

February 22, 2023

Menicon Co., Ltd.

President and CEO: Hidenari Tanaka

Securities Code: 7780

TSE Prime Market, NSE Premier Market

Contact:

Motonari Watanabe

Senior Executive Officer,

Corporate Management, CFO

Phone: +81-52-935-1646

**(Change of Disclosure Matters) Notice Regarding Partial Changes to the Payment Terms
for the “Notice Regarding Acquisition of Shares (Conversion into Subsidiary)
of Itabashi Trading Co., Ltd. by Menicon Co., Ltd.”**

Menicon Co., Ltd. (Menicon) announced the acquisition of shares of Itabashi Trading Co., Ltd. (Itabashi Trading) for 3,500 million yen (total purchase price of 3,560 million yen including advisory fees, etc.) in the timely disclosure “Notice Regarding Acquisition of Shares (Conversion into Subsidiary) of Itabashi Trading Co., Ltd. by Menicon Co., Ltd.” released on December 17, 2020. However, regarding the “Share Transfer Agreement” (hereinafter the “Original Agreement”) that was concluded at the time of the share acquisition, the Company resolved to conclude an “Amendment Agreement” (hereinafter the “Agreement”) that partially changes the contents of the Original Agreement at the Board of Directors meeting held on February 22, 2023. The Agreement stipulates partial changes to the payment terms of the Earn-out Clause^{*1} stipulated in the Original Agreement. For details, please refer to the followings.

^{*1} The Earn-out Clause stipulates that additional compensation will be paid to the party from whom shares were acquired if certain conditions are met after the share acquisition. As it is possible to determine additional compensation according to performance after the share acquisition, we can reduce the risk to the Company when acquiring shares. In the Original Agreement, payment amounts were set in stages according to the Itabashi Trading Group's achievement of operating profit in order to maximize the synergy of the Itabashi Trading Group and properly evaluate the equity value of Itabashi Trading.

1. Details of the change

In the Original Agreement, an Earn-out Clause was set as an adjustment to the purchase price of Itabashi Trading shares, but within the Earn-out Clause, the payment terms have been changed.

Outline of the Earn-out Clause

(1) Calculation Period (Unchanged from Original Agreement)	Fiscal year ending March 31, 2025 and fiscal year ending March 31, 2026
(2) Payment terms (<u>Changed</u> from Original Agreement)	<p>Additional payments are set in stages according to the average operating profit of the Itabashi Trading Group for the two fiscal years of the calculation period. <u>In the Agreement, the stages of achievement of average operating profit in the payment terms set in the Original Agreement have been expanded. Due to this expansion of the stages of achievement, the maximum payment amount has increased compared to the Original Agreement.</u> The payment amounts are set below the average operating profit of the Itabashi Trading Group for the two fiscal years of the calculation period. In addition, the only change from the Original Agreement is the part related to the expansion of the stages of achievement, and there is no change in the payment amounts corresponding to achievement status stipulated in the Original Agreement.</p> <p>(Before change: payment terms set in the Original Agreement) If the Itabashi Trading Group's average operating profit for the two fiscal years of the calculation period is less than 2,500 million yen, the payment amount will be 0 million yen; if it is between 2,500 million yen and <u>3,500 million yen</u>, the payment amount will be set in stages according to the average operating profit; and if the average operating profit is <u>3,500 million yen or more, the maximum payment amount will be 1,500 million yen.</u></p> <p>(After change: payment terms set in the Agreement) If the Itabashi Trading Group's average operating profit for the two fiscal years of the calculation period is less than 2,500 million yen, the payment amount will be 0 million yen; if it is between 2,500 million yen and <u>8,500 million yen</u>, the payment amount will be set in stages according to the average operating profit; and if the average operating profit is <u>8,500 million yen or more, the maximum payment amount will be 6,500 million yen.</u></p>
(3) Time of payment (Unchanged from Original Agreement)	Fiscal year ending March 31, 2027
(4) Payee (Unchanged from Original Agreement)	Party from whom shares were acquired (I.B CO., LTD. * ²)

*² The President of Itabashi Trading serves as Director of I.B CO., LTD.

2. Reasons for the change

The Company's overseas sales ratio increased from 18%^{*3} in the fiscal year ended March 31, 2021 to 26% in the fiscal year ended March 31, 2022. Sales growth in the fast-growing Chinese market is the driving force behind this, and Itabashi Trading is in charge of sales of orthokeratology-related products in the Chinese market. In the Vision Care Business, sales in Asia, including China, were 5.7 billion yen^{*3} in the fiscal year ended March 31, 2021, but in the fiscal year ended March 31, 2022, after Itabashi Trading was made into a subsidiary, sales almost doubled, reaching 11.5 billion yen.

The conclusion of the Agreement aims to achieve maximize the potential of Itabashi Trading and the synergy of the Itabashi Trading Group, and as a result, further increase the Menicon Group's income by boosting the business expansion in Asian regions, including China under Itabashi Trading's jurisdiction, and maximizing the increase in operating profit that will accompany this business expansion.

^{*3} Sales in Asia in the fiscal year ended March 31, 2021, which makes up overseas sales, includes major exports to China through domestic distributors.

(Reference information) Net sales, Operating profit, Ordinary profit, and Profit attributable to owners of parent in the last three fiscal years

Fiscal year ended	March 31, 2020	March 31, 2021	March 31, 2022
Net sales	8,398 million yen	11,648 million yen	15,088 million yen
Operating profit	939 million yen	1,426 million yen	2,694 million yen
Ordinary profit	795 million yen	1,466 million yen	2,879 million yen
Profit attributable to owners of parent	510 million yen	741 million yen	1,854 million yen

(Note) The above figures are the consolidated financial figures of Itabashi Trading group. The above figures have not been audited by Auditors.

3. Outlook for future performance

This matter will have no effect on the Company's consolidated business results for the fiscal year ending March 31, 2023.

In the accounting treatment for the Original Agreement, goodwill is amortized on a straight-line basis over 10 years. Due to the Earn-out Clause, additional goodwill will arise if payments arise. With regard to that additional goodwill, the amount of amortization for the time (planned for 5 years and 5 months) from the acquisition of the shares of Itabashi Trading until the time of payment determined by the Earn-out Clause (planned for the fiscal year ending March 31, 2027) will be recorded as extraordinary losses all at once.

Based on the payment terms of the Earn-out Clause stipulated in the Agreement, if the Itabashi Trading Group's average operating profit for the two fiscal years of the calculation period (Fiscal year ending March 31, 2025 and fiscal year ending March 31, 2026) is less than 2,500 million yen, no additional payments will arise and therefore no extraordinary losses will be recorded. On the other hand, if the Itabashi Trading Group's average operating profit for the two fiscal years of the calculation period is 2,500 million yen or more, extraordinary losses will be recorded in the fiscal year ending March 31, 2027 due to additional payments, and if average operating profit is 8,500 million yen or more, extraordinary losses of up to 3,520 million yen may be recorded. The Company will promptly disclose any matters that should be disclosed in the future.

End