

Consolidated Financial Results for the Three Months Ended June 30, 2023

Securities Code : 7780

Menicon Co., Ltd.

August 10, 2023

- I . Summary of Consolidated Financial Results
for FY2023 1Q
- II . Forecast of Consolidated Financial Results
for FY2023
- III. Growth Strategies

I . Summary of Consolidated Financial Results for FY2023 1Q

➤ Consolidated Financial Results for FY2023 1Q

Net Sales : JPY **28.4 bn** / YoY **+6.0%** (increase in sales)

【 Vision Care 】

✓Japan...

MELS Plan : Sales growth mainly due to increase in Daily disposable contact lenses membership

Total number of MELS Plan Members : **1.34million**

Product sales and Others : Sales growth due to increase in 3C PLAN*1 members

✓Overseas...

Asia : Decrease in sales due to the impact of the COVID-19 in China*2

Europe and North America : Growth in Daily disposable contact lenses and Lens care products

【 Healthcare and life care 】

✓Growth due to expansion of Food business in China

(Reference) **Overseas sales (consolidated) : JPY 7.76 bn → JPY 8.88 bn (+14.4%)**

Impact of yen depreciation +6.5%, growth in local currency +7.9%

Overseas sales ratio: 28.9% → 31.2% (+2.3 pt)

*1 A service that allows customers to purchase contact lenses other than our products at a flat monthly fee.

*2 Since the fiscal year end of Menicon Japan and the Chinese subsidiary is different, Menicon Japan's first quarter financial results (Apr. to Jun.) include first quarter financial results (Jan. to Mar.) of the Chinese subsidiary.

➤ Consolidated Financial Results for FY2023 1Q

Gross profit: **JPY 15.0 bn, YoY +4.0% (increase in profit)**

Cost of sales ratio: 46.0% → **47.0%** (+1.0pt)

- ✓ Cost of sales ratio increased due to
Growth rate of Vision care < Growth rate of Healthcare and life care

Operating profit : JPY 2.6 bn, **YoY Δ 23.6% (decrease in profit)**

Operating profit ratio : 12.8% → **9.2%** (Δ 3.6pt)

- ✓ While sales are increasing, the cost of sales ratio is rising
- ✓ Due to increase expenses for preparing of new plants and strengthening new product development, etc, SGA ratio increased

SGA ratio : 41.3% → 43.8% (+2.5pt)

Summary of Financial Results for FY2034 1Q

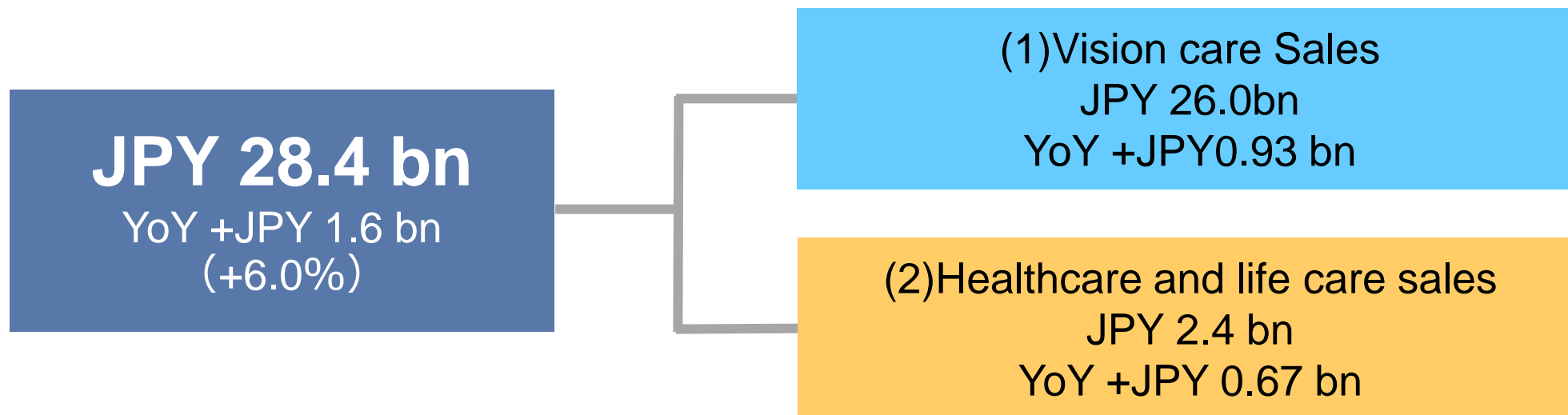
	FY2022 1Q	FY2023 1Q	YoY
			JPY m
Net sales	26,844	28,446	+6.0%
Cost of sales	12,337	13,365	+8.3%
(Cost of sales ration)	46.0%	47.0%	(+1.0pt)
Gross Profit	14,507	15,080	+4.0%
SGA	11,078	12,462	+12.5%
(SGA ratio)	41.3%	43.8%	(+2.5pt)
Operating profit	3,428	2,617	-23.6%
(Operating profit ratio)	12.8%	9.2%	(-3.6pt)
Ordinary profit	3,306	2,392	-27.6%
Profit attributable to owners of parent	2,121	1,577	-25.6%

Breakdown of Net Sales

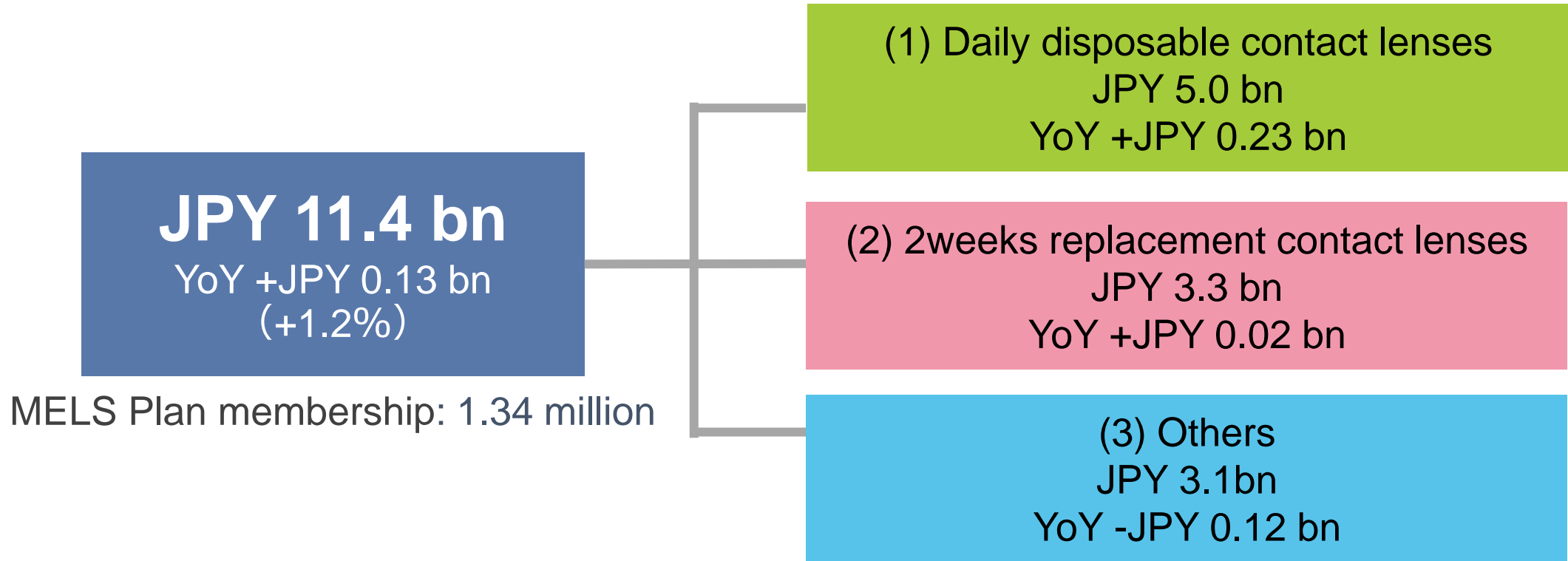
	FY2022 1Q	FY2023 1Q	YoY
Net Sales	26,844	28,446	+6.0%
(1) Vision Care	25,087	26,019	+3.7%
Net sales in Japan	18,256	18,472	+1.2%
MELS Plan	11,357	11,489	+1.2%
Product sales* and Others	6,899	6,983	+1.2%
Overseas sales	6,830	7,546	+10.5%
Asia	3,723	3,547	-4.7%
Europe	2,582	3,281	+27.1%
North America	375	542	+44.6%
Oceania and Africa. Etc.	149	173	+16.3%
(2) Healthcare and life care	1,757	2,427	+38.1%
Net sales in Japan	822	1,092	+32.8%
Overseas sales	934	1,334	+42.9%

JPY m

*"Product sales" refers to contact lenses and lens care products.



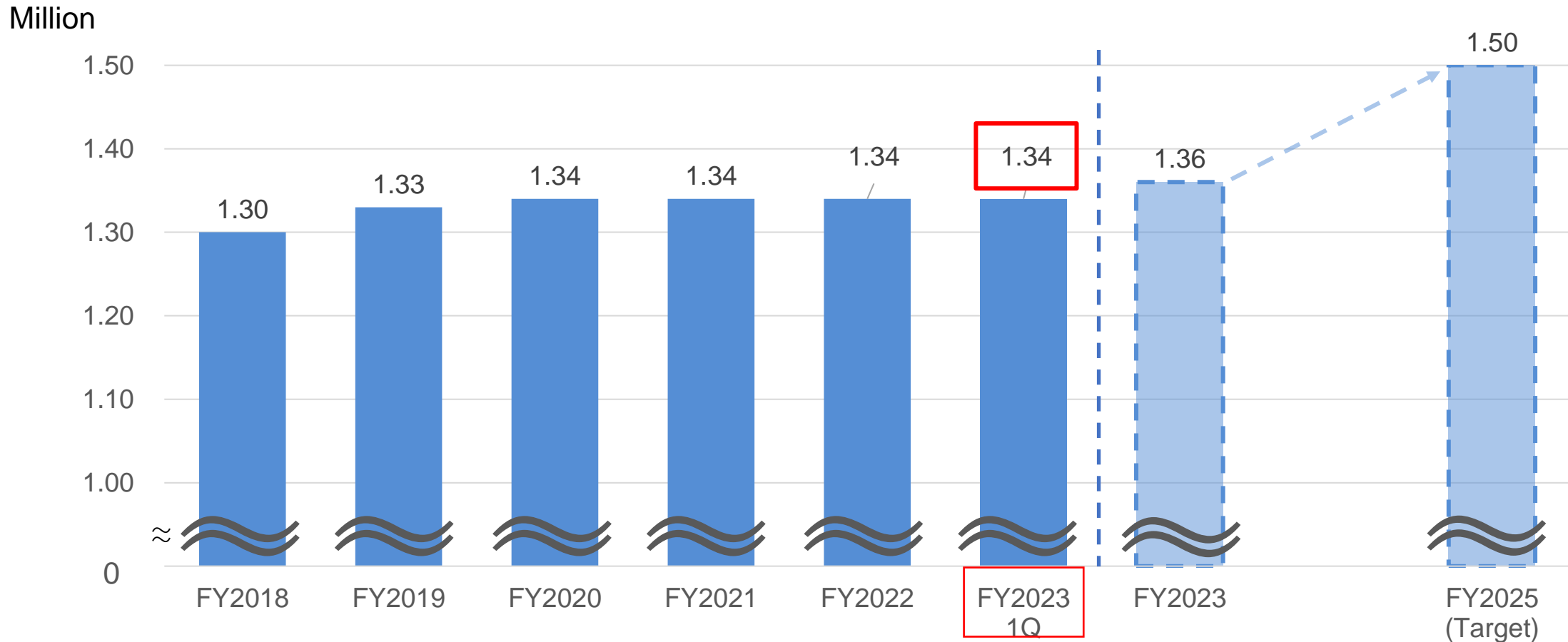
Key factors
(1) Growth in Overseas sales mainly in Europe and North America
(2) Sales growth in Food business



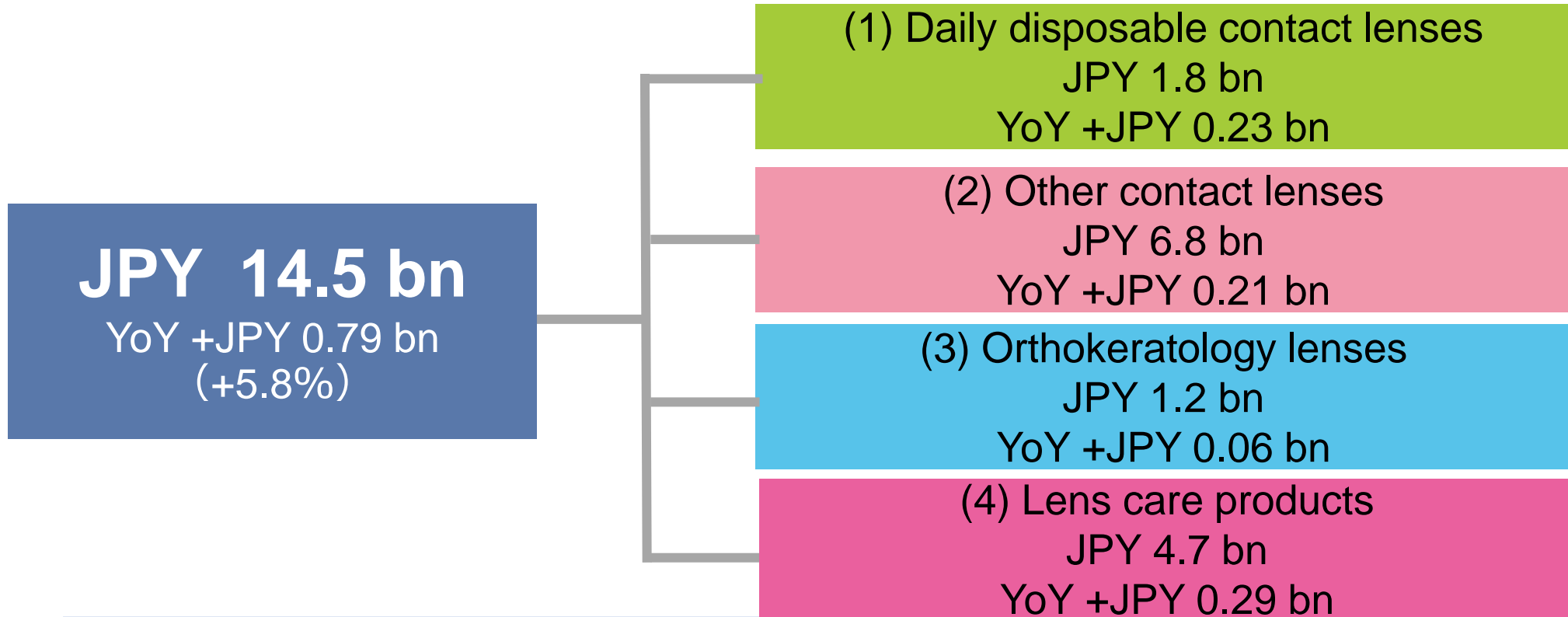
Key factors

- (1) Increase in the number of Daily disposable contact lenses members
- (2) Increase in the number of bifocal type of 2weeks replacement contact lenses members
- (3) Decrease in the number of 1month replacement lenses and Conventional contact lenses members

- ✓ FY2023 1Q(Actual) : 1.34million FY2023(Forecast) : 1.36 million
- ✓ Future : Strengthening of the sales structure, including an increase in the number of outlets handling MELS Plan and the use of online customer.



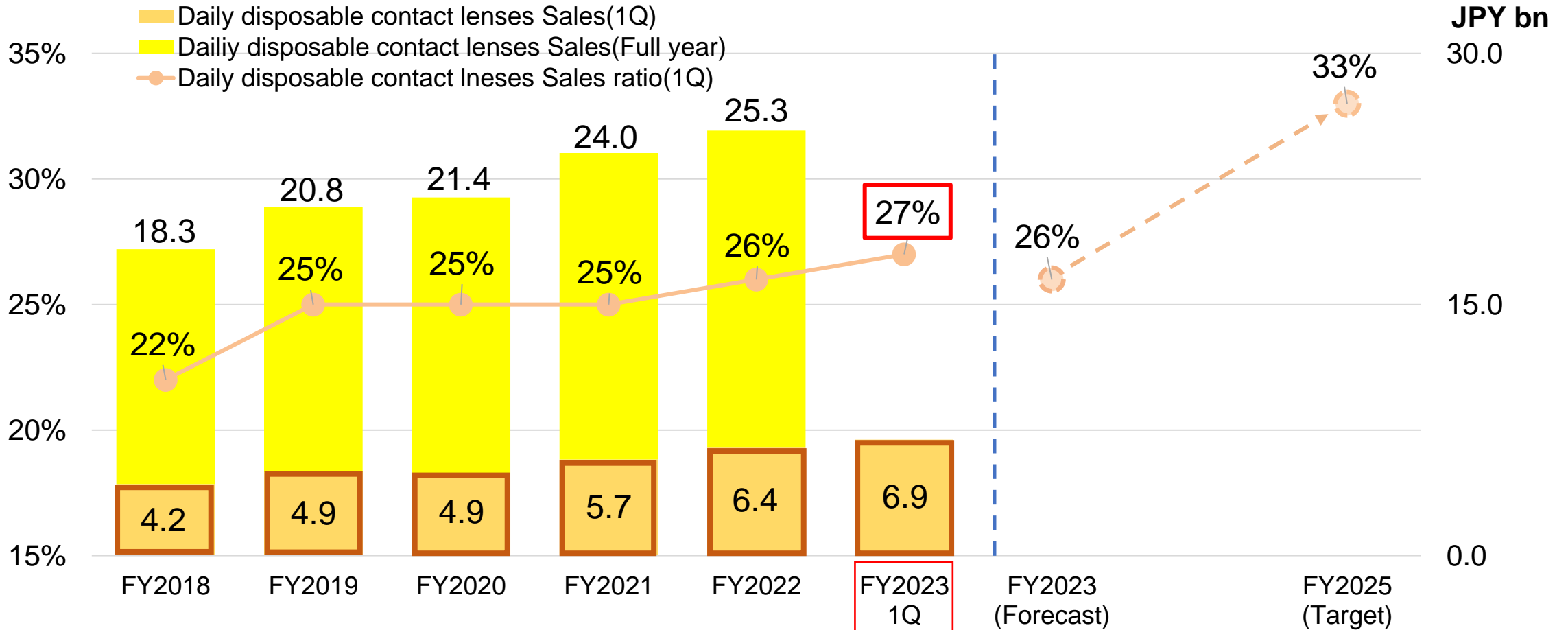
Contact Lenses And Lens Care Products Sales



Key factors

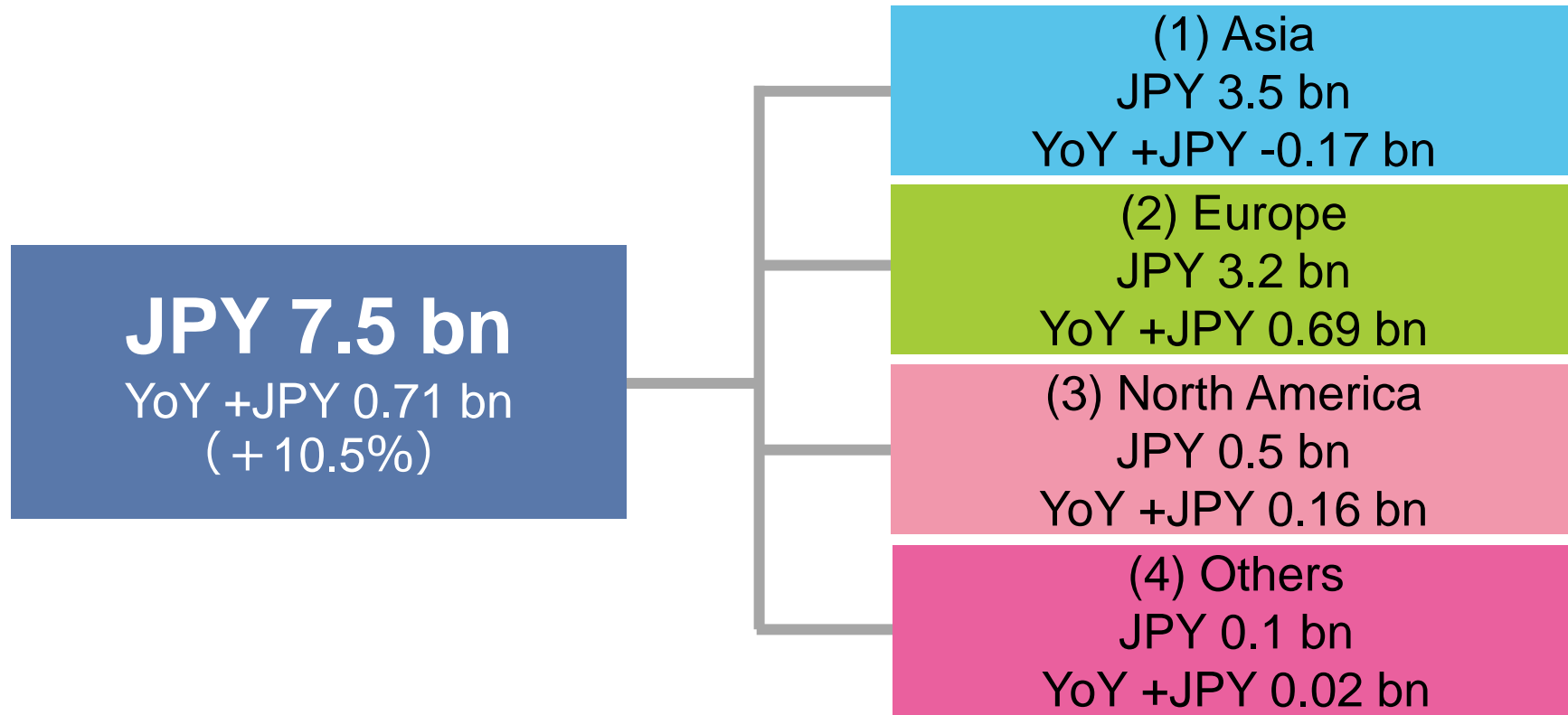
- (1) Growth in Europe and North America
- (2) Growth of 3C PLAN in Japan and 1month replacement contact lenses in Europe
- (3) China :-JPY 0.05 bn / Decrease in sales due to the spread of COVID-19
Others:+JPY 0.1 bn / Growth in mainly Europe and Japan
- (4) China :-JPY0.12 bn / Same reasons as (3)
Others: +0.41bn / Growth in Europe, Japan and North America

- ✓ FY2023 1Q(Actual) : 27% FY2023(Forecast) : 26%
- ✓ Future : Increase MELS Plan members in Japan and users in major mass retail chains overseas.



* Sales composition of vision care business

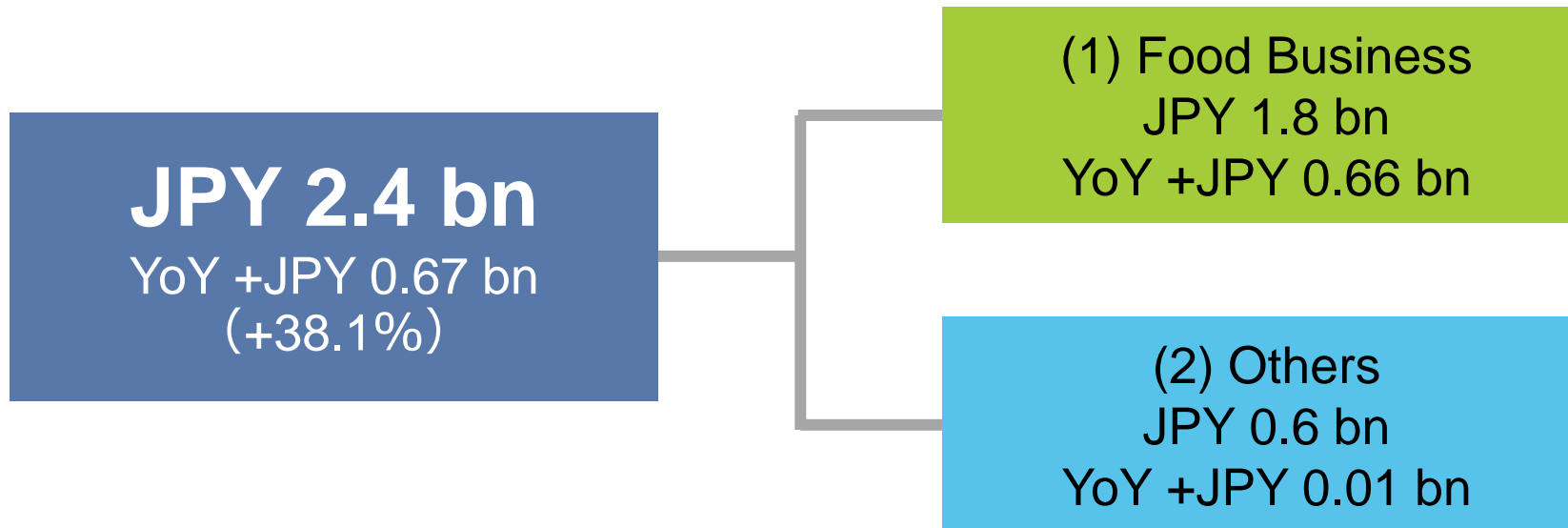
Overseas Sales (by Region)



Key Factors

- (1) China :-JPY 0.21 bn / Decreased in sales due to the spread of COVID-19
Others:+JPY 0.04 bn / Growth mainly in lens care business in Singapore and South Korea
- (2) Growth in Disposable contact lenses (Daily disposable/1month replacement) and Lens care products
- (3) Growth in Daily disposable contact lenses and Lens care products

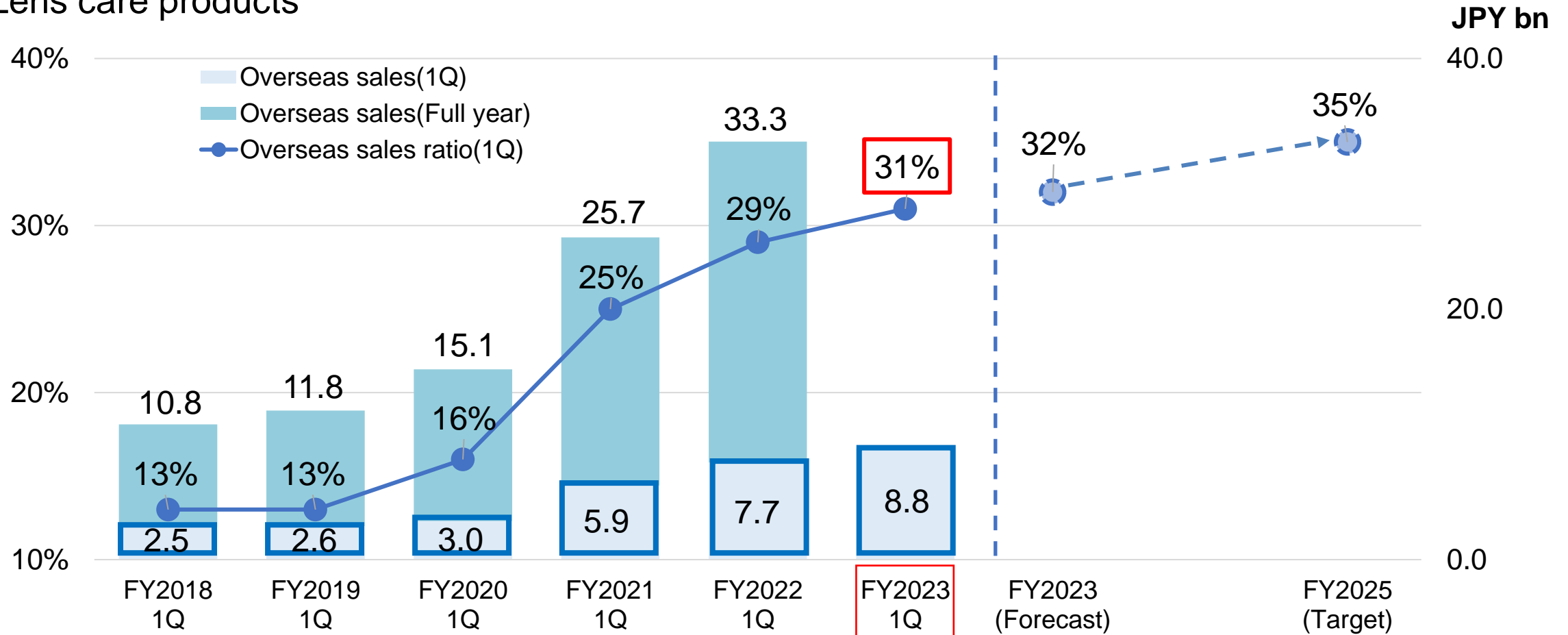
* Since the fiscal year end of Menicon Japan and the Chinese subsidiary is different, Menicon Japan's first quarter financial results (Apr. to Jun.) include first quarter financial results (Jan. to Mar.) of the Chinese subsidiary.



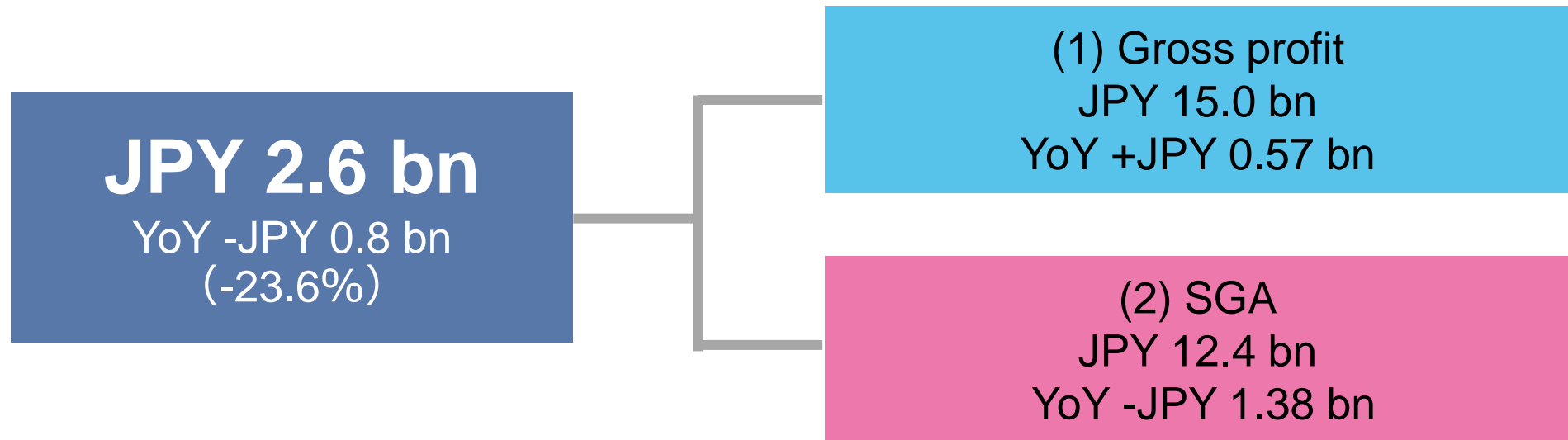
Key Factors

- (1) Sales growth in Food business in China
- (2) Sales growth in Environmental and bioscience business

- ✓ FY2023 1Q(Actual) : **31%** FY2023(Forecast) : **32%**
- ✓ Future : Expand sales of Daily disposable contact lenses and Orthokeratology lenses and Lens care products



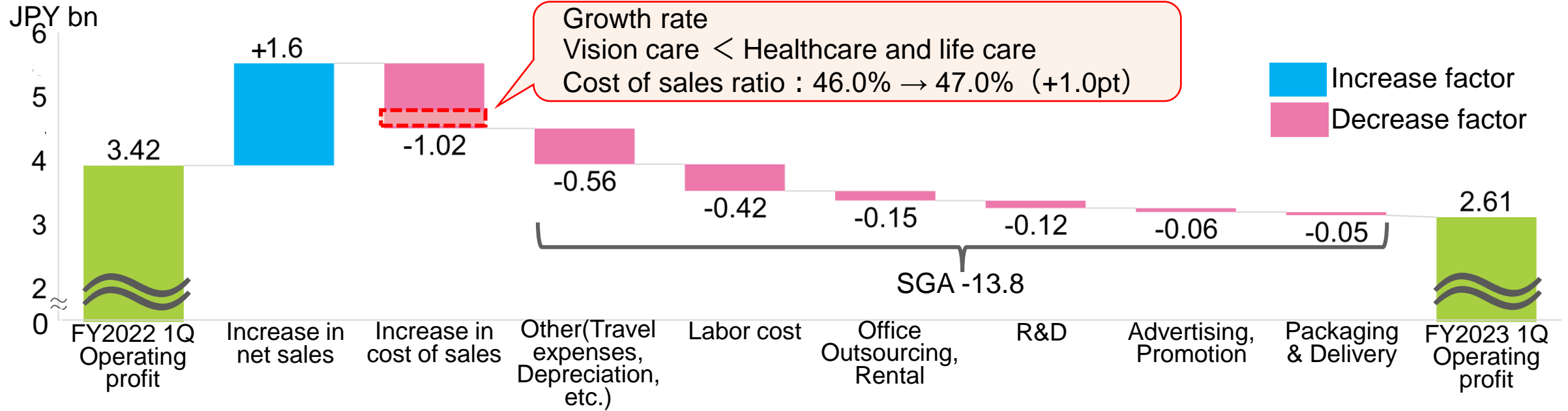
* Includes major exports to China through domestic distributors prior to FY2020.



Key factors

- (1) Increase in gross profit due to increased sales
- (2) Increase in expenses due to preparation for new plant operation and reinforcement of new product development, etc. (see details on p.16)

Analysis of Changes in Consolidated Operating Profit



✓ Main reasons of increase in SGA

Item	JPY bn
New factory	-0.10
R&D	-0.10
Sales	-0.39
Corporate activity	-0.13

Ⅱ . Forecast of Consolidated Financial Results for FY2023

Financial Forecast and Progress

✓ No change from the consolidated forecast announced on May 15, 2023.

JPY m

	FY2022		FY2023 1Q		FY2023 (Forecast)		Progress rate
Net sales	110,194		28,446		116,000		24.5%
(Cost of sales ratio)	46.9%		47.0%		46.7%		---
Gross profit	58,474		15,080		61,800		24.4%
SGA	46,411	⇒	12,462	⇒	49,500		25.2%
(SGA ratio)	42.1%		43.8%		42.7%		---
Operating profit	12,062		2,617		12,300		21.3%
(Operating profit ratio)	10.9%		9.2%		10.6%		---
Profit attributable to owners of parent (quarterly period)	7,377		1,577		7,600		20.8%

Financial Progress and Outlook

✓ No change from the consolidated forecast announced on May 15, 2023.

	Progress rate	1Q Situation		Forecast for 2Q and beyond
MELS Plan Sales	24.8%	↑Increase in Daily disposable contact lenses membership		↑Increase number of members by strengthening the sales structure
Contact lenses and Lens care products Sales	23.7%	Japan	↑3C PLAN membership growth ↓Daily disposable contact lenses, Demand > Supply	↑Activities to increase Daily disposable contact lenses supply
		Asia	↓Stagnation of sales activities due to the impact of the COVID-19 in China	↑Estimate normalization of sales activities due to recovering from the impact of the COVID-19 ↑Starting sales of Menicon Z Night from May 2023
		Europe, North America	↑Sales to new retailers of Daily disposable contact lenses and Lens care products	↑Continue to expand sales
Operating Profit	21.3%	↑Increase in gross profit ↓High YoY growth in SGA by strengthened sales structure and normalization of corporate activities (1Q+12.5%)		↑Growth in sales of Vision care ↑Price optimization by region ↑Controlling YoY growth in SGA (Full year +6.7%)

* Menicon Japan's full-year financial results (Apr. to Mar.) include full-year financial results (Jan. to Dec.) of the Chinese subsidiary.

Financial Forecast (No Change from May 15, 2023)

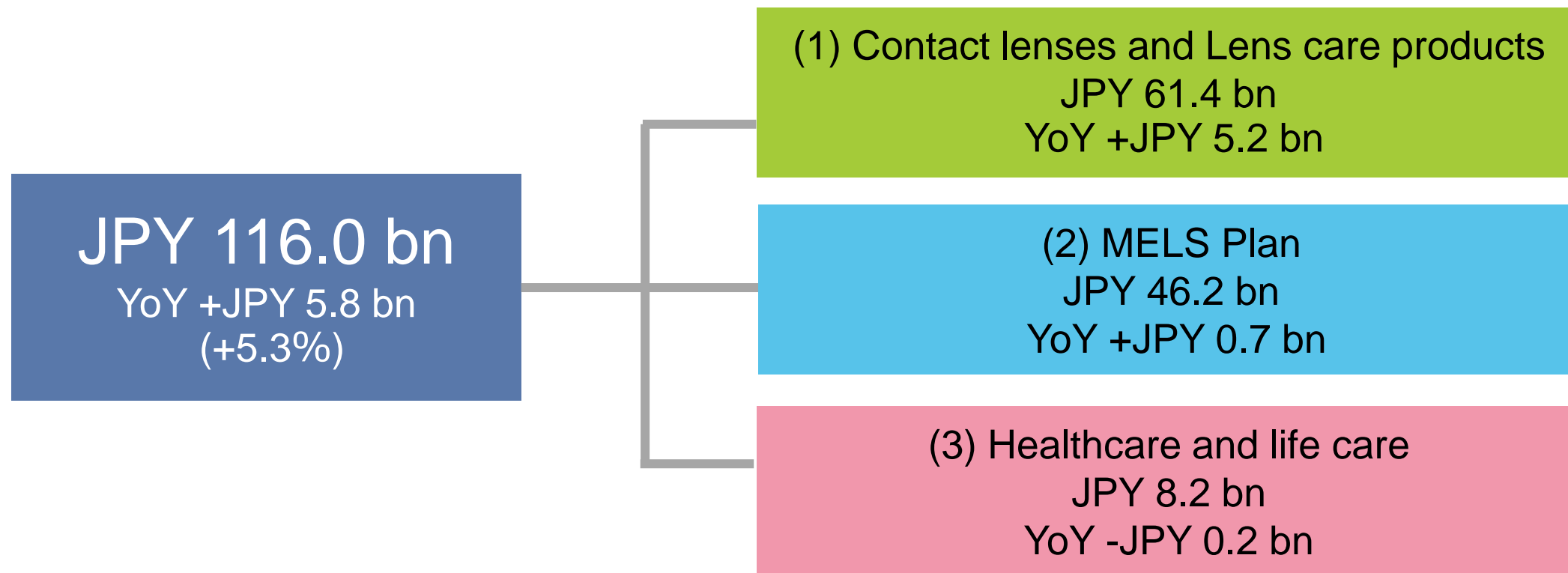
	FY2022		FY2023 (Forecast)	YoY
Net sales	110,194	⇒	116,000	+5.3%
Cost of sales	51,719		54,200	+4.8%
(Cost of sales ratio)	46.9%		46.7%	---
Gross profit	58,474		61,800	+5.7%
SGA	46,411		49,500	+6.7%
(SGA ratio)	42.1%		42.7%	---
Operating profit	12,062		12,300	+2.0%
(Operating profit ratio)	10.9%		10.6%	---
Ordinary profit	11,755		12,000	+2.1%
Profit attributable to owners of parent	7,377		7,600	+3.0%

* Exchange rate in FY2022

EUR:JPY 141.6, USD:JPY 136.0, CNY:JPY 19.5

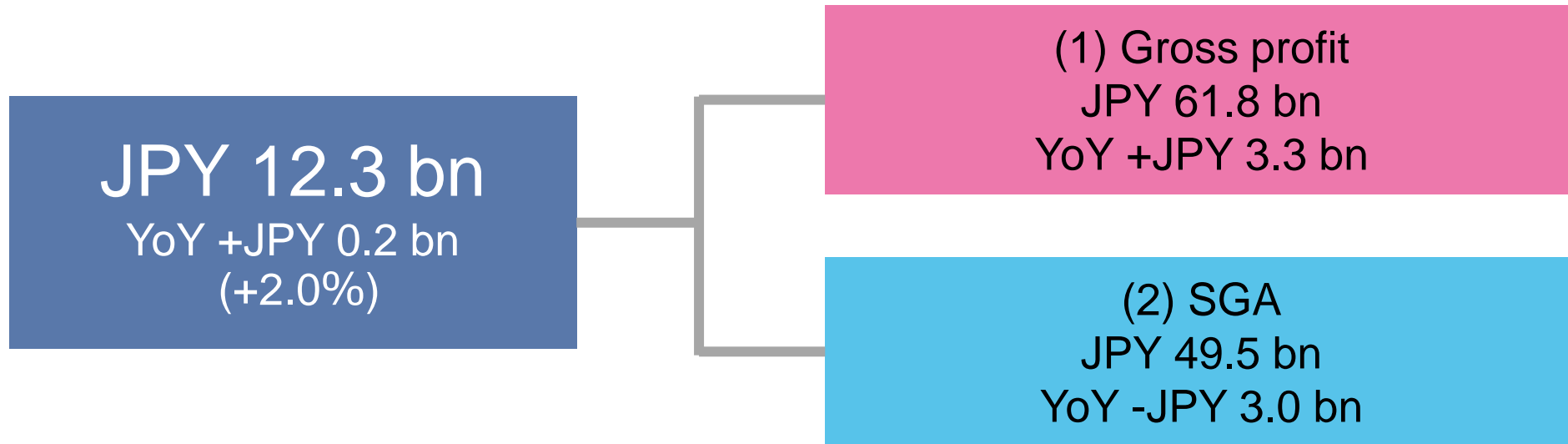
Exchange rate in financial forecast FY2023

EUR:JPY 148.0, USD:JPY 134.0, CNY:JPY 19.4



Key factors

- (1) Sales growth of Orthokeratology lenses related products mainly in Asia will be expected
- (2) Increase in the number of MELS Plan members, mainly Daily disposable contact lenses, will be expected



Key factors

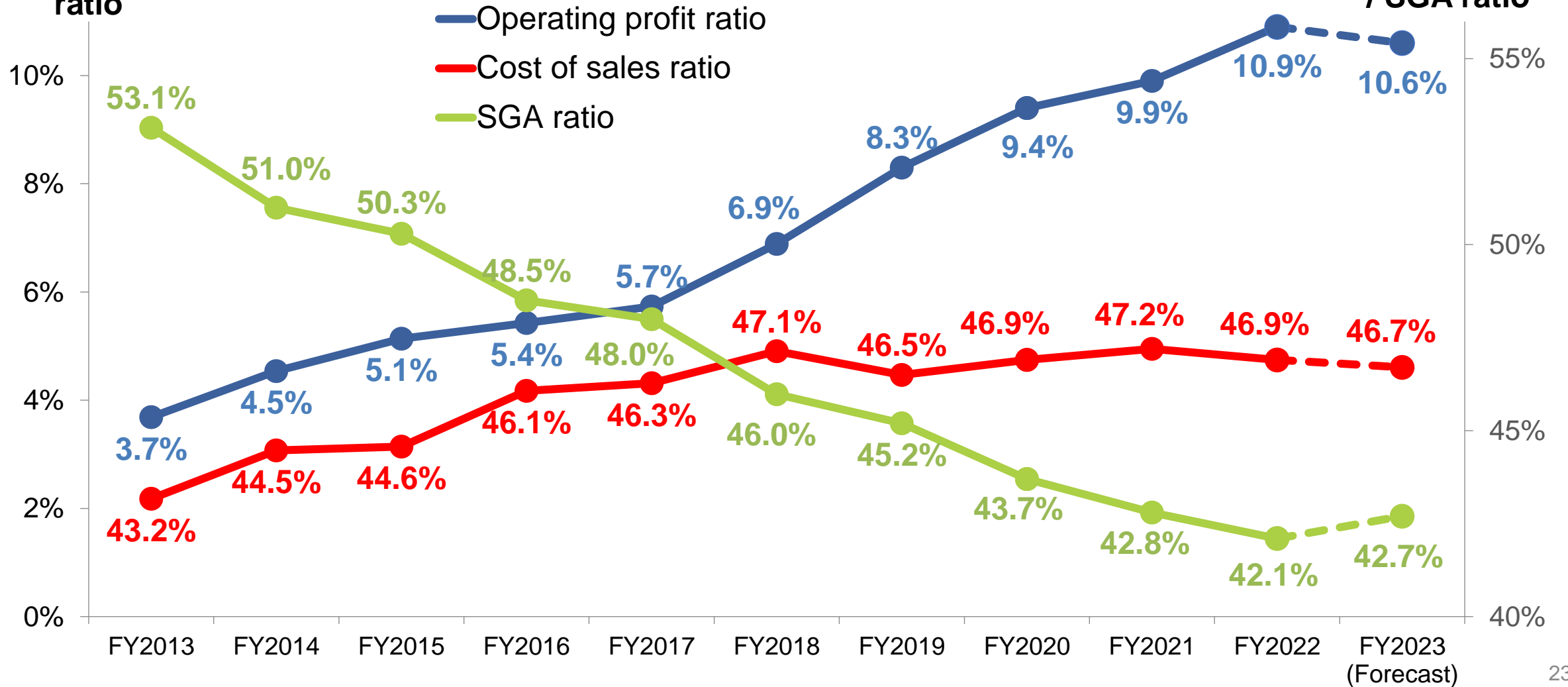
- (1) Gross profit will be expected to increase in line with sales growth
- (2) Investment for future growth such as preparing of new plants strengthening new product development and will be implemented

Cost of Sales Ratio / SGA Ratio / Operating Profit Ratio



Operating Profit ratio

Cost of sales ratio / SGA ratio



III. Growth Strategies

- ✓ Aim to expand the membership base and increase the life time value of contact lens users by developing products and promotions for each generation (30s and beyond, 10s-20s)

30s and beyond



2weeks replacement multifocal colored contact lens
“2WEEK Menicon Rei multifocal”

遠近両用コンタクトレンズ
ラクティブ

Lactive

Promotion activities
for Multifocal contact lenses

10s-20s



Daily disposable contact lenses
“Magic”



Daily disposable colored contact lenses
“1DAY FRUTTIE”

New commercials for young people to be released in July 2023

Expansion of Production Capacity and Sales Area

✓ Expansion of production capacity for Daily disposable contact lenses and sales area to mainly Japan, Europe and North America

Production



Singapore Plant

Product: Magic



Kakamigahara Plant

Product: 1DAY Menicon premiO

New line at both plants scheduled to be in operation in FY2023

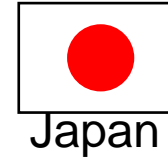


Malaysia Plant

Product: Daily disposable contact lenses

Scheduled to be in operation in 2025

Sales



Japan

Expansion of sales on mainly MELs Plan



Magic



1DAY Menicon premiO



Europe • USA

Expansion of sales through OEM supply of our products for major mass retailers






Miru 1day Menicon Flat Pack
(Brand name of "Magic" for overseas)



Miru 1day UpSide
(Brand name of "1DAY Menicon premiO" for overseas)

✓ Strengthening business related to Orthokeratology lenses

Product	 <p>Orthokeratology Alpha Corporation (Producing Country : Japan)</p>	 <p>Menicon B.V. (Producing Country : Netherlands)</p>	 <p>Menicon B.V. (Producing Country : Netherlands)</p>
Feature	Sales in China since 2011	High oxygen permeability	CE-approved specifically for myopia control
Future (provisional)	Production to begin in China in 2024	Sales promotion mainly in China	Expansion of sales countries in Europe and other regions
Main sales Area	China, Japan, Other Asia* Oceania	Europe, China, Other Asia*, Oceania	Europe, Other Asia*, Oceania

*Other Asia: excluding China and Japan

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- Disclaimer
 - This document was created by Menicon Co., Ltd. (hereinafter referred to as the "Company") for the purpose of understanding the current situation of the Company in order to serve as a reference for investors. The contents of this document have been prepared based on the generally recognized economic and social conditions as of August 10, 2023 and certain assumptions that the Company deems reasonable. The contents are subject to change without notice due to changes in the business environment. When making an investment, please be sure to make your own judgment.
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