

Consolidated Financial Results for the Nine Months Ended May 31, 2022 [Japanese GAAP]



July 13, 2022

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of commencing dividend payments: –
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 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 Nine Months Ended May 31, 2022 (September 1, 2021 to May 31, 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	%
Nine months ended								
May 31, 2022	49,916	4.6	2,758	(30.9)	3,141	(21.0)	1,026	(62.6)
May 31, 2021	47,741	14.2	3,990	48.0	3,976	51.0	2,744	–

(Note) Comprehensive income: Nine months ended May 31, 2022: ¥1,238 million [(59.0)%]
 Nine months ended May 31, 2021: ¥3,019 million [– %]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
May 31, 2022	43.97	38.69
May 31, 2021	117.61	106.43

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2022	54,331	20,581	37.9
As of August 31, 2021	53,007	20,219	38.1

(Reference) Equity: As of May 31, 2022: ¥20,581 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)				0.00	17.00

(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
Full year	66,916	4.7	3,758	(25.6)	4,041	(19.5)	926	(71.9)	39.68

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

* Notes:

- (1) Changes in significant subsidiaries during the nine months ended May 31, 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):
 - May 31, 2022: 23,980,000 shares
 - August 31, 2021: 23,980,000 shares
 - 2) Total number of treasury stock at the end of the period:
 - May 31, 2022: 639,784 shares
 - August 31, 2021: 639,784 shares
 - 3) Average number of shares during the period (Accumulated total of the quarter):
 - Nine months ended May 31, 2022: 23,340,216 shares
 - Nine months ended May 31, 2021: 23,340,216 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.

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

(1) Explanation of Business Results

During the nine months ended May 31, 2022 (September 1, 2021 to May 31, 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. Currently, as the number of persons infected by COVID-19 has decreased, the impact on personal consumption is on a recovery trend. There are also concerns about impact on the economic conditions due to inflation caused by a surge in crude oil price and currency movement. Looking at the global economy, infection prevention measures, including travel restrictions, remain in place in some 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. We have been working 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 ¥155 million for the nine months ended May 31, 2022.

In terms of store development, the number of eyewear stores as of May 31, 2022, was 696, including 463 stores in Japan and 233 stores overseas (172 in China, 49 in Taiwan, 6 in Hong Kong, and 6 in the United States).

As a result, for the nine months ended May 31, 2022, the Company posted net sales of ¥49,916 million (up 4.6% year-on-year) partly thanks to the impact of new store openings despite the impact of COVID-19. Operating profit was ¥2,758 million (down 30.9% year-on-year) partly owing to a rise in the cost of goods ratio with an increase in the number of sales. Ordinary profit was ¥3,141 million (down 21.0% year-on-year), and profit attributable to owners of parent was ¥1,026 million (down 62.6% year-on-year), partly due to the recording of provision of allowance for business structure reform expenses in the United States and 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 nine months ended May 31, 2022 (September 1, 2021 to May 31, 2022)	Percentage to the Company’s net sales	Year-on-year change
Domestic eyewear business	¥39,319 million	78.8%	3.2%
Overseas eyewear business	¥10,596 million	21.2%	10.1%
Total	¥49,916 million	100.0%	4.6%

<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 10.71 million people as of the end of May 2022, up 2.01 million people from the end of the previous fiscal year. Also, sales of contact lenses, which provide JINS 1DAY, have grown as planned, thanks to an increase in regular purchases. Regarding the impact of COVID-19, customer traffic decreased as semi-emergency coronavirus measures were declared mainly in urban areas in mid-January due to the prevalence of COVID-19 variants and since April in which the measures were lifted, it has been on a recovery trend. However, footfall has not yet returned to the pre-COVID-19 level.

In terms of store development, the number of stores in Japan was 463 (34 openings and 5 closures) as of the end of the period under review.

As a result, net sales of the domestic eyewear business were ¥39,319 million (up 3.2% year-on-year), and segment operating profit was ¥2,959 million (down 19.2% 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 number of persons infected by COVID-19 rapidly increased, reaching the peak in early March and customer traffic decreased, which adversely affected operating results.

In the United States, although we have reopened all of our brick-and-mortar stores, which had been closed due to the impact of COVID-19, footfall significantly decreased partly due to the impact of the deteriorated environment surrounding our flagship store in San Francisco. In accordance with this, we have decided to promote business structure reform aimed at expanding the scale of business, centered on the EC business.

In terms of store development, the total number of stores overseas was 233 as of the end of the period under review, including 172 stores in China (11 openings and 9 closures), 49 in Taiwan (11 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 ¥10,596 million (up 10.1% year-on-year), and segment operating loss was ¥200 million (segment operating profit was ¥329 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 third quarter of the fiscal year under review are as follows.

(Millions of yen)

	End of the previous fiscal year (August 31, 2021)	End of 3rd quarter of the fiscal year under review (May 31, 2022)	Change (million yen)	Change (%)
Total assets	53,007	54,331	1,324	2.5
Liabilities	32,787	33,749	961	2.9
Net assets	20,219	20,581	362	1.8

(a) Assets

Current assets decreased ¥400 million from the end of the previous fiscal year to ¥32,804 million.

This was mainly due to a decrease of ¥1,432 million in cash and deposits, despite an increase of ¥547 million in notes and accounts receivable - trade.

Non-current assets increased ¥1,725 million from the end of the previous fiscal year to ¥21,527 million.

This was mainly due to an increase of ¥1,163 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 ¥341 million in leasehold and guarantee deposits.

As a result, total assets increased ¥1,324 million from the end of the previous fiscal year to ¥54,331 million.

(b) Liabilities

Current liabilities increased ¥11,018 million from the end of the previous fiscal year to ¥21,520 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 and an increase of ¥756 million in accounts payable - trade.

Non-current liabilities decreased ¥10,056 million from the end of the previous fiscal year to ¥12,229 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 ¥961 million from the end of the previous fiscal year to ¥33,749 million.

(c) Net Assets

Net assets increased ¥362 million from the end of the previous fiscal year to ¥20,581 million.

This was mainly due to the recording of ¥1,026 million in profit attributable to owners of parent, despite a decrease of ¥863 million due to the payment of dividends.

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

For the full-year consolidated financial results forecasts for the fiscal year ending August 31, 2022, please see the "Notices of Revisions to the Full-Year Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2022 and Revisions to the Year-End Dividend Forecast (No Dividend) Along with Recording Extraordinary Losses," which we announced on July 13, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2021	As of May 31, 2022
Assets		
Current assets		
Cash and deposits	23,206	21,773
Notes and accounts receivable - trade	3,794	4,342
Merchandise and finished goods	4,515	4,961
Raw materials and supplies	359	488
Other	1,328	1,238
Total current assets	33,205	32,804
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,139	7,819
Other, net	1,753	2,236
Total property, plant and equipment	8,892	10,055
Intangible assets	2,244	2,184
Investments and other assets		
Leasehold and guarantee deposits	4,514	4,855
Other	4,150	4,431
Total investments and other assets	8,664	9,286
Total non-current assets	19,801	21,527
Total assets	53,007	54,331

(Millions of yen)

	As of August 31, 2021	As of May 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,506	2,263
Current portion of convertible bond-type bonds with share acquisition rights	–	10,050
Short-term borrowings	2,121	1,951
Current portion of long-term borrowings	53	41
Accounts payable - other, and accrued expenses	4,410	4,749
Provision for bonuses	49	88
Provision for product warranties	–	169
Allowance for business structure reform expenses	–	563
Income taxes payable	657	637
Other	1,702	1,006
Total current liabilities	10,501	21,520
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	20,135	10,027
Long-term borrowings	217	167
Asset retirement obligations	528	554
Allowance for office relocation expenses	–	235
Other	1,404	1,243
Total non-current liabilities	22,285	12,229
Total liabilities	32,787	33,749
Net assets		
Shareholders' equity		
Common stock	3,202	3,202
Capital surplus	3,228	3,228
Retained earnings	18,747	18,898
Treasury stock	(5,002)	(5,002)
Total shareholders' equity	20,176	20,326
Accumulated other comprehensive income		
Foreign currency translation adjustment	43	255
Total accumulated other comprehensive income	43	255
Total net assets	20,219	20,581
Total liabilities and net assets	53,007	54,331

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended May 31, 2021 and May 31, 2022

(Millions of yen)

	For the nine months ended May 31, 2021	For the nine months ended May 31, 2022
Net sales	47,741	49,916
Cost of sales	9,850	10,790
Gross profit	37,890	39,125
Selling, general and administrative expenses	33,900	36,367
Operating profit	3,990	2,758
Non-operating income		
Interest income	63	64
Commission income	42	17
Rental income	6	6
Foreign exchange gains	235	379
Subsidy income	–	144
Compensation income	–	110
Other	41	24
Total non-operating income	388	748
Non-operating expenses		
Interest expenses	122	114
Share of loss of entities accounted for using equity method	–	65
Commission expenses	4	3
Rental expenses on real estate	251	160
Other	24	21
Total non-operating expenses	402	365
Ordinary profit	3,976	3,141
Extraordinary losses		
Loss on retirement of non-current assets	28	122
Impairment loss	209	77
Loss on store closings	51	29
Loss due to temporary store closures	58	49
Provision of allowance for office relocation expenses	–	235
Provision of allowance for business structure reform expenses	–	521
Other	–	7
Total extraordinary losses	348	1,043
Profit before income taxes	3,627	2,097
Income taxes - current	1,059	1,079
Income taxes - deferred	(176)	(8)
Total income taxes	882	1,071
Profit	2,744	1,026
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	2,744	1,026

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended May 31, 2021 and May 31, 2022

(Millions of yen)

	For the nine months ended May 31, 2021	For the nine months ended May 31, 2022
Profit	2,744	1,026
Other comprehensive income		
Foreign currency translation adjustment	274	170
Share of other comprehensive income of entities accounted for using equity method	—	41
Total other comprehensive income	274	211
Comprehensive income	3,019	1,238
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,019	1,238
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 nine months ended May 31, 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 nine months ended May 31, 2021.

(Application of Accounting Standards and the Like 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 nine months ended May 31, 2022, is not significant.

(Segment information)

I. For the nine months ended May 31, 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	38,114	9,626	47,741	–	47,741
Intersegment sales or transfers	372	7	380	(380)	–
Total	38,487	9,633	48,121	(380)	47,741
Segment profit	3,661	329	3,990	–	3,990

(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 nine months ended May 31, 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	39,319	10,596	49,916	–	49,916
Sales to outside customers	39,319	10,596	49,916	–	49,916
Intersegment sales or transfers	363	5	369	(369)	–
Total	39,683	10,602	50,285	(369)	49,916
Segment profit (loss)	2,959	(200)	2,758	–	2,758

(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)

This is primarily an impairment loss in the amount of ¥77 million recorded in the “overseas eyewear business” segment.

(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 has seesawed in Japan, 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 some 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. 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.