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## Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 12, 2022

Company name: Menicon Co., Ltd.

Stock exchange listing: Tokyo, Nagoya

Code number: 7780

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

Representative:

Hidenari Tanaka

CEO

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Senior Executive Officer, Corporate Management

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Scheduled date of filing quarterly securities report: August 12, 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 less than one million yen are rounded down)

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 01, 2022 to June 30, 2022)

#### (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, 2022	26,844	11.5	3,428	34.4	3,306	27.7	2,121	25.4
June 30, 2021	24,085	21.8	2,551	28.5	2,588	22.2	1,690	21.8

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 3,481 million [ 69.7%]  
Three months ended June 30, 2021: ¥ 2,051 million [ 38.9%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	27.98	25.84
June 30, 2021	22.37	20.61

(Note) 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	Million yen	Million yen	%
June 30, 2022	145,832	69,083	46.0
March 31, 2022	130,978	67,045	49.7

(Reference) Equity: As of June 30, 2022: ¥ 67,141 million  
As of March 31, 2022: ¥ 65,093 million

### 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen	Yen	Yen	Yen	Yen
Fiscal year ending March 31, 2023	-	0.00	-	20.00	20.00
Fiscal year ending March 31, 2023(Forecast)	-	0.00	-	20.00	20.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 01, 2022 to March 31, 2023)

(% 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	107,800	7.6	10,400	4.4	10,100	0.4	6,800	4.9	89.68

(Note) Revision to the financial results forecast announced most recently: No

\* Notes:

(1) Changes in significant subsidiaries during the period under review

(changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022: 76,447,888 shares

March 31, 2022: 76,421,288 shares

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

June 30, 2022: 624,232 shares

March 31, 2022: 645,332 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 75,799,006 shares

Three months ended June 30, 2021: 75,584,095 shares

(Note) 1. Effective October 1, 2021, we conducted a 2-for-1 stock split of common stock. 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 used in calculating the total number of treasury shares at the end of the period and deducted in calculating 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 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

During the period under review, the global economy, as a whole, showed signs of recovery despite constrained economic activities due to the spread of COVID-19. However, the outlook remained uncertain on account of the tense international situation and the resulting supply chain disruptions and soaring resource prices. In the domestic economy, the ongoing depreciation of the yen has also coincided with a situation of concern about the impact of changes in consumer confidence caused by rising prices.

In the contact lens market, there is an expansion trend in the overseas market for disposable contact lenses centering on daily disposable contact lenses, and the demand for orthokeratology lenses effective on correcting vision is growing steadily. In the domestic market, the demand for daily disposable contact lenses is rising due to the expansion of our lineup of highly safe silicone hydrogel materials. In addition, there was sustained growth in demand for bifocal contact lenses, because there are increase in the aging of existing users and close work due to greater time at home.

Under these circumstances, the Group worked on the realization of our Vision 2030 slogan, “New Vision of Miru for the World” in accordance with our policy of promoting the provision of products and services that enable people to experience happiness and affluence through the five senses.

Performances in each business are as follows.

#### [Domestic Vision Care Business]

According to the Group’s policy, in the Domestic Vision Care Business we are aiming to expand the market share of daily disposable contact lenses, increase the number of MELS Plan members, make their loyal customers, and spread/strengthen our brand image.

In terms of promotional measures, we have created and aired a new television advertisement, “Miru with Happy Music Notes” which is a commercial for the Menicon Group’s retail shops, “Miru” and features Ms. Minami Hamabe. In addition, we have renewed the uniform of all our “Miru” shops, aiming to create shops that customers can trust and feel close to and to strengthen the image of the “Miru” brand. As for the bifocal contact lens series “Lactive”, continuing from the previous fiscal year we promoted promotional measures featuring by brand ambassador Mr. Sho Sakurai to strengthen the brand image. In addition, we have also utilized our strength in our extensive lineup of daily disposable contact lenses and launched the “1 Day MELS Start-of-Spring Campaign” to support people making their contact lens debut in their new spring lives.

As for digital measures, we introduced an online consultation service using original avatars. By offering online customer service, which is a new option for customers, we will provide customer services and proposals that pay close attention to the lifestyle and needs of each and every customer, thus creating greater customer satisfaction.

#### [Overseas Vision Care Business]

According to the Group’s policy, in the Overseas Vision Care Business we are working on developing new sales channels and strengthening relationships to expand sales of disposable contact lenses and on strengthening the foundation of the myopia progression control business.

In Europe, net sales of daily disposable contact lenses and care products trended toward recovery as economic activity resumed with the easing of regulations related to COVID-19 infections. In the European market, we have added “Miru 1day UpSide toric” for astigmatism as part of the expansion of the daily disposable contact lens lineup, and introduced our products to and initiated new transactions with major mass retailers to increase the sales volume of daily disposable contact lenses.

In North America, net sales of both contact lenses and care products trended toward recovery due to increased demand resulting from the resumption of economic activities, despite supply chain instability and soaring logistics costs. Sales of daily disposable contact lenses to mass retailers in the region grew at a faster pace than in the previous year, and sales of care products expanded mainly through online sales.

In China, sales activities were affected in some areas due to the regulations related to COVID-19, but we strove to strengthen sales while taking infection prevention measures in this environment. Sales of our mainstay products, which are orthokeratology lenses and care products, remained steady. We also strove to proactively strengthen our production and supply system for stable supply and future demand.

[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 through the five senses.

The life support business focused on expanding sales of “MIGLIS”, a motile sperm isolation device, and the “pregna” supplement series for pre-pregnancy, in response to the broadening of the fertility market following the introduction of insurance coverage of fertility treatment in Japan from April 2022.

In the Environmental and Bioscience Business, overseas sales were driven by sales of a composting promotion system “resQ”’s materials and other products. In the Animal Health Care and Symbiosis Business, we worked on expanding overseas sales channels, with Meni-One Co., Ltd. beginning to sell Meni-One Corneal-Bandage one, contact lenses for dogs and cats, in Thailand.

As a result of these efforts, the Group’s consolidated business results for the three months ended June 30, 2022 were as follows.

Net sales increased by 11.5% year on year to ¥26,844 million as the result of the recovery of overseas and domestic economic conditions compared with the same period of the previous fiscal year and the steady increasing sales in China. Operating profit increased by 34.4% year on year to ¥3,428 million as a result of an increase in net sales and the efficient use of selling, general and administrative expenses, and ordinary profit rose by 27.7% year on year to ¥3,306 million. As a result of these efforts, profit attributable to owners of parent increased by 25.4% year on year to ¥2,121 million.

Business results by segment are as follows.

1) Vision Care Business

Sales of the Vision Care Business were ¥25,087 million, an increase of 10.6% year on year. Segment profit was ¥4,670 million, an increase of 22.2% year on year. The details are as follows.

Sales of the Vision Care Business increased by ¥2,397 million year on year. This was primarily due to the recovery from the impact of COVID-19 infections and the steady increasing sales of orthokeratology lenses and care products in China. Overseas and domestic sales posted year-on-year increases of ¥1,618 million and ¥779 million, respectively. MELS Plan sales increased by ¥269 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 ¥849 million year on year due to the strong sales in the Overseas Vision Care Business.

2) Other

Sales of Other business were ¥1,757 million for the three months ended June 30, 2022, an increase of 25.9% year on year, due mainly to an increase in overseas sales in the Food Business and the Environmental and Bioscience Business. Segment loss was ¥149 million, compared with a segment loss of ¥176 million for the same period of the previous year.

## (2) Explanation of Financial Position

### (Assets)

Total assets at the end of the first quarter of the fiscal year under review were ¥145,832 million, having increased by ¥14,853 million from the end of the previous fiscal year. Current assets increased by ¥13,903 million to ¥78,091 million mainly owing to an increase in cash and deposits resulting from the issuance of bonds. Non-current assets increased by ¥950 million to ¥67,740 million primarily due to investment in production facilities for care products at Menicon Nect Co., Ltd.'s Gujo Factory.

### (Liabilities and net assets)

Liabilities increased by ¥12,815 million from the end of the previous fiscal year to ¥76,748 million mainly due to the issuance of bonds. Net assets increased by ¥2,038 million from the end of the previous fiscal year to ¥69,083 million due to the profit attributable to owners of parent.

As a result, the capital adequacy ratio was 46.0%.

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

The consolidated business results forecast for the full year ending March 31, 2023 is unchanged from the forecast announced on May 12, 2022.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of June 30,2022
<b>Assets</b>		
Current assets		
Cash and deposits	33,046	46,085
Notes and accounts receivable - trade	11,269	11,708
Merchandise and finished goods	11,454	11,696
Work in process	1,304	1,186
Raw materials and supplies	3,025	2,992
Other	4,227	4,576
Allowance for doubtful accounts	(140)	(154)
Total current assets	64,188	78,091
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,286	27,389
Accumulated depreciation	(11,804)	(12,060)
Buildings and structures, net	14,481	15,329
Machinery, equipment and vehicles	26,617	27,522
Accumulated depreciation	(18,142)	(17,838)
Machinery, equipment and vehicles, net	8,475	9,684
Tools, furniture and fixtures	9,609	9,860
Accumulated depreciation	(7,998)	(8,114)
Tools, furniture and fixtures, net	1,611	1,746
Land	4,983	4,992
Leased assets	2,217	2,234
Accumulated depreciation	(516)	(576)
Leased assets, net	1,700	1,657
Right of use assets	6,462	6,962
Accumulated depreciation	(2,227)	(2,353)
Right of use assets, net	4,235	4,609
Construction in progress	13,924	12,671
Other	10	10
Accumulated depreciation	-	-
Other, net	10	10
Total property, plant and equipment	49,421	50,700
Intangible assets		
Goodwill	2,748	2,653
Patent right	484	424
Other	8,368	8,625
Total intangible assets	11,601	11,703
Investments and other assets		
Investment securities	515	481
Deferred tax assets	2,499	2,113
Other	2,764	2,754
Allowance for doubtful accounts	(11)	(12)
Total investments and other assets	5,767	5,336
Total non-current assets	66,790	67,740
Total assets	130,978	145,832

(Million yen)

	As of March 31,2022	As of June 30,2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,894	5,208
Short-term borrowings	82	102
Current portion of bonds payable	826	826
Current portion of long-term borrowings	1,891	1,881
Lease liabilities	2,000	2,156
Accounts payable - other	4,748	2,882
Income taxes payable	1,657	802
Provision for bonuses	2,028	1,141
Provision for point card certificates	14	22
Other	4,542	6,185
Total current liabilities	22,688	21,209
Non-current liabilities		
Bonds payable	2,226	16,913
Convertible-bond-type bonds with share acquisition rights	22,902	22,911
Long-term borrowings	7,459	6,739
Lease liabilities	5,049	5,355
Long-term accounts payable - other	1,330	1,385
Retirement benefit liability	705	724
Deferred tax liabilities	995	1,119
Asset retirement obligations	111	112
Other	462	277
Total non-current liabilities	41,244	55,539
Total liabilities	63,933	76,748
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,462	5,475
Capital surplus	7,249	7,262
Retained earnings	52,302	52,870
Treasury shares	(1,330)	(1,236)
Total shareholders' equity	63,684	64,372
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83	74
Deferred gains or losses on hedges	-	1
Foreign currency translation adjustment	1,325	2,693
Total accumulated other comprehensive income	1,409	2,768
Share acquisition rights	1,902	1,892
Non-controlling interests	49	49
Total net assets	67,045	69,083
<b>Total liabilities and net assets</b>	<b>130,978</b>	<b>145,832</b>



(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 30,2021	For the three months ended June 30,2022
Net sales	24,085	26,844
Cost of sales	11,343	12,337
Gross profit	12,741	14,507
Selling, general and administrative expenses	10,189	11,078
Operating profit	2,551	3,428
Non-operating income		
Interest income	2	5
Dividend income	6	7
Foreign exchange gains	68	-
Other	73	99
Total non-operating income	150	111
Non-operating expenses		
Interest expenses	73	88
Bond issuance costs	-	79
Share of loss of entities accounted for using equity method	22	7
Foreign exchange losses	-	50
Other	17	7
Total non-operating expenses	113	233
Ordinary profit	2,588	3,306
Extraordinary income		
Gain on sale of non-current assets	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on retirement of non-current assets	12	2
Other	4	-
Total extraordinary losses	17	2
Profit before income taxes	2,572	3,304
Income taxes - current	522	708
Income taxes - deferred	360	474
Total income taxes	882	1,183
Profit	1,689	2,121
Profit (loss) attributable to non-controlling interests	(1)	0
Profit attributable to owners of parent	1,690	2,121

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

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Profit	1,689	2,121
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(9)
Deferred gains or losses on hedges	-	1
Foreign currency translation adjustment	366	1,336
Share of other comprehensive income of entities accounted for using equity method	1	30
Total other comprehensive income	361	1,359
Comprehensive income	2,051	3,481
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,052	3,480
Comprehensive income attributable to non-controlling interests	(1)	0

### (3) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(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 ¥1,007 million and 225 thousand shares, respectively, for the previous fiscal year, and ¥912 million and 204 thousand shares, respectively, for the first quarter of the fiscal year under review.

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

¥1,073 million for the previous consolidated fiscal year, ¥1,014 million for the first quarter of the fiscal year under review

[Accounting estimate for the impact of the spread of COVID-19]

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)

[Segment Information]

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 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 expense (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 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, 2022

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	25,087	25,087	1,757	26,844
Inter-segment net sales or transfers	—	—	—	—
Total	25,087	25,087	1,757	26,844
Segment profit (loss)	4,670	4,670	(149)	4,520

(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	4,670
Profit of “Other” (loss)	(149)
Corporate expenses (Note)	(1,092)
Operating profit stated in the consolidated statement of income	3,428

(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.