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Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]

February 14, 2022

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: February 14, 2022

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 Nine Months Ended December 31, 2021 (April 01, 2021 to December 31, 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	%
Nine months ended December 31, 2021	74,705	17.8	8,038	16.3	8,093	12.4	5,358	8.9
December 31, 2020	63,421	0.1	6,914	13.8	7,203	20.2	4,918	22.9

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥ 5,791 million [6.1%]
 Nine months ended December 31, 2020: ¥ 5,459 million [39.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	70.89	65.35
December 31, 2020	65.16	64.69

(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 Nine Months Ended December 31, 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
	Million yen	Million yen	%
As of December 31, 2021	129,504	64,668	48.4
March 31, 2021	127,153	60,985	46.5

(Reference)

Equity: As of December 31, 2021: ¥ 62,727 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 Nine Months Ended December 31, 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	99,400	15.3	9,600	18.4	9,500	13.8	6,000	0.8	79.36

- (Note) 1. Revision to the financial results forecast announced most recently: Yes
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 158.72 yen.

* Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2021: 76,277,288 shares

March 31, 2021: 76,154,888 shares

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

December 31, 2021: 666,532 shares

March 31, 2021: 575,752 shares

- 3) Average number of shares during the period:

Nine months ended December 31, 2021: 75,585,137 shares

Nine months ended December 31, 2020: 75,484,179 shares

- (Note) 1. 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.
2. The Company's shares held by "Stock Benefit Trust (Employee Shareholder Association Purchase-Type)" are included in treasury shares, which are deducted in calculating the total number of treasury shares ending December 31, 2021 and the average number of shares during the period.

- * **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 global economic recovery remained on track despite the COVID-19 crisis, reflecting the effects of fiscal stimulus in each country and the rise in vaccination. Due to factors that inhibit economic recovery, such as the global spread of the omicron variant, and soaring logistics costs and raw material prices, the pace of recovery can be said to have slowed down. On the other hand, positive factors are also expected, such as the expectation that savings accumulated during the COVID-19 crisis will be used towards consumption and the gradual improvement of logistics and raw material supply constraints. In Japan, with the state of emergency lifted nationwide at the end of September, restrictions on people's movement have gone away and business conditions, especially the non-manufacturing industry have improved.

Under these circumstances, the overseas contact lens market has kept its recovery continued from the second quarter of the current fiscal year, with solid demand for orthokeratology lenses in China. The domestic contact lens market is recovering with the lifting of the state of emergency, although the concerns remain about the impact of the spread of COVID-19 in the 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 2019. The demand for daily disposable contact lenses is increasing due to the expansion of the lineup by the silicone hydrogel materials with high safety and the 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.

Under these market conditions and policies, we released the 1DAY Menicon PREMIO 90-piece pack of daily disposable contact lenses as a product measure during the current quarter. So far only 30-piece pack of 1Day Menicon PREMIO lenses are available, with the addition of the 90-piece pack, we are now able to offer products that match our customers' lifestyles. This product has been highly praised on the market for its use of the SMART TOUCH design that makes it possible to remove contacts hygienically and easily without having to touch the inner lens surface, as well as its use of silicone hydrogel that gives it high oxygen permeability and makes it comfortable to wear.

In terms of promotional measures, the recovery from COVID-19 has enabled us to carry out more aggressive sales promotion activities than in the same quarter of the previous year, and we have been able to proceed as planned. During the period under review, we launched the "Adult Eyes Campaign" and the "Enjoy Student Life Campaign," which aimed to increase MELS Plan members and lifetime value. In addition, we produced an original drama commemorating the 20th anniversary of the MELS Plan to raise awareness of the MELS Plan among young people, which has been distributed using the Internet.

* 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, recovery is being steadily maintained, despite sales activities being affected by the spread of COVID-19 in December. Our policy is to develop new channels and strengthen relationships with important mass retailers in order to expand sales of disposable contact lenses, and to reinforce the foundation of the myopia progression control business. During the period under review, we started a new transaction with a British mass retailer. We are developing tie-up sales promotion projects with mass retailers in Europe, mainly as an activity to increase the volume of transactions of daily disposable contact lenses.

In North America, economic activities and the net sales of daily disposable contact lenses and lens care products are recovering, despite negative factors for business performance such as supply chain instability and soaring logistics costs due to the spread of COVID-19. On top of transactions of daily disposable contact lenses with mass retailers in the region proceeding as planned, the introduction of the “Miru 1day Upside” series of daily disposable contact lens made of silicone hydrogel into the North American market has led to the cultivation of new business partners.

In China, solid demand for orthokeratology lenses continued. 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.

During the period under review, we started the “Dog Future Guarantee” as a core service of the newly launched “&D” business, which aims for the coexistence of people and dogs and the “happiness of all dogs.” Moreover, we have started selling the “Meni supple” series of “Dietary Fiber Inulin + Lactic Acid Bacteria”. Itabashi Trading Group, which became a wholly-owned subsidiary in the previous fiscal year, is expanding its export sales channels in the food business.

As a result of these efforts, the Group’s consolidated business results for the nine months ended December 31, 2021 are as follows.

Since net sales increased by 17.8% year on year to ¥74,705 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 ¥39,386 million (up 16.6% year on year). Operating profit increased by 16.3% year on year to ¥8,038 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 12.4% year on year to ¥8,093 million. As a result of the above factors, profit attributable to owners of parent increased by 8.9% year on year to ¥5,358 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 ¥1,015 million, and operating profit and ordinary profit each decreased by ¥97 million.

Business results by segment are as follows.

1) Vision Care Business

Sales of the Vision Care Business were ¥69,945 million, an increase of 12.5% year on year. Segment profit was ¥11,784 million, an increase of 14.6% year on year.

Sales of the Vision Care Business increased by ¥7,774 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 ¥2,688 million, ¥3,402 million, and ¥679 million, respectively. MELS Plan sales increased by ¥609 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 ¥1,504 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 ¥879 million and operating profit decreased by ¥97 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 ¥4,760 million for the nine months ended December 31, 2021, an increase of 280.8% year on year, due to the addition of the Itabashi Trading Group's food business. Segment loss was ¥558 million, compared with a segment loss of ¥331 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 third quarter of the fiscal year under review were ¥129,504 million, having increased by ¥2,350 million from the end of the previous fiscal year. Current assets decreased by ¥1,930 million to ¥68,276 million mainly owing to cash and deposits used for the purchase of non-current assets. Non-current assets increased by ¥4,281 million to ¥61,227 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 decreased by ¥1,332 million from the end of the previous fiscal year to ¥64,836 million mainly due to decreases in redemption of bonds and accounts payable - other.

Net assets increased ¥3,683 million from the end of the previous fiscal year to ¥64,668 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 48.4%.

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

Business results for the nine months ended December 31, 2021 saw net sales trend firmly, as sales of orthokeratology lens-related products in China have been strong in addition that the demand on the contact lens is still brisk during the COVID-19 crisis. Profit items in the earnings hierarchy below operating profit have been increasing at a faster pace than had been expected relative to the consolidated business results forecast for the full year released on May 13, 2021 (the “previous forecast”), which is a result of our having made effective use of selling, general and administrative expenses. In the fourth quarter, demand for disposable lenses in general is expected to temporarily stagnate due to the renewed spread of COVID-19. However, net sales are expected to exceed the previous forecast resulted from an increase in sales of orthokeratology lenses and lens care products amid mounting demand for such lenses in China. On the other hand, the selling, general and administrative expenses to sales ratio is expected to increase, as we plan to expend on advertising and sales promotion in the fourth quarter, in order to attract customers during Japan’s period of highest demand in the spring and to expand sales of daily disposable contact lenses overseas. Considering the aforementioned scenario, we have revised the full-year consolidated business results forecast as released on May 13, 2021.

The above business results forecast is based on information currently available to the Company as of the date of publication of these materials and actual results may differ from these forecasts due to various factors including the timing of the containment of COVID-19.

Revised consolidated financial forecasts for the full fiscal year ending March 31, 2022.

(April 1, 2021 to March 31, 2022)

	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
Previous forecast A	99,200	9,000	8,800	5,700	75.42
Revised forecast B	99,400	9,600	9,500	6,000	79.36
Difference B – A	200	600	700	300	—
Percentage change (%)	0.2	6.7	8.0	5.3	—
(Reference) Results of the previous year (Fiscal year ending March 31, 2021)	86,209	8,106	8,348	5,952	78.84

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

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of December 31,2021
Assets		
Current assets		
Cash and deposits	41,455	37,601
Notes and accounts receivable - trade	10,735	11,928
Merchandise and finished goods	11,624	11,398
Work in process	1,271	1,230
Raw materials and supplies	2,605	2,922
Other	2,694	3,355
Allowance for doubtful accounts	(178)	(160)
Total current assets	70,207	68,276
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,682	25,913
Accumulated depreciation	(11,007)	(11,548)
Buildings and structures, net	11,674	14,365
Machinery, equipment and vehicles	23,881	25,681
Accumulated depreciation	(16,538)	(17,672)
Machinery, equipment and vehicles, net	7,343	8,008
Tools, furniture and fixtures	8,750	9,239
Accumulated depreciation	(7,200)	(7,727)
Tools, furniture and fixtures, net	1,549	1,512
Land	4,956	4,957
Leased assets	2,172	2,216
Accumulated depreciation	(292)	(458)
Leased assets, net	1,879	1,757
Right of use assets	5,709	6,292
Accumulated depreciation	(1,406)	(1,948)
Right of use assets, net	4,303	4,343
Construction in progress	7,584	9,463
Other	10	10
Accumulated depreciation	-	-
Other, net	10	10
Total property, plant and equipment	39,301	44,418
Intangible assets		
Goodwill	3,610	2,949
Patent right	730	546
Other	8,286	8,019
Total intangible assets	12,627	11,515
Investments and other assets		
Investment securities	452	455
Long-term loans receivable	42	40
Deferred tax assets	2,063	2,148
Other	2,471	2,660
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	5,017	5,293
Total non-current assets	56,946	61,227
Total assets	127,153	129,504

(Million yen)

	As of March 31,2021	As of December 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,205	5,022
Short-term borrowings	258	84
Current portion of bonds payable	1,029	826
Current portion of long-term borrowings	1,583	1,900
Lease obligations	2,096	2,128
Accounts payable - other	5,167	3,189
Income taxes payable	1,856	728
Provision for bonuses	1,914	1,052
Provision for point card certificates	15	8
Other	4,401	8,033
Total current liabilities	22,530	22,975
Non-current liabilities		
Bonds payable	3,053	2,326
Convertible-bond-type bonds with share acquisition rights	22,868	22,894
Long-term borrowings	8,278	7,673
Lease obligations	6,139	5,467
Long-term accounts payable - other	1,438	1,398
Retirement benefit liability	752	741
Deferred tax liabilities	873	971
Asset retirement obligations	104	111
Other	129	274
Total non-current liabilities	43,638	41,860
Total liabilities	66,168	64,836
Net assets		
Shareholders' equity		
Share capital	5,414	5,440
Capital surplus	6,640	7,228
Retained earnings	47,660	51,179
Treasury shares	(442)	(1,425)
Total shareholders' equity	59,273	62,423
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	87	61
Foreign currency translation adjustment	(217)	243
Total accumulated other comprehensive income	(129)	304
Share acquisition rights	1,790	1,892
Non-controlling interests	49	48
Total net assets	60,985	64,668
Total liabilities and net assets	127,153	129,504

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

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net sales	63,421	74,705
Cost of sales	29,634	35,318
Gross profit	33,786	39,386
Selling, general and administrative expenses	26,872	31,348
Operating profit	6,914	8,038
Non-operating income		
Interest income	2	13
Dividend income	10	11
Share of profit of entities accounted for using equity method	-	50
Foreign exchange gains	21	34
Subsidy income	354	44
Other	141	213
Total non-operating income	529	367
Non-operating expenses		
Interest expenses	164	266
Share of loss of entities accounted for using equity method	28	-
Other	48	45
Total non-operating expenses	240	312
Ordinary profit	7,203	8,093
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	30	32
Loss on subsidy repayment	30	-
Other	6	6
Total extraordinary losses	67	38
Profit before income taxes	7,146	8,056
Income taxes - current	1,952	2,484
Income taxes - deferred	274	214
Total income taxes	2,227	2,698
Profit	4,919	5,357
Profit (loss) attributable to non-controlling interests	0	(1)
Profit attributable to owners of parent	4,918	5,358

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

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Profit	4,919	5,357
Other comprehensive income		
Valuation difference on available-for-sale securities	41	(26)
Foreign currency translation adjustment	489	459
Share of other comprehensive income of entities accounted for using equity method	9	1
Total other comprehensive income	539	433
Comprehensive income	5,459	5,791
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,458	5,792
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)

During the nine months ended December 31, 2021, in line with the introduction of the "Stock Benefit Trust (Employee Shareholder Association Purchase-Type)," treasury shares increased by ¥983 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 December 31, 2021 were ¥1,425 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 nine months ended December 31, 2021, net sales decreased by ¥1,015 million, cost of sales decreased by ¥549 million, selling, general and administrative expenses decreased by ¥369 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥97 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 ¥1,101 million and 246 thousand shares, respectively, for the third quarter of the fiscal year under review.

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

¥1,132 million for the third 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 nine months ended December 31, 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	62,171	62,171	1,250	63,421
Inter-segment net sales or transfers	—	—	—	—
Total	62,171	62,171	1,250	63,421
Segment profit (loss)	10,280	10,280	(331)	9,949

(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	10,280
Profit of “Other”(loss)	(331)
Corporate expenses (Note)	(3,034)
Operating profit stated in the consolidated statement of income	6,914

(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 nine months ended December 31, 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	69,945	69,945	4,760	74,705
Inter-segment net sales or transfers	—	—	—	—
Total	69,945	69,945	4,760	74,705
Segment profit (loss)	11,784	11,784	(558)	11,225

(Note) “Other” is a business segment not included in the reportable segment and includes 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	11,784
Profit of “Other” (loss)	(558)
Corporate expenses (Note)	(3,187)
Operating profit stated in the consolidated statement of income	8,038

(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, net sales of the Vision Care Business in the nine months ended December 31, 2021 decreased by ¥879 million and segment profit decreased by ¥97 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 nine months ended December 31, 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)

At a meeting of the board of directors held on January 26, 2022, a resolution was passed to acquire non-current assets at Menicon Malaysia Sdn. Bhd., a wholly-owned subsidiary of the Company.

1. Purpose of Capital Investment

To enable the stable supply of daily disposable contact lenses, which are the driving force of the contact lens market in Japan and overseas, by constructing a new factory that will increase the production capacity of daily disposable contact lenses.

2. Details of Capital Investment (planned)

- | | |
|---------------------------|---|
| (1) Name of Target Assets | Malaysia Factory (tentative name) |
| (2) Location | No2 Jalan Hi-Tech 16, Zon Industri Fasa 4
Kulim Hi-Tech Park, 09090 Kulim, Kedah, Malaysia |
| (3) Assets Overview | Contact lens manufacturing factory building, contact lens manufacturing facilities and ancillary facilities |
| (4) Acquisition Cost | ¥3,016 million, 21,211 thousand USD and 445,513 thousand MYR (total of about ¥17,751 million) |

3. Facility Introduction Time

- | | |
|---|--------------------------------|
| (1) Start of building construction | August 2022 (planned) |
| (2) Property delivery date (completion of construction) | End of December 2023 (planned) |

4. Significant Impact of the Facility on Sales and Production Activities

The impact of this matter on the consolidated financial results of the Company for the fiscal year ending March 2022 will be minor.