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Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]

November 12, 2021

Company name: Menicon Co., Ltd.
Stock exchange listing: Tokyo, Nagoya
Code number: 7780
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Scheduled date of filing quarterly securities report: November 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: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 01, 2021 to September 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	%
Six months ended September 30, 2021	48,395	16.6	5,059	12.5	5,060	6.8	3,401	6.4
September 30, 2020	41,521	(3.0)	4,497	(1.3)	4,738	3.8	3,196	6.8

(Note) Comprehensive income: Six months ended September 30, 2021: ¥ 3,692 million [5.3%]
Six months ended September 30, 2020: ¥ 3,506 million [34.6%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2021	Yen 44.99	Yen 41.48
September 30, 2020	42.35	42.04

(Note) 1. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued March 31, 2020), etc. has been applied from the beginning of the first quarter of the current fiscal year. The figures for the Six Months Ended September 30, 2021 are after the application of the said accounting standards.

2. Effective October 1, 2021, we conducted a 2-for-1 stock split of common stock. Accordingly, the basic earnings per share and the diluted earnings per share are calculated on the assumption that the said stock split was conducted at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2021	Million yen 128,668	Million yen 62,468	% 47.1
March 31, 2021	127,153	60,985	46.5

(Reference)

Equity: As of September 30, 2021: ¥ 60,538 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. has been applied from the beginning of the first quarter of the current fiscal year. The figures for the Six Months Ended September 30, 2021 are after the application of the said accounting standards.

2. In the first quarter 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	-	0.00			
Fiscal year ending March 31, 2022 (Forecast)			-	17.50	17.50

- (Note) 1. Revision to the forecast for dividends announced most recently: No
2. Effective October 1, 2021, we conducted 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)	75.42

- (Note) 1. Revision to the financial results forecast announced most recently: No
2. Effective October 1, 2021, we conducted 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 150.83 yen.

* Notes:

- (1) Changes in significant subsidiaries during the six months ended September 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):

September 30, 2021: 76,201,288 shares

March 31, 2021: 76,154,888 shares

- 2) Total number of treasury shares at the end of the period:

September 30, 2021: 681,868 shares

March 31, 2021: 575,752 shares

- 3) Average number of shares during the period:

Six months ended September 30, 2021: 75,588,816 shares

Six months ended September 30, 2020: 75,475,855 shares

(Note) Effective October 1, 2021, we conducted a 2-for-1 stock split of common stock. Total number of issued shares at the end of the period and treasury shares at the end of the period and average number of shares during the period are calculated on the assumption that the said stock split was conducted at the beginning of the previous fiscal year.

- * **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 5 of the appendix.

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

(1) Explanation of Business Results

During the period under review, the overall global economy was on a recovery trend, but the conditions vary among countries, depending on the effect of fiscal stimulus measures and the status of vaccination in each country. Although the economic environments recovered to levels higher than before the spread of COVID-19 in some countries including China, some Southeast Asian and other countries saw economic activities being restricted due to the continuing spread of infections. While there are some positive signs in general, the environment surrounding companies remains unstable, as evidenced by soaring global logistics expenses, surging raw material prices, and the fluctuations of financial markets in anticipation of the rising long-term interest rates in the United States. In Japan, economic activities were restricted due to an increase in COVID-19 cases, but expectations are high for economic activities to recover going forward, as the state of emergency declaration was lifted nationwide at the end of September with a rapid spread in vaccine acceptance.

Under these circumstances, the overseas contact lens market continued on a recovery trend as with the case of the first quarter of the fiscal year under review and robust demand for orthokeratology lenses is continuing, particularly in China. The domestic contact lens market was affected by the spread of COVID-19, but it is expected to recover along with vaccination progress in future.

Performances in individual businesses are as follows.

[Domestic Vision Care Business]

The domestic contact lens market is expected to recover to a level close to that of fiscal year 2019, although there still remains the impact of COVID-19. The demand for daily disposable contact lenses is increasing due to the expanded product lineup of safe silicone hydrogel materials and switching from other types of contact lenses. Furthermore, as the problem of presbyopia became obvious owing to aging of users and increased near work stemming from more time spent at home, the sales of multifocal contact lenses continued to grow.

The 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 a new design to the "2 WEEK Menicon Premio multifocal contact lenses." With respect to the MELS Plan membership composition, two-week contact lenses have a lot of users, so it is important to maintain these members' continuous customer satisfaction. Thanks to the addition of a new design, we can provide better support for vision suitable for customers' life scenes, which is expected to improve customer satisfaction of the MELS Plan and acquire new members.

As promotional measures, the recovery from the COVID-19 pandemic has enabled us to engage in more active sales promotion activities than in the same period of the previous fiscal year, and thus we have proceeded with activities to acquire prospective customers as planned. In the period under review, we rolled out the "1 Day MELS Start-of-Summer Campaign" to increase our market share of daily disposable contact lenses and MELS Plan members. In addition, we made an original drama in commemoration of the 20th anniversary of the MELS Plan with the aim of improving the recognition of the MELS Plan among young people and started to stream it online in July. "MENICOiN" is granted as the campaign benefits for various promotion activities from this spring, and 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 the Netherlands and strengthened activities to increase our volume of business. Furthermore, the sales of disposable contact lenses were robust as a result of the success of a tie-up project with a mass retailer in Europe. As product strategy, we launched a new daily disposable multifocal contact lens, “Miru 1day Menicon Flat Pack multifocal.” The “Miru 1day Menicon Flat Pack Series” greatly reduced the amount of plastic used for lens containers compared with the conventional products and gained acclaim as an environment-friendly product against the backdrop of rising environmental awareness in recent years.

In North America, with the progress of vaccinations against COVID-19, GDP has recovered to the pre-COVID-19 pandemic level. The net sales of lens care products are recovering, coupled with the recovery of economic activities. We conducted marketing activities to expand the transactions of daily disposal contact lenses for mass retailers in this region.

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 and lens care products by strengthening relationships with distributors, and to increase sales by expanding the lineup of other products. The sales of the Itabashi Trading Group, which became a wholly-owned subsidiary in the previous fiscal year, continued to be favorable 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 have prepared new products and services in line with the above-mentioned policy. Furthermore, the Itabashi Trading Group, which became a wholly-owned subsidiary in the previous fiscal year, is expanding export sales channels of the food business.

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

Since net sales increased by 16.6% year on year to ¥48,395 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, gross profit increased to ¥25,813 million (up 16.7% year on year). Operating profit increased by 12.5% year on year to ¥5,059 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 6.8% year on year to ¥5,060 million. As a result of the above factors, profit attributable to owners of parent increased by 6.4% year on year to ¥3,401 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 ¥694 million, and operating profit and ordinary profit each decreased by ¥110 million.

Business results by segment are as follows.

1) Vision Care Business

Sales of the Vision Care Business were ¥45,533 million, an increase of 11.7% year on year. Segment profit was ¥7,671 million, an increase of 12.1% year on year.

Sales of the Vision Care Business increased by ¥4,775 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 ¥1,520 million, ¥1,959 million, and ¥589 million, respectively. MELS Plan sales increased by ¥439 million year on year, mainly due to an increase in the membership of daily disposal contact lenses which have higher average spending per customer.

Segment profit increased by ¥827 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 ¥618 million and operating profit decreased by ¥110 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 ¥2,862 million for the six months ended September 30, 2021, an increase of 274.4% year on year, due to the addition of the Itabashi Trading Group's food business. Segment loss was ¥369 million, compared with a segment loss of ¥230 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 second quarter of the fiscal year under review were ¥128,668 million, having increased by ¥1,514 million from the end of the previous fiscal year. Current assets decreased by ¥3,119 million to ¥67,087 million mainly owing to cash and deposits used for the purchase of non-current assets. Non-current assets increased by ¥4,634 million to ¥61,580 million, primarily due to capital investment in manufacturing facilities at the Seki Factory and the Kakamigahara Factory of the reporting company, the construction of the new head office building of the reporting company, the expansion and renovation of Menicon Nect Co., Ltd.'s Gujo Factory, and capital investment in manufacturing facilities at Menicon Singapore Pte. Ltd..

(Liabilities and net assets)

Liabilities increased by ¥31 million from the end of the previous fiscal year to ¥66,200 million mainly due to an increase in borrowings with the introduction of the Stock Benefit Trust (Employee Shareholder Association Purchase-Type).

Net assets increased by ¥1,483 million from the end of the previous fiscal year to ¥62,468 million owing to an increase in retained earnings due to the recording of profit attributable to owners of parent, while treasury shares increased due to the introduction of the Stock Benefit Trust (Employee Shareholder Association Purchase-Type).

As a result, the capital adequacy ratio was 47.1%.

(Status of Cash Flows)

Cash and cash equivalents at the end of the six months ended September 30, 2021 were ¥37,460 million, having decreased by ¥3,660 million or 8.9% from the end of the previous fiscal year.

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥5,299 million, compared with net cash provided by operating activities amounting to ¥3,581 million in the same period of the previous year, mainly due to an increase in profit before income taxes and depreciation.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥5,861 million, compared with net cash used in investing activities amounting to ¥5,874 million in the same period of the previous year, mainly due to the purchase of property, plant and equipment.

3) Cash flows from financing activities

Net cash used in financing activities amounted to ¥3,090 million, compared with net cash provided by financing activities amounting to ¥6,045 million in the same period of the previous year, mainly due to cash outflow used in dividends paid and the repayments of borrowings.

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

Business results for the six months ended September 30, 2021 saw a revenue increase year on year, due to increased net sales of orthokeratology lenses and lens care products mainly in China and the addition of the Itabashi Trading Group's food business. Furthermore, selling, general and administrative expenses were not used primarily owing to voluntary restraints on sales activities, the postponement of advertisement and sales promotion activities in response to voluntary restraints on outings attributable to COVID-19. For this reason, operating profit was higher than planned, but these expenses are expected to be incurred as planned because we plan to carry out the measures to strengthen sales promotion aimed at acquiring new MELS Plan members in the second half of the fiscal year under review. Accordingly, 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 September 30,2021
Assets		
Current assets		
Cash and deposits	41,455	37,815
Notes and accounts receivable - trade	10,735	10,586
Merchandise and finished goods	11,624	11,579
Work in process	1,271	1,482
Raw materials and supplies	2,605	2,744
Other	2,694	3,044
Allowance for doubtful accounts	(178)	(165)
Total current assets	70,207	67,087
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,682	24,186
Accumulated depreciation	(11,007)	(11,400)
Buildings and structures, net	11,674	12,786
Machinery, equipment and vehicles	23,881	24,673
Accumulated depreciation	(16,538)	(17,274)
Machinery, equipment and vehicles, net	7,343	7,398
Tools, furniture and fixtures	8,750	8,976
Accumulated depreciation	(7,200)	(7,525)
Tools, furniture and fixtures, net	1,549	1,451
Land	4,956	4,956
Leased assets	2,172	2,213
Accumulated depreciation	(292)	(401)
Leased assets, net	1,879	1,812
Right of use assets	5,709	6,227
Accumulated depreciation	(1,406)	(1,741)
Right of use assets, net	4,303	4,485
Construction in progress	7,584	11,227
Other	10	10
Accumulated depreciation	-	-
Other, net	10	10
Total property, plant and equipment	39,301	44,128
Intangible assets		
Goodwill	3,610	3,170
Patent right	730	608
Other	8,286	8,162
Total intangible assets	12,627	11,940
Investments and other assets		
Investment securities	452	446
Long-term loans receivable	42	41
Deferred tax assets	2,063	2,403
Other	2,471	2,631
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	5,017	5,511
Total non-current assets	56,946	61,580
Total assets	127,153	128,668

(Million yen)

	As of March 31,2021	As of September 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,205	4,531
Short-term borrowings	258	82
Current portion of bonds payable	1,029	826
Current portion of long-term borrowings	1,583	2,037
Lease obligations	2,096	2,084
Accounts payable - other	5,167	5,210
Income taxes payable	1,856	1,548
Provision for bonuses	1,914	1,666
Provision for point card certificates	15	4
Other	4,401	5,089
Total current liabilities	22,530	23,081
Non-current liabilities		
Bonds payable	3,053	2,640
Convertible-bond-type bonds with share acquisition rights	22,868	22,885
Long-term borrowings	8,278	8,398
Lease obligations	6,139	5,701
Long-term accounts payable - other	1,438	1,403
Retirement benefit liability	752	721
Deferred tax liabilities	873	983
Asset retirement obligations	104	106
Other	129	279
Total non-current liabilities	43,638	43,119
Total liabilities	66,168	66,200
Net assets		
Shareholders' equity		
Share capital	5,414	5,429
Capital surplus	6,640	7,217
Retained earnings	47,660	49,222
Treasury shares	(442)	(1,494)
Total shareholders' equity	59,273	60,374
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	87	89
Foreign currency translation adjustment	(217)	74
Total accumulated other comprehensive income	(129)	163
Share acquisition rights	1,790	1,881
Non-controlling interests	49	48
Total net assets	60,985	62,468
Total liabilities and net assets	127,153	128,668

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

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Net sales	41,521	48,395
Cost of sales	19,405	22,581
Gross profit	22,116	25,813
Selling, general and administrative expenses	17,619	20,754
Operating profit	4,497	5,059
Non-operating income		
Interest income	2	6
Dividend income	6	6
Share of profit of entities accounted for using equity method	-	0
Foreign exchange gains	9	26
Subsidy income	285	26
Other	105	116
Total non-operating income	408	183
Non-operating expenses		
Interest expenses	109	149
Share of loss of entities accounted for using equity method	17	-
Other	39	33
Total non-operating expenses	167	182
Ordinary profit	4,738	5,060
Extraordinary income		
Gain on sale of non-current assets	0	1
Subsidy income	10	-
Other	0	-
Total extraordinary income	10	1
Extraordinary losses		
Loss on retirement of non-current assets	26	13
Loss on subsidy repayment	30	-
Other	5	6
Total extraordinary losses	61	19
Profit before income taxes	4,686	5,043
Income taxes - current	1,480	1,703
Income taxes - deferred	9	(59)
Total income taxes	1,490	1,643
Profit	3,196	3,399
Profit (loss) attributable to non-controlling interests	0	(1)
Profit attributable to owners of parent	3,196	3,401

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

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Profit	3,196	3,399
Other comprehensive income		
Valuation difference on available-for-sale securities	35	1
Foreign currency translation adjustment	268	292
Share of other comprehensive income of entities accounted for using equity method	6	(0)
Total other comprehensive income	310	293
Comprehensive income	3,506	3,692
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,506	3,694
Comprehensive income attributable to non-controlling interests	0	(1)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash flows from operating activities		
Profit before income taxes	4,686	5,043
Depreciation	2,432	2,978
Amortization of goodwill	352	448
Subsidy income	(10)	-
Interest and dividend income	(8)	(13)
Interest expenses	109	149
Foreign exchange losses (gains)	(39)	(116)
Decrease (increase) in trade receivables	(220)	284
Decrease (increase) in inventories	(1,583)	(82)
Increase (decrease) in trade payables	(257)	324
Increase (decrease) in accounts payable - other	(620)	(754)
Increase (decrease) in provision for bonuses	(148)	(256)
Other, net	162	(669)
Subtotal	4,854	7,335
Interest and dividends received	7	12
Interest paid	(63)	(88)
Income taxes paid	(1,227)	(1,959)
Subsidies received	10	-
Net cash provided by (used in) operating activities	3,581	5,299
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	500	88
Purchase of intangible assets	(549)	(608)
Purchase of property, plant and equipment	(5,751)	(5,205)
Proceeds from sale of property, plant and equipment	0	4
Other, net	(74)	(140)
Net cash provided by (used in) investing activities	(5,874)	(5,861)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	9	(176)
Proceeds from long-term borrowings	8,000	1,190
Repayments of long-term borrowings	(926)	(617)
Redemption of bonds	(732)	(615)
Purchase of treasury shares	-	(1,189)
Proceeds from sale of treasury shares	-	701
Proceeds from sale and leaseback transactions	1,206	-
Repayments of lease obligations	(467)	(1,072)
Dividends paid	(1,053)	(1,321)
Other, net	8	11
Net cash provided by (used in) financing activities	6,045	(3,090)
Effect of exchange rate change on cash and cash equivalents	165	(8)
Net increase (decrease) in cash and cash equivalents	3,917	(3,660)
Cash and cash equivalents at beginning of period	16,791	41,120
Cash and cash equivalents at end of period	20,708	37,460

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

During the six months ended September 30, 2021, in line with the introduction of the "Stock Benefit Trust (Employee Shareholder Association Purchase-Type)," treasury shares increased by ¥1,051 million, mainly due to the disposal of 78,000 treasury shares by third-party allotment to the Trust and the acquisition of 54,900 shares of the Company's share by the Trust. As a result, treasury shares as of September 30, 2021 were ¥1,494 million

(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 us 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 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.

For the six months ended September 30, 2021, net sales decreased by ¥694 million, cost of sales decreased by ¥365 million, selling, general and administrative expenses decreased by ¥218 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥110 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)

(Transaction to grant the Company’s shares to employees, etc. through the trust)

We conducted transactions to grant the Company’s shares to the Employee Shareholder Association through the trust with the purpose of enhancing employee benefits and providing incentives for improving the Company’s corporate value.

1. Overview of Transaction

We introduced a “Stock Benefit Trust (Employee Shareholder Association Purchase-Type)” (hereinafter, the “Plan”) in September 2021.

With the introduction of the Plan, the Company, as the settlor, entered into a “Stock Benefit Trust (Employee Shareholder Association Purchase-Type) Agreement” (hereinafter, the “Trust Agreement”); and the trust established pursuant to the Trust Agreement is hereinafter referred to as the “Trust”) with the trustee, Mizuho Trust & Banking Co., Ltd. (hereinafter, the “Trustee”). Additionally, the Trustee entered into a re-trust agreement with the Custody Bank of Japan, Ltd. regarding management of securities and other trust assets with the Custody Bank of Japan, Ltd. as the sub-trustee.

The Custody Bank of Japan, Ltd. has been entitled to collectively acquire in advance to the Trust E Account established at the Custody Bank of Japan, Ltd. a number of the Company’s shares equivalent to the number of shares anticipated to be purchased by the Shareholder Association over the next five years, and then regularly sell the Company’s shares when the shares are purchased by the Shareholder Association. If proceeds from sale of shares are accumulated in trust assets for the Trust up through the time of expiration of the Trust through the sale of the Company’s shares from the Trust E Account to the Shareholder Association, such proceeds shall be distributed as residual assets to members of the Shareholder Association who satisfy the beneficiary eligibility requirements.

Additionally, since the Company provides a guarantee when the Trustee takes out a loan in order for the Trust E Account to acquire the Company’s shares, if the Trustee has an outstanding loan balance equal to loss on the sale of shares as of the time of expiration of the Trust due to a decline in the Company’s share price, etc., the Company will pay off the outstanding loan balance pursuant to the guarantee agreement.

2. Residual Company’s Shares Held in the Trust

The residual Company’s shares held in the Trust are recorded at the book value in the trust (excluding incidental expenses) as treasury shares under net assets. The book value and number of shares of such treasury shares are ¥1,170 million and 130 thousand shares, respectively, for the second quarter of the fiscal year under review.

3. Book Value of Borrowings Recorded Through the Application of Total Amount Method

¥1,190 million for the second quarter of the fiscal year under review

(Accounting estimate for the impact of the spread of COVID-19 infection)

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 six months ended September 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	40,757	40,757	764	41,521
Inter-segment net sales or transfers	—	—	—	—
Total	40,757	40,757	764	41,521
Segment profit (loss)	6,843	6,843	(230)	6,612

(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	6,843
Profit of “Other” (loss)	(230)
Corporate expense (Note)	(2,115)
Operating profit stated in the consolidated statement of income	4,497

(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 six months ended September 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	45,533	45,533	2,862	48,395
Inter-segment net sales or transfers	-	-	-	-
Total	45,533	45,533	2,862	48,395
Segment profit (loss)	7,671	7,671	(369)	7,301

(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	7,671
Profit of “Other” (loss)	(369)
Corporate expenses (Note)	(2,241)
Operating profit stated in the consolidated statement of income	5,059

(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 six months ended September 30, 2021 decreased by ¥618 million and segment profit decreased by ¥110 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 six months ended September 30, 2020 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)

We carried out a stock split on October 1, 2021, based on a resolution of the Board of Directors held on August 12, 2021.

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 were 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:	38,100,644 shares
2) Number of shares increased by split:	38,100,644 shares
3) Total number of issued shares after stock split:	76,201,288 shares
4) Total number of authorized shares after stock split:	124,368,000 shares

(3) Stock Split Schedule

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

(4) Impact of earnings per share

The information on earnings per share which is based on assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year, is reflected in "Basic earnings per share" and "Diluted earnings per share " in the summary information.