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Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

May 15, 2023

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

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

Representative: Koji Kawaura

President and COO

Contact: Motonari Watanabe

Senior Executive Officer, Corporate Management, CFO

Phone: +81-52-935-1515

Scheduled date of Annual General Meeting of Shareholders: June 23, 2023

Scheduled date of commencing dividend payments: June 26, 2023

Scheduled date of filing annual securities report: June 26, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	%
Fiscal year ended March 31, 2023	110,194	10.0	12,062	21.1	11,755	16.9	7,377	13.8
March 31, 2022	100,172	16.2	9,957	22.8	10,055	20.5	6,481	8.9

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 8,459 million [5.5%]
Fiscal year ended March 31, 2022: ¥ 8,019 million [17.5%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	97.25	89.78	10.7	8.3	10.9
March 31, 2022	85.72	79.08	10.4	7.8	9.9

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ (19) million
Fiscal year ended March 31, 2022: ¥ 26 million

(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	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2023	152,522	74,665	47.5	953.74
March 31, 2022	130,978	67,045	49.7	859.03

(Reference)

Equity: As of March 31, 2023: ¥ 72,460 million
As of March 31, 2022: ¥ 65,093 million

(Note) Effective October 1, 2021, we conducted a 2-for-1 stock split of common stock. Accordingly, the net assets per share is calculated on the assumption that the said stock split was conducted at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	12,749	(13,776)	8,900	40,664
March 31, 2022	12,719	(16,149)	(5,402)	32,611

2. Dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2022	-	0.00	-	20.00	20.00	1,520	23.3	2.4
March 31, 2023	-	0.00	-	25.00	25.00	1,902	25.7	2.8
Fiscal year ending								
March 31, 2024 (Forecast)	-	0.00	-	25.00	25.00		25.0	

(Note) Total dividends include the following dividend payments for the Company's stock held by Custody Bank of Japan, Ltd. (trust E account): 4 million yen in the fiscal year ended March 31, 2022, and 3 million yen in the fiscal year ended March 31, 2023).

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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	116,000	5.3	12,300	2.0	12,000	2.1	7,600	3.0	100.01

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) 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

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

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

March 31, 2023: 76,527,888 shares

March 31, 2022: 76,421,288 shares

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

March 31, 2023: 553,319 shares

March 31, 2022: 645,332 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2023: 75,862,403 shares

Fiscal Year ended March 31, 2022: 75,612,998 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 is 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 to be deducted in calculating the average number of shares during the period, and are included in the total number of treasury shares at the end of the period.

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	64,254	4.6	3,248	(12.0)	4,086	2.3	2,844	6.9
March 31, 2022	61,405	2.8	3,693	(30.8)	3,996	(24.2)	2,660	(13.7)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	37.49	34.79
March 31, 2022	35.19	32.63

(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) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	129,595	60,961	45.4	774.04
March 31, 2022	110,775	58,888	51.4	752.03

(Reference) Equity: As of March 31, 2023: ¥ 58,807 million
As of March 31, 2022: ¥ 56,985 million

(Note) Effective October 1, 2021, we conducted a 2-for-1 stock split of common stock. Accordingly, the net assets per share is 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 the forecast of consolidated business results assumptions and our response, please refer to “1. Overview of Business Results (5) Outlook” on Page 5 of the appendix.

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1. Overview of Business Results

(1) Overview of Business Results for the Fiscal Year Under Review

During the period under review, as restrictions due to COVID-19 relaxed, the global economy showed signs of recovery in economic activities. However, the outlook remained uncertain on account of factors such as instability in international affairs and persistent inflation. The Japanese economy showed signs of recovery as the transition to a lifestyle in the era of living with COVID-19 progressed; however, the conspicuous price rises mainly due to soaring prices of raw materials constantly creates concern about the impact on personal consumption trends.

Under these circumstances, the contact lens market trended toward overseas growth for disposable contact lenses, especially daily disposable contact lenses, while in the domestic market, there was sustained growth in demand for bifocal contact lenses and circle lenses, which are designed to make eyes appear larger.

Performances in each business units are as follows.

[Domestic Vision Care Business]

The domestic contact lens market is on the road to recovery from the impact of COVID-19 infections. Demand has returned to almost pre-Covid levels, and the market is expected to continue recovering. Demand for daily disposable contact lenses is rising due to the expansion of our lineup of highly safe silicone hydrogel materials. In addition, the market for bifocal contact lenses is growing due to the aging of existing users and the emergence of problems such as presbyopia and eye fatigue caused by the increase in close work due to greater time at home.

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, and to increase the number of MELS Plan members and to maximize lifetime value, and to penetrate and strengthen our brand image.

As for product measures, we launched gray and hazel two new colors for the daily disposable "1DAY FRUTTIE," which are highly popular as a fashion item when wearing a mask. "2WEEK Menicon Rei" are color contact lenses with an ultra-fine flower dot design that naturally blends with eye colors. "2WEEK Menicon Rei" for myopia was released in 2014 and "2WEEK Menicon Rei Toric" for astigmatism was released in 2015, both of which have been well received. With the expansion of the colored contact lens market in recent years, the age groups of users have broadened with increased needs to "continue using colored contact lenses even after a change in vision with aging." In order to satisfy these needs, we began selling "2WEEK Menicon Rei Multifocal." We also launched "XC," RGP contact lenses that can be replaced every three months, as well as "XC bifocal" which is a bifocal type of XC. These products are RGP contact lenses with high oxygen permeability but can be regularly replaced. Because of regular replacement, users can enjoy the comfort of using lenses in a good condition on a regular basis, and in addition, it makes it easier for users to have spare lenses on hand. Furthermore, users can replace lenses as soon as they feel the lens malfunctioning, which makes it more convenient and comfortable to use RGP contact lenses. We will continue to propose a "New Vision of Miru" by offering products that accommodate the lifestyles and needs of each and every customer.

In terms of promotional measures, we released "May Everyone's Eyes Shine! Project," a movie to commemorate our 70th anniversary. We also showed our thoughts for our founding corporate principle of "Contributing to society by providing superior visual correction," "Dedicating to deliver safe and secure products and enriching daily life with the joy of sight for everyone". The MELS Plan aired a new nationwide television advertisement, "The Butler's Appearance," featuring Ms. Minami Hamabe. MELS Plan provided services to 1.34 million members as of March 31, 2023.

For the Menicon Group's retail shops "Miru," in order to attract more customers we created and aired a new television advertisement, "Miru with Happy Music Notes," which features Ms. Minami Hamabe. In addition, we 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. We also introduced an online consultation service using original avatars as a new option for customers in order to address the diversification of needs due to changing lifestyles in addition to conventional face-to-face customer service. As a result of these efforts, net sales of the Domestic Vision Care Business increased by 2.4% year on year.

[Overseas Vision Care Business]

The impact of COVID-19 infections has largely dissipated and consumer demand has recovered; however, our operating activities took place in an environment of supply chain instability and extreme economic uncertainty of global inflation and the rising cost of materials due to the Ukraine-Russia conflict. Under these severe circumstances, we promoted our growth strategies in the overseas vision care business, while maintaining a balance between supply and demand.

In Asia, and most notably in China, sales remained steady for orthokeratology lenses and care products. Net sales increase by 35.4% year on year. Although there was temporary turmoil caused by China's zero-Covid policy, net sales expanded steadily at a full-year view. Additionally, we advanced our preparation for further market expansion by obtaining approval for our new "Menicon Z Night" orthokeratology lens.

In Europe, we were able to expand business performance with a year-on-year increase in net sales of 20.1%. While attention is focused on sustainability initiatives such as SDGs, we have started new transactions with major mass retailers with Miru 1DAY Flat Pack as our main product, taking advantage of the environmentally friendly product features. In addition, we achieved revenue growth by initiating large-scale transactions in care products and expanding the product items.

In North America, net sales increased by 23.4% year-on-year, in spite of being affected by supply chain disruptions. Especially the care product business drove the sale growth.

As a result of these efforts, net sales of the Overseas Vision Care Business increased by 28.4% year-on-year, driven by sales expansion through strategic promotion and the effect of yen depreciation. The overseas sales ratio increased from 22.2% for the fiscal year ended March 31, 2022 to 25.9% for the fiscal year ended March 31, 2023.

[Others]

The healthcare and life care businesses are concentrating on challenging to create health support and joy for people through the five senses.

In the overseas market, the food business and composting-related business performed steadily. In addition, regarding the animal symbiosis business &D, we opened "&HAUS" in Kasama City of Ibaraki Prefecture, which is a facility that supports the operation of "Dog Future Guarantee" as a core service of &D. At this facility, we are gradually expanding the services, such as opening a dog run and selling associated merchandise. In the life support business, "MIGLIS," a motile sperm isolation device, performed well, in response to the activation of the fertility market following the introduction of insurance coverage of fertility treatment in Japan. In the Animal Health Care Business, sales of intraocular lenses and therapeutic contact lenses were steady.

As a result of these efforts, net sales of the Other Business increased by 30.7% year on year.

As a result of these efforts, the Group's consolidated business results for the fiscal year ended March 31, 2023 are as follows.

Since net sales increased by 10.0% year on year to ¥110,194 million as the result of the global economic recovery and the steady increasing sales in China as well as the impact of foreign exchange fluctuation. Operating profit increased by 21.1% year on year to ¥12,062 million because of an increase in net sales and efficient use of selling, general and administrative expenses, and ordinary profit rose by 16.9% year on year to ¥11,755 million mainly due to exchange loss from foreign currency-denominated liabilities revaluation. As a result of the above factors, profit attributable to owners of parent increased by 13.8% year on year to ¥7,377 million.

Business results by segment are as follows.

1) Vision Care Business

Sales of the Vision Care Business were ¥101,652 million, an increase of 8.6% year on year. Segment profit was ¥17,493 million, an increase of 14.0% year on year.

Sales of the Vision Care Business increased by ¥8,013 million year on year. This was primarily due to the recovery from the impact of COVID-19 and the steady increasing sales of orthokeratology lenses and care products in China. Overseas and domestic sales posted year-on-year increase of ¥6,312 million and ¥1,700 million, respectively. MELS Plan sales increased by ¥851 million year on year, mainly due to an increase in the membership of daily disposal contact lenses which has higher average spend per head.

Segment profit increased by ¥2,151 million year on year due to an increase in sales in the Overseas Vision Care Business.

2) Others

Sales of Other business were ¥8,541 million for the fiscal year under review, an increase of 30.7% year on year, mainly due to an increase in the overseas sales in Food Business. Segment loss was ¥775 million, compared with a segment loss of ¥760 million for the previous year.

(2) Overview of Financial Position for the Fiscal Year Under Review

(Assets)

Total assets at the end of the fiscal year under review were ¥152,522 million, having increased by ¥21,544 million from the end of the previous fiscal year. Current assets increased by ¥13,512 million to ¥77,701 million mainly owing to an increase in cash and deposits resulting from the issuance of bonds. Non-current assets increased by ¥8,031 million to ¥74,821 million, primarily due to the manufacturing factory building and facilities investments in Menicon Malaysia and the manufacturing facilities investments in Menicon Singapore in order to expand the product capacity for daily disposable contact lenses, and the manufacturing facilities investments in Menicon Nect for care product.

(Liabilities and net assets)

Liabilities increased by ¥13,923 million from the end of the previous fiscal year to ¥77,856 million mainly due to the issuance of bonds.

Net assets increased ¥7,620 million from the end of the previous fiscal year to ¥74,665 million mainly due to an increase in retained earnings due to the recording of profit attributable to owners of parent.

As a result, the capital adequacy ratio was 47.5%.

(3) Overview of Cash Flows for the Fiscal Year Under Review

Cash and cash equivalents at the end of the fiscal year under review were ¥40,664 million, having increased by ¥8,053 million or 24.7% from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥12,749 million, compared with net cash by operating activities amounting to ¥12,719 million for the previous fiscal year, mainly due to an increase in profit before income taxes and depreciation, although the cash-out increase due to an increase in trade receivables and inventories.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥13,776 million, compared with net cash used by investing activities amounting to ¥16,149 million for the previous fiscal year, mainly due to the manufacturing factory building and facilities investments in Menicon Malaysia and the manufacturing facilities investments in Menicon Singapore in order to expand the product capacity for daily disposable contact lenses, and the manufacturing facilities investments in Menicon Nect for care product.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥8,900 million, compared with net cash used in financing activities amounting to ¥5,402 million in the previous fiscal year, mainly due to the issuance of bonds.

(4) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Under Review and for the Next Fiscal Year

Our basic policy is to pay year-end dividends once a year. Based on our policy of maintaining stable dividends, we have decided to pay an ordinary dividend of ¥25 per share for the fiscal year under review, which is an increase of ¥5 from the previous fiscal year. The dividend for the next fiscal year is planned to be ¥25 per share, which is the same amount as the current fiscal year.

(5) Outlook

The environment surrounding the Group is expected to remain uncertain, with the status on containing COVID-19, heightened geopolitical risks and the ensuing high raw material and energy prices, and exchange rate fluctuation, etc., affecting consumer behavior and business activities. In this environment, we will continue to focus on growing overseas sales, expanding sales of daily disposable contact lenses, and increasing the number of MELS Plan members, aiming to achieve net sales of ¥140 billion, an operating profit margin of 12%, and ROE of 10% by the fiscal year ending March 31, 2026, which we set as our medium-term management targets.

In overseas market, demand for orthokeratology lenses and care products in Asia, particularly in China, continues to be robust. We are planning a new line-up of orthokeratology lenses in China and will aim to expand sales through efforts such as increasing product recognition and developing new sales channels. We will enhance production capacity by preparing to set up an orthokeratology lens factory in China and investing in production facilities for care products at Japanese factories in order to meet growing demand.

Demand for daily disposable contact lenses is also expected to grow globally. We aim to expand revenue growth primarily by promoting OEM supply to mass retailers to expand sales of disposable contact lenses in Europe and North America. We will also increase production capacity to meet growing demand by starting up the Malaysia Factory and investing in production facilities in Japan and Singapore.

In the domestic market, in our mainstay business, MELS Plan, we will work to grow membership numbers by expanding our product lineup, and in terms of channels, will strengthen our network of Group company retail shops and MELS Plan member facilities. In addition, we will provide bifocal contact lenses for people in their 40s who are beginning to feel the initial symptoms of presbyopia and we will also create an environment that provides a safe eye life even for school-age children whose myopia is prone to increase in severity with the proliferation of digital media.

In addition, we will continue to strengthen the development of new products in the vision care business and to prepare for the operation of new manufacturing factories such as the Malaysian factory for growth in the future.

Based on the above, for the next fiscal year, we project net sales of ¥116,000 million, operating profit of ¥12,300 million, ordinary profit of ¥12,000 million, and profit attributable to owners of parent of ¥7,600 million.

These forecasts for business results have been calculated based on information currently available to our company and certain assumptions that we have deemed reasonable. Business activities and actual results may be affected by various factors in the future.

2. Basic Approach for Selection of Accounting Standards

The Group applies Japanese Accounting Standards.

The Group intends to examine whether to adopt the International Financial Reporting Standards (IFRS) in light of global business development and domestic and overseas trends.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	33,046	41,249
Notes and accounts receivable - trade	11,269	12,411
Securities	-	36
Merchandise and finished goods	11,454	12,746
Work in process	1,304	1,267
Raw materials and supplies	3,025	3,404
Other	4,227	6,746
Allowance for doubtful accounts	(140)	(161)
Total current assets	64,188	77,701
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,286	28,137
Accumulated depreciation	(11,804)	(12,796)
Buildings and structures, net	14,481	15,340
Machinery, equipment and vehicles	26,617	29,599
Accumulated depreciation	(18,142)	(19,275)
Machinery, equipment and vehicles, net	8,475	10,324
Tools, furniture and fixtures	9,609	10,367
Accumulated depreciation	(7,998)	(8,707)
Tools, furniture and fixtures, net	1,611	1,659
Land	4,983	4,996
Leased assets	2,217	2,217
Accumulated depreciation	(516)	(742)
Leased assets, net	1,700	1,474
Right of use assets	6,462	7,110
Accumulated depreciation	(2,227)	(2,973)
Right of use assets, net	4,235	4,136
Construction in progress	13,924	19,163
Other	10	46
Accumulated depreciation	-	-
Other, net	10	46
Total property, plant and equipment	49,421	57,143
Intangible assets		
Goodwill	2,748	2,368
Patent right	484	357
Other	8,368	8,744
Total intangible assets	11,601	11,470
Investments and other assets		
Investment securities	515	499
Deferred tax assets	2,499	2,567
Other	2,764	3,140
Allowance for doubtful accounts	(11)	(0)
Total investments and other assets	5,767	6,207
Total non-current assets	66,790	74,821
Total assets	130,978	152,522

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,894	5,609
Short-term borrowings	82	126
Current portion of bonds payable	826	726
Current portion of long-term borrowings	1,891	1,488
Lease liabilities	2,000	1,301
Accounts payable - other	4,748	5,517
Income taxes payable	1,657	1,506
Provision for bonuses	2,028	1,967
Provision for point card certificates	14	24
Other	4,542	6,084
Total current liabilities	22,688	24,352
Non-current liabilities		
Bonds payable	2,226	16,500
Convertible-bond-type bonds with share acquisition rights	22,902	22,936
Long-term borrowings	7,459	5,936
Lease liabilities	5,049	4,566
Long-term accounts payable - other	1,330	1,232
Retirement benefit liability	705	720
Deferred tax liabilities	995	1,258
Asset retirement obligations	111	115
Other	462	236
Total non-current liabilities	41,244	53,503
Total liabilities	63,933	77,856
Net assets		
Shareholders' equity		
Share capital	5,462	5,487
Capital surplus	7,249	7,275
Retained earnings	52,302	58,127
Treasury shares	(1,330)	(919)
Total shareholders' equity	63,684	69,971
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83	122
Foreign currency translation adjustment	1,325	2,366
Total accumulated other comprehensive income	1,409	2,489
Share acquisition rights	1,902	2,153
Non-controlling interests	49	52
Total net assets	67,045	74,665
Total liabilities and net assets	130,978	152,522

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	100,172	110,194
Cost of sales	47,293	51,719
Gross profit	52,879	58,474
Selling, general and administrative expenses	42,922	46,411
Operating profit	9,957	12,062
Non-operating income		
Interest income	19	36
Dividend income	11	12
Share of profit of entities accounted for using equity method	26	-
Fair value adjustment of contingent consideration	90	33
Subsidy income	69	45
Insurance claim income	67	44
Other	236	248
Total non-operating income	522	420
Non-operating expenses		
Interest expenses	332	361
Bond issuance costs	-	79
Share of loss of entities accounted for using equity method	-	19
Foreign exchange losses	5	217
Other	86	50
Total non-operating expenses	424	728
Ordinary profit	10,055	11,755
Extraordinary income		
Gain on sale of non-current assets	2	3
Total extraordinary income	2	3
Extraordinary losses		
Loss on sale of non-current assets	2	6
Loss on retirement of non-current assets	136	229
Impairment losses	15	2
Other	3	1
Total extraordinary losses	157	239
Profit before income taxes	9,900	11,518
Income taxes - current	3,552	3,983
Income taxes - deferred	(133)	155
Total income taxes	3,418	4,138
Profit	6,481	7,380
Profit (Loss) attributable to non-controlling interests	(0)	2
Profit attributable to owners of parent	6,481	7,377

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	6,481	7,380
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	38
Foreign currency translation adjustment	1,532	1,009
Share of other comprehensive income of entities accounted for using equity method	10	31
Total other comprehensive income	1,538	1,079
Comprehensive income	8,019	8,459
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,020	8,456
Comprehensive income attributable to non-controlling interests	(0)	2

(3) Consolidated Statements of Changes in Net assets

For the fiscal year ended March 31, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,414	6,640	47,660	(442)	59,273
Cumulative effects of changes in accounting policies			(516)		(516)
Restated balance	5,414	6,640	47,143	(442)	58,756
Changes during period					
Issuance of new shares	47	47			94
Dividends of surplus			(1,322)		(1,322)
Profit attributable to owners of parent			6,481		6,481
Purchase of treasury shares				(1,190)	(1,190)
Disposal of treasury shares		562		301	864
Change in scope of equity method					-
Net changes in items other than shareholders' equity					
Total changes during period	47	609	5,158	(888)	4,927
Balance at end of period	5,462	7,249	52,302	(1,330)	63,684

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	87	(217)	(129)	1,790	49	60,985
Cumulative effects of changes in accounting policies						(516)
Restated balance	87	(217)	(129)	1,790	49	60,468
Changes during period						
Issuance of new shares						94
Dividends of surplus						(1,322)
Profit attributable to owners of parent						6,481
Purchase of treasury shares						(1,190)
Disposal of treasury shares						864
Change in scope of equity method						-
Net changes in items other than shareholders' equity	(4)	1,543	1,538	111	(0)	1,649
Total changes during period	(4)	1,543	1,538	111	(0)	6,577
Balance at end of period	83	1,325	1,409	1,902	49	67,045

For the fiscal year ended March 31, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,462	7,249	52,302	(1,330)	63,684
Cumulative effects of changes in accounting policies					-
Restated balance	5,462	7,249	52,302	(1,330)	63,684
Changes during period					
Issuance of new shares	25	25			50
Dividends of surplus			(1,520)		(1,520)
Profit attributable to owners of parent			7,377		7,377
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				411	411
Change in scope of equity method			(32)		(32)
Net changes in items other than shareholders' equity					
Total changes during period	25	25	5,824	411	6,287
Balance at end of period	5,487	7,275	58,127	(919)	69,971

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	83	1,325	1,409	1,902	49	67,045
Cumulative effects of changes in accounting policies						-
Restated balance	83	1,325	1,409	1,902	49	67,045
Changes during period						
Issuance of new shares						50
Dividends of surplus						(1,520)
Profit attributable to owners of parent						7,377
Purchase of treasury shares						(0)
Disposal of treasury shares						411
Change in scope of equity method		27	27			(5)
Net changes in items other than shareholders' equity	38	1,013	1,052	251	2	1,306
Total changes during period	38	1,041	1,079	251	2	7,620
Balance at end of period	122	2,366	2,489	2,153	52	74,665

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	9,900	11,518
Depreciation	6,394	7,035
Impairment losses	15	2
Amortization of goodwill	899	413
Loss on retirement of non-current assets	136	229
Interest and dividend income	(30)	(49)
Interest expenses	332	361
Foreign exchange losses (gains)	(173)	23
Decrease (increase) in trade receivables	(232)	(937)
Decrease (increase) in inventories	260	(1,287)
Increase (decrease) in trade payables	645	655
Increase (decrease) in provision for bonuses	84	(86)
Other, net	(1,457)	(855)
Subtotal	16,775	17,023
Interest and dividends received	28	50
Interest paid	(233)	(231)
Income taxes paid	(3,850)	(4,093)
Net cash provided by (used in) operating activities	12,719	12,749
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	164	171
Purchase of intangible assets	(1,225)	(1,540)
Purchase of property, plant and equipment	(14,721)	(11,435)
Proceeds from sale of property, plant and equipment	16	8
Other, net	(382)	(979)
Net cash provided by (used in) investing activities	(16,149)	(13,776)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(178)	38
Proceeds from long-term borrowings	1,190	-
Repayments of long-term borrowings	(1,702)	(1,926)
Proceeds from issuance of bonds	-	14,920
Redemption of bonds	(1,029)	(826)
Purchase of treasury shares	(1,190)	(0)
Proceeds from sale of treasury shares	818	270
Repayments of lease liabilities	(2,064)	(2,083)
Dividends paid	(1,321)	(1,519)
Other, net	76	26
Net cash provided by (used in) financing activities	(5,402)	8,900
Effect of exchange rate change on cash and cash equivalents	322	179
Net increase (decrease) in cash and cash equivalents	(8,509)	8,053
Cash and cash equivalents at beginning of period	41,120	32,611
Cash and cash equivalents at end of period	32,611	40,664

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

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 ¥595 million and 133 thousand shares respectively for the fiscal year under review.

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

¥1,073 million for the previous fiscal year, ¥803 million for the fiscal year under review.

(Segment information)

[Segment Information]

1. Overview of reportable segments

Reportable segments of the Group are components of the Group for which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding allocation of resources and in assessing performance.

Considering the similarity of products and services and the materiality, the Vision Care Business is determined to be the reportable segment of the Group.

The Vision Care Business carries out the production and sales of contact lenses, lens care products, and products related thereto.

2. Calculation method for net sales, profit (loss), assets, liabilities and other items by reportable segment

The method of accounting treatment for the reportable business segment is the same as that adopted for preparation of consolidated financial statements.

Profit of the reportable segment is on an operating profit basis.

Inter-segment profit and transfers are based on market prices.

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment

Fiscal year from April 1, 2021 to March 31, 2022

(Million yen)

	Reportable segment	Others (Note)	Total
	Vision Care Business		
Net sales			
Net sales to external customers	93,639	6,533	100,172
Inter-segment net sales or transfers	—	—	—
Total	93,639	6,533	100,172
Segment profit (loss)	15,342	(760)	14,582
Segment assets	105,661	4,888	110,550
Other items			
Depreciation	6,157	46	6,203
Increase in property, plant and equipment and intangible assets	14,438	37	14,476

(Note) "Others" is a business segment not included in the reportable segment and includes the healthcare and life care businesses.

Fiscal year under review (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segment	Others (Note)	Total
	Vision Care Business		
Net sales			
Net sales to external customers	101,652	8,541	110,194
Inter-segment net sales or transfers	—	—	—
Total	101,652	8,541	110,194
Segment profit (loss)	17,493	(775)	16,718
Segment assets	123,292	5,958	129,251
Other items			
Depreciation	6,822	52	6,875
Increase in property, plant and equipment and intangible assets	12,965	88	13,054

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

4. Differences between the total amount of the reportable segment and the amount stated in consolidated financial statements, and major breakdown of such differences (Reconciliation)

(Million yen)

Net sales	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	93,639	101,652
Net sales of “Others”	6,533	8,541
Elimination of inter-segment transactions	—	—
Net sales stated in consolidated financial statements	100,172	110,194

(Million yen)

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable segment total	15,342	17,493
Profit (Loss) of “Others”	(760)	(775)
Corporate expenses (Note)	(4,625)	(4,655)
Operating profit stated in consolidated financial statements	9,957	12,062

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

(Million yen)

Assets	As of March 31, 2022	As of March 31, 2023
Reportable segment total	105,661	123,292
Assets of “Others”	4,888	5,958
Corporate assets (Note)	20,428	23,271
Assets stated in consolidated financial statements	130,978	152,522

(Note) Corporate assets are mainly cash and deposits of the head office and the head office building, which are not attributable to the reportable segment.

(Million yen)

Other items	Reportable segment total		Others		Adjustment		Amounts stated in consolidated financial statements	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Depreciation	6,157	6,822	46	52	191	160	6,394	7,035
Increase in property, plant and equipment and intangible assets	14,438	12,965	37	88	1,362	1,495	15,838	14,549

(Note) Adjustment of the increase in property, plant and equipment and intangible assets corresponds to capital investment for the equipment of head office.

[Related Information]

Fiscal year from April 1, 2021 to March 31, 2022

1. Information by product/service

(Million yen)

	MELS Plan	Manufacture and sales of contact lenses and care products	Others	Total
Net sales to external customers	44,639	42,618	12,915	100,172

(Note) "Others" is a business segment not included in the reportable segment and includes the healthcare and life care businesses.

2. Geographical information

(1) Net sales

(Million yen)

Japan	Europe	North America	Asia	Others	Total
74,450	9,239	1,135	14,801	546	100,172

(Note) Net sales are classified according to countries or regions based on the locations of customers.

(2) Property, plant and equipment

(Million yen)

Japan	Europe	North America	Asia	Others	Total
33,584	4,856	12	10,952	15	49,421

(Note) Property, plant and equipment are classified according to countries or regions based on the locations of property, plant and equipment.

3. Information by major customer

This information is not stated because, of net sales to external customers, no customer represents 10% or more of net sales stated in the consolidated statements of income.

Fiscal year under review (from April 1, 2022 to March 31, 2023)

1. Information by product/service

(Million yen)

	MELS Plan	Manufacture and sales of contact lenses and care products	Others	Total
Net sales to external customers	45,491	49,387	15,315	110,194

(Note) "Others" is a business segment not included in the reportable segment and includes the healthcare and life care businesses.

2. Geographical information

(1) Net sales

(Million yen)

Japan	Europe	North America	Asia	Others	Total
76,834	10,914	1,392	20,189	863	110,194

(Note) Net sales are classified according to countries or regions based on the locations of customers.

(2) Property, plant and equipment

(Million yen)

Japan	Europe	North America	Asia	Others	Total
34,361	5,505	52	17,210	13	57,143

(Note) Property, plant and equipment are classified according to countries or regions based on the locations of property, plant and equipment.

3. Information by major customer

This information is not stated because, of net sales to external customers, no customer represents 10% or more of net sales stated in the consolidated statements of income.

[Information on impairment loss of non-current assets by reportable segment]

Fiscal year from April 1, 2021 to March 31, 2022

(Million yen)

	Reportable segment	Others (Note)	Corporate/elimination	Total
	Vision Care Business			
Impairment loss	15	—	—	15

(Note) "Others" is a business segment not included in the reportable segment and includes the healthcare and life care businesses.

Fiscal year under review (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segment	Others (Note)	Corporate/elimination	Total
	Vision Care Business			
Impairment loss	2	—	—	2

(Note) "Others" is a business segment not included in the reportable segment and includes the healthcare and life care businesses.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Fiscal year from April 1, 2021 to March 31, 2022

(Million yen)

	Reportable segment	Others (Note)	Corporate/elimination	Total
	Vision Care Business			
Amortization	899	—	—	899
Unamortized balance	2,748	—	—	2,748

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

Fiscal year under review (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segment	Others (Note)	Corporate/elimination	Total
	Vision Care Business			
Amortization	413	—	—	413
Unamortized balance	2,368	—	—	2,368

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

[Information on gain on bargain purchase by reportable segment]

Fiscal year from April 1, 2021 to March 31, 2022

Not applicable.

Fiscal year under review (from April 1, 2022 to March 31, 2023)

Not applicable.

(Per share information)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Fiscal year under review (from April 1, 2022 to March 31, 2023)
Net assets per share	Yen 859.03	Yen 953.74
Basic earnings per share	85.72	97.25
Diluted earnings per share	79.08	89.78

- (Note) 1. Effective October 1, 2021, we conducted a 2-for-1 stock split of common stock. Accordingly, net assets per share, 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. The amount of net assets per share and net income per share and adjusted net income per share are calculated, assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.
2. The shares of the company remaining in the Trust recorded as treasury stock in shareholders' equity are included in the treasury stock to be deducted in the calculation of the average number of shares during the period in the calculation of net income per share, and per share. For the calculation of net assets, it is included in the number of treasury stock to be deducted from the total number of issued shares at the end of the fiscal year. The average number of treasury stock deducted during the period for calculating net income per share was 137,711 shares for the previous fiscal year and 181,015 shares for the current fiscal year, and the number of treasury stock deducted at the end of the fiscal year for calculating net asset value per share was 225,200 shares for the previous fiscal year 133,100 shares for the current fiscal year.
3. The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Fiscal year under review (from April 1, 2022 to March 31, 2023)
(1) Basic earnings per share		
Profit attributable to owners of parent (Million yen)	6,481	7,377
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent pertaining to shares of common stock (Million yen)	6,481	7,377
Average number of shares of common stock (shares)	75,612,998	75,862,403
(2) Diluted earnings per share		
Adjusted profit attributable to owners of parent (Million yen)	23	23
Increase in the number of shares of common stock (shares)	6,653,986	6,569,901
[Convertible bond-type bonds with share acquisition rights (shares)]	[6,220,250]	[6,233,569]
[Share acquisition rights (shares)]	[433,735]	[336,332]
Summary of Residual securities not included in the calculation of diluted earnings per share because of no dilutive effect	—	—

4. The basis for calculation of net assets per share is as follows.

	Previous fiscal year (as of March 31, 2022)	Fiscal year under review (as of March 31, 2023)
Total net assets (Million yen)	67,045	74,665
Amount to be deducted from total net assets (Million yen)	1,951	2,205
[Share acquisition rights (Million yen)]	[1,902]	[2,153]
[Non-controlling interests (Million yen)]	[49]	[52]
Net assets pertaining to shares of common stock at end of period (Million yen)	65,093	72,460
Number of shares of common stock at end of period used for calculation of net assets per share (shares)	75,775,956	75,974,569

(Significant subsequent events)

The Company issued straight bonds with the following terms and conditions.

(1) Name of bonds	Menicon Co., Ltd. 2nd Issuance of Unsecured Straight Bonds (with inter-bond pari passu clause)
(2) Total amount of bonds	¥20,000 million
(3) Denomination per bond	¥100 million
(4) Total amount of issue price	¥20,000 million
(5) Issue price	¥100 per amount of ¥100 of each bond
(6) Interest rate	1.280% per annum
(7) Redemption method	Redemption upon maturity
(8) Maturity date	April 20, 2033
(9) Issue date	April 20, 2023
(10) Use of proceeds	The Company plans to use ¥14,500 million for investments and loans to Menicon Malaysia Sdn. Bhd., a consolidated subsidiary of the Company, and portion of the cash on hand that decreased as a result of the said investments and loans, by March, 2025. and ¥2,500 million for investments and loans to Menicon Singapore Pte. Ltd., a consolidated subsidiary of the Company, and portion of the cash on hand that decreased as a result of the said investments and loans, by March, 2024. These subsidiaries will use the investment and loan proceeds for capital investment intended to strengthen the production facilities for the daily disposable contact lenses. The Company plans to use the remaining amount for a portion of investments and loans to Menicon Nect Co., Ltd., a consolidated subsidiary of the Company, by September 2024. This subsidiary will use the investment and loan proceeds for capital investment intended to strengthen the production facilities for contact lens care products.