

Consolidated Financial Results for the Six Months Ended February 28, 2023 [Japanese GAAP]



April 14, 2023

Company name: JINS HOLDINGS Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3046
 URL: <https://jinsholdings.com>
 Representative: Hitoshi Tanaka, CEO and Representative Director
 Contact: Mikiya Yamawaki, Executive Officer and General Manager, Investor Relations Division
 Phone: +81-3-5275-7001
 Scheduled date of filing quarterly securities report: April 14, 2023
 Scheduled date of commencing dividend payments: May 12, 2023
 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, 2023 (September 1, 2022 to February 28, 2023)

(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, 2023	34,556	5.7	1,509	(20.7)	1,505	(30.7)	772	(34.0)
February 28, 2022	32,704	3.4	1,902	(28.5)	2,172	(15.9)	1,170	(38.8)

(Note) Comprehensive income: Six months ended February 28, 2023: ¥460 million [(64.3)%]
 Six months ended February 28, 2022: ¥1,289 million [(38.1)%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 28, 2023	33.11	29.28
February 28, 2022	50.14	44.86

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 28, 2023	42,546	20,867	49.0
As of August 31, 2022	54,721	20,406	37.3

(Reference) Equity: As of February 28, 2023: ¥20,867 million
 As of August 31, 2022: ¥20,406 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, 2022	–	17.00	–	0.00	17.00
Fiscal year ending August 31, 2023	–	13.00			
Fiscal year ending August 31, 2023 (Forecast)			–	18.00	31.00

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

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending August 31, 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
Full year	73,486	9.8	4,009	20.9	3,875	2.3	2,142	185.3	91.81

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

* Notes:

- (1) Changes in significant subsidiaries during the six months ended February 28, 2023 (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: None
 - 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, 2023: 23,980,000 shares
 - August 31, 2022: 23,980,000 shares
 - 2) Total number of treasury stock at the end of the period:
 - February 28, 2023: 639,846 shares
 - August 31, 2022: 639,815 shares
 - 3) Average number of shares during the period (Accumulated total of the quarter):
 - Six months ended February 28, 2023: 23,340,159 shares
 - Six months ended February 28, 2022: 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 "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 14, 2023. Financial results materials to be used at the briefing will be available on the Company's website immediately after the session.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information .	4
2. Quarterly Consolidated Financial Statements and Primary Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
(Notes on going concern assumption)	9
(Notes in the case of significant changes in shareholders' equity)	9
(Changes in accounting policies)	9
(Segment information)	9

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

(1) Explanation of Business Results

During the six months ended February 28, 2023 (September 1, 2022 to February 28, 2023), the Japanese economy experienced a recovery of foot traffic mainly in urban areas with the recent trend of a decrease in the number of infected people with the novel coronavirus disease (COVID-19), although periodic increases and decreases in the number of cases continued. Meanwhile, personal consumption only remained on a gradual recovery trend mainly due to continuous inflation caused by a surge in crude oil prices and currency movement due to the situation in Ukraine and other factors. Looking at the global economy, the response to COVID-19 has varied from country to country and region to region, and particularly in China, as urban blockades under the zero-Covid policy were implemented intermittently until early December, economic activities have been affected. In addition, the economic impact of Russia's invasion of Ukraine has been prolonged, and there are concerns about increasing downward risks to the economy 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. However, the situation has not yet recovered to the level before the outbreak of COVID-19, showing a recent decrease.

Under this market environment, in the eyewear business, the Company and its consolidated subsidiaries (collectively, the "Group") took such initiatives as rebuilding the supply chain and strengthening development of innovative products, which they identified as management issues. In terms of rebuilding of the supply chain, we have started to strengthen our manufacturing bases in Japan by making Yamato Technical Co., Ltd. a subsidiary, with the aim of eliminating concentration of production at a single manufacturing base overseas and shortening the lead time for delivery to storefronts. With regard to product development, we have worked on 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," and total research and development expenses were ¥23 million for the six months ended February 28, 2023.

In terms of store development, the number of stores as of February 28, 2023, was 702, including 467 stores in Japan and 235 stores overseas (173 in China, 50 in Taiwan, 8 in Hong Kong, and 4 in the United States).

As a result, for the six months ended February 28, 2023, the Company posted net sales of ¥34,556 million (up 5.7% year-on-year) partly thanks to the impact of new store openings in Japan and overseas, despite the impact of COVID-19, mainly in China. Operating profit was ¥1,509 million (down 20.7% year-on-year), ordinary profit was ¥1,505 million (down 30.7% year-on-year), and profit attributable to owners of parent was ¥772 million (down 34.0% year-on-year).

Business results by segment are as follows.

Net sales by business segment

Segment	For the six months ended February 28, 2023 (September 1, 2022 to February 28, 2023)	Percentage to the Company's net sales	Year-on-year change
Domestic eyewear business	¥26,247 million	76.0%	2.4%
Overseas eyewear business	¥8,309 million	24.0%	17.5%
Total	¥34,556 million	100.0%	5.7%

<Domestic Eyewear Business>

In the domestic eyewear business, we revised selling prices starting from standard products including the "JINS CLASSIC" series and "STANDARD" series which were renewed for the first time in approximately seven years and, after mid-November, changed selling prices of existing products to the same price zone, which raised

unit prices of a complete set of glasses in a steady manner. However, in December and January, more demand has grown for tourism and eating and drinking out owing to the national travel assistance program and other factors, resulting in limited demand for purchasing of eyewear. Thus, net sales almost remained at the level of the previous year, lower than initially expected. Meanwhile, membership of the JINS app reached approximately 12.40 million people as of the end of February 2023, and e-commerce sales continued to be strong. Regarding the impact of COVID-19, the impact due to the increase and decrease in the number of infected persons is gradually diminishing.

In terms of store development, the number of stores in Japan was 467 (14 openings and 11 closures).

As a result, net sales of the domestic eyewear business were ¥26,247 million (up 2.4% year-on-year), and segment operating profit was ¥1,476 million (down 23.1% year-on-year).

<Overseas Eyewear Business>

In the overseas eyewear business, in China, though the number of customers had rebounded and business performance had recovered as a reaction to urban blockades in metropolitan areas implemented in early spring, an increase in urban blockades, mainly in regional cities, again occurred from late August, which has begun to affect the number of customers. Even after early December in which the zero-Covid policy was essentially lifted, foot traffic significantly decreased in the year and the business performance was significantly affected.

In Taiwan, the impact of COVID-19 has been minimal and business performance has been strong mainly due to favorable feedback of the Japan-made lenses that are available as an option.

In Hong Kong, the impact of COVID-19 was limited and business results remained steady.

In the United States, we closed our flagship store in San Francisco, which was unprofitable, in August, and have promoted 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 235 as of the end of the period under review, including 173 stores in China (3 openings and 4 closures), 50 in Taiwan (1 opening and no closures), 8 in Hong Kong (1 opening and no closures), and 4 in the United States (no openings and 2 closures).

As a result, net sales of the overseas eyewear business were ¥8,309 million (up 17.5% year-on-year), and segment operating profit was ¥32 million (segment operating loss was ¥18 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, 2022)	End of 2nd quarter of fiscal year under review (February 28, 2023)	Change	Change (%)
Total assets	54,721	42,546	(12,175)	(22.2)
Liabilities	34,314	21,678	(12,635)	(36.8)
Net assets	20,406	20,867	460	2.3

(a) Assets

Current assets decreased ¥12,346 million from the end of the previous fiscal year to ¥20,827 million.

This was mainly due to a decrease of ¥13,103 million in cash and deposits as a result of redemption of convertible bond-type bonds with share acquisition rights and other factors.

Non-current assets increased ¥171 million from the end of the previous fiscal year to ¥21,719 million.

This was mainly due to increases of ¥121 million in property, plant and equipment such as buildings and structures and ¥20 million in leasehold and guarantee deposits as a result of the Group's expansion of retail stores.

As a result, total assets decreased ¥12,175 million from the end of the previous fiscal year to ¥42,546 million.

(b) Liabilities

Current liabilities decreased ¥12,284 million from the end of the previous fiscal year to ¥10,415 million.

This was mainly due to a decrease of ¥10,033 million in current portion of convertible bond-type bonds with share acquisition rights.

Non-current liabilities decreased ¥351 million from the end of the previous fiscal year to ¥11,263 million.

This was mainly due to a decrease of ¥109 million in long-term borrowings.

As a result, total liabilities decreased ¥12,635 million from the end of the previous fiscal year to ¥21,678 million.

(c) Net Assets

Net assets increased ¥460 million from the end of the previous fiscal year to ¥20,867 million.

This was mainly due to the recording of ¥772 million in profit attributable to owners of parent.

(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, 2023, please see the "Notices of Differences between Consolidated Financial Results Forecast and Actual Results for the Six Months Ended February 28, 2023, Revisions to the Full-Year Consolidated Financial Results Forecast for the Fiscal Year Ending August 31, 2023 and Revisions to the Dividend Forecast," which we announced on April 14, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	21,430	8,327
Accounts receivable - trade	4,514	3,947
Merchandise and finished goods	5,406	6,390
Raw materials and supplies	446	531
Other	1,376	1,631
Total current assets	33,174	20,827
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,610	7,681
Other, net	2,139	2,190
Total property, plant and equipment	9,750	9,871
Intangible assets	2,196	2,195
Investments and other assets		
Leasehold and guarantee deposits	4,910	4,931
Other	4,690	4,720
Total investments and other assets	9,601	9,651
Total non-current assets	21,547	21,719
Total assets	54,721	42,546

(Millions of yen)

	As of August 31, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	2,535	1,366
Current portion of convertible bond-type bonds with share acquisition rights	10,033	–
Short-term borrowings	1,869	2,019
Current portion of long-term borrowings	70	39
Accounts payable - other, and accrued expenses	4,676	4,391
Income taxes payable	912	868
Provision for bonuses	67	86
Provision for product warranties	168	160
Allowance for office relocation expenses	235	235
Allowance for business structure reform expenses	628	–
Asset retirement obligations	356	340
Other	1,145	906
Total current liabilities	22,699	10,415
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	10,025	10,020
Long-term borrowings	131	22
Asset retirement obligations	265	263
Other	1,193	957
Total non-current liabilities	11,615	11,263
Total liabilities	34,314	21,678
Net assets		
Shareholders' equity		
Common stock	3,202	3,202
Capital surplus	3,228	3,228
Retained earnings	18,623	19,396
Treasury stock	(5,003)	(5,003)
Total shareholders' equity	20,051	20,824
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	189	135
Foreign currency translation adjustment	166	(92)
Total accumulated other comprehensive income	355	43
Total net assets	20,406	20,867
Total liabilities and net assets	54,721	42,546

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended February 28, 2022 and February 28, 2023

(Millions of yen)

	For the six months ended February 28, 2022	For the six months ended February 28, 2023
Net sales	32,704	34,556
Cost of sales	7,148	7,599
Gross profit	25,555	26,957
Selling, general and administrative expenses	23,653	25,448
Operating profit	1,902	1,509
Non-operating income		
Interest income	43	42
Foreign exchange gains	182	–
Subsidy income	133	180
Compensation income	110	–
Reversal of allowance for business structure reform expenses	–	61
Other	23	35
Total non-operating income	494	320
Non-operating expenses		
Interest expenses	77	71
Share of loss of entities accounted for using equity method	27	53
Rental expenses on real estate	110	98
Foreign exchange losses	–	50
Other	9	50
Total non-operating expenses	224	324
Ordinary profit	2,172	1,505
Extraordinary losses		
Loss on retirement of non-current assets	94	47
Loss on store closings	12	16
Loss due to temporary store closures	–	74
Provision of allowance for office relocation expenses	235	–
Total extraordinary losses	342	139
Profit before income taxes	1,829	1,365
Income taxes - current	754	622
Income taxes - deferred	(95)	(29)
Total income taxes	659	592
Profit	1,170	772
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,170	772

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended February 28, 2022 and February 28, 2023

(Millions of yen)

	For the six months ended February 28, 2022	For the six months ended February 28, 2023
Profit	1,170	772
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(53)
Foreign currency translation adjustment	119	(248)
Share of other comprehensive income of entities accounted for using equity method	–	(10)
Total other comprehensive income	119	(312)
Comprehensive income	1,289	460
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,289	460
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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter. Accordingly, the Company will apply new accounting policies prescribed in the Fair Value Measurement Guidance in the future in accordance with the provisional treatment stipulated in Paragraph 27-2 of the same Guidance. The application of the Guidance has no impact on the quarterly consolidated financial statements.

(Segment information)

I. For the six months ended February 28, 2022

1. Information about net sales and profit (loss) and information on disaggregation of revenue by reportable segment

(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.

II. For the six months ended February 28, 2023

1. Information about net sales and profit (loss) and information on disaggregation of revenue by reportable segment

(Millions of yen)

	Reportable segment			Adjustments	Consolidated (Note)
	Domestic eyewear business	Overseas eyewear business	Subtotal		
Net sales:					
Revenue from contracts with customers	26,247	8,309	34,556	–	34,556
Sales to outside customers	26,247	8,309	34,556	–	34,556
Intersegment sales or transfers	344	5	349	(349)	–
Total	26,591	8,314	34,906	(349)	34,556
Segment profit	1,476	32	1,509	–	1,509

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

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

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.