

# **Consolidated Financial Results for the Six Months Ended September 30, 2023**

**Securities Code : 7780**

Menicon Co., Ltd.  
November 13, 2023

I . Summary of Consolidated Financial Results  
for FY2023 2Q

II . Medium-Term Business Plan and  
Forecast of Consolidated Financial Results for FY2023

# I . Summary of Consolidated Financial Results for FY2023 2Q

## ➤ Consolidated Financial Results for FY2023 2Q

Net Sales : JPY **58.1 bn** / YoY **+7.4%** (increase in sales)

### 【 Vision Care 】

#### ✓Japan...

MELS Plan : Mainly increase in Daily disposable contact lenses membership

Total number of MELS Plan Members : **1.35million**

Product sales and Others : Increase in Lens care sales volume and 3C PLAN\*1 membership

#### ✓Overseas...

Asia : Mitigation of the impact of the COVID-19 in China\*2

Europe and North America : Increase in sales volume of Disposable contact lenses and Lens care products

### 【 Healthcare and life care 】

#### ✓Expansion of Food business in China

(Reference) **Overseas sales (consolidated) : JPY 15.70 bn → JPY 18.55 bn (+18.2%)**

Impact of yen depreciation +6.1%, growth in local currency +12.1%

**Overseas sales ratio: 29.0% → 31.9% (+2.9 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 second quarter financial results (Apr. to Sep.) include second quarter financial results (Jan. to Jun.) of the Chinese subsidiary.

➤ Consolidated Financial Results for FY2023 2Q

Gross profit: **JPY 30.4 bn**, YoY **+4.2% (increase in profit)**

Cost of sales ratio: 46.0% → **47.6%** (+1.6pt)

- ✓ Cost of sales ratio increased due to  
Growth rate of Vision care < Growth rate of Healthcare and Life care
- ✓ Cost of sales ratio increased due to higher procurement costs, etc,

Operating profit : **JPY 5.2 bn**, YoY **-23.5% (decrease in profit)**

Operating profit ratio : 12.7% → **9.0%** (-3.7pt)

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

SGA ratio : 41.3% → 43.3% (+2.0pt)

# Summary of Financial Results for FY2023 2Q

JPY m

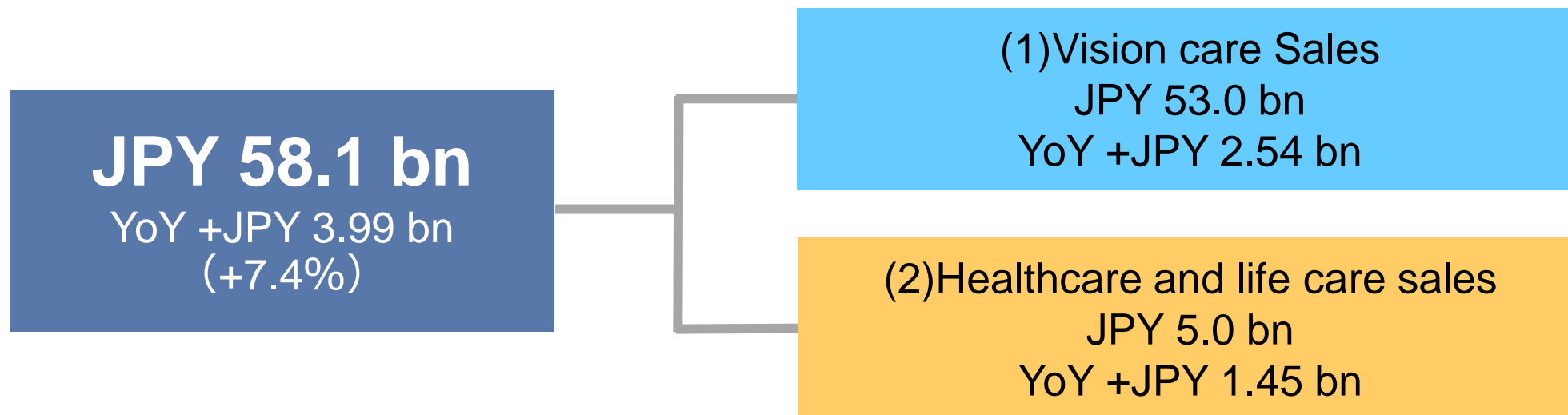
	FY2022 2Q	FY2023 2Q	YoY
<b>Net sales</b>	<b>54,129</b>	<b>58,126</b>	<b>+7.4%</b>
Cost of sales	24,896	27,674	+11.2%
(Cost of sales ration)	46.0%	47.6%	(+1.6pt)
Gross Profit	29,233	30,451	+4.2%
SGA	22,363	25,197	+12.7%
(SGA ratio)	41.3%	43.3%	(+2.0pt)
<b>Operating profit</b>	<b>6,870</b>	<b>5,253</b>	<b>-23.5%</b>
(Operating profit ratio)	12.7%	9.0%	(-3.7pt)
<b>Ordinary profit</b>	<b>6,597</b>	<b>4,952</b>	<b>-24.9%</b>
<b>Profit attributable to owners of parent</b>	<b>4,263</b>	<b>3,321</b>	<b>-22.1%</b>

# Breakdown of Net Sales

	FY2022 2Q	FY2023 2Q	YoY
Net Sales	54,129	58,126	+7.4%
(1) Vision Care	50,491	53,037	+5.0%
Net sales in Japan	36,677	37,340	+1.8%
MELS Plan	22,762	23,039	+1.2%
Product sales* and Others	13,915	14,300	+2.8%
Overseas sales	13,814	15,697	+13.6%
Asia	7,574	7,826	+3.3%
Europe	5,263	6,550	+24.4%
North America	692	979	+41.3%
Oceania and Africa. Etc.	282	341	+20.7%
(2) Healthcare and life care	3,637	5,088	+39.9%
Net sales in Japan	1,747	2,226	+27.4%
Overseas sales	1,890	2,861	+51.4%

JPY m

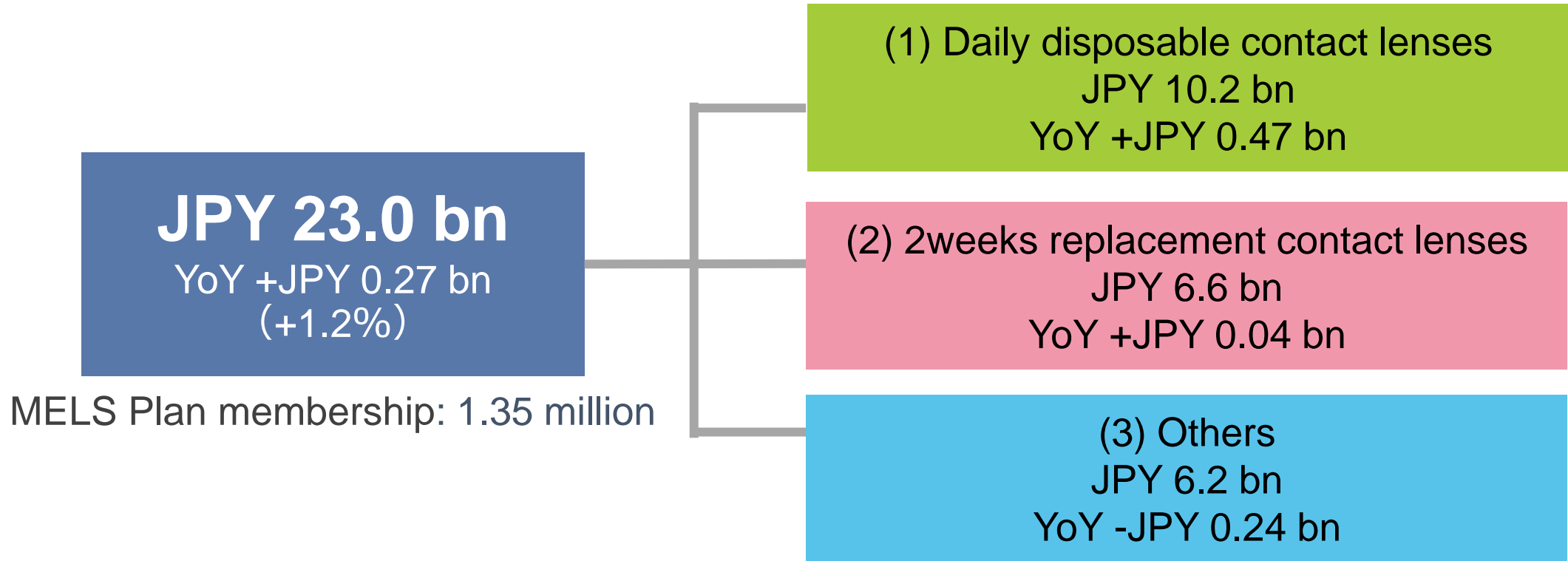
\* "Product sales" refers to contact lenses and lens care products.



Key factors

- (1) Increase in domestic sales due to in Daily disposable contact lenses membership  
Increase in overseas sales, mainly in Europe
- (2) Increase in Sales of Food business

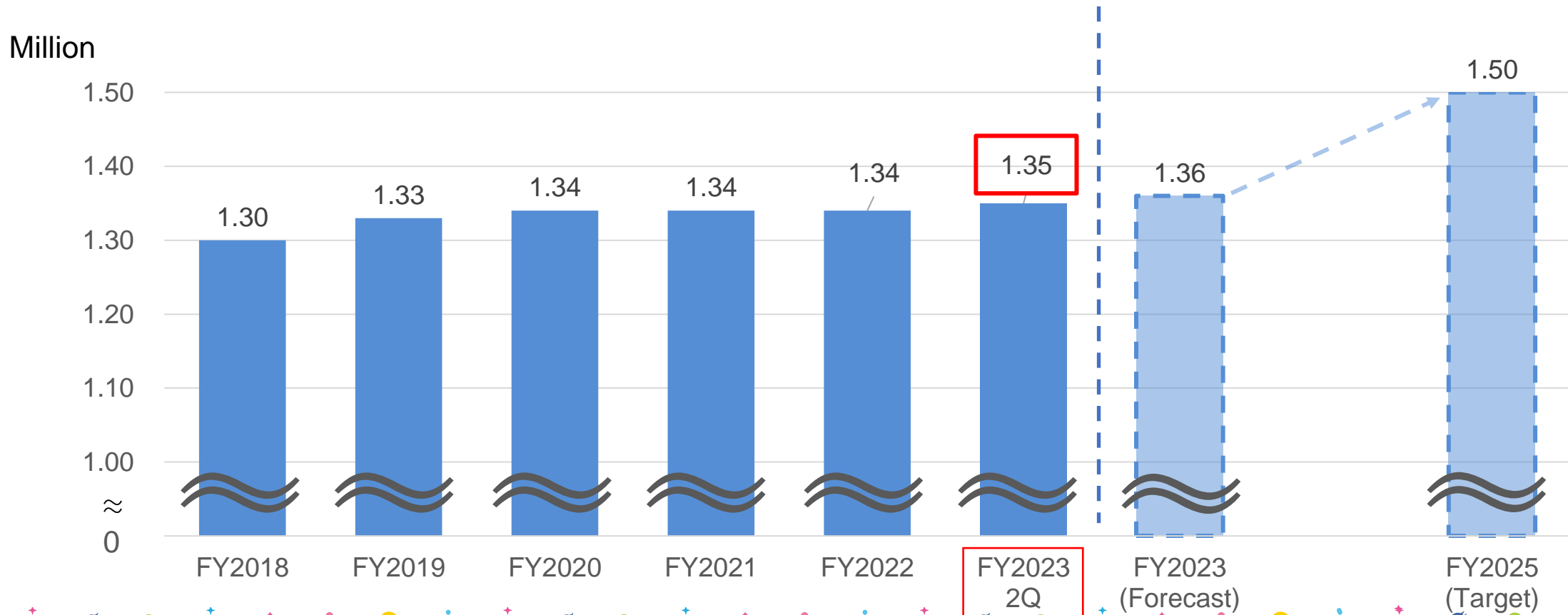




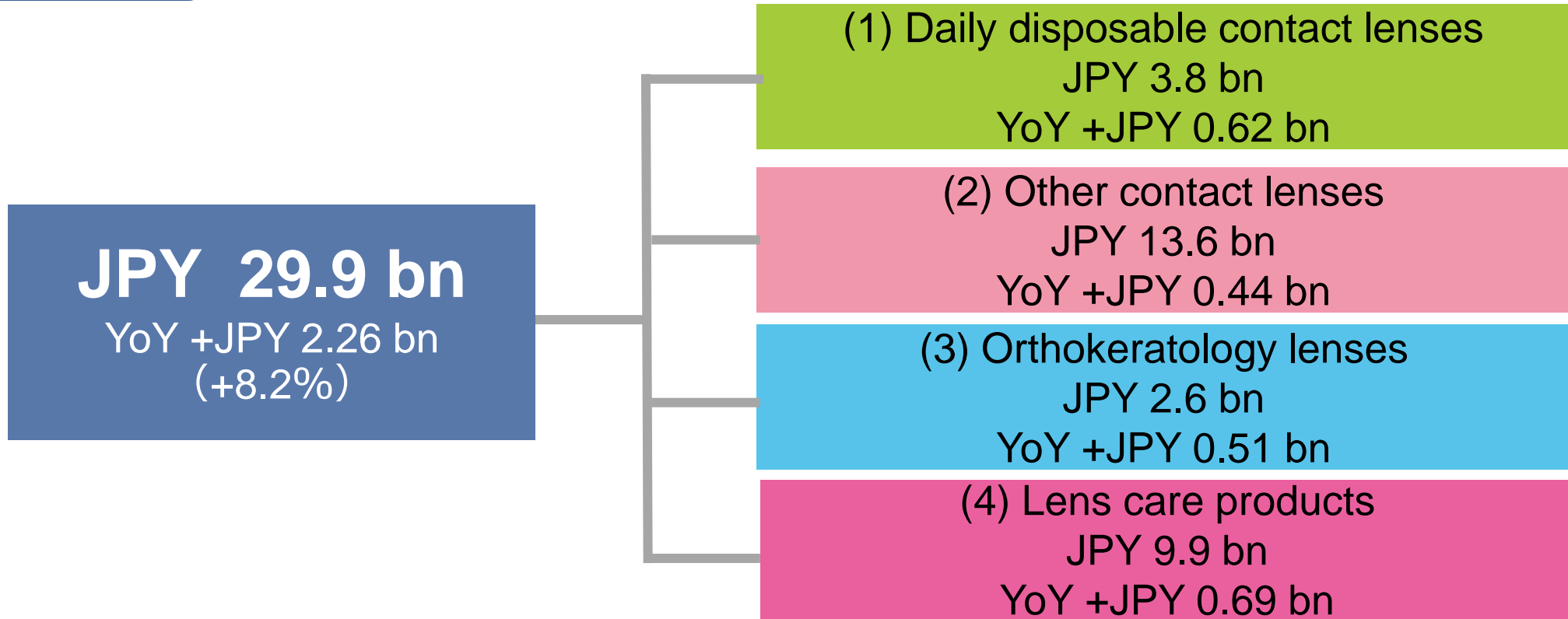
### Key factors

- (1) Increase in the number of members
- (2) Increase in the ratio of bifocal types contact lenses members with high unit price
- (3) Decrease in the number of 1month replacement contact lenses and Conventional contact lenses members

- ✓ FY2023 2Q(Actual) : [1.35million](#) FY2023(Forecast) : 1.36 million
- ✓ Future : Strengthen sales structure by increasing the number of stores handling MELS Plan and utilizing online customer service, and implement referral campaigns to promote membership.



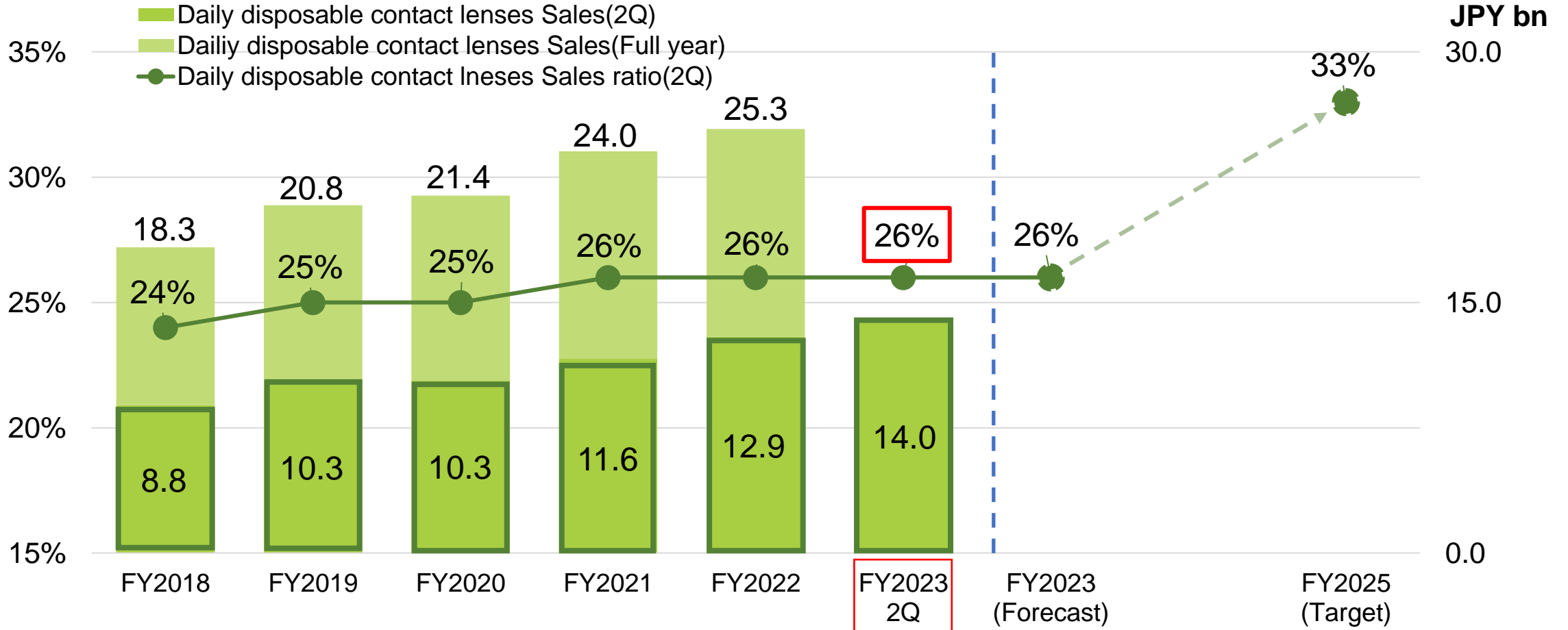
# Contact Lenses And Lens Care Products Sales



## Key factors

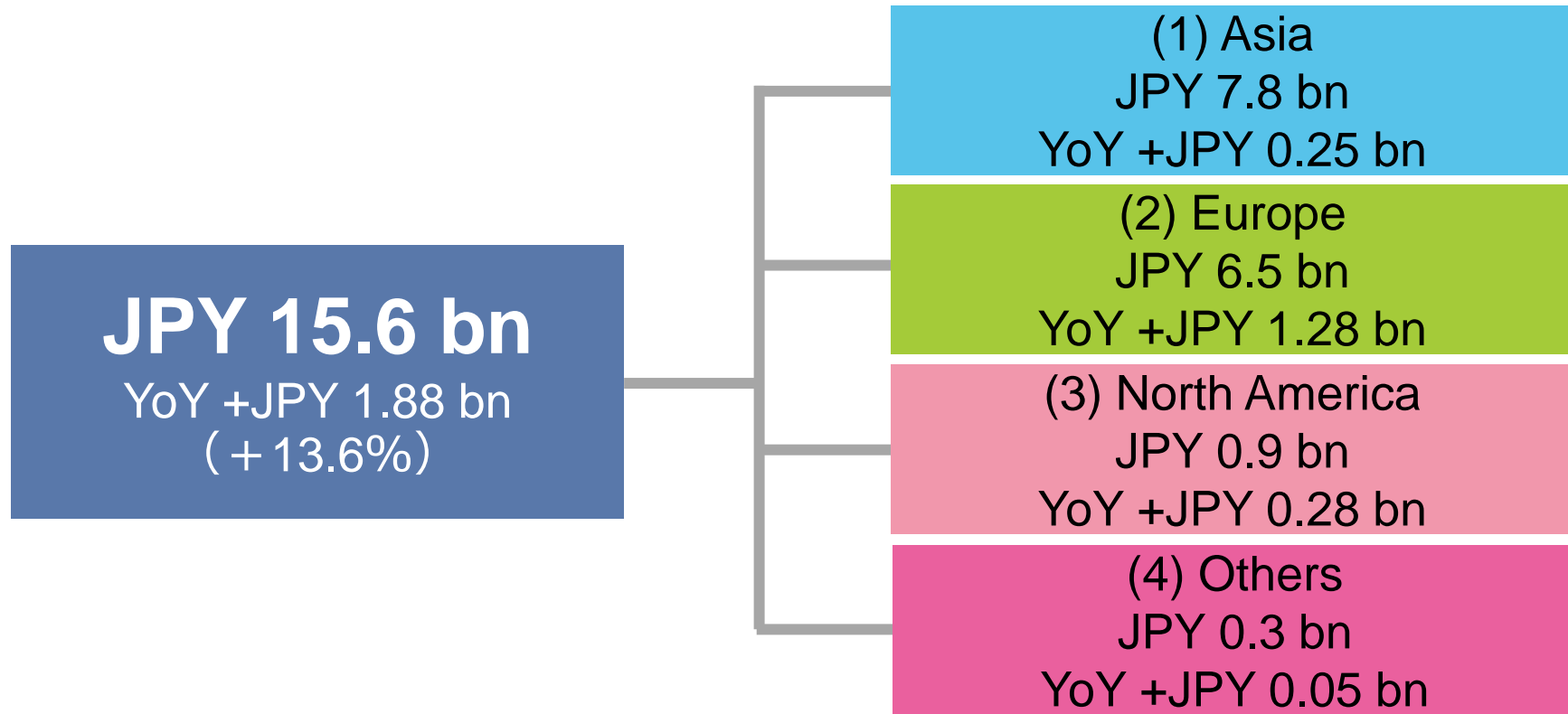
- (1) Increase in sales volume in Europe and North America
- (2) Increase in 3C PLAN membership in Japan and 1month replacement contact lenses sales volume in Europe
- (3) China :+JPY 0.27 bn / Mitigation of impact of COVID-19 and launch of new products  
Others:+JPY 0.24 bn / Increase in sales volume in mainly Europe and Japan
- (4) China :-JPY0.10 bn / Bulk buying occurred due to the impact (lockdown) of the COVID-19, FY2022 2Q  
Others: + JPY0.79bn / Increase in sales volume mainly in Europe, Japan and North America

- ✓ FY2023 2Q(Actual) : 26% FY2023(Forecast) : 26%
- ✓ Future : Increase MELS Plan members in Japan and users in overseas major mass retail chains.



\* Sales composition of vision care business

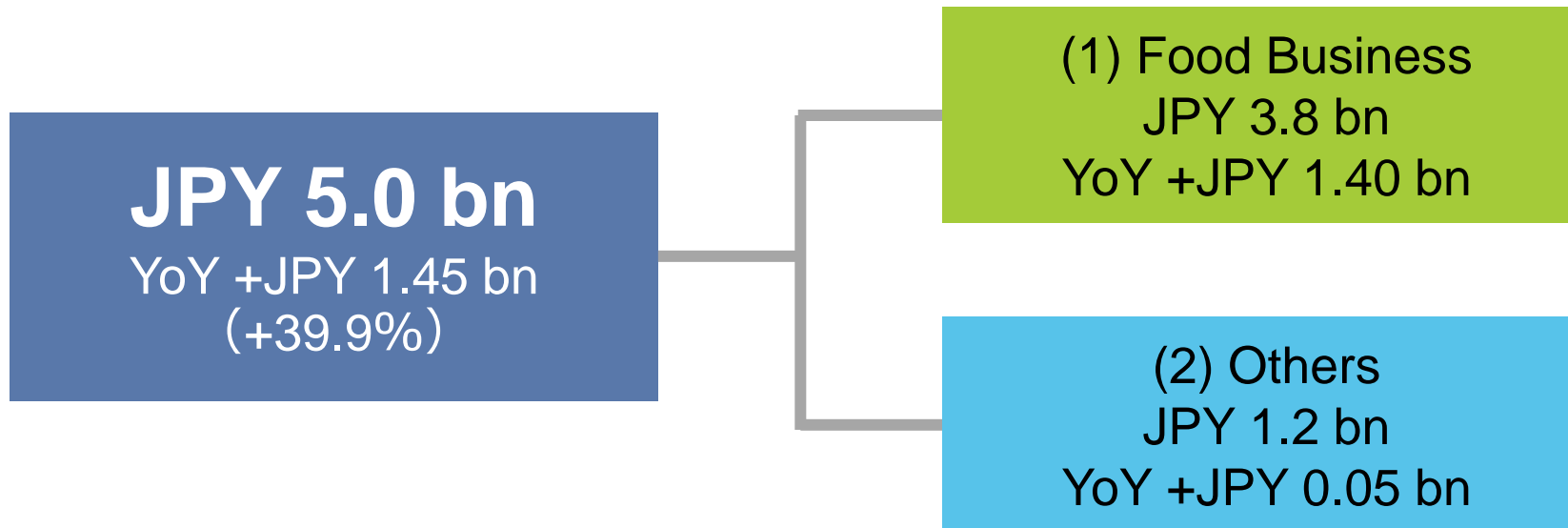
# Overseas Sales (by Region)



## Key Factors

- (1) China :+JPY 0.23 bn / Mitigation of the impact of the COVID-19 and launch of new orthokeratology lenses  
Others:+JPY 0.02 bn / Increase mainly in Lens care products sales volume in Singapore and South Korea
- (2) Increase in sales volume of disposable contact lenses (Daily disposable/1month replacement) and Lens care products
- (3) Increase in sales volume of Daily disposable contact lenses and Lens care products

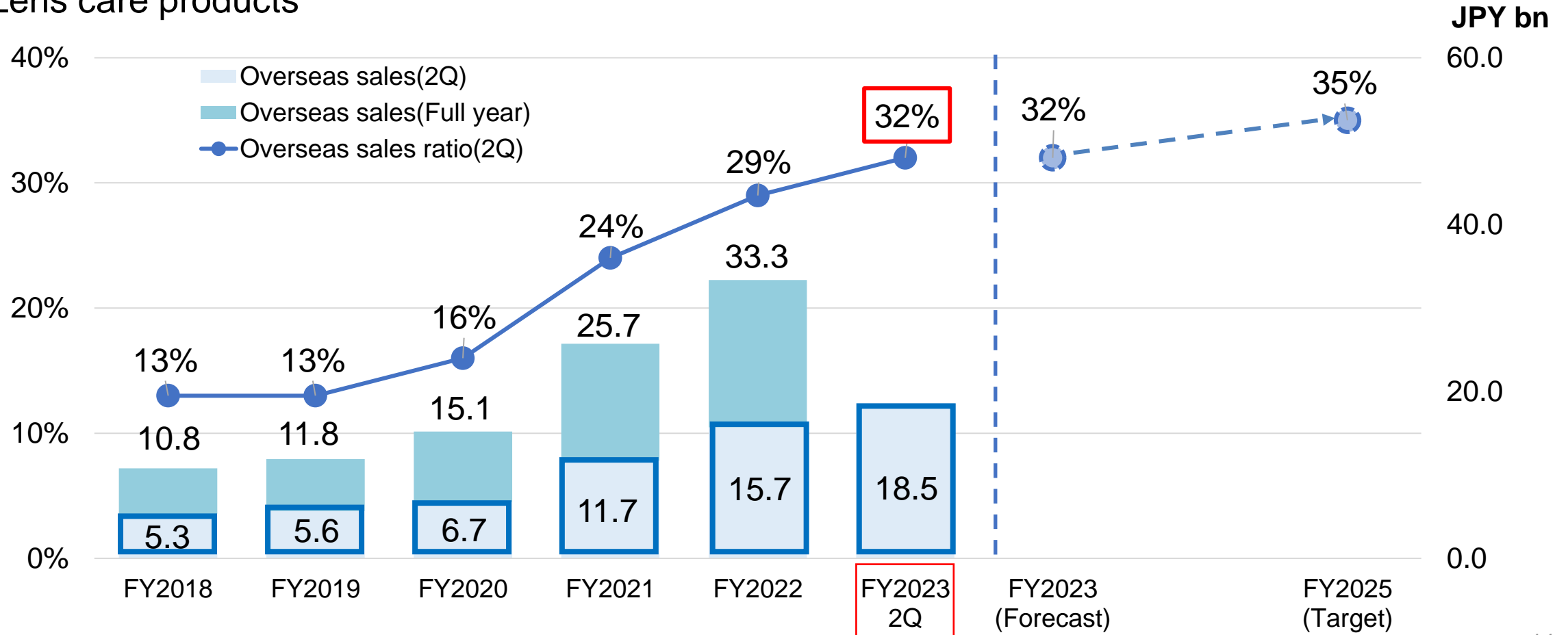
\* Since the fiscal year end of Menicon Japan and the Chinese subsidiary is different, Menicon Japan's second quarter financial results (Apr. to Sep.) include second quarter financial results (Jan. to Jun.) of the Chinese subsidiary.



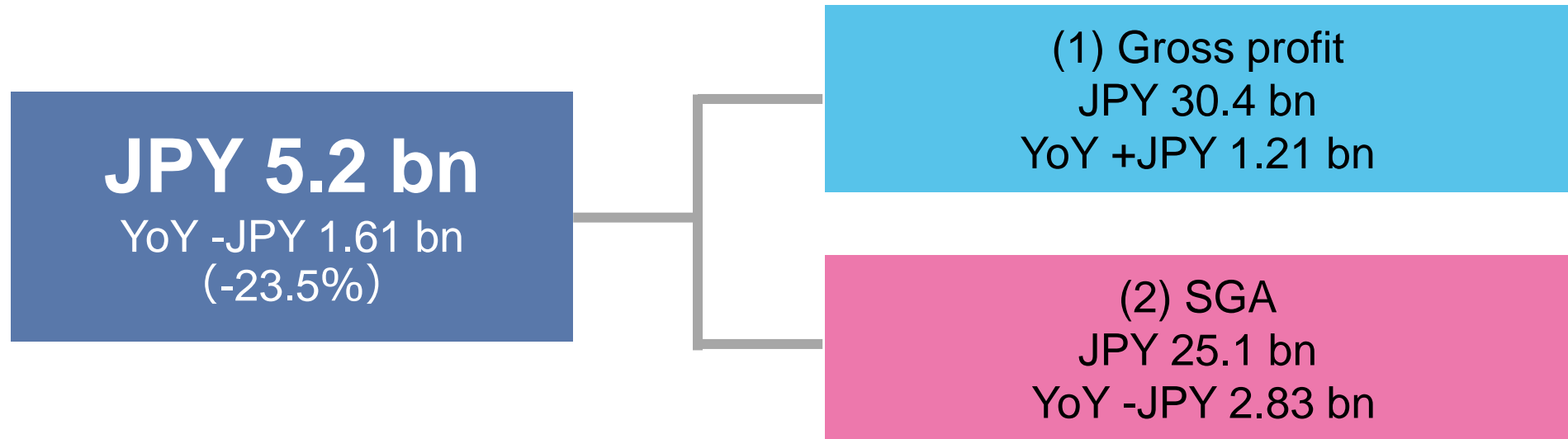
### Key Factors

(1) Expand food business in China

- ✓ FY2023 2Q(Actual) : 32% 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.

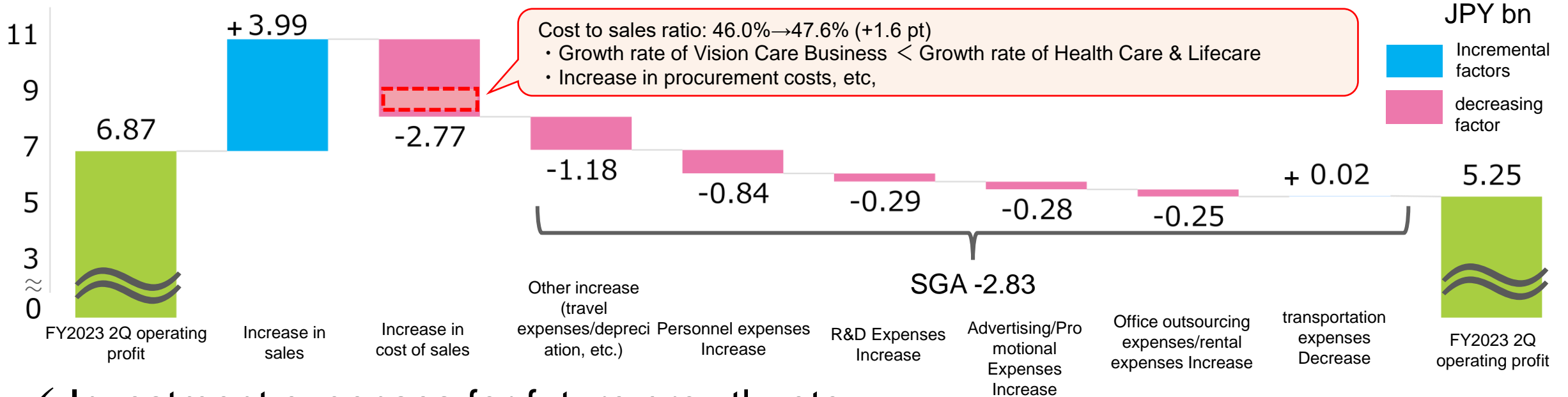


## Key factors

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



# Analysis of Changes in Consolidated Operating Profit



## ✓ Investment expenses for future growth, etc.

(data) item		Amount (JPY bn)	
New factory	Preparation for operation (Malaysia 1DAY factory, China Ortho K factory)	-0.21	See p.30,31
R & D	Expansion of product deployment countries, development of new products	-0.24	
Sales	Investment in personnel reinforcement and personnel for disposable and ortho K sales, etc.	-0.77	See p.29
Corporate activities	Normalization of activity due to mitigation of COVID-19 impact	-0.25	

# Summary of Balance Sheet

	Mar. 31, 2023	Sep. 30, 2023	Difference
Cash and deposits	41,249	49,836	+8,587
Notes and accounts receivable - trade	12,411	13,504	+1,093
Inventories	17,418	18,481	+1,063
Other	6,662	6,086	-535
<b>Total current assets</b>	<b>77,701</b>	<b>87,910</b>	<b>+10,209</b>
Property, plant & equipment	57,143	69,415	+12,272
Intangible assets	11,470	11,175	-295
Investments and other assets	6,207	6,878	+670
<b>Total non-current assets</b>	<b>74,821</b>	<b>87,468</b>	<b>+12,647</b>
<b>Total assets</b>	<b>152,522</b>	<b>175,379</b>	<b>+22,857</b>

Increase in cash and cash equivalents due to issuance of bonds, etc.

1DAY Factory Capital investment, etc.

	Mar. 31, 2023	Sep. 30, 2023	Difference
Notes and accounts payable - trade	5,609	6,084	+475
Short-term debt	3,643	3,311	-331
Accounts payable - other	5,517	3,408	-2,108
Other	9,582	10,529	+947
<b>Total current liabilities</b>	<b>24,352</b>	<b>23,334</b>	<b>-1,018</b>
Long-term debt	27,703	45,943	+18,940
Convertible Bonds with stock acquisition rights	22,936	22,954	+17
Other	3,563	3,768	+204
<b>Total non-current liabilities</b>	<b>53,503</b>	<b>72,666</b>	<b>+19,162</b>
<b>Total liabilities</b>	<b>77,856</b>	<b>96,000</b>	<b>+18,144</b>
<b>Total net assets</b>	<b>74,665</b>	<b>79,378</b>	<b>+4,712</b>

JPY m

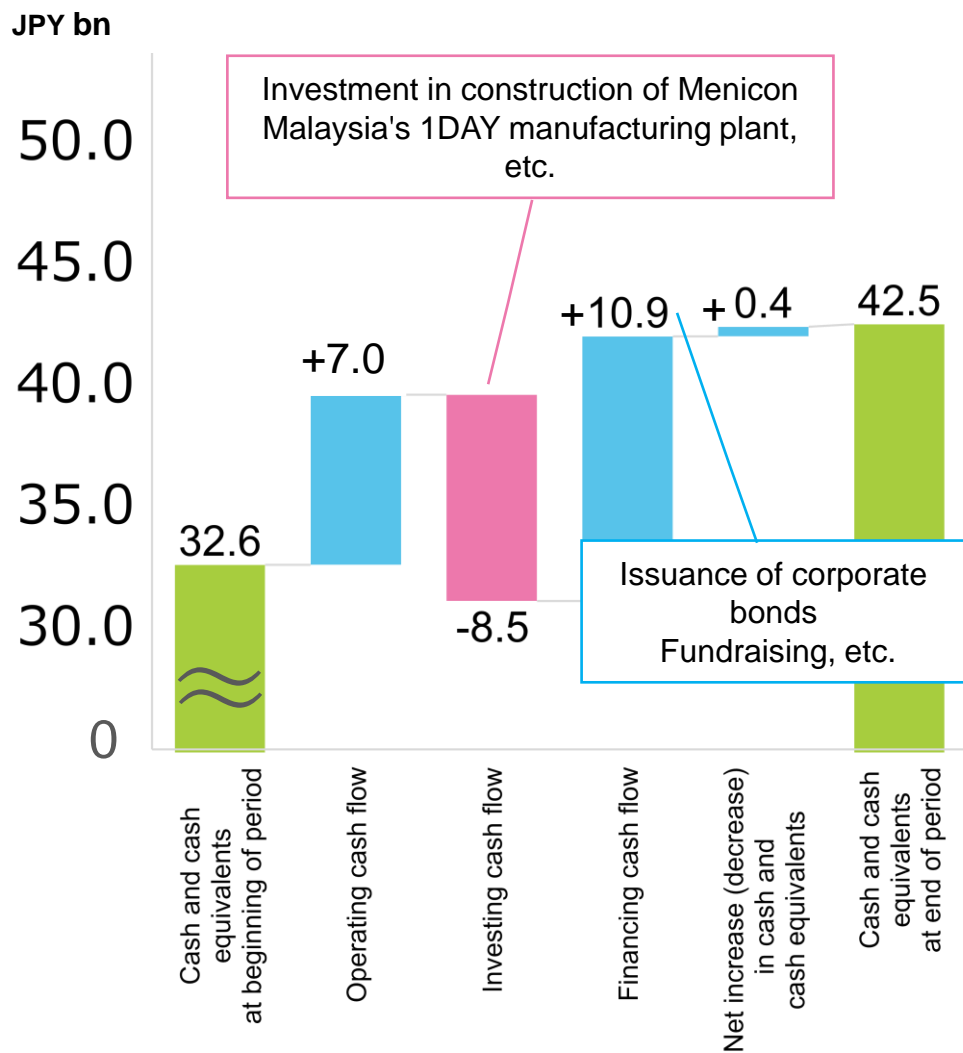
Issuance of corporate bonds, etc.

September 30, 2023

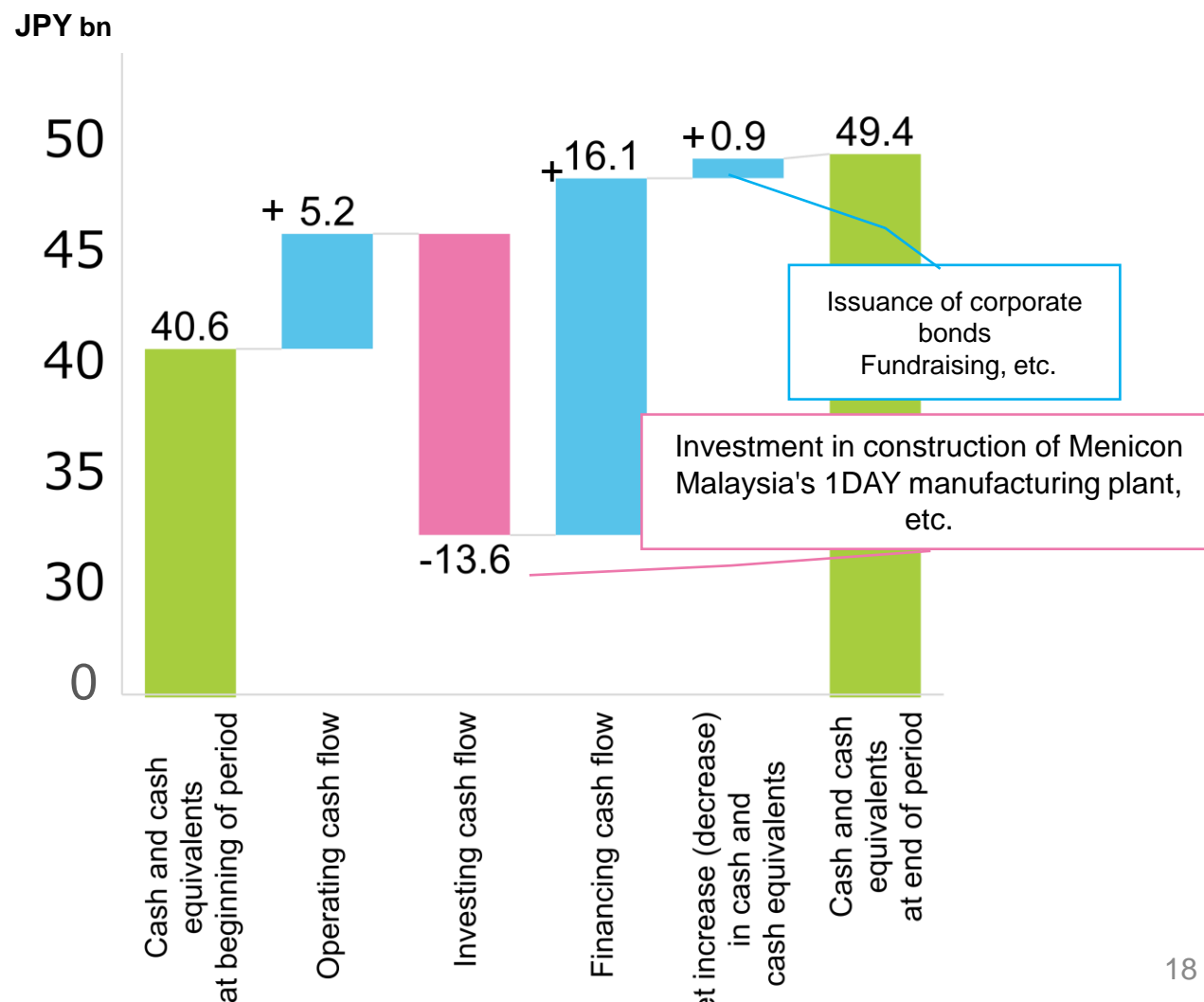
Capital ratio	44.0%
Cash and deposits	49,836
Total debt	72,209

# Consolidated Cash Flow Comparison

## FY2022 2Q



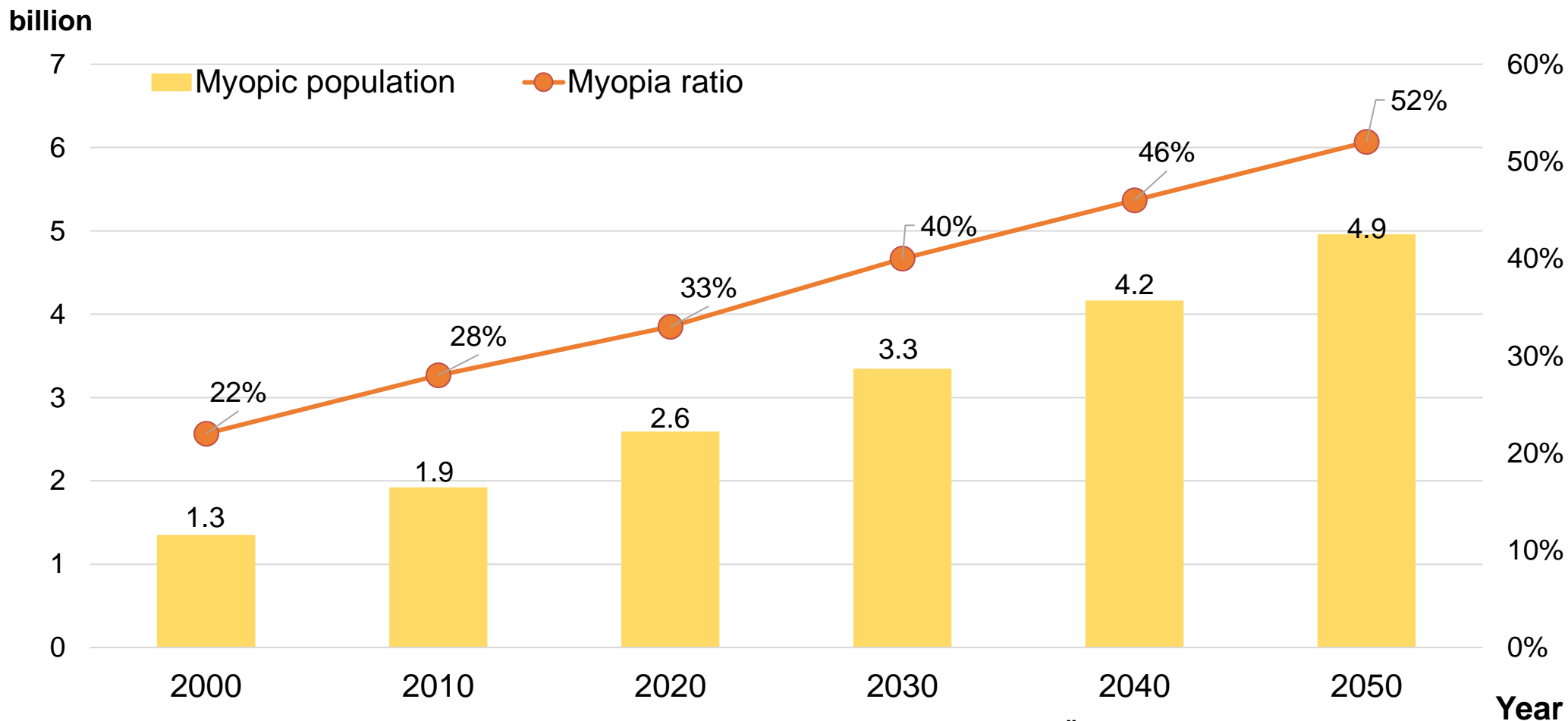
## FY2023 2Q



## Ⅱ . Medium-Term Business Plan and Forecast of Consolidated Financial Results for FY2023

# Background of Medium-term Business Plan

- ✓ The number of people with myopia is increasing worldwide, It is expected to continue to rise in the future.

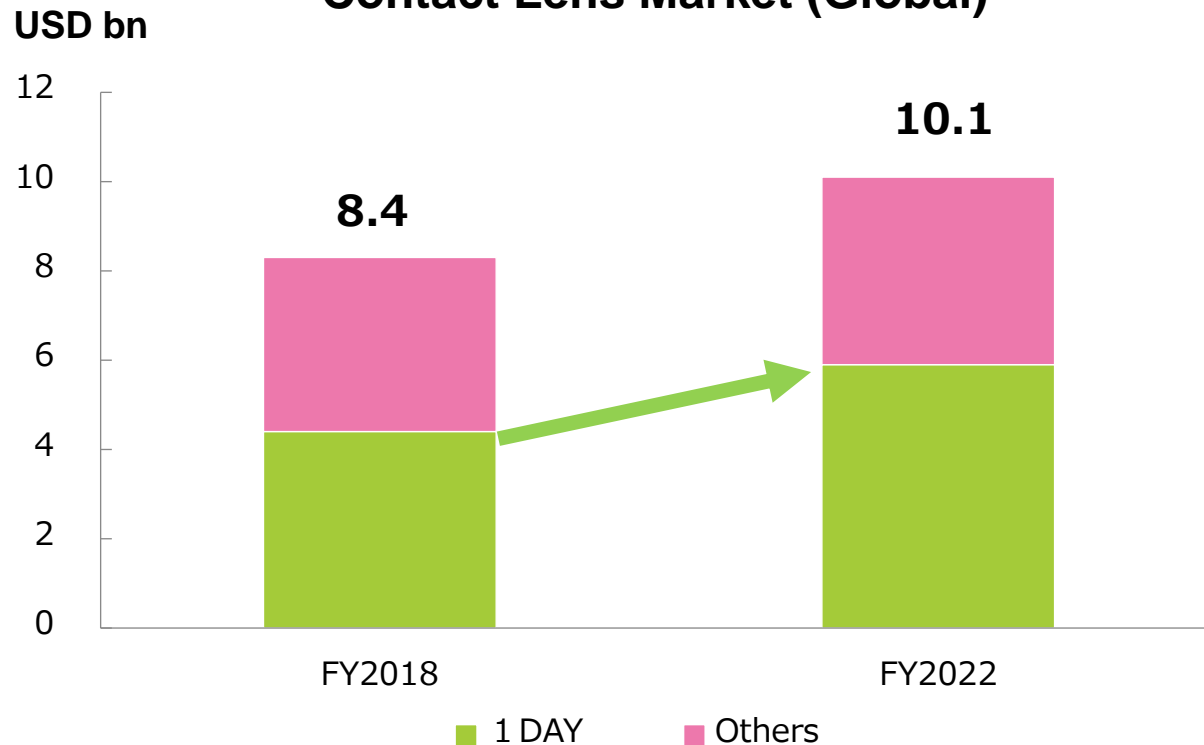


Source; World Health Organization "THE IMPACT OF MYOPIA AND HIGH MYOPIA"

# Activities to achieve the Medium-Term Business Plan

- ✓ Contact lens market is growing globally, mainly 1DAY, and is expected to continue to expand
- ✓ Promoting activities to achieve the Medium-Term Business Plan against a backdrop of market expansion

## Contact Lens Market (Global)



Source: Internal survey data  
\*Manufacturer shipments

## Activities to Achieve the Medium-Term Business Plan

MELS Plan Expansion

See p.27,28

### Short/Medium-term

- ▶ Improve profitability through price revisions
- ▶ Increase in membership

1DAY Sales expansion

See p.30,31

### Short-term

- ▶ Increase supply capacity by operating new lines at Singapore and Kakamigahara plant

### Medium- to long-term

- ▶ Expand production scale by operating Malaysia plant

Overseas sales expansion

See p.29.

### Short-term

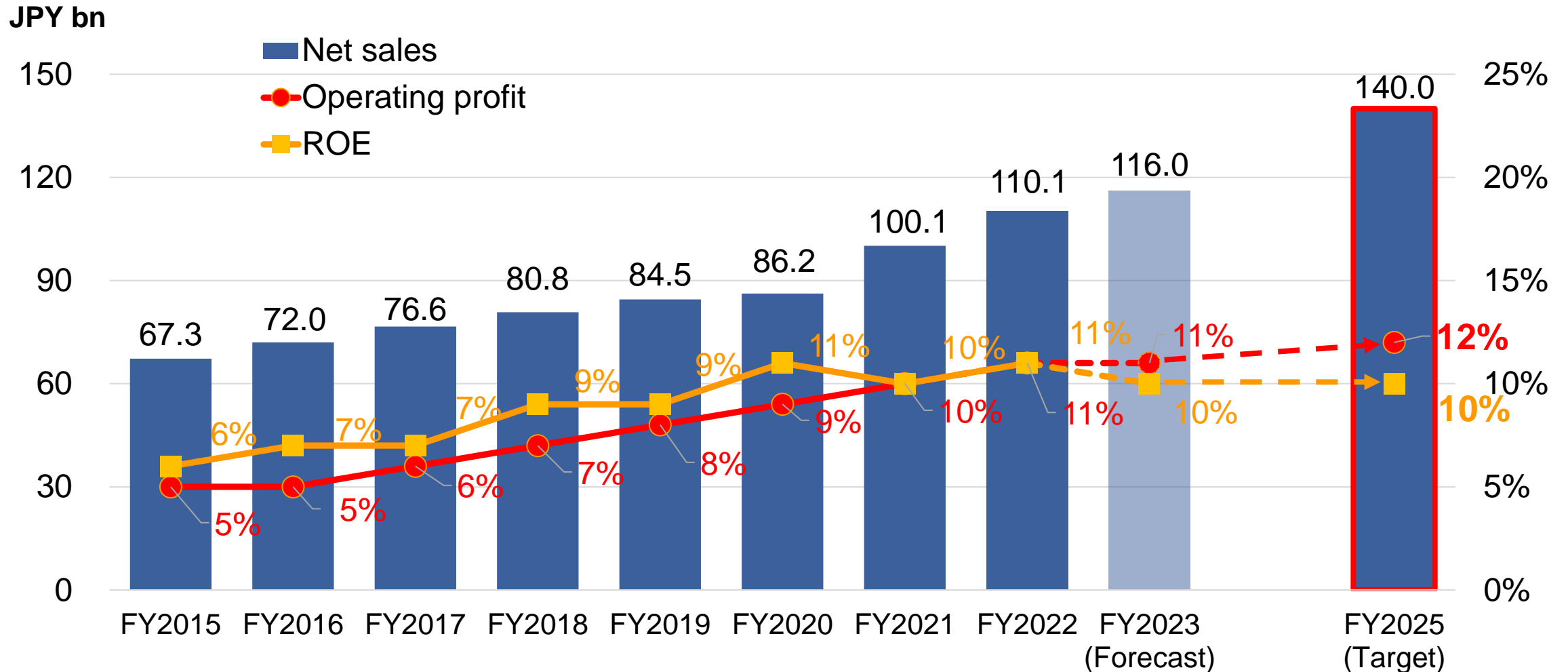
- ▶ Increase daily disposable contact lenses sales volume in Europe/North America
- ▶ Expand ortho-K business in Asia

### Medium- to long-term

- ▶ Increase global daily disposable contact lenses sales volume
- ▶ Expand Ortho-K Business

# Quantitative Targets of the Medium-Term Business Plan and Forecasts for the Current Fiscal Year

**Net sales: JPY 140 bn Operating profit ratio: 12% ROE: 10%**



# Financial Forecast (No Change from May 15, 2023)

- ✓ No change in consolidated financial forecasts (net sales and operating profit and each stage of income below operating profit)
- ✓ Change in the amounts of cost of sales and SGA(announced on November 13, 2023)

	FY2023 (Forecast)		FY2023 (Forecast)	YoY	JPY m
<b>Net sales</b>	<b>116,000</b>		<b>116,000</b>	---	
Cost of sales	54,200		<u>53,800</u>	- 0.7%	
(Cost of sales ratio)	46.7%		46.4%	---	
Gross profit	61,800		<u>62,200</u>	+0.6%	
SGA	49,500	⇒	<u>49,900</u>	+0.8%	
(SGA ratio)	42.7%		43.0%	---	
<b>Operating profit</b>	<b>12,300</b>		<b>12,300</b>	---	
(Operating profit ratio)	10.6%		10.6%	---	
<b>Ordinary profit</b>	<b>12,000</b>		<b>12,000</b>	---	
<b>Profit attributable to owners of parent</b>	<b>7,600</b>		<b>7,600</b>	---	

※Exchange rate in financial forecast for FY2023...EUR : JPY 148.0 USD : JPY 134.0, CNY : JPY 19.4



# Consolidated Financial Forecasts and Progress

JPY m

	FY2022		FY2023 2Q		FY2023 (Forecast)		Progress rate
<b>Net sales</b>	<b>110,194</b>		<b>58,126</b>		<b>116,000</b>		50.1%
(Cost of sales ratio)	46.9%		47.6%		46.4%		---
Gross profit	58,474		30,451		<u>62,200</u>		49.0%
SGA	46,411	⇒	25,197	⇒	<u>49,900</u>		50.5%
(SGA ratio)	42.1%		43.3%		43.0%		---
<b>Operating profit</b>	<b>12,062</b>		<b>5,253</b>		<b>12,300</b>		42.7%
(Operating profit ratio)	10.9%		9.0%		10.6%		---
<b>Profit attributable to owners of parent (quarterly period)</b>	<b>7,377</b>		<b>3,321</b>		<b>7,600</b>		43.7%

※Exchange rate in financial for FY2022...EUR : JPY 141.6 , USD : JPY 136.0, CNY : JPY 19.5

Exchange rate in financial forecast for FY2023...EUR : JPY 148.0 USD : JPY 134.0, CNY : JPY 19.4

# Consolidated Financial Progress and Outlook for FY2023



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

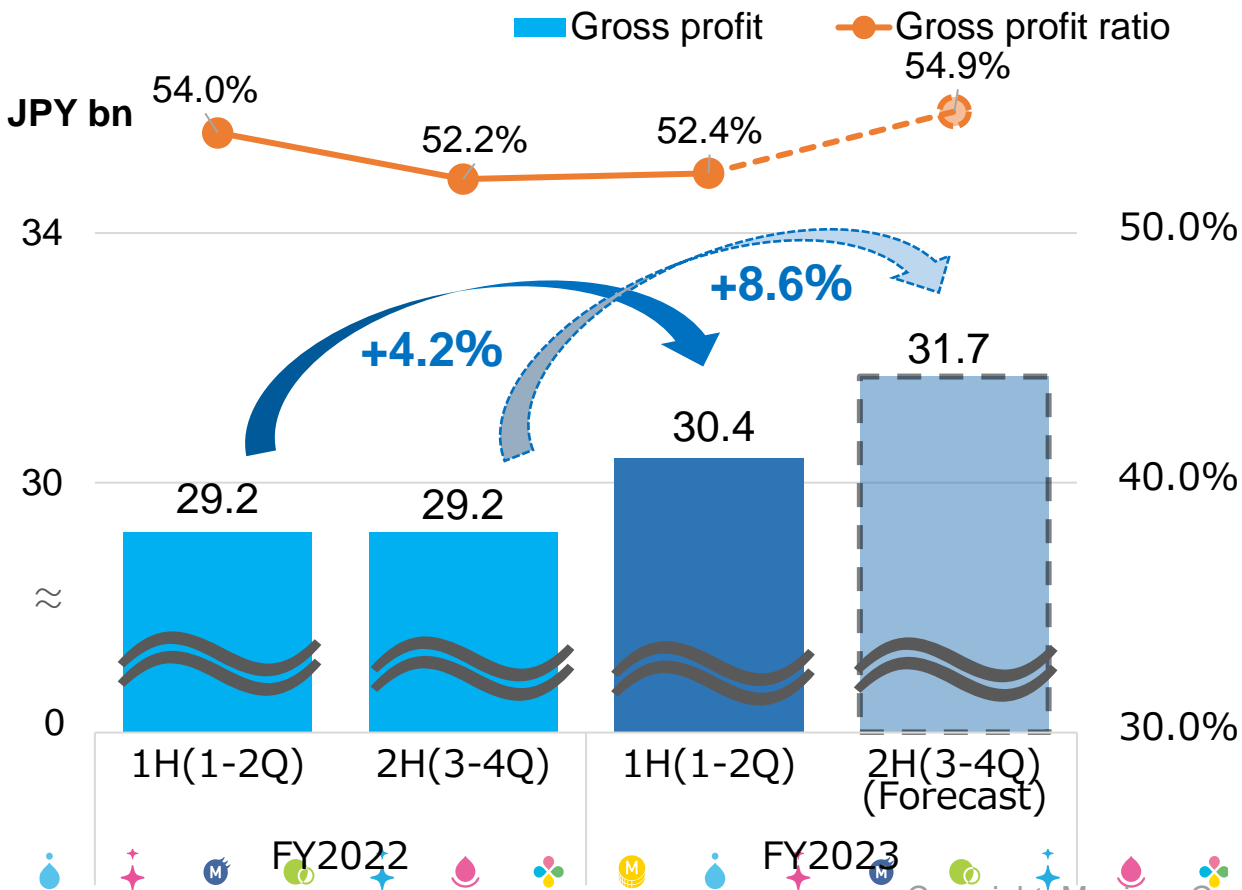
	Progress rate	Situation in 1H(1-2Q)		Forecast for 2H(3-4Q)
MELS Plan Sales	49.8%	↑Increase in Daily disposable contact lenses membership		↑Impact of price revision ↑Increase in number of members by strengthening the sales structure
Contact lenses and Lens care products Sales	48.8%	Japan	↑Increase in 3C PLAN membership ↓Daily disposable contact lenses, Demand > Supply	↑Impact of price revision ↑Increase in Daily disposable contact lenses supply due to new line operation
		Asia	↑Steady sales of Menicon Z Night ↑Gradual Mitigation of the impact of the COVID-19	↑Expand sales destinations by leveraging Ortho-K for multiple items ↑Stabilization of supply by operation of Ortho-K China plant ↓Changes in economic trends, etc.
		Europe, North America	↑Steady sales of Daily disposable contact lenses and lens care products to existing business partner	↑Continue and expand stable transactions with existing business partners
Operating Profit	42.7%	↑Increase in gross profit ↓High YoY growth in SGA by strengthened sales structure and normalization of corporate activities (2Q+12.7%)		↑Expand Vision care business (including impact of price revision) ↑Control YoY growth in SGA (Full year +7.5%)

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

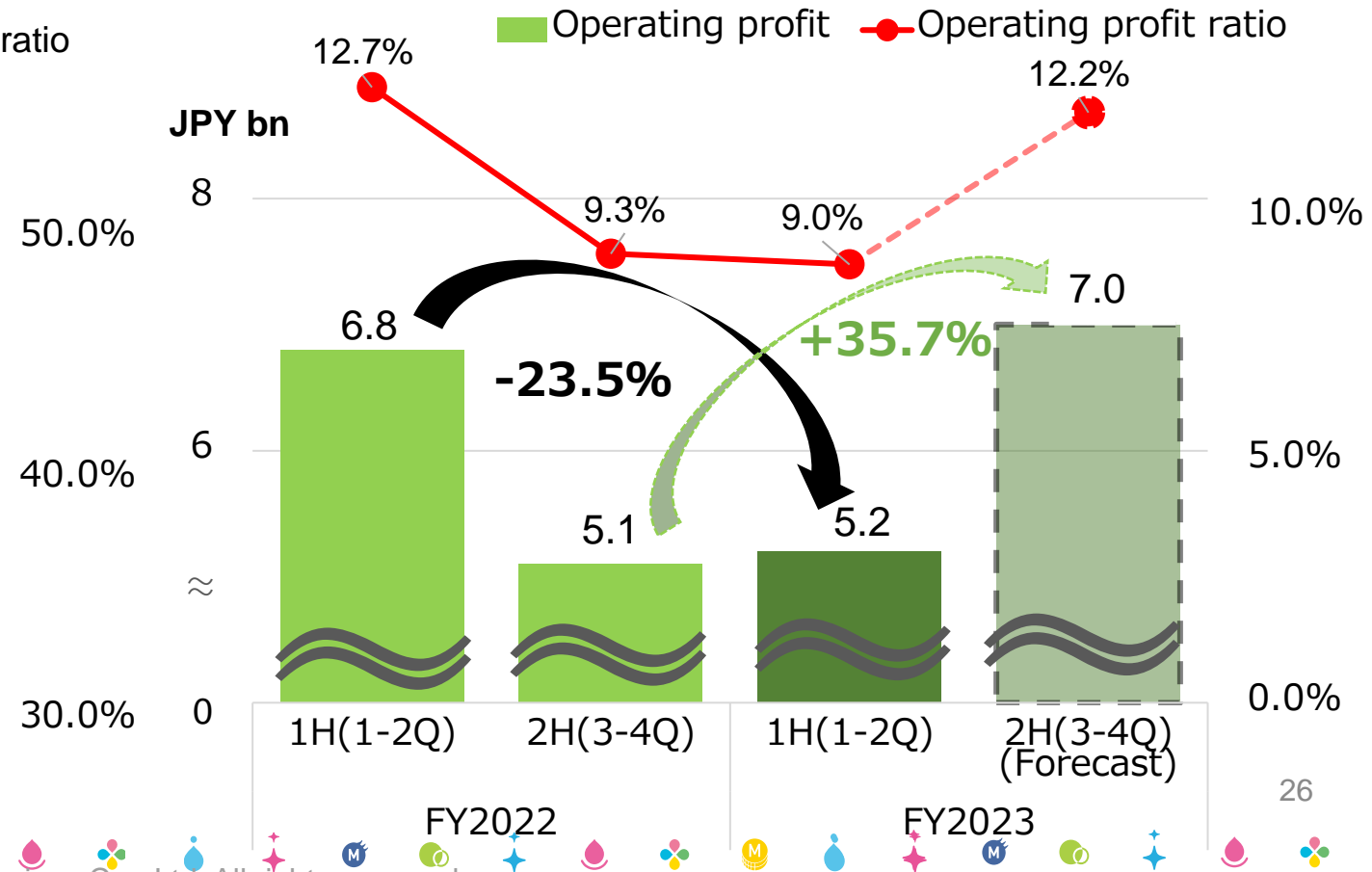
# Outlook: Gross Profit and Operating Profit

- ✓ Expect to increase in gross profit in 2H due to sales growth in the Vision care business (increase in its share of total sales) and improve in gross profit margin due to price revisions.
- ✓ Expect to increase in operating profit in full year due to efficient use of SGA and continuous investments for growth.

## Gross profit



## Operating profit



- ✓ Overall price revision for domestic MELS plans, product sales, and others.
- ✓ Price revisions will be implemented sequentially, so the impact on FY2023 results will be limited.

### Summary of Domestic Price Revision

category		Date of Revision	Price Revision Range
MELS Plan Monthly Fee, etc.	1DAY	February - March 2024	+ 5 to 8%
	2WEEK	From January 2024	+ 5 to 14%
	1MONTH	From April 2024	+ 17%
	Conventional	From April 2024	+ 14 to 17%
Impact of Price Revisions on MELS Plan Sales* (Estimate)		Max. + 8% Approx.	

\*The estimated amount is based on the number of members (1.35 million) as of the end of September 2023.

Price revisions for product sales and others (Contact Lenses, Lens care products, 3C PLAN, etc.) will be implemented sequentially from October 2023 to January 2024.

- ✓ Strengthen sales structure by increasing the number of stores handling MELS Plan and utilizing online consultation

### Increase in the number of stores handling MELS Plan

Contact with more customers by designating contact lens retailers as MELS member facilities that are expected to attract customers

Mar. 31, 2023: 1,663 stores → Sept. 30, 2023: 1,674 stores **1H +11 stores**

### Promotion of online consultation

Efficient operation of stores and providing proposals and careful consultation services suited to the eye life of each individual customers by utilizing the online system



- ✓ Expand sales volume by product deployment for each region, mainly Japan, Europe, North America, and Asia.

## Japan

**1DAY: Increase in Daily disposable contact lenses membership**



## North America

**1DAY: Strengthen Relationships with major mass retail chains**



## Europe

**1DAY: Strengthen Relationships with major mass retail chains and develop new suppliers**

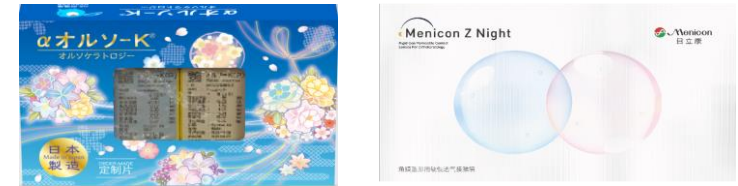


**Ortho-K:**  
Expand sales of lenses with CE Mark Certified as for the control of myopia progression



## Asian

**Ortho K: Expand sales of multiple lens products**



**Lens care: Expand sales of high-quality products**



- ✓ Increase supply capacity by operating a new daily disposable contact lenses line
- ✓ Stabilize supply by strengthening the production system for orthokeratology lenses

1 Day

Silicone hydrogel

Ortho K

High oxygen permeability

**Magic**

**1DAY Menicon PremiO**

**Alpha Ortho K**

**Menicon Z Night**



(Brand for overseas)

(Brand for overseas)

**Singapore Plant**

Sales area: Japan, Europe, North America, etc.

Sep. 2023, New Line No. 8 in operation

**Kakamigahara Plant**

Sales area: Japan, Europe, etc.

Nov. 2023, New operation of No. 10 line

**China Wuxi Plant**

Sales area: China

Sep. 2023, New plant in operation

**Netherlands Plant**

Sales area: Europe, Asia, etc.

June 2023, Increase in operating hours

Increase supply capacity by about 10%.

➔ Domestic: Increase in Daily disposable contact lenses membership

Overseas: Increase users in major mass retail chains

Establish a Production System to Meet Increased Demand  
Significantly shortened delivery time of Alpha Ortho K to China

➔ Increase sales volume in China

- ✓ Looking beyond FY2025, strengthen production systems of 1DAY which strong demand is expected worldwide and Ortho-K and Lens Care which expected to market expand in accordance with increasing the population of myopia / lowering trend in the age of myopia.

## 1 Day



**Singapore Plant**  
 Manufactured by : Magic  
 Sales area: Global  
2025, New Line No. 9-10 in operation (plan)



**Kakamigahara Plant**  
 Product : 1DAY Menicon Premio  
 Sales area: Global  
2025, New Line No. 11 in operation (plan)



**Malaysia Plant**  
 Product : Daily disposable contact lenses  
 Sales area: Global  
2025, Start production (plan), expand production sequentially (plan)

## Ortho K



**Wuxi Plant**  
 Product : Alpha Ortho K  
 Sales area: China  
Strengthen of production system for the demand

## Lens Care

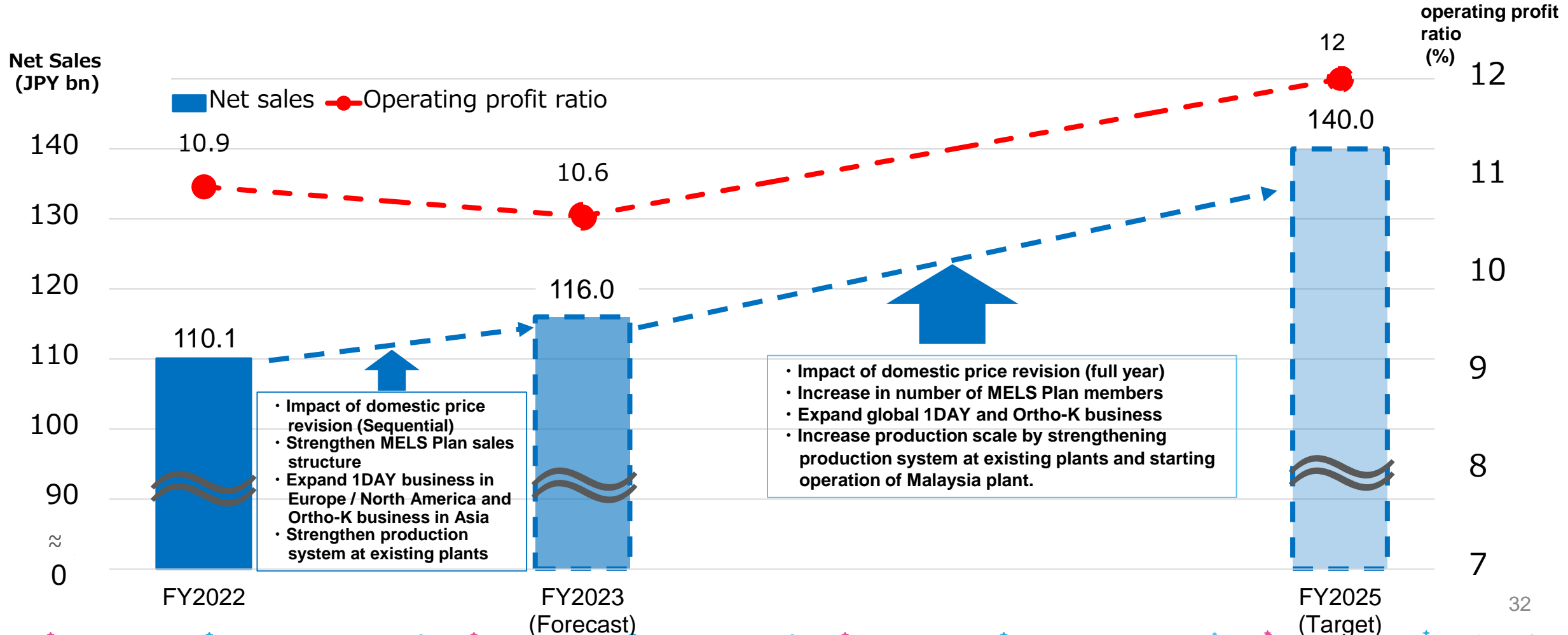


**Gujo Plant**  
 Products : Lens care for hard/soft lenses  
 Sales area: Global  
2025, Complete renovation and new line in operation (plan),

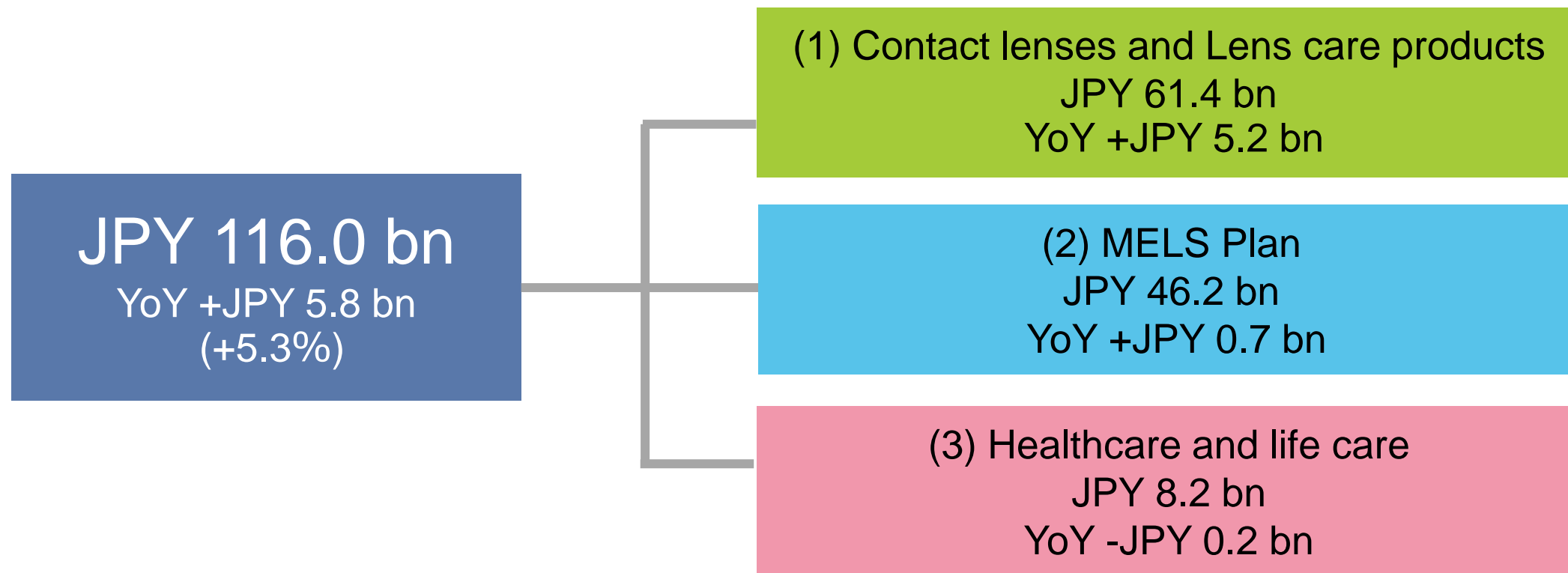


# Achievement of the Medium-Term Business Plan

✓ Aim to achieve sales growth in Vision care business and quantitative targets for FY2025 by strengthening sales measures and supporting production systems.

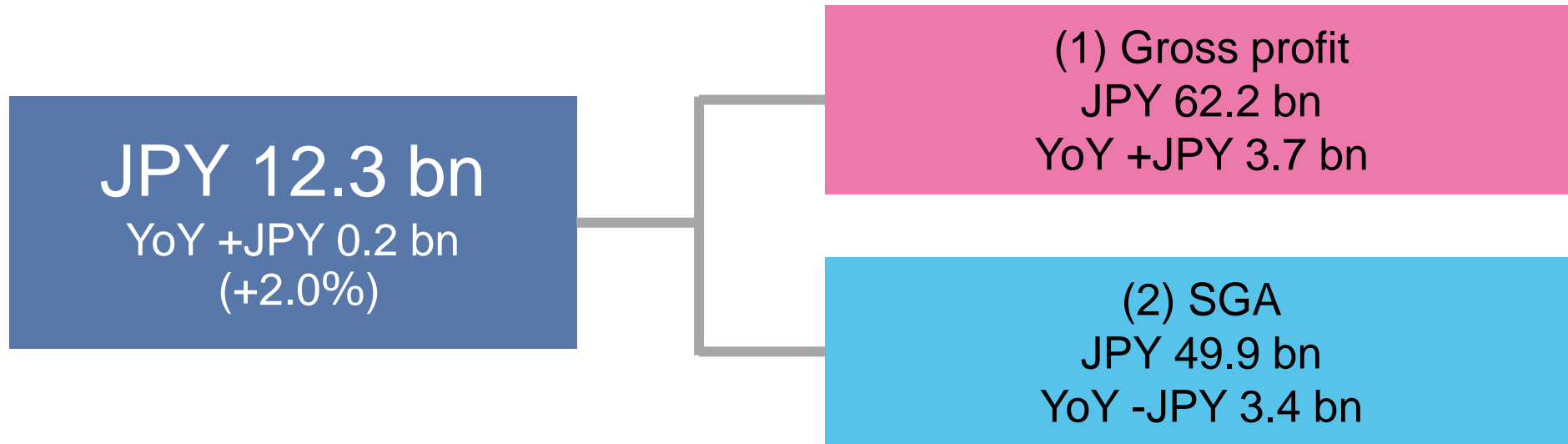


# Reference Data



## Key factors

- (1) Increase in sales volume in Europe and North America will be expected
- (2) Increase in the number of MELS Plan members, mainly Daily disposable contact lenses, will be expected



## Key factors

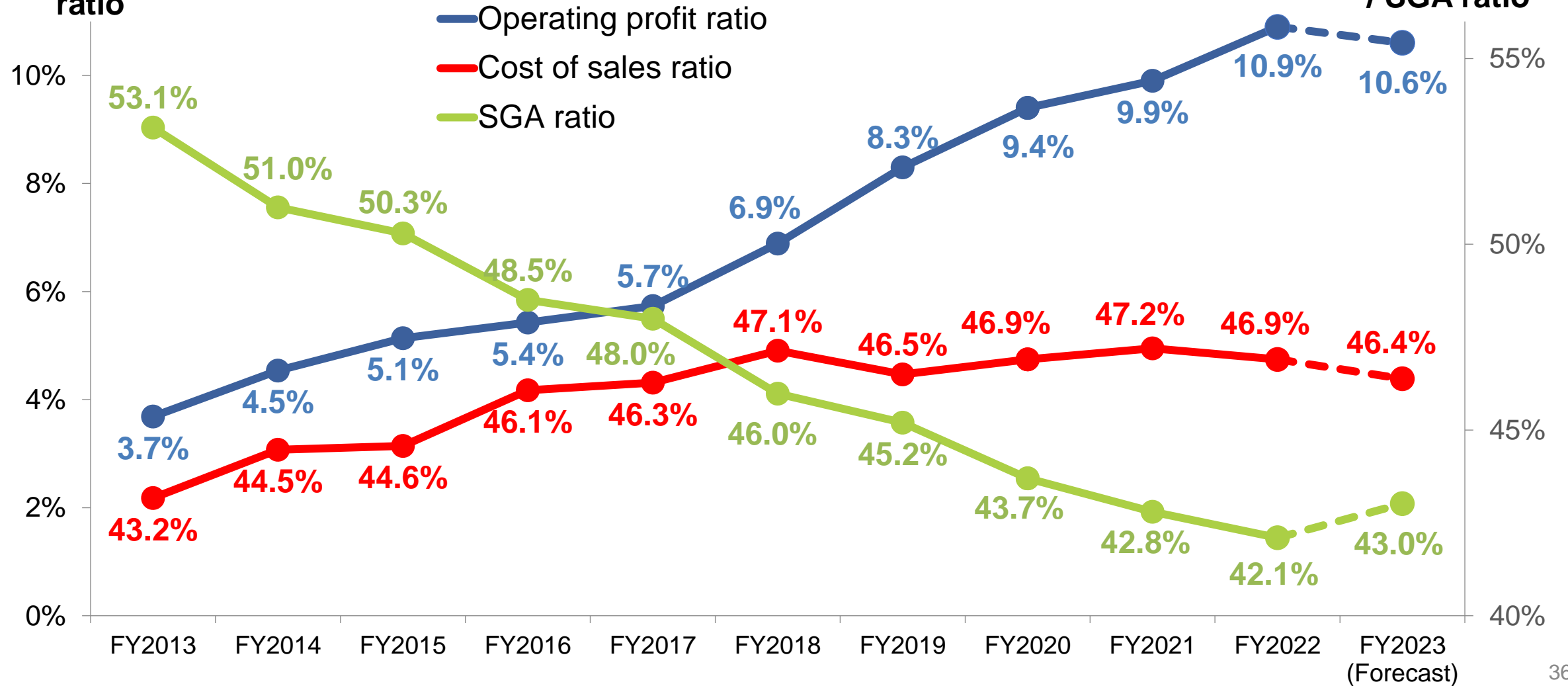
- (1) Gross profit will be expected to increase in line with sales growth
- (2) Investment for future growth such as preparing of new plants strengthening new product development and will be implemented

# Cost of Sales Ratio / SGA Ratio / Operating Profit Ratio



Operating Profit ratio

Cost of sales ratio / SGA ratio

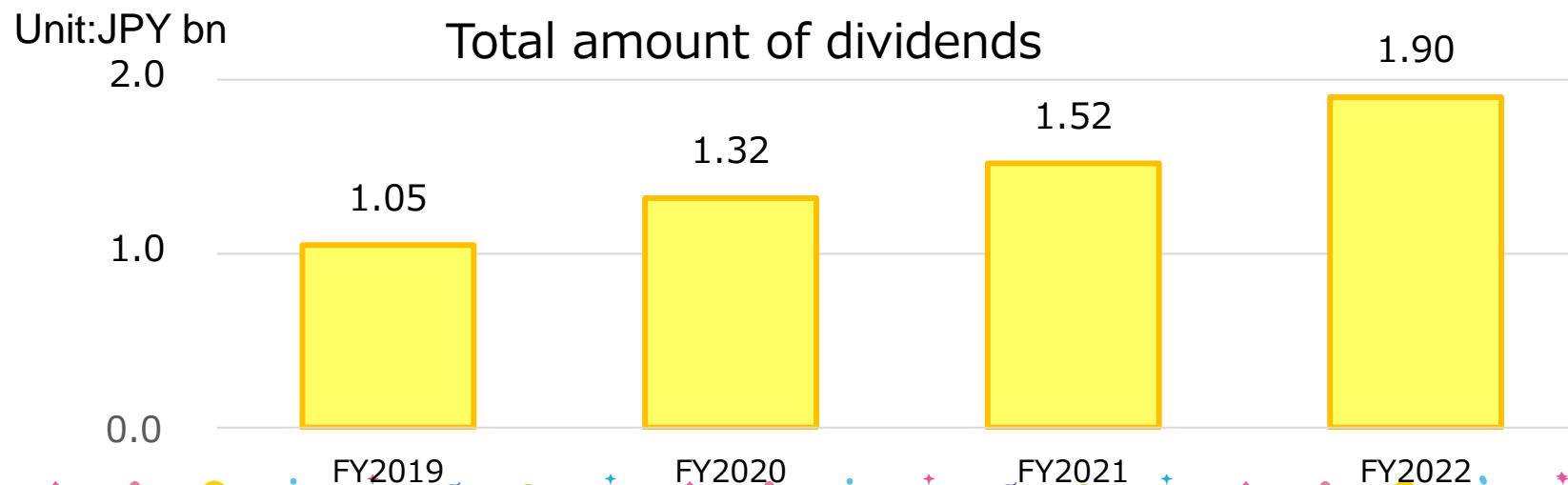


# Dividend forecast (No Change from May 15, 2023)

- ✓ FY2022 **25 yen** per share
- ✓ Annual dividend forecast of **25 yen** per share for the FY2023

	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Dividend per share <sup>※</sup>	14 yen	17.5 yen Ordinary dividend 15 yen Commemorative dividend 2.5 yen	20 yen	25 yen	25 yen
Dividend payout ratio	24.9%	22.2%	23.3%	25.7%	25.0%

\*Calculated assuming a stock split at the beginning of the FY2019



✓ Promote business expansion based on growth potential, uniqueness, and contribution to society

## Assisted reproductive technology



Development / Sales

Sperm preparation equipment  
(For clinics)

Spread to general gynecology facilities, driven by insurance coverage of infertility treatment

## Supplement



Development / Sales

Health care/pregnancy/beauty supplements, etc.(for clinics/EC/retailers)

Expand sales through growth in femcare area and diversification of sales methods

## Environmental and bioscience



Development / Sales

Composting promotion system / degradation-accelerating agent for rice straws, etc.  
(For farmers / livestock farmers)

Expand sales of environment-related businesses and reduce environmental impact

## Food



Sales

Export of fresh fish / rice  
Import of dried food, etc.  
(For supermarkets / distributors)

Increase in profitability through expansion of transaction volume

## Veterinary medical



Development / Sales

Intraocular lenses / contact lenses / supplement for animals, etc.  
(For veterinary clinics)

Develop new channels and expand sales in Asia

- Disclaimer
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