

Consolidated Financial Results for the Six Months Ended February 29, 2020 [Japanese GAAP]



April 10, 2020

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: April 10, 2020
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Six Months Ended February 29, 2020 (September 1, 2019 to February 29, 2020)

(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 29, 2020	31,513	10.7	3,285	22.9	3,370	36.6	2,063	42.9
February 28, 2019	28,455	12.5	2,673	22.8	2,467	28.5	1,443	39.6

(Note) Comprehensive income: Six months ended February 29, 2020: ¥1,973 million [41.9%]
 Six months ended February 28, 2019: ¥1,390 million [27.9%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 29, 2020	86.44	86.35
February 28, 2019	60.22	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of February 29, 2020	57,489	18,193	31.6
As of August 31, 2019	36,628	22,370	61.1

(Reference) Equity: As of February 29, 2020: ¥18,192 million
 As of August 31, 2019: ¥22,370 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, 2019	—	0.00	—	50.00	50.00
Fiscal year ending August 31, 2020	—	0.00			
Fiscal year ending August 31, 2020 (Forecast)*			—	*	*

*The forecast of the year-end dividend for the fiscal year ending August 31 2020 is undetermined.

3. Forecast of consolidated financial results for the Fiscal Year Ending August 31, 2020 (September 1, 2019 to Au

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

As the novel coronavirus disease is spreading worldwide, it is difficult to calculate the impact on the Company's future financial results in a fair and reasonable manner at this time. For this reason, the forecasts of the full-year financial results ending August 31, 2020 are undetermined. By closely monitoring the novel coronavirus disease trend, it will be disclosed without delay as soon as a reasonable calculation can be made.

* Notes:

- (1) Changes in significant subsidiaries during the six months ended February 29, 2020 (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: None
 - 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 shares):
February 29, 2020: 23,980,000 shares
August 31, 2019: 23,980,000 shares
 - 2) Total number of treasury shares at the end of the period:
February 29, 2020: 639,745 shares
August 31, 2019: 3,491 shares
 - 3) Average number of shares during the period (Accumulated total of the quarter) :
Six months ended February 29, 2020: 23,870,388 shares
Six months ended February 28, 2019: 23,976,509 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 forecasts, are based on information currently available to the Company and certain assumptions that the Company has deemed reasonable. These statements are not intended as the Company's commitment to achieve them, and actual performance may differ significantly due to various factors. For the assumptions for financial results forecasts and precautions for using financial results forecasts, please refer to "(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 5 in "1. Qualitative Information on Quarterly Financial Results for the Period under Review" of the attached document.

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

The materials will be posted on the Company's website after the financial results announcement scheduled for Friday, April 10, 2020.

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

(1) Explanation of Business Results

1) Status of Financial Position and Operating Results

During the six months ended February 29, 2020 (September 1, 2019 to February 29, 2020), the Japanese economy saw personal consumption pick up despite concerns over the impact of a series of natural disasters and deteriorating consumer sentiment caused by the consumption tax hike. Adverse economic effects, however, began to surface after the government announced a novel coronavirus disease emergency response package in late February 2020. Looking at the global economy, the spread of the novel coronavirus in China has slowed down sharply the Chinese economy since January 2020. The impacts of the slowdown in the Chinese economy are expanding to countries around the world.

In the domestic retail eyewear market (eyeglasses for vision correction), while sales have been decreasing year-on-year since March 2016, there were signs of a change in demand due to the rush demand driven by the consumption tax hike and other factors.

Under this market environment, in the eyewear business, the Company and its consolidated subsidiaries (collectively, the “Group”) took such initiatives as diversifying its product portfolio, which it identified as a management issue, and improving its customer service and store operations. In order to achieve further growth in the domestic eyewear business, we focused on developing innovative products and increasing the efficiency of store operations. 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 ¥133 million for the six months ended February 29, 2020. In terms of store strategies, we worked to develop stores that are more accessible to customers and strengthen our store base by continuing to accelerate the opening of stores in shopping malls and on suburban roadsides, while also opening next-generation stores that provide new customer experience.

In terms of store development, the number of our eyewear specialized stores as of February 29, 2020 was 605. They are 404 directly operated stores in Japan and 201 directly operated stores overseas (160 in China, 30 in Taiwan, 6 in Hong Kong and 5 in the United States).

In February 2020, the Company issued ¥20,000 million in euro-yen denominated convertible bond-type bonds with share acquisition rights aimed at investments to enable it to further expand its eyewear business, develop new businesses, and achieve sustainable growth. In addition, the Company repurchased shares at a cost of approximately ¥5,000 million in order to mitigate the short-term impact on supply and demand of shares in the Company as a result of the issuance of the convertible bond-type bonds with share acquisition rights and to facilitate fund procurement.

As a result, for the six months ended February 29, 2020, the Company posted net sales of ¥31,513 million (up 10.7% year-on-year) owing to strong sales at existing stores due to the continued effect of a rise in unit prices and other factors. Operating profit was ¥3,285 million (up 22.9% year-on-year) due to an improvement in gross profit margin caused by an increase in unit prices, despite the recording of research and development expenses. Ordinary profit was ¥3,370 million (up 36.6% year-on-year), and profit attributable to owners of parent was ¥2,063 million (up 42.9% year-on-year).

Business results by segment are as follows.

Net sales by business segment

Segment	For the six months ended February 29, 2020 (September 1, 2019 to February 29, 2020)	Percentage to the Company's net sales	Year-on-Year change
Domestic eyewear business	¥24,468 million	77.6%	10.9%
Overseas eyewear business	¥5,826 million	18.5%	13.3%
Accessories business	¥1,218 million	3.9%	(3.1)%
Total	¥31,513 million	100.0%	10.7%

(Note) The amounts above do not include consumption tax, etc.

<Domestic Eyewear Business>

In the domestic eyewear business, sales were strong due to the solid performance of the Airframe series that we promoted in stores, including “Slim Airframe” and “Rubber Modern Airframe,” as well as the “JINS Doraemon Model” collection, which showcased JINS’s unique designs inspired by the “Doraemon” comic series, which celebrated the 50th anniversary of its serialization, in addition to an increase in the number of customers due to rush demand before the consumption tax hike. Furthermore, we opened the JINS Shibuya PARCO store, offering new customer experience, including the “MEGANE on MEGANE” service, which enables customers to virtually try on different eyewear models without having to take off their own. The store has received favorable responses.

However, since the government announced the novel coronavirus disease emergency response package in late February 2020, there has been a decrease in the number of customers, which has begun to impact the Company’s business performance.

In terms of store development, the number of directly operated stores in Japan was 404 (as a result of the opening of 27 stores and the closure of 2 stores) as of the end of the period under review. .

As a result, net sales of the domestic eyewear business were ¥24,468 million (up 10.9% year-on-year), and segment operating profit was ¥3,249 million (up 15.7% year-on-year).

<Overseas Eyewear Business>

In the overseas eyewear business, the growth rate of sales at the existing stores in China recovered, and the business performance is improving due to factors, including the closure of unprofitable stores.

In Taiwan, sales at the existing stores grew on the back of a recovery in Taiwan’s economy.

In Hong Kong, some stores have been forced to close temporarily due to the effects of the protests resulting from political unrest, which had a considerable effect on business performance.

In the United States, sales at the existing stores continued to grow at a high rate.

In terms of store development, the total number of directly operated stores overseas was 201 as of the end of the period under review. They are 160 stores in China (as a result of the opening of 22 stores and the closure of 6 stores), 30 stores in Taiwan (as a result of the opening 2 stores and no closure), 6 in Hong Kong (as a result of the opening of 2 stores and no closure), and 5 in the United States (no opening or closure).

As a result, net sales of the overseas eyewear business were ¥5,826 million (up 13.3% year-on-year), and segment operating profit was ¥82 million (segment operating loss of ¥45 million for the same period of the previous year).

<Accessories Business>

The environment surrounding the accessories business continues to be tough due to the rise of e-commerce websites and second-hand markets. The Group is reviewing store operations and product strategies in order to respond to changes in market conditions.

However, since the government announced the novel coronavirus disease emergency response package in late February 2020, there has been a decrease in the number of customers, which has begun to impact the Company's business performance.

In terms of store development, the number of stores specialized in men's accessories was 21 (as a result of the opening of 1 store and no closure), and that of stores specialized in ladies' accessories was 17 (as a result of no opening and the closure of 1 store) as of the end of the period under review.

As a result, net sales of the accessories business were ¥1,218 million (down 3.1% year-on-year), and segment operating loss was ¥46 million (segment operating loss of ¥90 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.

(Million yen)

	End of the previous fiscal year (August 31, 2019)	End of 2nd quarter of the fiscal year under review (February 29, 2020)	Change (million yen)	Change (%)
Total assets	36,628	57,489	20,861	57.0
Liabilities	14,258	39,296	25,037	175.6
Net assets	22,370	18,193	(4,176)	(18.7)

(a) Assets

Current assets increased ¥19,013 million from the end of the previous fiscal year to ¥38,747 million.

This was mainly due to an increase of ¥20,286 million in cash and deposits associated with the issuance of convertible bond-type bonds with share acquisition rights, despite a decrease of ¥417 million in notes and accounts receivable - trade and a decrease of ¥672 million in merchandise and finished goods.

Non-current assets increased ¥1,864 million from the end of the previous fiscal year to ¥18,733 million.

This was mainly due to an increase of ¥762 million in property, plant and equipment such as buildings and structures and an increase of ¥173 million in leasehold and guarantee deposits, as a result of the Group's expansion of retail stores, and occurrence of ¥177 million in goodwill, etc.

As a result, total assets increased ¥20,861 million from the end of the previous fiscal year to ¥57,489 million.

(b) Liabilities

Current liabilities increased ¥4,684 million from the end of the previous fiscal year to ¥15,353 million.

This was mainly due to a temporary increase of ¥5,136 million in short-term borrowings for the purpose of purchasing treasury shares, etc.

Non-current liabilities increased ¥20,353 million from the end of the previous fiscal year to ¥23,942 million.

This was mainly due to an increase of ¥20,250 million in convertible bond-type bonds with share acquisition rights.

As a result, total liabilities increased ¥25,037 million from the end of the previous fiscal year to ¥39,296 million.

(c) Net Assets

Net assets decreased ¥4,176 million from the end of the previous fiscal year to ¥18,193 million.

This was mainly due to a decrease of ¥1,198 million due to the payment of dividends and a decrease of ¥5,000 million due to the purchase of treasury shares, despite the recording of profit attributable to owners of parent of ¥2,063 million.

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

Regarding our future outlook, the Group operates 605 stores in the four countries and regions in which it operates. However, the expansion of the novel coronavirus infection has resulted in temporary store closures and shortened business hours.

In the eyewear business, most frames are imported from China, and we are continuing checking the operation status of our outsourced factories. There are no problems with product procurement at this stage.

As described in the "Notice of Revision of Consolidated Financial Results Forecast and Revision of Fiscal Year End Dividend Forecast for the fiscal year ending August 31,2020" which we announced in April 10, 2020, our forecast has changed to be undetermined, because it is difficult to make appropriate and reasonable calculations for the second half. By closely monitoring the novel coronavirus disease trend, it will be disclosed without delay as soon as a reasonable calculation can be made.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2019	As of February 29, 2020
Assets		
Current assets		
Cash and deposits	8,479	28,766
Notes and accounts receivable - trade	4,396	3,979
Merchandise and finished goods	5,211	4,539
Raw materials and supplies	234	220
Other	1,413	1,242
Allowance for doubtful accounts	(0)	(0)
Total current assets	19,734	38,747
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,876	7,616
Other, net	2,017	2,039
Total property, plant and equipment	8,893	9,656
Intangible assets	2,153	2,366
Investments and other assets		
Leasehold and guarantee deposits	4,156	4,330
Other	1,665	2,380
Total investments and other assets	5,821	6,710
Total non-current assets	16,868	18,733
Deferred assets		
Business commencement expenses	25	8
Total deferred assets	25	8
Total assets	36,628	57,489

(Millions of yen)

	As of August 31, 2019	As of February 29, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,370	1,431
Short-term borrowings	1,979	7,116
Current portion of long-term borrowings	181	97
Accounts payable - other, and accrued expenses	3,755	3,715
Income taxes payable	1,839	1,452
Other	1,543	1,540
Total current liabilities	10,669	15,353
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	–	20,250
Long-term borrowings	1,135	1,236
Asset retirement obligations	506	519
Other	1,946	1,936
Total non-current liabilities	3,589	23,942
Total liabilities	14,258	39,296
Net assets		
Shareholders' equity		
Share capital	3,202	3,202
Capital surplus	3,179	3,228
Retained earnings	16,133	16,998
Treasury shares	(1)	(5,002)
Total shareholders' equity	22,513	18,426
Accumulated other comprehensive income		
Foreign currency translation adjustment	(143)	(233)
Total accumulated other comprehensive income	(143)	(233)
Non-controlling interests	–	0
Total net assets	22,370	18,193
Total liabilities and net assets	36,628	57,489

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended February 28, 2019 and February 29, 2020

(Millions of yen)

	For the six months ended February 28, 2019	For the six months ended February 29, 2020
Net sales	28,455	31,513
Cost of sales	6,768	7,079
Gross profit	21,687	24,434
Selling, general and administrative expenses	19,014	21,148
Operating profit	2,673	3,285
Non-operating income		
Interest income	3	2
Commission income	14	27
Rental income	3	3
Foreign exchange gains	–	42
Refunded consumption taxes	–	345
Other	13	22
Total non-operating income	34	443
Non-operating expenses		
Interest expenses	65	87
Bond issuance cost	–	90
Commission expenses	4	7
Rental expenses on real estate	131	151
Amortization of business commencement expenses	17	17
Foreign exchange losses	8	–
Other	12	4
Total non-operating expenses	240	358
Ordinary profit	2,467	3,370
Extraordinary losses		
Loss on retirement of non-current assets	91	102
Loss on store closings	6	19
Total extraordinary losses	98	122
Profit before income taxes	2,369	3,247
Income taxes - current	918	1,211
Income taxes - deferred	7	(27)
Total income taxes	925	1,184
Profit	1,443	2,063
Profit attributable to non-controlling interests	–	–
Profit attributable to owners of parent	1,443	2,063

Quarterly Consolidated Statements of Comprehensive Income
Six Months Ended February 28, 2019 and February 29, 2020

(Millions of yen)

	For the six months ended February 28, 2019	For the six months ended February 29, 2020
Profit	1,443	2,063
Other comprehensive income		
Foreign currency translation adjustment	(53)	(90)
Total other comprehensive income	(53)	(90)
Comprehensive income	1,390	1,973
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,390	1,973
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)

For the six months ended February 29, 2020

The Company repurchased 636,100 shares of treasury stock, based on a resolution by the Board of Directors meeting held on February 12, 2020. As a result, treasury shares increased by ¥4,999 million in the six months ended February 29, 2020, and stood at ¥5,002 million as of February 29, 2020.

(Segment information)

I. For the six months ended February 28, 2019

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

(Million yen)

	Reportable segment				Other (Note 1)	Adjustments	Consolidated (Note 2)
	Domestic eyewear business	Overseas eyewear business	Accessories business	Subtotal			
Net sales							
Sales to outside customers	22,057	5,140	1,258	28,455	0	–	28,455
Intersegment sales or transfers	253	5	–	258	–	(258)	–
Total	22,310	5,145	1,258	28,714	0	(258)	28,455
Segment profit (loss)	2,808	(45)	(90)	2,673	0	–	2,673

(Notes) 1. The “other” category represents the corporate division, etc.

2. 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 29, 2020

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

(Million yen)

	Reportable segment				Adjustments	Consolidated (Note)
	Domestic eyewear business	Overseas eyewear business	Accessories business	Subtotal		
Net sales						
Sales to outside customers	24,468	5,826	1,218	31,513	–	31,513
Intersegment sales or transfers	355	6	–	361	(361)	–
Total	24,823	5,832	1,218	31,875	(361)	31,513
Segment profit (loss)	3,249	82	(46)	3,285	–	3,285

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

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

(Significant loss on impairment of non-current assets)

Not applicable.

(Significant changes in goodwill)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

3. Changes in reportable segments

In line with the transition to a holding company structure effective July 1, 2019, the Company is in charge of Group management operations. Accordingly, income and expenses arising from Group management operations have been allocated to the respective reportable segments.