

# Consolidated Financial Results for the Fiscal Year Ended August 31, 2022 [Japanese GAAP]



October 14, 2022

Company name: JINS HOLDINGS Inc.

Stock exchange listing: Tokyo Stock Exchange

Code number: 3046

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Scheduled date of Annual General Meeting of Shareholders: November 29, 2022

Scheduled date of commencing dividend payments: –

Scheduled date of filing annual securities report: November 29, 2022

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual 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 Fiscal Year Ended August 31, 2022 (September 1, 2021 to August 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	%
Fiscal year ended August 31, 2022	66,901	4.7	3,315	(34.3)	3,789	(24.5)	750	(77.2)
August 31, 2021	63,898	6.0	5,049	(10.1)	5,020	(13.8)	3,292	95.1

(Note) Comprehensive income: Fiscal year ended August 31, 2022: ¥1,063 million [(70.7)%]

Fiscal year ended August 31, 2021: ¥3,623 million [134.9%]

	Earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended August 31, 2022	32.17	27.37	3.7	7.0	5.0
August 31, 2021	141.07	127.35	17.3	9.4	7.9

(Note) Share of gain (loss) of entities accounted for using equity method:

Fiscal year ended August 31, 2022: ¥(71) million      Fiscal year ended August 31, 2021: ¥ – million

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2022	54,721	20,406	37.3	874.33
As of August 31, 2021	53,007	20,219	38.1	866.29

(Reference) Equity: As of August 31, 2022: ¥20,406 million

As of August 31, 2021: ¥20,219 million

## (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended August 31, 2022	4,391	(3,853)	(2,769)	21,430
August 31, 2021	5,058	(3,175)	(3,758)	23,206

## 2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
August 31, 2021	–	25.00	–	20.00	45.00	1,050	31.9	5.5
August 31, 2022	–	17.00	–	0.00	17.00	396	52.8	2.0
Fiscal year ending August 31, 2023 (Forecast)	–	13.00	–	40.00	53.00		30.2	

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending August 31, 2023 (September 1, 2022 to August 31, 2023)

(% 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	36,680	12.2	1,960	3.0	1,810	(16.7)	1,000	(14.6)	42.84
Full year	78,100	16.7	7,000	111.1	6,700	76.8	4,100	446.0	175.66

### \* Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) 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
- (3) Total number of issued shares (common shares)
  - 1) Total number of issued shares at the end of the period (including treasury stock):
    - August 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:
    - August 31, 2022: 639,815 shares
    - August 31, 2021: 639,784 shares
  - 3) Average number of shares during the period:
    - Fiscal year ended August 31, 2022: 23,340,211 shares
    - Fiscal year ended August 31, 2021: 23,340,216 shares

\*This financial report is outside the scope of audit 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 "(4) Future Outlook" on page 6 of the attached document.

The Company plans to hold a financial results briefing for analysts and institutional investors on October 14, 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. Overview of Business Results, etc.

### (1) Overview of Business Results for the Fiscal Year Under Review

During the fiscal year ended August 31, 2022 (September 1, 2021 to August 31, 2022), the Japanese economy experienced the continued seesawing impact of the novel coronavirus disease (COVID-19) on personal consumption with the number of infected people periodically increasing and decreasing as semi-emergency coronavirus measures were declared again in mid-January 2022 due to the epidemic of mutant strains despite the complete lifting from October 2021 onward of the state of emergency, etc., which had been declared due to the spread of COVID-19, mainly in urban areas at the beginning of the fiscal year under review. There are also concerns about impact on the economic conditions due to continuous inflation caused by a surge in crude oil price and currency movement. Looking at the global economy, the response to COVID-19 has varied from country to country and region to region, and while some countries have stopped counting the total number of infected people and have resumed economic activities, in China, urban blockades under the zero-Covid policy have been implemented intermittently, and economic activities have been affected by the policies and responses of each country and region. In addition, the economic impact of Russia's invasion of Ukraine has been prolonged, and there are concerns about future economic deterioration due to global inflation caused by rising prices of crude oil and raw materials, and widening interest rate disparities among countries.

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. Although there are signs of recovery, the situation has not yet recovered to the level before the outbreak 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 digitization, and strengthening development of innovative products, which they identified as management issues. However, product development based on sales results has resulted in the homogenization of products, causing a decline in their appeal. Therefore, we have decided to review our product lineup, and we have sequentially renewed our regular product lineup from August. Total research and development expenses for a joint project to develop an eyeglass-shaped, violet-light-emitting medical device designed to suppress the progress of myopia, conducted as part of our initiatives to realize “the world free from myopia,” were ¥167 million for the fiscal year ended August 31, 2022.

In terms of store development, the number of eyewear stores as of August 31, 2022, was 700, including 464 stores in Japan and 236 stores overseas (174 in China, 49 in Taiwan, 7 in Hong Kong, and 6 in the United States).

As a result, for the fiscal year ended August 31, 2022, the Company posted net sales of ¥66,901 million (up 4.7% year-on-year) partly thanks to the impact of new store openings despite the impact of COVID-19. Operating profit was ¥3,315 million (down 34.3% year-on-year) partly owing to a rise in the cost ratio with an increase in the number of sales and rapid depreciation of the yen, etc. Ordinary profit was ¥3,789 million (down 24.5% year-on-year), and profit attributable to owners of parent was ¥750 million (down 77.2% 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 fiscal year ended August 31, 2022 (September 1, 2021 to August 31, 2022)	Percentage to the Company's net sales	Year-on-year change
Domestic eyewear business	¥53,303 million	79.7%	4.2%
Overseas eyewear business	¥13,597 million	20.3%	6.8%
Total	¥66,901 million	100.0%	4.7%

#### <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, and "JINS CLASSIC," the first of 166 standard products to be renewed for the first time in approximately seven years sequentially launched in August has been developed. However, along with the decline in product appeal, an increase in promotions and a rise in cost of goods sold due to the depreciation of the yen combined to cause a decline in gross profit margins. In addition, membership of the JINS app reached approximately 11.27 million people as of the end of August 2022, up 2.57 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, the number of customers has been fluctuating throughout the fiscal year due to the increase and decrease in the number of infected persons, and although the impact is gradually diminishing, business performance has not reached the level before the outbreak of COVID-19.

In terms of store development, the number of stores in Japan was 464 (37 openings and 7 closures) as of August 31, 2022.

As a result, net sales of the domestic eyewear business were ¥53,303 million (up 4.2% year-on-year), and segment operating profit was ¥3,967 million (down 18.8% year-on-year).

#### <Overseas Eyewear Business>

In the overseas eyewear business, in China, the government's tightening of behavioral restrictions on individual movement to combat COVID-19 infections and the implementation of local and intermittent urban blockades, including those in major cities such as Shanghai and Beijing in April 2022, had a significant impact on our business performance.

In Taiwan, although the number of customers was affected by the increase in the number of COVID-19 infections from May to June, the drop was not as large as in the previous fiscal year, and business performance was strong.

In Hong Kong, although the number of customers was affected by the increase in the number of COVID-19 infections from February to March, business results remained strong and achieved profitability for the full year.

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, customer footfall varied from store to store, with our flagship store in San Francisco in particular experiencing a significant decline in customer footfall due to the deteriorating surrounding environment and other factors. In addition, combined with a significant increase in store costs due to rising prices and labor costs, we have decided to close unprofitable stores and promote business structure reform aimed at expanding the scale of business, centered on the EC business.

As a result, net sales of the overseas eyewear business were ¥13,597 million (up 6.8% year-on-year), and segment operating loss was ¥651 million (segment operating profit was ¥162 million for the same period of the previous year).

(2) Overview of Financial Position for the Fiscal Year Under Review  
(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	End of the fiscal year under review	Change	Change (%)
Total assets	53,007	54,721	1,714	3.2
Liabilities	32,787	34,314	1,527	4.7
Net assets	20,219	20,406	187	0.9

(a) Assets

Current assets decreased ¥30 million from the end of the previous fiscal year to ¥33,174 million.

This was mainly due to a decrease of ¥1,775 million in cash and deposits, despite increases of ¥890 million in merchandise and finished goods and ¥720 million in accounts receivable - trade.

Non-current assets increased ¥1,745 million from the end of the previous fiscal year to ¥21,547 million.

This was mainly due to increases of ¥857 million in buildings and structures and ¥396 million in leasehold and guarantee deposits as a result of the Group's expansion of retail stores and an increase of ¥326 million in investment securities.

As a result, total assets increased ¥1,714 million from the end of the previous fiscal year to ¥54,721 million.

(b) Liabilities

Current liabilities increased ¥12,197 million from the end of the previous fiscal year to ¥22,699 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 ¥1,029 million in accounts payable - trade.

Non-current liabilities decreased ¥10,670 million from the end of the previous fiscal year to ¥11,615 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 ¥1,527 million from the end of the previous fiscal year to ¥34,314 million.

(c) Net Assets

Net assets increased ¥187 million from the end of the previous fiscal year to ¥20,406 million.

This was mainly due to the recording of ¥750 million in profit attributable to owners of parent and an increase of ¥312 million in accumulated other comprehensive income, despite a decrease of ¥863 million due to the payment of dividends.

(3) Overview of Cash Flows for the Fiscal Year Under Review

Cash flows in the fiscal year under review are as follows.

Cash and cash equivalents as of the end of the fiscal year under review was ¥21,430 million.

(Millions of yen)

	Previous fiscal year	Fiscal year under review	Change
Cash flows from operating activities	5,058	4,391	(667)
Cash flows from investing activities	(3,175)	(3,853)	(678)
Cash flows from financing activities	(3,758)	(2,769)	988

(a) Cash flows from operating activities

Net cash provided by operating activities decreased ¥667 million year on year to ¥4,391 million.

This was mainly due to a decrease in funds due to ¥1,149 million of income taxes paid, despite an increase in funds resulting from the recording of ¥2,105 million in profit before income taxes and ¥2,879 million in depreciation.

(b) Cash flows from investing activities

Net cash used in investing activities increased ¥678 million year on year to ¥3,853 million.

This was mainly due to the use of ¥2,661 million in purchase of property, plant and equipment in line with the opening and refurbishing of stores and ¥549 million in purchase of intangible assets.

(c) Cash flows from financing activities

Net cash used by financing activities decreased ¥988 million year on year to ¥2,769 million.

This was mainly due to ¥727 million in repayments of installment payables and ¥863 million in dividends paid.

(d) Trends in Cash Flow-Related Indicators

The trends in cash flow-related indicators of the Group are as follows.

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019	Fiscal year ended August 31, 2020	Fiscal year ended August 31, 2021	Fiscal year ended August 31, 2022
Equity ratio (%)	62.6	61.1	33.3	38.1	37.3
Equity ratio on market value basis (%)	434.7	384.3	328.8	324.8	186.9
Cash flows to interest-bearing liabilities ratio (%)	89.4	69.8	316.4	461.7	519.6
Interest coverage ratio (times)	31.6	40.9	53.7	28.6	30.0

Equity ratio: Equity/Total assets

Equity ratio on market value basis: Market capitalization/Total assets

Cash flows to interest-bearing liabilities ratio: Interest-bearing liabilities/Cash flows

Interest coverage ratio: Cash flows/Interest payments

(Notes) 1. Market capitalization is calculated by multiplying the final value of the share price at the end of the fiscal year by the total number of outstanding shares.

2. Among the liabilities recorded on the Consolidated Balance Sheets, interest-bearing liabilities refer to all liabilities for which interest is paid.

3. Figures used for cash flows and interest payments are the figures of “Cash flows from operating activities” and “Interest paid” recorded on the Consolidated Statements of Cash Flows.

#### (4) Future Outlook

Regarding the future outlook, in the social environment surrounding the Group, there remain concerns surrounding the impact of the increase and decrease in cases of COVID-19 on consumer spending, but economic activity is gradually beginning to normalize. However, there are concerns about future impacts on the economy due to the prolonged economic impact of Russia's invasion of Ukraine, the global inflationary trend triggered by rising prices of crude oil and raw materials, and the rapid depreciation of the yen in foreign exchange.

Amid these changes in the business environment, the Group recognizes that it faces significant challenges in improving its product strategy and management efficiency. Regarding product strategy, we have decided to completely renew our standard products for the first time in approximately seven years, partly because repeated product planning based on sales performance has resulted in the homogenization of products. In line with this, we will improve gross profit margins by reviewing selling prices of new standard products. We will also continue to develop innovative products and promote the development of eyewear that can provide new value to our customers, such as an eyeglass-shaped, violet-light-emitting medical device designed to suppress the progress of myopia. In addition, with the aim of providing a new customer experience that meets the needs of the times, we shall further promote sales through e-commerce websites and the utilization of mobile apps, which we have been advancing for some time, enhance their user-friendliness and functions, and introduce new services, etc., in order to provide a highly convenient buying experience.

In terms of store strategies, we will continue to open new stores in areas where we have not yet opened stores and in suburban roadside areas, while promoting scrap-and-build from narrow stores that cannot provide sufficient service and product development in their current size to stores that can provide customers with an optimal purchasing experience and are of a highly productive scale.

On the other hand, although net sales have been increasing due to new store openings, operating profit margin has been declining year by year, and we will reduce expenses by reviewing advertising expenses and reducing rental expenses by relocating the head office, etc. In addition to ongoing efforts to improve store operations, we will strive to further reduce costs by promoting optimization and efficiency through more advanced digitalization of operations such as product management and performance management at the headquarters.

Regarding the overseas eyewear business, in each country and region, while addressing changes in the social environment caused by COVID-19, we will strive to improve profitability, not only by opening new stores, but also by starting a structural shift to a new business model centered on e-commerce sales in the United States.

For the fiscal year ending August 31, 2023, our forecast of the full-year consolidated financial results is as follows: net sales of ¥78,100 million, operating profit of ¥7,000 million, ordinary profit of ¥6,700 million, and profit attributable to owners of parent of ¥4,100 million.

## 2. Basic Stance on Selection of Accounting Standards

In consideration of the comparability of consolidated financial statements between periods as well as the comparability between corporations, the Group has decided to continue preparing its consolidated financial statements based on Japanese accounting standards for the time being.

Regarding the application of IFRS, the Group will take appropriate actions by considering various circumstances both in Japan and overseas.



### 3. Consolidated Financial Statements and Primary Notes

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2021	As of August 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	23,206	21,430
Notes and accounts receivable - trade	3,794	-
Accounts receivable - trade	-	4,514
Merchandise and finished goods	4,515	5,406
Raw materials and supplies	359	446
Other	1,328	1,376
<b>Total current assets</b>	<b>33,205</b>	<b>33,174</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,570	17,344
Accumulated depreciation	(8,431)	(9,734)
Buildings and structures, net	7,139	7,610
Machinery, equipment and vehicles	166	169
Accumulated depreciation	(64)	(83)
Machinery, equipment and vehicles, net	102	85
Tools, furniture and fixtures	2,295	2,833
Accumulated depreciation	(1,777)	(2,104)
Tools, furniture and fixtures, net	518	729
Leased assets	3,435	3,836
Accumulated depreciation	(2,357)	(2,924)
Leased assets, net	1,078	911
Construction in progress	54	125
Other	-	287
<b>Total property, plant and equipment</b>	<b>8,892</b>	<b>9,750</b>
Intangible assets		
Other	2,244	2,196
<b>Total intangible assets</b>	<b>2,244</b>	<b>2,196</b>
Investments and other assets		
Investment securities	1,840	2,166
Long-term loans receivable	838	1,098
Deferred tax assets	1,403	1,337
Leasehold and guarantee deposits	4,514	4,910
Other	67	88
<b>Total investments and other assets</b>	<b>8,664</b>	<b>9,601</b>
<b>Total non-current assets</b>	<b>19,801</b>	<b>21,547</b>
<b>Total assets</b>	<b>53,007</b>	<b>54,721</b>

(Millions of yen)

	As of August 31, 2021	As of August 31, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,506	2,535
Current portion of convertible bond-type bonds with share acquisition rights	–	10,033
Short-term borrowings	2,121	1,869
Current portion of long-term borrowings	53	70
Lease obligations	444	370
Accounts payable - other, and accrued expenses	4,410	4,676
Income taxes payable	657	912
Accrued consumption taxes	1,075	245
Contract liabilities	–	350
Provision for bonuses	49	67
Provision for product warranties	–	168
Allowance for office relocation expenses	–	235
Allowance for business structure reform expenses	–	628
Asset retirement obligations	–	356
Other	181	179
Total current liabilities	10,501	22,699
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	20,135	10,025
Long-term borrowings	217	131
Lease obligations	380	317
Asset retirement obligations	528	265
Other	1,024	875
Total non-current liabilities	22,285	11,615
Total liabilities	32,787	34,314
<b>Net assets</b>		
Shareholders' equity		
Common stock	3,202	3,202
Capital surplus	3,228	3,228
Retained earnings	18,747	18,623
Treasury stock	(5,002)	(5,003)
Total shareholders' equity	20,176	20,051
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	189
Foreign currency translation adjustment	43	166
Total accumulated other comprehensive income	43	355
Total net assets	20,219	20,406
<b>Total liabilities and net assets</b>	<b>53,007</b>	<b>54,721</b>

(2) Consolidated Statements of Income and Comprehensive Income  
 Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
Net sales	63,898	66,901
Cost of sales	13,487	14,770
Gross profit	50,410	52,131
Selling, general and administrative expenses	45,361	48,815
Operating profit	5,049	3,315
Non-operating income		
Interest income	85	86
Commission income	49	20
Rental income	7	9
Foreign exchange gains	222	524
Subsidy income	90	160
Compensation income	–	110
Other	28	38
Total non-operating income	483	950
Non-operating expenses		
Interest expenses	162	149
Share of loss of entities accounted for using equity method	–	71
Commission expenses	5	23
Rental expenses on real estate	312	213
Other	31	19
Total non-operating expenses	511	476
Ordinary profit	5,020	3,789
Extraordinary losses		
Loss on retirement of non-current assets	47	177
Impairment loss	390	355
Loss on store closings	94	57
Loss due to temporary store closures	71	298
Provision of allowance for office relocation expenses	–	235
Provision of allowance for business structure reform expenses	–	539
Other	43	19
Total extraordinary losses	647	1,683
Profit before income taxes	4,372	2,105
Income taxes - current	1,427	1,354
Income taxes - deferred	(347)	0
Total income taxes	1,079	1,354
Profit	3,292	750
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	3,292	750

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
Profit	3,292	750
Other comprehensive income		
Valuation difference on available-for-sale securities	—	189
Foreign currency translation adjustment	331	32
Share of other comprehensive income of entities accounted for using equity method	—	90
Total other comprehensive income	331	312
Comprehensive income	3,623	1,063
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,623	1,063
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets  
For the fiscal year ended August 31, 2021

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,202	3,228	16,622	(5,002)	18,050
Cumulative effects of changes in accounting policies					–
Restated balance	3,202	3,228	16,622	(5,002)	18,050
Changes during period					
Dividends of surplus			(1,167)		(1,167)
Profit attributable to owners of parent			3,292		3,292
Purchase of treasury stock				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,125	(0)	2,125
Balance at end of period	3,202	3,228	18,747	(5,002)	20,176

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	–	(287)	(287)	17,763
Cumulative effects of changes in accounting policies				–
Restated balance	–	(287)	(287)	17,763
Changes during period				
Dividends of surplus				(1,167)
Profit attributable to owners of parent				3,292
Purchase of treasury stock				(0)
Net changes in items other than shareholders' equity	–	331	331	331
Total changes during period	–	331	331	2,456
Balance at end of period	–	43	43	20,219

For the fiscal year ended August 31, 2022

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	3,202	3,228	18,747	(5,002)	20,176
Cumulative effects of changes in accounting policies			(12)		(12)
Restated balance	3,202	3,228	18,735	(5,002)	20,164
Changes during period					
Dividends of surplus			(863)		(863)
Profit attributable to owners of parent			750		750
Purchase of treasury stock				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(112)	(0)	(112)
Balance at end of period	3,202	3,228	18,623	(5,003)	20,051

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	–	43	43	20,219
Cumulative effects of changes in accounting policies				(12)
Restated balance	–	43	43	20,207
Changes during period				
Dividends of surplus				(863)
Profit attributable to owners of parent				750
Purchase of treasury stock				(0)
Net changes in items other than shareholders' equity	189	122	312	312
Total changes during period	189	122	312	199
Balance at end of period	189	166	355	20,406

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,372	2,105
Depreciation	2,624	2,879
Impairment loss	390	355
Amortization of goodwill	71	71
Increase (decrease) in provision for product warranties	–	166
Increase (decrease) in allowance for office relocation expenses	–	235
Increase (decrease) in allowance for business structure reform expenses	–	539
Interest and dividend income	(85)	(86)
Interest expenses	162	149
Foreign exchange losses (gains)	(217)	(550)
Share of loss (gain) of entities accounted for using equity method	–	71
Loss on retirement of non-current assets	47	177
Loss on store closings	94	57
Decrease (increase) in trade receivables	735	(591)
Decrease (increase) in inventories	(260)	(684)
Decrease (increase) in other assets	37	46
Increase (decrease) in trade payables	(272)	965
Increase (decrease) in accrued consumption taxes	227	(837)
Increase (decrease) in accounts payable - other	77	55
Increase (decrease) in accrued expenses	(11)	136
Increase (decrease) in other liabilities	(126)	221
Other, net	103	195
Subtotal	7,968	5,679
Interest and dividends received	8	9
Interest paid	(176)	(146)
Income taxes paid	(2,813)	(1,149)
Proceeds from subsidy income	71	–
Other	–	(1)
Net cash provided by (used in) operating activities	5,058	4,391
<b>Cash flows from investing activities</b>		
Proceeds from sale of businesses	159	–
Purchase of property, plant and equipment	(1,588)	(2,661)
Purchase of intangible assets	(343)	(549)
Loan advances	(127)	(339)
Collection of loans receivable	47	59
Payments of leasehold and guarantee deposits	(420)	(541)
Proceeds from refund of leasehold and guarantee deposits	294	258
Purchase of investment securities	(1,196)	(80)
Net cash provided by (used in) investing activities	(3,175)	(3,853)

	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	149	(586)
Proceeds from long-term borrowings	68	–
Repayments of long-term borrowings	(1,175)	(105)
Repayments of installment payables	(884)	(727)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(749)	(487)
Dividends paid	(1,166)	(863)
Net cash provided by (used in) financing activities	(3,758)	(2,769)
Effect of exchange rate change on cash and cash equivalents	413	456
Net increase (decrease) in cash and cash equivalents	(1,461)	(1,775)
Cash and cash equivalents at beginning of period	24,667	23,206
Cash and cash equivalents at end of period	23,206	21,430



(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

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 fiscal year ended August 31, 2022 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 fiscal year ended August 31, 2022 were adjusted in retained earnings at the beginning of the fiscal year ended August 31, 2022, and the new accounting policy is applied from this initial balance.

Furthermore, “Other,” which was presented under “Current liabilities” on the Consolidated Balance Sheets of the previous fiscal year, has been included in “Contract liabilities” and “Other” from the fiscal year ended August 31, 2022. However, 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.

The impact of this change in accounting policy is not significant.

In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on revenue recognition for the previous fiscal year are not presented.

(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 fiscal year ended August 31, 2022. 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 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 fiscal year ended August 31, 2022, is not significant.

(Segment information)

#### I. General Information of Reportable Segments

##### 1. Method of classifying reportable segments

The Group’s reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of management resources and assess their performance.

The Group consists of segments by business based on operating companies and regions under the Company which is the holding company that controls the entire Group. The Group has two reportable segments: domestic eyewear business and overseas eyewear business.

##### 2. Type of products and services under reportable segments

The domestic eyewear business and overseas eyewear business engage in sales mainly of eyewear and each subsidiary is in charge of sales of eyewear via stores, online, and other channels.

#### II. Measurement method of net sales, profit (loss), assets, and other items by reportable segment

The accounting policies of reportable segments are generally consistent with those followed in the preparation of the consolidated financial statements.

Segment profit represents operating profit for the segment. Intersegment sales and transfers are determined primarily based on prevailing market prices.

As described in “Changes in accounting policies,” the Company has changed its accounting method for revenue recognition by applying the Revenue Recognition Accounting Standard, etc., from the beginning of the fiscal year ended August 31, 2022. Accordingly, the Company also changed the method for calculating segment profit or loss for operating segments.

The impact of this change on segment information is not significant.

III. Information about net sales, profit (loss), assets and other items, and information on disaggregation of revenue by reportable segment

For the fiscal year ended August 31, 2021

(Millions of yen)

	Reportable segment			Adjustments (Note 1)	Consolidated (Note 2)
	Domestic eyewear business	Overseas eyewear business	Subtotal		
Net sales:					
Sales to outside customers	51,160	12,737	63,898	–	63,898
Intersegment sales or transfers	584	7	592	(592)	–
Total	51,745	12,745	64,490	(592)	63,898
Segment profit	4,886	162	5,049	–	5,049
Segment assets	25,126	11,918	37,045	15,962	53,007
Other:					
Depreciation	1,945	695	2,640	–	2,640
Increase in property, plant and equipment and intangible assets	1,855	612	2,468	–	2,468

(Notes) 1. Adjustments of segment assets of ¥15,962 million mainly includes elimination of investments and capital of ¥(5,802) million, elimination of intercompany receivables and payables of ¥(14,311) million, adjustments to allowance for doubtful accounts of ¥1,993 million, and corporate assets, etc. that are not attributable to any reportable segments of ¥34,186 million.

2. Segment profit is reconciled to operating profit in the consolidated statements of income.

For the fiscal year ended August 31, 2022

(Millions of yen)

	Reportable segment			Adjustments (Note 1)	Consolidated (Note 2)
	Domestic eyewear business	Overseas eyewear business	Subtotal		
Net sales:					
Revenue from contracts with customers	53,303	13,597	66,901	–	66,901
Sales to outside customers	53,303	13,597	66,901	–	66,901
Intersegment sales or transfers	569	5	575	(575)	–
Total	53,873	13,603	67,476	(575)	66,901
Segment profit (loss)	3,967	(651)	3,315	–	3,315
Segment assets	26,169	14,185	40,355	14,366	54,721
Other:					
Depreciation	2,170	812	2,982	–	2,982
Increase in property, plant and equipment and intangible assets	2,842	1,014	3,856	–	3,856

(Notes) 1. Adjustments of segment assets of ¥14,366 million mainly includes elimination of investments and capital of ¥(7,375) million, elimination of intercompany receivables and payables of ¥(10,974) million, adjustments to allowance for doubtful accounts of ¥385 million, and corporate assets, etc. that are not attributable to any reportable segments of ¥32,511 million.

2. Segment profit (loss) is reconciled to operating profit in the consolidated statements of income.

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

For the fiscal year ended August 31, 2021

(Significant loss on impairment of non-current assets)

This is primarily an impairment loss in an amount of ¥320 million recorded in the “domestic eyewear business” segment.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

For the fiscal year ended August 31, 2022

(Significant loss on impairment of non-current assets)

Impairment loss amounted to ¥191 million in the “domestic eyewear business” segment and ¥164 million in the “overseas eyewear business” segment.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

(Additional information)

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

Regarding the impact of COVID-19, the Group has made accounting estimates for the impairment of non-current assets and the recoverability of deferred tax assets based on the assumption that economic activities in Japan will gradually normalize, although the number of infected persons continues to increase and decrease periodically, and that the global economy will generally recover through the fiscal year ending August 31, 2023, although the economic recovery will vary from country to country and region to region.

There are many uncertainties regarding the impact of the spread of COVID-19, and any change in the above assumptions may affect the Group’s financial position and operating results in the following fiscal year and beyond.

(Per share information)

Item	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
Net assets per share	¥866.29	¥874.33
Earnings per share	¥141.07	¥32.17
Diluted earnings per share	¥127.35	¥27.37

(Notes) 1. Earnings per share and diluted earnings per share are calculated as follows:

Item	For the fiscal year ended August 31, 2021	For the fiscal year ended August 31, 2022
Earnings per share	¥141.07	¥32.17
Profit attributable to owners of parent (millions of yen)	3,292	750
Profit not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent related to common stock (millions of yen)	3,292	750
Weighted-average number of shares of common stock outstanding during the year (shares)	23,340,216	23,340,211
Diluted earnings per share	¥127.35	¥27.37
Adjustment for profit attributable to owners of parent (millions of yen)	(53)	(53)
[Out of the above: Other (after deducting tax) (millions of yen)]	[(53)]	[(53)]
Increase in number of shares of common stock (shares)	2,095,676	2,156,660
[Out of the above: Convertible bond-type bonds with share acquisition rights (shares)]	[2,095,676]	[2,156,660]
Overview of dilutive shares not included in calculation of diluted earnings per share due to lack of dilutive effect		–

2. Net assets per share is calculated as follows.

Item	End of the previous fiscal year (August 31, 2021)	End of the fiscal year under review (August 31, 2022)
Net assets (millions of yen)	20,219	20,406
Amount deducted from net assets (millions of yen)	–	–
Net assets at the year-end related to common stock (millions of yen)	20,219	20,406
Number of shares of common stock at the year-end used for the calculation of net assets per share (shares)	23,340,216	23,340,185

(Significant subsequent events)

Not applicable.

#### 4. Other Notes

##### (1) Transfers of Officers

###### (i) Transfers of Representative Directors

Not applicable.

###### (ii) Transfers of Other Officers

Director to be retired (effective November 29, 2022)

Director Yutaka Nakamura

(Note) Scheduled to assume the position of Strategic Advisor of the Company after his retirement.