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Consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]

August 12, 2021

Company name: Menicon Co., Ltd.
Stock exchange listing: Tokyo, Nagoya
Code number: 7780

URL: <https://www.menicon.com>

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CEO

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Scheduled date of filing quarterly securities report: August 12, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 01, 2021 to June 30, 2021)

(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	%
Three months ended June 30, 2021	24,085	21.8	2,551	28.5	2,588	22.2	1,690	21.8
June 30, 2020	19,768	(4.1)	1,985	6.6	2,118	11.9	1,387	11.7

(Note) Comprehensive income: Three months ended June 30, 2021: ¥ 2,051 million [38.9%]
Three months ended June 30, 2020: ¥ 1,476 million [38.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	44.74	41.23
June 30, 2020	36.78	36.51

(Note) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued March 31, 2020), etc. shall be applied from the beginning of the first quarter of the fiscal year under review. The figures for the Three Months Ended June 30, 2021 are after the application of the said accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2021	125,410	61,204	47.3
March 31, 2021	127,153	60,985	46.5

(Reference) Equity: As of June 30, 2021: ¥ 59,377 million

As of March 31, 2021: ¥ 59,144 million

(Note) 1. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued March 31, 2020), etc. shall be applied from the beginning of the first quarter of the fiscal year under review. The figures for the Three Months Ended June 30, 2021 are after the application of the said accounting standards.

2. In the three months ended June 30, 2021, we finalized the provisional accounting treatment for business combinations. The figures for the fiscal year ended March 31, 2021 reflect the finalization of the provisional accounting treatment.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	0.00	-	35.00	35.00
Fiscal year ending March 31, 2022	-				
Fiscal year ending March 31, 2022 (Forecast)		0.00	-	17.50	17.50

- (Note) 1. Revision to the forecast for dividends announced most recently: Yes
2. Effective October 1, 2021, we will conduct a 2-for-1 stock split of common stock. The dividend forecast for the fiscal year ending March 31, 2022 takes into account the said stock split. The year-end dividend per share for the fiscal year ending March 31, 2022 (forecast) without taking into account the stock split will be 35.00 yen.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	99,200	15.1	9,000	11.0	8,800	5.4	5,700	(4.2)	75.39

- (Note) 1. Revision to the financial results forecast announced most recently: No
2. Effective October 1, 2021, we will conduct a 2-for-1 stock split of common stock. The basic earnings per share in the consolidated financial result forecast for the fiscal year ending March 31, 2022 takes into account the stock split. The basic earnings per share in the consolidated financial result forecast for the fiscal year ending March 31, 2022 without taking into account the stock split will be 150.77 yen.

* Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2021
(changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No
- (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: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2021:	38,090,644 shares
March 31, 2021:	38,077,444 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2021:	287,955 shares
March 31, 2021:	287,876 shares
 - 3) Average number of shares during the period:

Three months ended June 30, 2021:	37,792,047 shares
Three months ended June 30, 2020:	37,734,448 shares

- * **This summary of financial results is exempt from audit procedures.**

- * **Explanation regarding appropriate use of business results forecasts and other special instructions**
 - Forecasts regarding future performance presented in this material include the outlook for the future, assumptions on which the plan is based, and projections as of the date of announcement of this material. Actual results may differ from the forecasts presented in this material due to various factors.
 - For matters concerning the forecast of business results, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Information” on Page 4 of the appendix.

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

(1) Explanation of Business Results

According to the OECD economic outlook announced on May 31, 2021, despite an overall brighter outlook for the global economy, the status of economic recovery is reported to be uneven, depending on the effectiveness of public health measures and government support in each country. In addition, the outlook for the market environment remains uncertain due to the global prevalence of mutated strains of COVID-19. In Japan, a further state of emergency was declared in major metropolitan areas, and restrictions on outings and economic activities continued even after the declaration of a state of emergency was lifted, as evidence of a shift to focused anti-infection measures.

Under these circumstances, the overseas contact lens market overall is experiencing a recovery trend alongside economic activities as vaccinations against COVID-19 progress, and robust demand for orthokeratology lenses is continuing, particularly in China. The domestic contact lens market had continued to expand in recent years. In fiscal year 2020, the market expansion has stagnated due to the impact of COVID-19, but it is expected to recover along with the vaccination progress in future.

Performances in individual businesses are as follows.

[Domestic Vision Care Business]

As for the trends in the domestic contact lens market, due to the impact of COVID-19, the value of cleanliness has been emphasized and the demand for daily disposable contact lenses is increasing. In addition, as wearing masks has become commonplace, circle lenses, which can be used as fashion items when wearing masks, are attracting attention.

The Group's Domestic Vision Care Business aims to expand the market share of daily disposable contact lenses, increase the number of MELS Plan members, and optimize members' lifetime value.

Regarding product strategy for the period under review, under such market conditions and policies, we have added "1 Day Menicon Rei," a daily disposable circle lens, to our MELS Plan product lineup. This product has received a favorable market response, and the number of members is growing steadily. In addition, we have added an astigmatic axis to "Magic toric," our daily disposable contact lenses for those with astigmatism equipped with SMART TOUCH design that makes it possible to hygienically and easily use the contact lenses without having to touch the inner lens surface, to improve the life of the contact lens. The "Magic" series uses around 80% less plastic in the contact lens packaging than conventional products, while the packaging itself is also environmentally friendly as it is made by recycling molded plastic that is no longer required in the manufacture of contact lenses.

As promotional measures, we developed the "1 Day Start-of-Spring Campaign" for our MELS Plan. For this campaign, we changed the campaign benefits to contributions to "MENICOiN, a point service provided by the Group. "MENICOiN" is convenient for the reason that it allows points to be exchanged for WAON points and nanaco points, etc. as well as lens care products, thereby contributing to an improved level of member satisfaction.

* The name of the Domestic Contact Lens Business segment has been changed to the Domestic Vision Care Business as of the first quarter of the fiscal year under review.

[Overseas Vision Care Business]

In Europe, economic activities are recovering as vaccinations against COVID-19 progress. We are actively working on policies to develop new channels and strengthen relationships with important mass retailers to expand sales of disposable contact lenses and to strengthen the foundations of the myopia prevention business. In the period under review, we have started a new business with a mass retailer in Germany, and strengthen activities to increase our volume of business. In addition, we are continuing negotiations to start businesses with other mass retailers in Europe, and are preparing for further growth in the future.

In North America, vaccinations against COVID-19 are progressing, and economic activities are recovering. In the previous fiscal year, COVID-19 had a significant impact on our business, but with the recovery of economic activities and business progressing as planned, business results in both the contact lens business and lens care products business are steadily recovering. Going forward, we plan to systematically launch new products to put our business in this region back on a growth track.

In China, economic activities have picked up pace after recovering from the impact of COVID-19. The Group's business policy in the Chinese market is to expand sales of specialty contact lenses, including orthokeratology lenses, and lens care products by strengthening relationships with distributors, and to increase sales by expanding the lineup of other products. The sales network of the Itabashi Trading Group, which became a wholly-owned subsidiary in the previous fiscal year, made a significant contribution to an increase in net sales in the period under review, and both orthokeratology lenses and lens care products are performing well.

* The name of the Overseas Contact Lens Business segment has been changed to the Overseas Vision Care Business as of the first quarter of the fiscal year under review.

[Other Businesses]

The healthcare and life care businesses are working on taking up the challenge to enter new areas that create health support and joy for people.

In the period under review, we created a business model that supports “the happiness of dogs” to achieve the coexistence of people and dogs, and we launched “&D,” a new service that contributes to the resolution of social issues through services supporting a rewarding lifestyle for people with their pet dogs.

The Itabashi Trading Group, which became a wholly-owned subsidiary in the previous fiscal year, has been engaged in the sales and export/import of agricultural and fishery products since 1992. From the fiscal year under review, the Itabashi Trading Group’s food business has been added to the “Other” business. Currently, we are expanding overseas sales channels, and exports of fishery products to Southeast Asia were buoyant in the period under review thanks to the growing popularity of Japanese food.

As a result of these efforts, the Group’s consolidated business results for the three months ended June 30, 2021 were as follows.

Net sales increased by 21.8% year on year to ¥24,085 million as the result of the recovery of overseas and domestic economic conditions compared with the same period of the previous fiscal year, and a strong contribution from the sales network in China of the Itabashi Trading Group, which became a wholly-owned subsidiary in the previous fiscal year. Operating profit increased by 28.5% year on year to ¥2,551 million as a result of the recovery of net sales and the effect of Chinese sales company joining our group, and ordinary profit rose by 22.2% year on year to ¥2,588 million. As a result of the above factors, profit attributable to owners of parent increased by 21.8% year on year to ¥1,690 million.

Due to the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued March 31, 2020; hereinafter, “Revenue Recognition Accounting Standard”), net sales decreased by ¥383 million, and operating profit and ordinary profit each decreased by ¥78 million.

Business results by segment are as follows.

1) Vision Care Business

Sales of the Vision Care Business were ¥22,689 million, an increase of 16.7% year on year. Segment profit was ¥3,821 million, an increase of 20.1% year on year.

Sales of the Vision Care Business increased by ¥3,248 million year on year. This was primarily due to the recovery from the impact of COVID-19 and the expansion of sales channels resulting from Itabashi Trading Group becoming a wholly-owned subsidiary. Sales of overseas contact lenses, overseas lens care products, and domestic contact lenses posted year-on-year increases of ¥1,046 million, ¥1,051 million, and ¥631 million, respectively. MELS Plan memberships increased from the same period of the previous year, and sales also increased by ¥253 million.

Segment profit increased by ¥639 million year on year due to an increase in sales in the Overseas Vision Care Business and the effect of Chinese sales company joining our group.

Due to the application of the Revenue Recognition Accounting Standard, etc., net sales decreased by ¥337 million and operating profit decreased by ¥78 million.

* The name of the Contact Lens-related Business segment has been changed to the Vision Care Business as of the first quarter of the fiscal year under review. There is no impact from the change of the segment name on segment performance.

2) Other

Sales of Other business were ¥1,395 million for the three months ended June 30, 2021, an increase of 326.8% year on year, due to the addition of the Itabashi Trading Group’s food business. Segment loss was ¥176 million, compared with a segment loss of ¥146 million for the same period of the previous year.

(2) Explanation of Financial Position

With regard to the business combination with Itabashi Trading Group on January 8, 2021, provisional accounting was applied at the end of the previous consolidated fiscal year, but this was finalized in the first quarter of the fiscal year under review, so the amounts after the revision due to the finalization of the provisional accounting are used in the comparison and analysis with the previous consolidated fiscal year.

(Assets)

Total assets at the end of the first quarter of the fiscal year under review were ¥125,410 million, having decreased by ¥1,743 million from the end of the previous fiscal year. Current assets decreased by ¥3,746 million to ¥66,461 million owing mainly to a decrease in cash and deposits due to the payment of income taxes payable and provision for bonuses recorded at the end of the previous fiscal year. Non-current assets increased by ¥2,003 million to ¥58,949 million, primarily due to capital investment in manufacturing facilities at the Seki Factory and the Kakamigahara Factory of the reporting company, and the expansion and renovation of Menicon Nect Co., Ltd.'s Gujo Factory.

(Liabilities and net assets)

Liabilities decreased by ¥1,962 million from the end of the previous fiscal year to ¥64,206 million mainly due to the payment of income taxes payable and provision for bonuses.

Net assets increased by ¥219 million from the end of the previous fiscal year to ¥61,204 million due to the profit attributable to owners of parent.

Due to the application of the Revenue Recognition Accounting Standard, etc., the balance of retained earnings at the beginning of the period decreased by ¥516 million, resulting in a decrease in net assets.

As a result, the capital adequacy ratio was 47.3%.

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

The consolidated business results forecast for the full year ending March 31, 2022 is unchanged from the forecast announced on May 13, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of June 30,2021
Assets		
Current assets		
Cash and deposits	41,455	37,173
Notes and accounts receivable - trade	10,735	10,736
Merchandise and finished goods	11,624	11,645
Work in process	1,271	1,348
Raw materials and supplies	2,605	2,680
Other	2,694	3,037
Allowance for doubtful accounts	(178)	(160)
Total current assets	70,207	66,461
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,682	24,068
Accumulated depreciation	(11,007)	(11,229)
Buildings and structures, net	11,674	12,838
Machinery, equipment and vehicles	23,881	24,138
Accumulated depreciation	(16,538)	(16,926)
Machinery, equipment and vehicles, net	7,343	7,212
Tools, furniture and fixtures	8,750	8,892
Accumulated depreciation	(7,200)	(7,368)
Tools, furniture and fixtures, net	1,549	1,524
Land	4,956	4,959
Leased assets	2,172	2,173
Accumulated depreciation	(292)	(347)
Leased assets, net	1,879	1,825
Right of use assets	5,709	6,335
Accumulated depreciation	(1,406)	(1,615)
Right of use assets, net	4,303	4,719
Construction in progress	7,584	8,608
Other	10	10
Accumulated depreciation	-	-
Other, net	10	10
Total property, plant and equipment	39,301	41,697
Intangible assets		
Goodwill	3,610	3,399
Patent right	730	669
Other	8,286	8,303
Total intangible assets	12,627	12,371
Investments and other assets		
Investment securities	452	416
Long-term loans receivable	42	41
Deferred tax assets	2,063	1,958
Other	2,471	2,474
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	5,017	4,879
Total non-current assets	56,946	58,949
Total assets	127,153	125,410

(Million yen)

	As of March 31,2021	As of June 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,205	4,823
Short-term borrowings	258	149
Current portion of bonds payable	1,029	826
Current portion of long-term borrowings	1,583	1,830
Lease obligations	2,096	2,113
Accounts payable - other	5,167	3,862
Income taxes payable	1,856	502
Provision for bonuses	1,914	912
Provision for point card certificates	15	1
Other	4,401	6,171
Total current liabilities	22,530	21,193
Non-current liabilities		
Bonds payable	3,053	2,740
Convertible-bond-type bonds with share acquisition rights	22,868	22,876
Long-term borrowings	8,278	7,606
Lease obligations	6,139	6,473
Long-term accounts payable - other	1,438	1,420
Retirement benefit liability	752	730
Deferred tax liabilities	873	940
Asset retirement obligations	104	106
Other	129	117
Total non-current liabilities	43,638	43,012
Total liabilities	66,168	64,206
Net assets		
Shareholders' equity		
Share capital	5,414	5,425
Capital surplus	6,640	6,650
Retained earnings	47,660	47,512
Treasury shares	(442)	(442)
Total shareholders' equity	59,273	59,145
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	87	82
Foreign currency translation adjustment	(217)	149
Total accumulated other comprehensive income	(129)	232
Share acquisition rights	1,790	1,778
Non-controlling interests	49	48
Total net assets	60,985	61,204
Total liabilities and net assets	127,153	125,410

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30,2020	For the three months ended June 30,2021
Net sales	19,768	24,085
Cost of sales	9,337	11,343
Gross profit	10,430	12,741
Selling, general and administrative expenses	8,445	10,189
Operating profit	1,985	2,551
Non-operating income		
Interest income	0	2
Dividend income	6	6
Foreign exchange gains	-	68
Subsidy income	156	12
Other	53	60
Total non-operating income	216	150
Non-operating expenses		
Interest expenses	53	73
Share of loss of entities accounted for using equity method	6	22
Foreign exchange losses	11	-
Other	13	17
Total non-operating expenses	84	113
Ordinary profit	2,118	2,588
Extraordinary income		
Gain on sale of non-current assets	0	1
Total extraordinary income	0	1
Extraordinary losses		
Loss on retirement of non-current assets	16	12
Other	3	4
Total extraordinary losses	19	17
Profit before income taxes	2,098	2,572
Income taxes - current	427	522
Income taxes - deferred	283	360
Total income taxes	710	882
Profit	1,387	1,689
Loss attributable to non-controlling interests	(0)	(1)
Profit attributable to owners of parent	1,387	1,690

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Million yen)

	For the three months ended June 30,2020	For the three months ended June 30,2021
Profit	1,387	1,689
Other comprehensive income		
Valuation difference on available-for-sale securities	23	(5)
Foreign currency translation adjustment	71	366
Share of other comprehensive income of entities accounted for using equity method	(5)	1
Total other comprehensive income	89	361
Comprehensive income	1,476	2,051
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,477	2,052
Comprehensive income attributable to non-controlling interests	(0)	(1)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in amount of shareholders' equity)

Not applicable.

(Changes in accounting policies)

1. The application of the Accounting Standard for Revenue Recognition

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard"), etc. shall be applied from the beginning of the first quarter of the fiscal year under review. Accordingly, when control of promised goods or services is transferred to the customer, revenue shall be recognized in an amount expected to be received in exchange for said goods or services.

As a result, the following changes shall be made to accounting policies.

[Sales incentives, etc.]

Sales incentives, etc. for customers that are borne by we have previously been recorded as selling, general and administrative expenses. However, in consideration of the actual transaction, the treatment method has been changed so that the expenses are treated as a variable consideration or a consideration paid to customers, and removed from net sales.

[Agent transactions]

Concerning some transactions, the total amount of consideration received from customers was previously recognized as revenue. However, for transactions for which the role of the Group in the supply of goods or services to customers is that of an agent, revenue shall be recognized as the net amount after deducting the amount paid to the supplier from the amount received from the customer.

The application of the Revenue Recognition Accounting Standard, etc. is under the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative amount of impact from retroactively applying the new accounting policy before the beginning of the first quarter of the fiscal year under review shall be added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy shall be applied from the balance at the beginning of the said period under review.

As a result, in the three months ended June 30, 2021, net sales decreased by ¥383 million, cost of sales decreased by ¥195 million, selling, general and administrative expenses decreased by ¥110 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥78 million. In addition, the balance of retained earnings at the beginning of the period decreased by ¥516 million.

Under the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the previous fiscal year has not been reclassified under the new presentation method.

2. The application of the Accounting Standard for Fair Value Measurement

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued July 4, 2019; hereinafter, "Fair Value Measurement Accounting Standard"), etc. shall be applied from the beginning of the first quarter of the fiscal year under review and, under the transitional treatment stipulated in Fair Value Measurement Accounting Standard, Paragraph 19 and Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued July 4, 2019), Paragraph 44-2, new accounting policies stipulated in the Fair Value Measurement Accounting Standard, etc. shall be applied in the future. There is no impact on our group quarterly consolidated financial statements.

(Additional information)

There are no significant changes to assumptions, including about the future spread of COVID-19 and the timing of its containment, as described in (Additional information) in the Annual Securities Report for the previous consolidated fiscal year.

(Segment information)

For the three months ended June 30, 2020

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

(Million yen)

	Reportable segment		Other (Note)	Total
	Vision Care Business	Subtotal		
Net sales				
Net sales to external customers	19,441	19,441	327	19,768
Inter-segment net sales or transfers	—	—	—	—
Total	19,441	19,441	327	19,768
Segment profit (loss)	3,182	3,182	(146)	3,035

(Note) “Other” is a business segment not included in the reportable segment and includes the healthcare and life care businesses.

2. Differences between the total amount of profit or loss of the reportable segment and the amount stated in the consolidated statement of income, and major breakdown of such differences (Reconciliation)

(Million yen)

Profit	Amount
Reportable segment total	3,182
Profit of “Other” (loss)	(146)
Corporate expense (Note)	(1,049)
Operating profit stated in the consolidated statement of income	1,985

(Note) Corporate expenses are mainly general and administrative expenses not attributable to the reportable segment.

3. Information on impairment loss of non-current assets, goodwill, etc. for the reportable segment

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

For the three months ended June 30, 2021

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

(Million yen)

	Reportable segment		Other (Note)	Total
	Vision Care Business	Subtotal		
Net sales				
Net sales to external customers	22,689	22,689	1,395	24,085
Inter-segment net sales or transfers	-	-	-	-
Total	22,689	22,689	1,395	24,085
Segment profit (loss)	3,821	3,821	(176)	3,644

(Note) “Other” is a business segment not included in the reportable segment and includes the healthcare and the life care businesses.

2. Differences between the total amount of profit or loss of the reportable segment and the amount stated in the consolidated statement of income, and major breakdown of such differences (Reconciliation)

(Million yen)

Profit	Amount
Reportable segment total	3,821
Profit of “Other” (loss)	(176)
Corporate expenses (Note)	(1,093)
Operating profit stated in the consolidated statement of income	2,551

(Note) Corporate expenses are mainly general and administrative expenses not attributable to the reportable segment.

3. Information on changes in the reportable segment, etc.

(Impact of the Revenue Recognition Accounting Standard)

As stated in (Changes in accounting policies), the Revenue Recognition Accounting Standard has been applied from the beginning of the first quarter of the fiscal year under review and, since the accounting treatment method relating to revenue recognition has been changed, the method of calculating profit or loss in the reportable segments has likewise been changed.

As a result of this change, compared with the previous calculation method, sales of the Vision Care Business in the three months ended June 30, 2021 decreased by ¥337 million and segment profit decreased by ¥78 million.

(Changes in the names of reportable segments)

As of the first quarter of the fiscal year under review, the name of the segment previously known as the Contact Lens-related Business was changed to the Vision Care Business in consideration of the future expansion of business areas. There is no impact from the change of the segment name on segment information.

Information regarding the three months ended June 30, 2021 is presented under the name following the change.

4. Information on impairment loss of non-current assets, goodwill, etc. for the reportable segment

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

(Significant subsequent events)

At the meeting of the board of directors held on August 12, 2021, a resolution was passed on a stock split and partial amendment to the articles of incorporation due to the said stock split.

1. Purpose of Stock Split

The purpose is to expand the investor base and increase the liquidity of shares by reducing the investment unit price for the Company's shares.

2. Summary of Stock Split

(1) Method of Stock Split

The Company's common shares held by shareholders who are listed or recorded in the final list of shareholders as of the record date of Thursday, September 30, 2021 shall be split at a ratio of two shares for one.

(2) Number of Shares Increased by Split

1) Total number of issued shares before stock split:	38,098,644 shares
2) Number of shares increased by split:	38,098,644 shares
3) Total number of issued shares after stock split:	76,197,288 shares
4) Total number of authorized shares after stock split:	124,368,000 shares

* The number of shares in 1) to 3) above may increase due to factors such as the exercise of share acquisition rights between the date of this board of directors resolution and the record date of the stock split.

(3) Stock Split Schedule

Announcement date of record date:	September 14, 2021
Record date:	September 30, 2021
Effective date:	October 1, 2021

(4) Impact on earnings per share

	For the three months ended June 30,2020	For the three months ended June 30,2021
Basic earnings per share	18.39 yen	22.37 yen
Diluted earnings per share	18.25 yen	20.61 yen

3. Partial Amendment to Articles of Incorporation

(1) Reason for Partial Amendment

Due to the stock split, the total number of authorized shares in Article 6 of the Company's Articles of Incorporation will change on October 1, 2021 based on a board of directors resolution in accordance with the provisions of Article 184, Paragraph 2 of the Companies Act.

(2) Details of Amendment (amended text shown underlined)

Before Amendment	After Amendment
(Total Number of Authorized Shares) Article 6 The total number shares authorized to be issued by the Company shall be <u>62,184,000</u> .	(Total Number of Authorized Shares) Article 6 The total number shares authorized to be issued by the Company shall be <u>124,368,000</u> .

4. Other

(1) Change in Amount of Capital Stock

There will be no change in the amount of capital stock upon the stock split.

(2) Adjustment of Conversion Price of Zero Coupon Convertible Bonds

Due to the stock split, the conversion price for ¥23,000,000,000 Zero Coupon Convertible Bonds due 2025 issued by the Company shall be adjusted as follows as of October 1, 2021.

Issue	Conversion price before adjustment	Conversion price after adjustment
¥23,000,000,000 Zero Coupon Convertible Bonds due 2025	7,395.1 yen	3,697.6 yen

(3) Adjustment of Exercise Price of Share Acquisition Rights

Due to the stock split, the per-share exercise price of issued share acquisition rights shall be adjusted as follows on or after October 1, 2021.

Name of share acquisition rights	Exercise price before adjustment	Exercise price after adjustment
1st series of share acquisition rights	525 yen	263 yen
2nd series of share acquisition rights	675 yen	338 yen
3rd series of share acquisition rights	925 yen	463 yen
4th series of share acquisition rights	1 yen	1 yen (no change)
5th series of share acquisition rights	1 yen	1 yen (no change)
6th series of share acquisition rights	1 yen	1 yen (no change)
7th series of share acquisition rights	1 yen	1 yen (no change)
8th series of share acquisition rights	1 yen	1 yen (no change)
9th series of share acquisition rights	1 yen	1 yen (no change)
10th series of share acquisition rights	1 yen	1 yen (no change)
11th series of share acquisition rights	1 yen	1 yen (no change)
12th series of share acquisition rights	1 yen	1 yen (no change)
13th series of share acquisition rights	1 yen	1 yen (no change)
14th series of share acquisition rights	1 yen	1 yen (no change)
15th series of share acquisition rights	1 yen	1 yen (no change)
16th series of share acquisition rights	1 yen	1 yen (no change)
17th series of share acquisition rights	1 yen	1 yen (no change)