	100.0%	3.4%

<Domestic Eyewear Business>

In the domestic eyewear business, the second release of the JINS Pokémon model, in which we incorporated Pokémon to eyewear designs through JINS' unique point of view, was well-received. Sales were also driven by 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 10.14 million people as of the end of February 2022 and e-commerce sales continued to grow at a steady pace. Also, sales of contact lenses, which provide JINS 1DAY, have grown as planned. Regarding the impact of COVID-19, although 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, customer traffic has decreased as semi-emergency coronavirus measures were declared mainly in urban areas in mid-January due to the prevalence of COVID-19 variants. As such, the situation is still seesawing.

In terms of store development, the number of stores in Japan was 451 (21 openings and 4 closures) as of the end of the period under review.

As a result, net sales of the domestic eyewear business were ¥25,630 million (up 0.7% year-on-year), and segment operating profit was ¥1,921 million (down 22.2% year-on-year).

<Overseas Eyewear Business>

In the overseas eyewear business, profit significantly decreased in China as personal consumption stalled, owing partly to intermittent lockdowns of cities amid the continued strengthening of restrictions on individual movement imposed by the government as a measure to combat COVID-19, in addition to the impact of factors such as a fallback from the previous year, when there were exemptions to social security fees.

In Taiwan, profit increased as performance recovered steadily from the impact of COVID-19 infections, though 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 229 as of the end of the period under review, including 173 stores in China (9 openings and 6 closures), 44 in Taiwan (6 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 ¥7,074 million (up 14.3% year-on-year), and segment operating loss was ¥18 million (segment operating profit was ¥191 million for the same period of the previous year).

(2) Explanation of Financial Position

(Status of Assets, Liabilities and Net Assets)

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

(Millions of yen)

	End of the previous fiscal year (August 31, 2021)	End of 2nd quarter of the fiscal year under review (February 28, 2022)	Change (million yen)	Change (%)
Total assets	53,007	53,993	986	1.9
Liabilities	32,787	32,963	175	0.5
Net assets	20,219	21,030	810	4.0

(a) Assets

Current assets decreased ¥65 million from the end of the previous fiscal year to ¥33,139 million.

This was mainly due to a decrease of ¥190 million in cash and deposits.

Non-current assets increased ¥1,052 million from the end of the previous fiscal year to ¥20,854 million.

This was mainly due to an increase of ¥459 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 ¥289 million in leasehold and guarantee deposits.

As a result, total assets increased ¥986 million from the end of the previous fiscal year to ¥53,993 million.

(b) Liabilities

Current liabilities increased ¥10,153 million from the end of the previous fiscal year to ¥20,655 million.

This was mainly due to a transfer of ¥10,066 million of convertible bond-type bonds with share acquisition rights with due date within one year from non-current liabilities.

Non-current liabilities decreased ¥9,978 million from the end of the previous fiscal year to ¥12,307 million.

This was mainly due to a transfer of ¥10,066 million of convertible bond-type bonds with share acquisition rights with due date within one year to current liabilities.

As a result, total liabilities increased ¥175 million from the end of the previous fiscal year to ¥32,963 million.

(c) Net Assets

Net assets increased ¥810 million from the end of the previous fiscal year to ¥21,030 million.

This was mainly due to the recording of ¥1,170 million in profit attributable to owners of parent, despite a decrease of ¥466 million due to the payment of dividends.

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

The full-year consolidated financial results forecast for the fiscal year ending August 31, 2022 remains unchanged from that 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 February 28, 2022
Assets		
Current assets		
Cash and deposits	23,206	23,016
Notes and accounts receivable - trade	3,794	3,773
Merchandise and finished goods	4,515	4,427
Raw materials and supplies	359	438
Other	1,328	1,483
Total current assets	33,205	33,139
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,139	7,347
Other, net	1,753	2,004
Total property, plant and equipment	8,892	9,351
Intangible assets	2,244	2,294
Investments and other assets		
Leasehold and guarantee deposits	4,514	4,803
Other	4,150	4,404
Total investments and other assets	8,664	9,207
Total non-current assets	19,801	20,854
Total assets	53,007	53,993

(Millions of yen)

	As of August 31, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,506	1,446
Current portion of convertible bond-type bonds with share acquisition rights	–	10,066
Short-term borrowings	2,121	2,140
Current portion of long-term borrowings	53	44
Accounts payable - other, and accrued expenses	4,410	4,533
Provision for bonuses	49	45
Provision for product warranties	–	153
Income taxes payable	657	1,016
Other	1,702	1,208
Total current liabilities	10,501	20,655
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	20,135	10,030
Long-term borrowings	217	180
Asset retirement obligations	528	541
Allowance for office relocation expenses	–	235
Other	1,404	1,320
Total non-current liabilities	22,285	12,307
Total liabilities	32,787	32,963
Net assets		
Shareholders' equity		
Common stock	3,202	3,202
Capital surplus	3,228	3,228
Retained earnings	18,747	19,439
Treasury stock	(5,002)	(5,002)
Total shareholders' equity	20,176	20,867
Accumulated other comprehensive income		
Foreign currency translation adjustment	43	162
Total accumulated other comprehensive income	43	162
Total net assets	20,219	21,030
Total liabilities and net assets	53,007	53,993

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended February 28, 2021 and February 28, 2022

(Millions of yen)

	For the six months ended February 28, 2021	For the six months ended February 28, 2022
Net sales	31,643	32,704
Cost of sales	6,585	7,148
Gross profit	25,057	25,555
Selling, general and administrative expenses	22,394	23,653
Operating profit	2,662	1,902
Non-operating income		
Interest income	42	43
Commission income	31	11
Rental income	4	3
Foreign exchange gains	93	182
Subsidy income	19	133
Compensation income	–	110
Other	15	8
Total non-operating income	206	494
Non-operating expenses		
Interest expenses	82	77
Share of loss of entities accounted for using equity method	–	27
Commission expenses	0	0
Rental expenses on real estate	181	110
Other	20	8
Total non-operating expenses	285	224
Ordinary profit	2,584	2,172
Extraordinary losses		
Loss on retirement of non-current assets	17	94
Impairment loss	209	–
Loss on store closings	1	12
Provision of allowance for office relocation expenses	–	235
Total extraordinary losses	228	342
Profit before income taxes	2,355	1,829
Income taxes - current	758	754
Income taxes - deferred	(316)	(95)
Total income taxes	441	659
Profit	1,913	1,170
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,913	1,170

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended February 28, 2021 and February 28, 2022

(Millions of yen)

	For the six months ended February 28, 2021	For the six months ended February 28, 2022
Profit	1,913	1,170
Other comprehensive income		
Foreign currency translation adjustment	171	119
Total other comprehensive income	171	119
Comprehensive income	2,084	1,289
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,084	1,289
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 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 were adjusted in retained earnings at the beginning of the first quarter, and the new accounting policy is applied from this initial balance.

As the impacts on profit and loss for the six months ended February 28, 2022, 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 six months ended February 28, 2021.

(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. 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 six months ended February 28, 2022, is not significant.

(Segment information)

I. For the six months ended February 28, 2021

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	25,451	6,191	31,643	–	31,643
Intersegment sales or transfers	281	6	288	(288)	–
Total	25,733	6,198	31,931	(288)	31,643
Segment profit	2,471	191	2,662	–	2,662

(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 ¥209 million recorded in the “domestic eyewear business” segment.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

II. For the six months ended February 28, 2022

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	25,630	7,074	32,704	–	32,704
Sales to outside customers	25,630	7,074	32,704	–	32,704
Intersegment sales or transfers	233	5	239	(239)	–
Total	25,864	7,080	32,944	(239)	32,704
Segment profit (loss)	1,921	(18)	1,902	–	1,902

(Note) Segment profit (loss) 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 first quarter. 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 impact on personal consumption is seesawing, as semi-emergency coronavirus measures were declared again in mid-January due to the prevalence of variants, despite the complete lifting from October onward of the state of emergency, etc., which had been declared due to the spread of COVID-19, mainly in urban areas, 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.