Consolidated Financial Results for the Six Months Ended September 30, 2019

TSE 1st Section: Ticker 7780

Menicon

Key reason

- For the six months ended September 30, 2019

  Net sales : Year on year change **+6.8%**

  The total number of members in MELS Plan

  1.32millions

Gross profit: Improvement cost of sales ratio

as a result of curbed manufacturing costs

cost of sales ratio: 46.5% → **45.7%**

Operating profit : An increase of gross profit

and improvement of SGA ratio

Operating margin : 7.3% → **10.6%**

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Summary

(JPY m)

	For the Six Months Ended September 30, 2018	For the Six Months Ended September 30, 2019	YoY change
Net sales	40,097	42,824	+6.8%
Cost of sales	18,638	19,560	+4.9%
(Cost of sales ratio)	46.5%	45.7%	(0.8pt)
Gross profit	21,459	23,264	+8.4%
Selling, general and administrative expenses	18,537	18,705	+0.9%
(SGA ratio)	46.2%	43.7%	(2.5pt)
Operating profit	2,921	4,558	+56.0%
(Operating margin)	7.3%	10.6%	+3.3pt
Ordinary profit	2,898	4,564	+57.5%
Profit attributable to owners of parent	1,810	2,992	+65.3%
Basic earnings per share	JPY 51.46	**JPY 84.47**	---

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Net sales

JPY 42.8 bn

YoY change +JPY 2.7 bn
+6.8%

① MELS Plan sales
+JPY 1.2 bn

② Contact lens/Care products
+JPY 1.4 bn

Other
+JPY 0.1 bn

Key reason
① An increase of membership, especially Daily disposable contact lens.
② Expanding Daily and orthokeratology lens sales.
Demand ahead of the consumption tax hike.

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Operating profit

JPY 4.5 bn

YoY change +JPY 1.6 bn
+56.0%

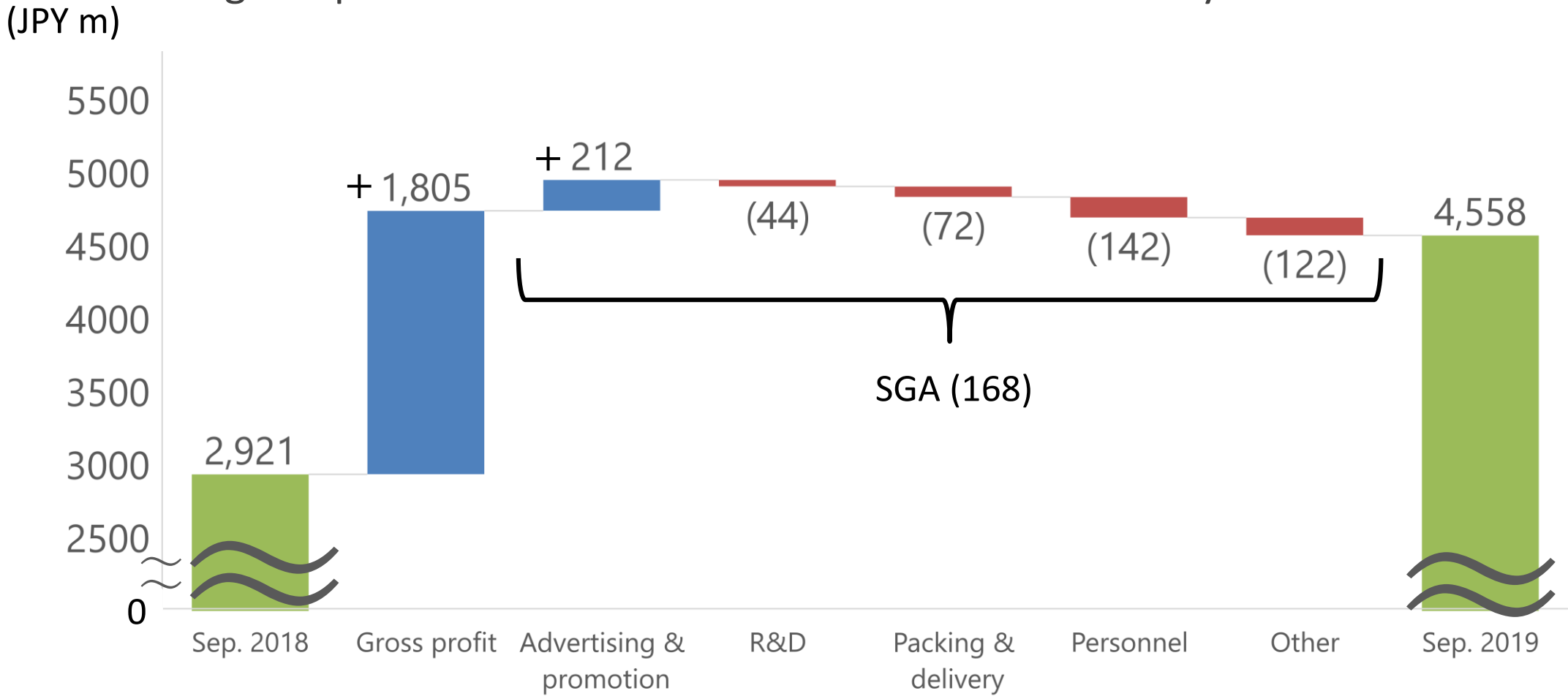
- Gross profit
  +JPY 1.8 bn
- Selling, general and administrative expenses
  (JPY 0.2 bn)

Key reason
An increase of gross profit due to curbed manufacturing cost and sales growth.
A decrease of SGA ratio.

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Operating profit break down

✓ Operating profit increased, which is attributable to the increase of gross profit and the efforts to enhance the efficiency of SGA.



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Net Sales break down

By Segment

(JPY m)

		For the Six Months Ended September 30, 2018	For the Six Months Ended September 30, 2019	YoY change
Net sales		40,097	42,824	+6.8%
Reportable segment	Contact Lens-related Business	39,387	41,990	+6.6%
	Other	709	833	+17.5%
Product/ service	Contact lens / Care products	19,055	20,482	+7.5%
	MELS Plan	20,045	21,250	+6.0%
	Other	996	1,091	+9.5%

(Note)The amount of “Other” includes the amount of new businesses.

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Contact lens and Care products

JPY 20.4 bn

YoY change +JPY 1.4bn
+7.5%

① Daily
+JPY 0.4 bn

② 2weeks・1month
+JPY 0.4 bn

③ Other
+JPY 0.6 bn

Key reason
① Sales of daily disposable contact lens was robust.
② Sales of 2weeks contact lenses in domestic market, and sales of 1 month contact lens in overseas market were robust.
③ Mainly sales of orthokeratology lenses and lens care products in China were robust.

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MELS Plan

JPY 21.2 bn

YoY change +JPY 1.2 bn
+6.0%

① Daily
+JPY 1 bn

② 2weeks
+JPY 0.2 bn

Key reason
① Membership of daily disposable contact lens has increased.
② ”2WEEK Menicon PremiO” series were robust.

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Net Sales break down

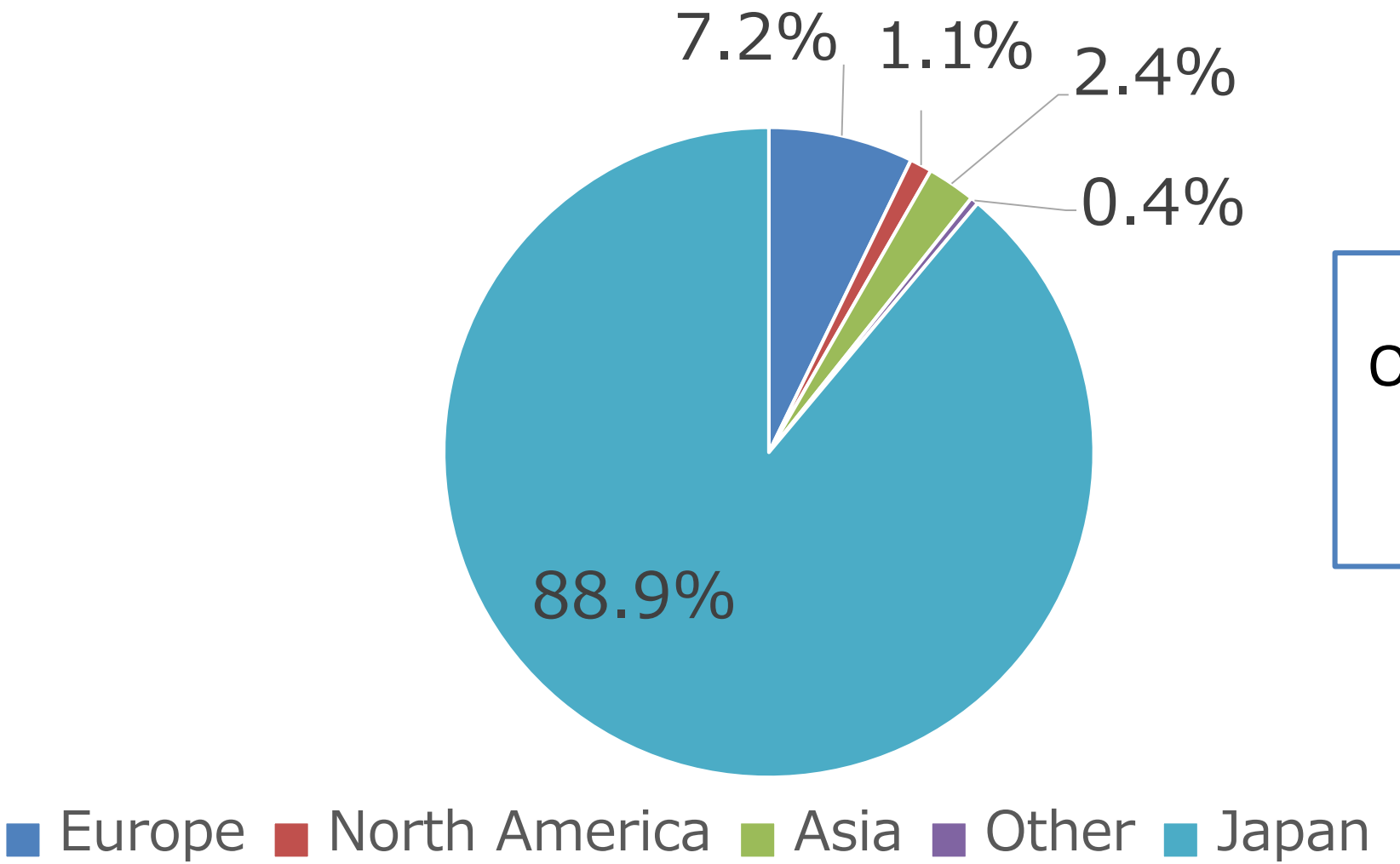
Geographical information

(JPY m)

	For the Six Months Ended September 30, 2018	For the Six Months Ended September 30, 2019	
			YoY change
Net Sales	40,097	42,824	+6.8%
Japan	35,528	38,086	+7.2%
Overseas Total	4,569	4,737	+3.7%
Europe	3,119	3,074	(1.4%)
North America	487	484	(0.8%)
Asia	813	1,027	+26.3%
Other	149	152	+2.0%

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Overseas sales ratio



Overseas sales ratio
11.1%

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Overseas sales

JPY 4,737 m

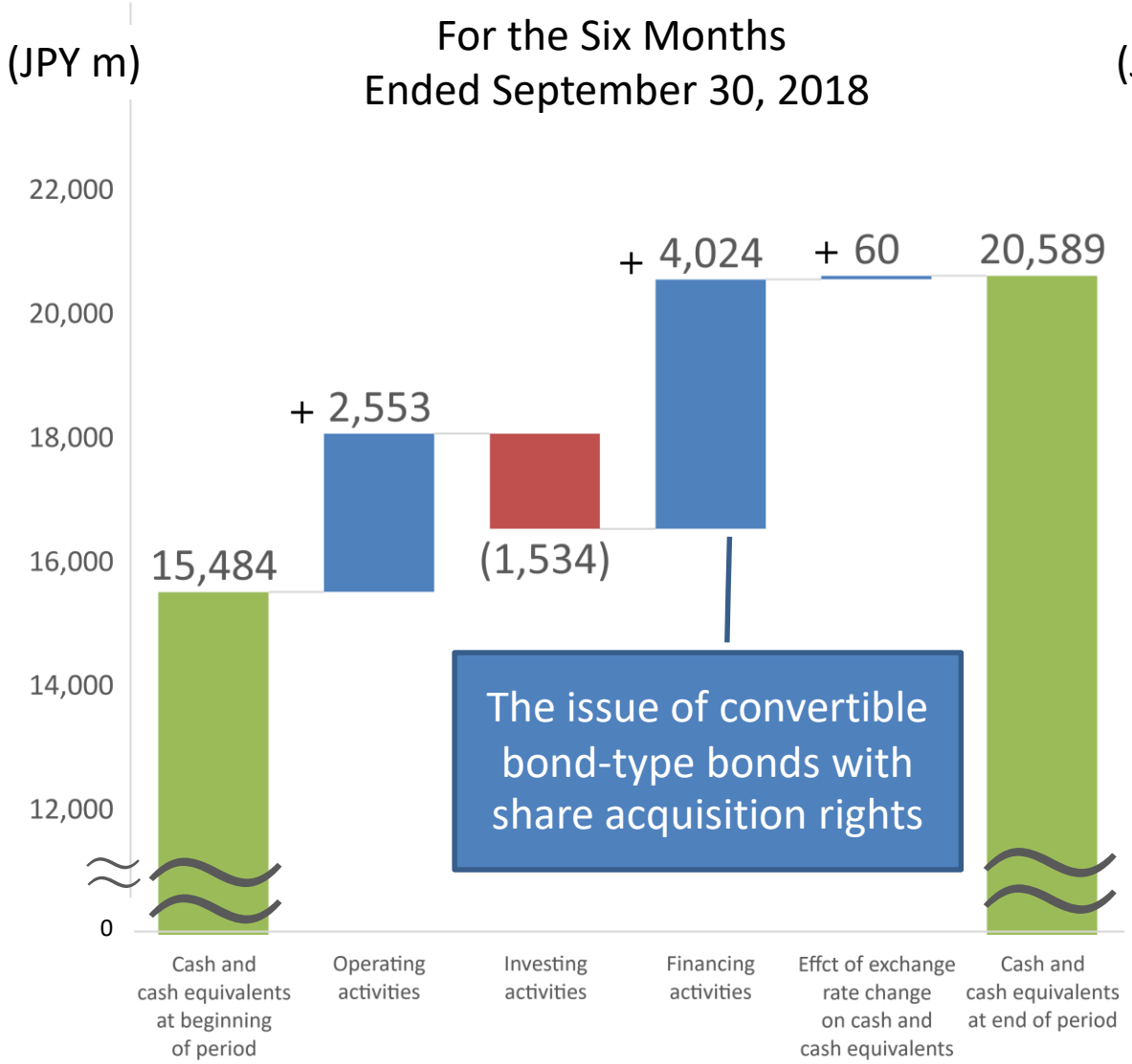
YoY change JPY 168 m
+3.7%

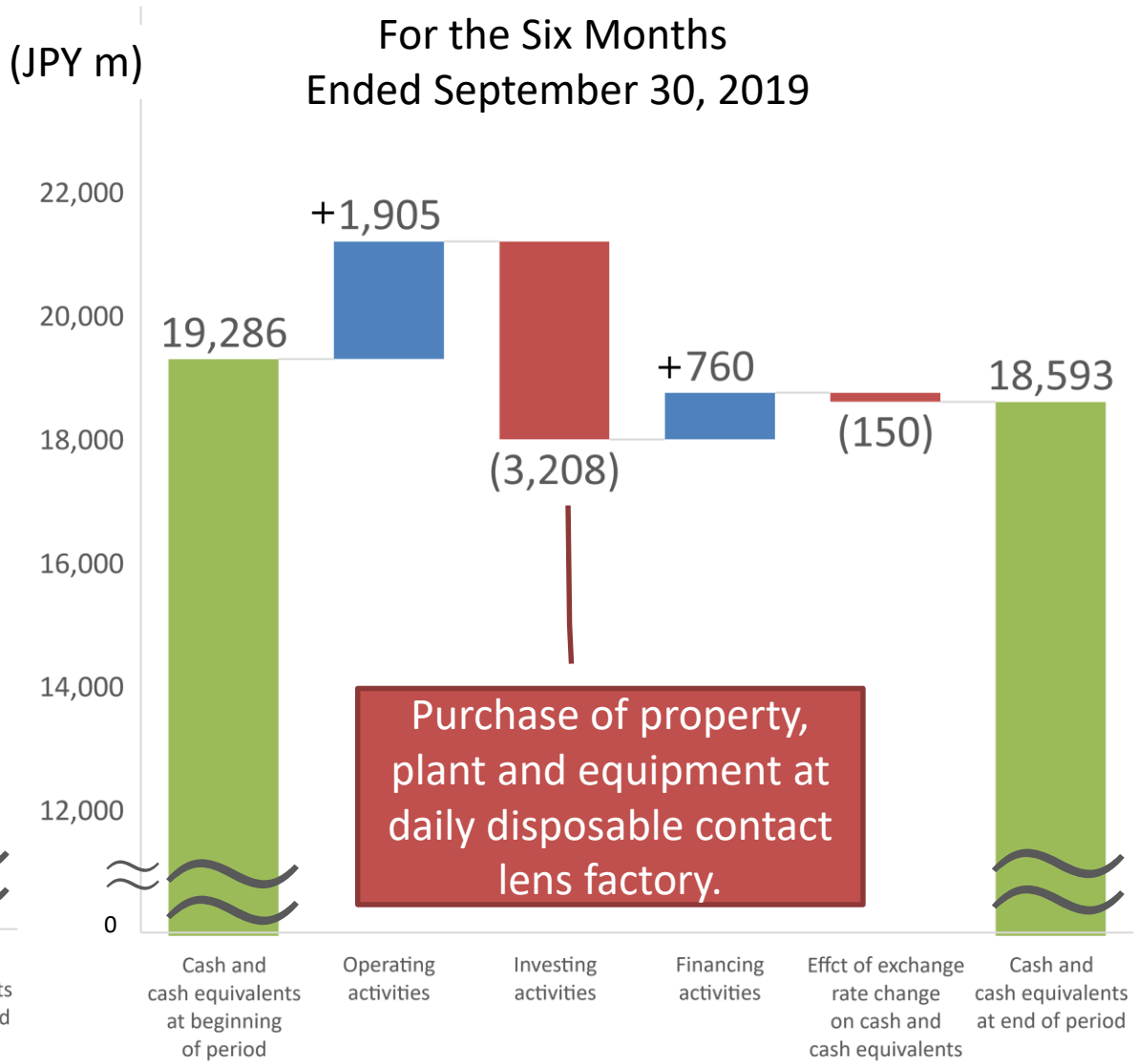
- ①Europe
  (JPY 44 m) （1.4%）
- ②North America
  (JPY 3 m) （0.8%）
- ③Asia
  +JPY 214 m +26.3%

Key reason
① ② The effects of changes in foreign exchange rates.
Sales increased in local currency.
③ Asia: Orthokeratology lenses sales were robust.

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Cash Flows





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Revisions to Financial Forecasts

➢ Revised consolidated financial forecasts for the full fiscal year ending March 31, 2020.

Net sales : Unchanged

Net sales in the second half of the fiscal year is foreseen to remain at around the same level as in the previous forecast, because of a likely downturn after the consumption tax hike, it is expected to recover for the full year.

Operating profit : Upward revision

Profit is projected to outperform the previous forecast in every level based on ongoing reductions in manufacturing costs, although expenditures are planned to expand sales of daily disposable contact lens line and strengthen sales promotion aiming to increase MELS Plan memberships including member purchases of new products.

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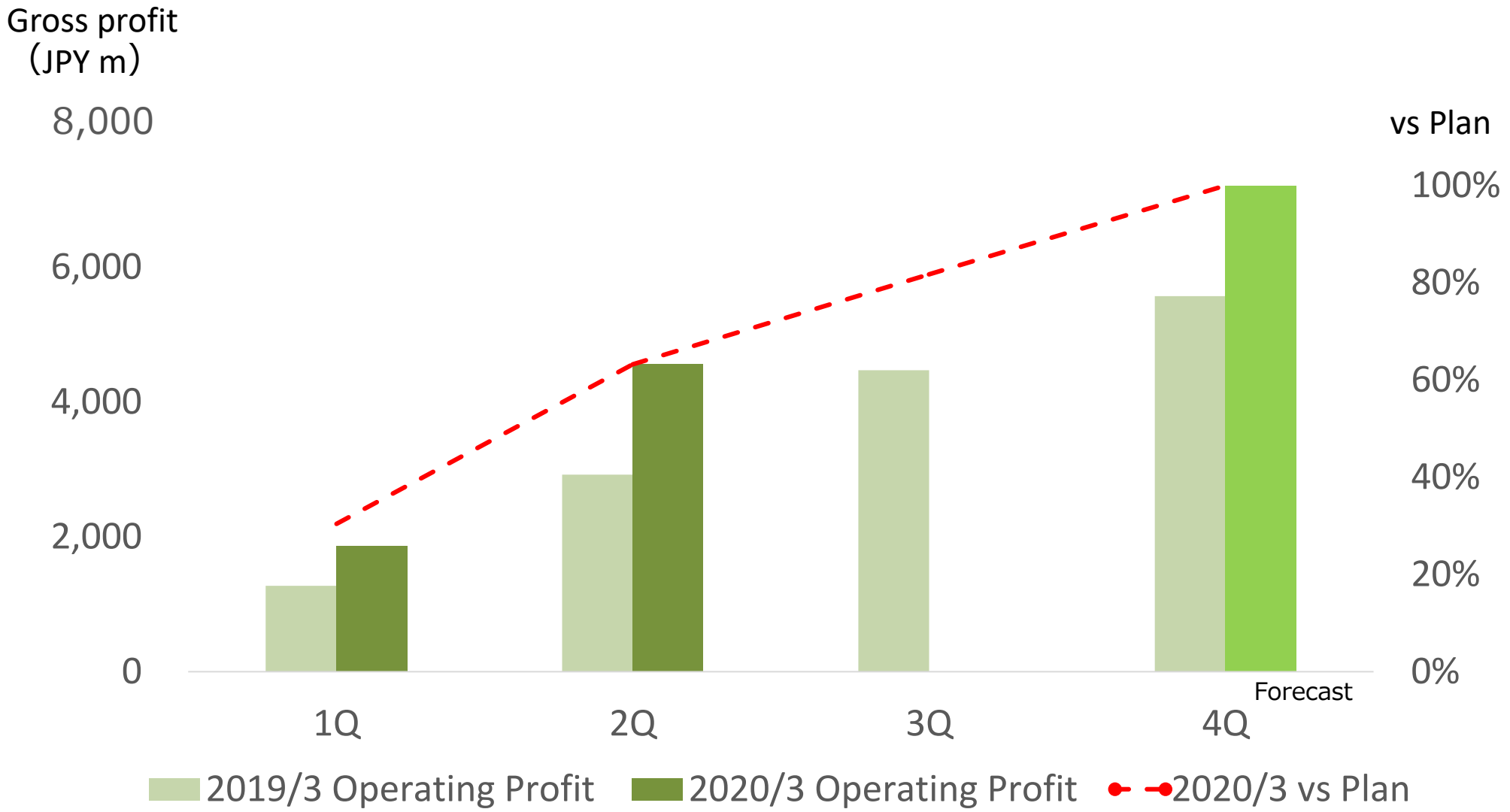
Revised consolidated financial forecasts

(JPY m)

	Previous forecast A		Revised forecast B	Difference B - A	Percentage change
Net sales	**85,083**		**85,083**	---	---
Cost of sales	39,883		38,997	(885)	(2.2%)
(Cost of sales ratio)	46.9%		45.8%	(1.1pt)	---
Gross profit	45,199		46,085	+885	+2.0%
Selling, general and administrative expenses	38,696	⇒	38,873	+176	+0.5%
(SGA ratio)	45.5%		45.7%	+0.2pt	---
Operating profit	**6,502**		**7,211**	+709	+10.9%
(Operating margin)	7.6%		8.5%	+0.9pt	---
Ordinary profit	**6,488**		**7,197**	+708	+10.9%
Profit attributable to owners of parent	**4,091**		**4,500**	+408	+10.0%
Basic earnings per share	116.12円		125.10円	+8.98	---

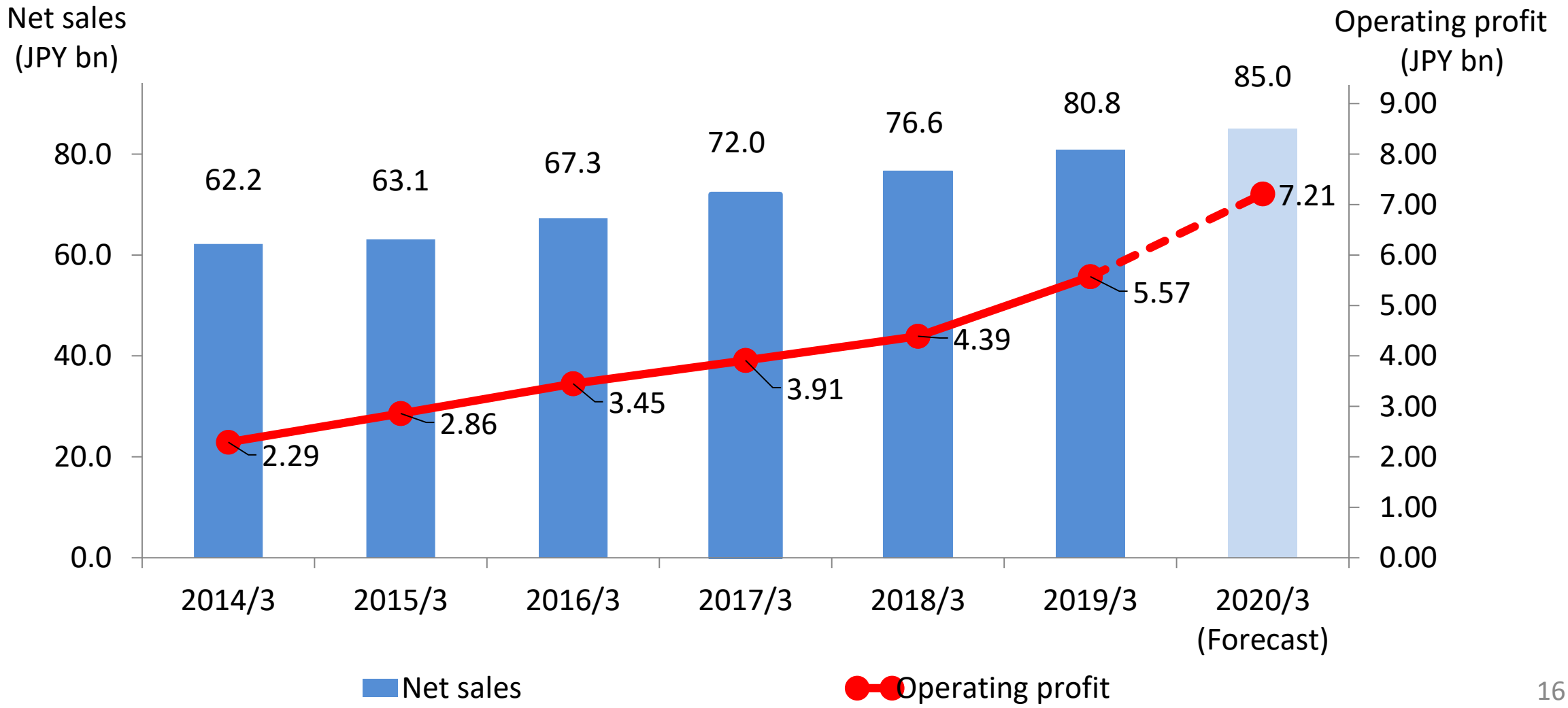
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Gross profit vs Plan



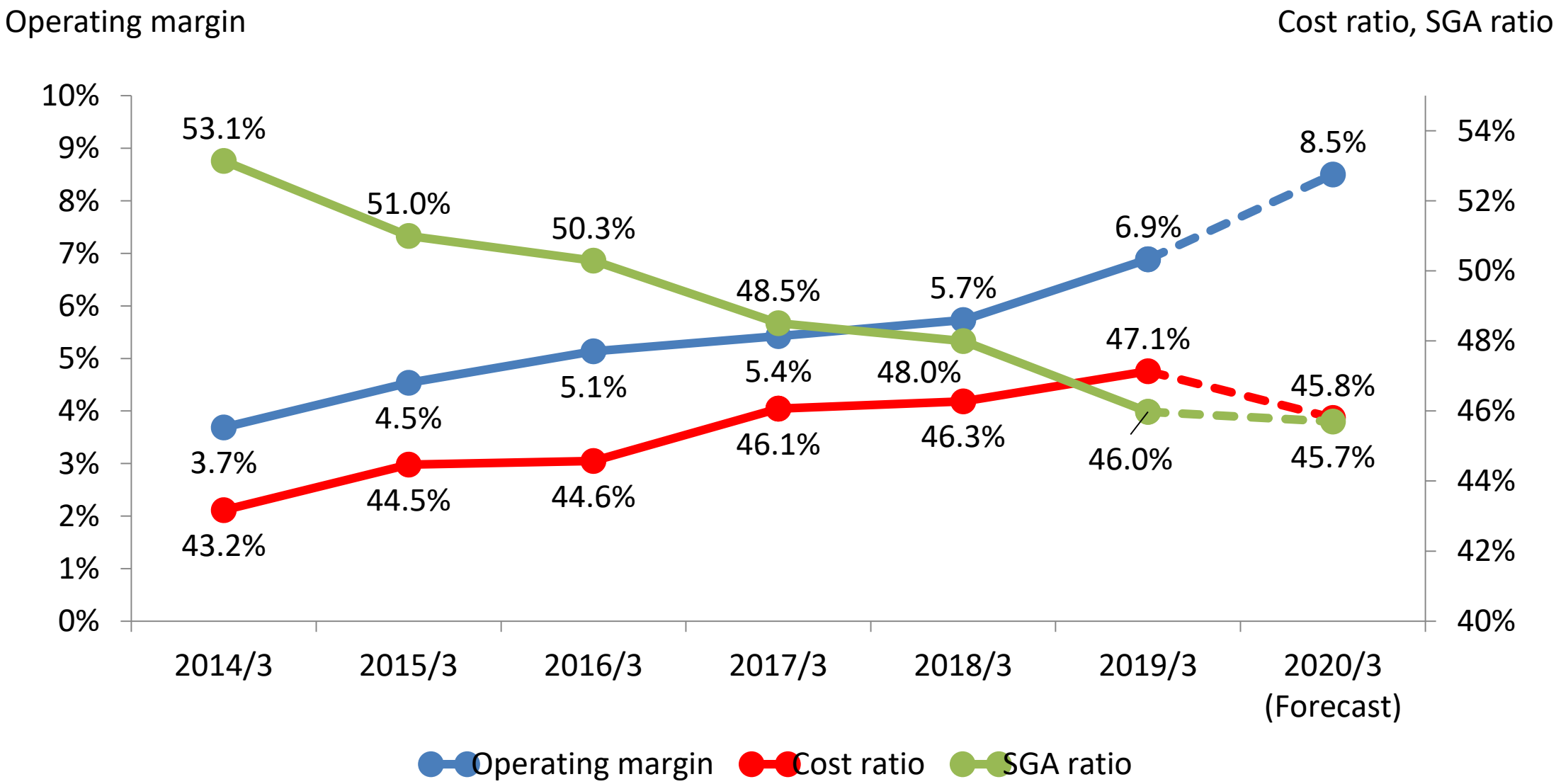
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Annual Sales/Operating Profit



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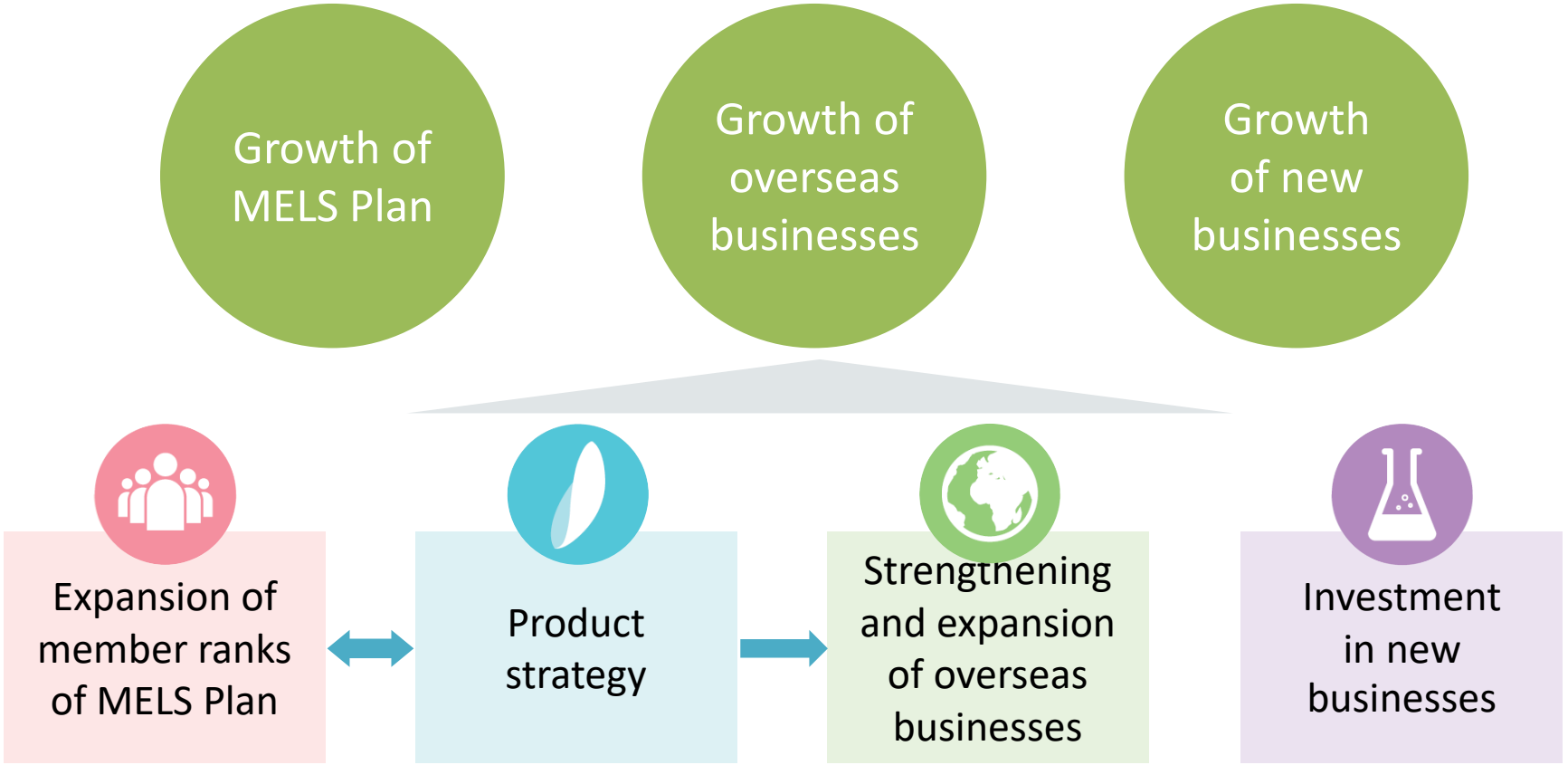
Operating margin/Cost ratio/SGA ratio



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Our Medium-term Business plan Vision 2020

Toward Achievement of Sales of JPY100bn and Operating Profit Margin of 10%



Vision2020 : Our target for the fiscal year ending March 31, 2021.

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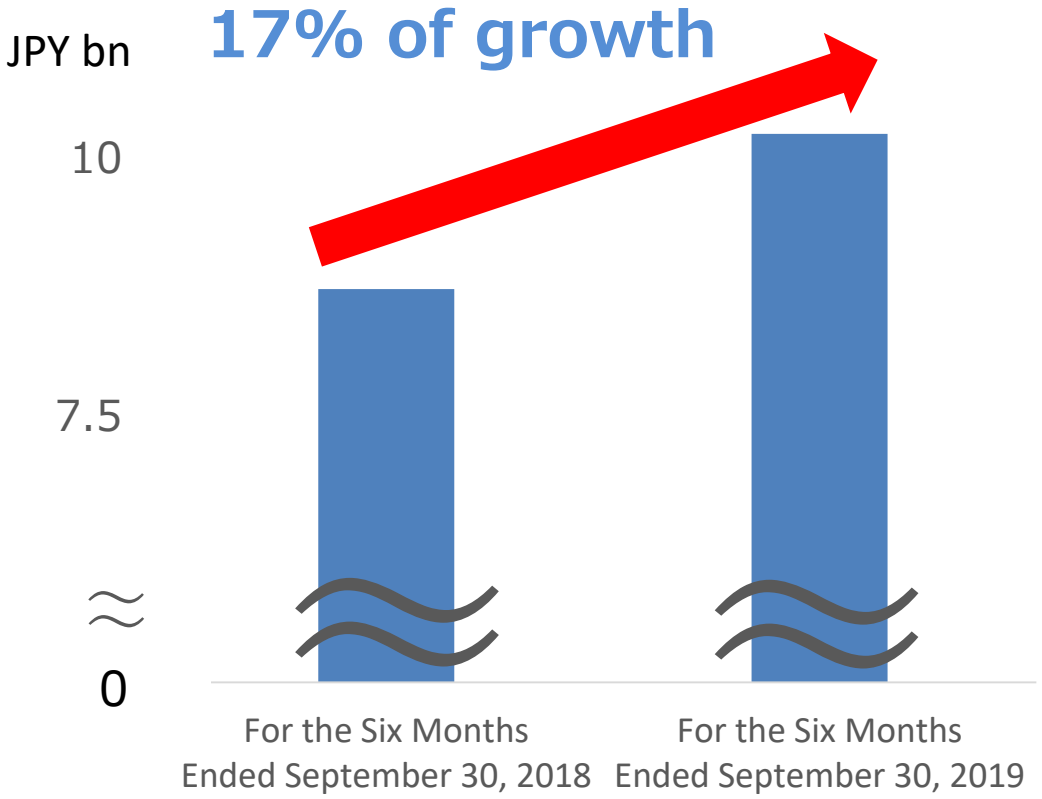
Contact lens

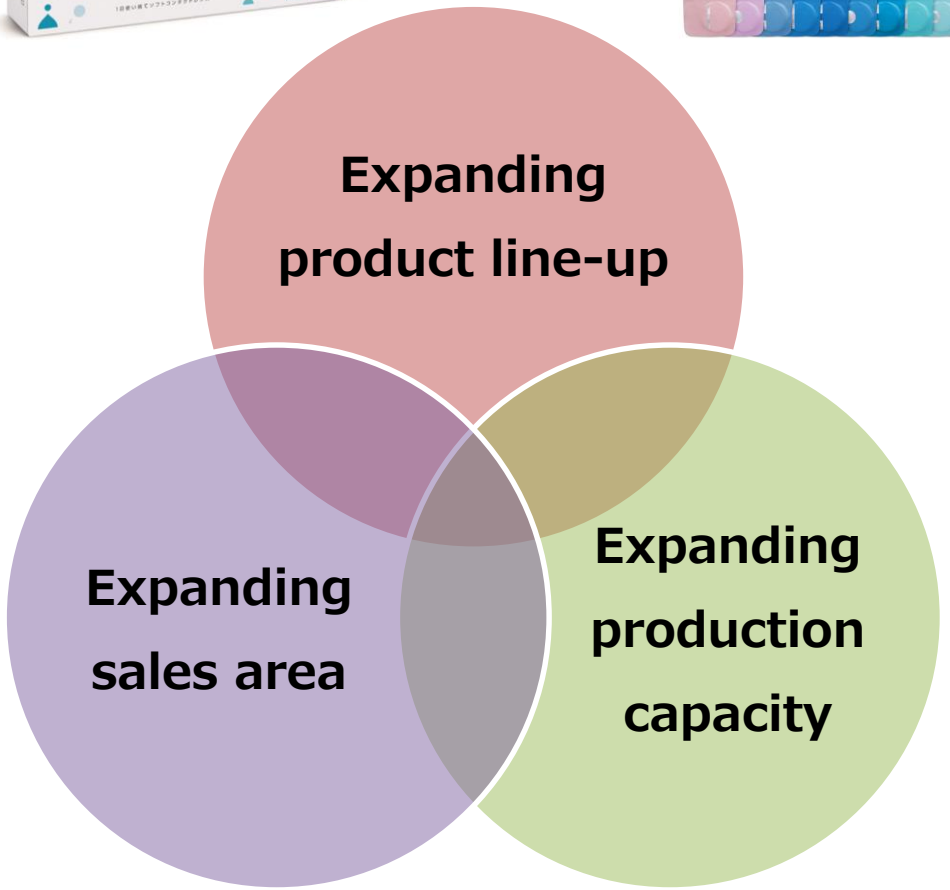
✓ Growth of Daily disposable contact lens sales





Daily disposable contact lens sales



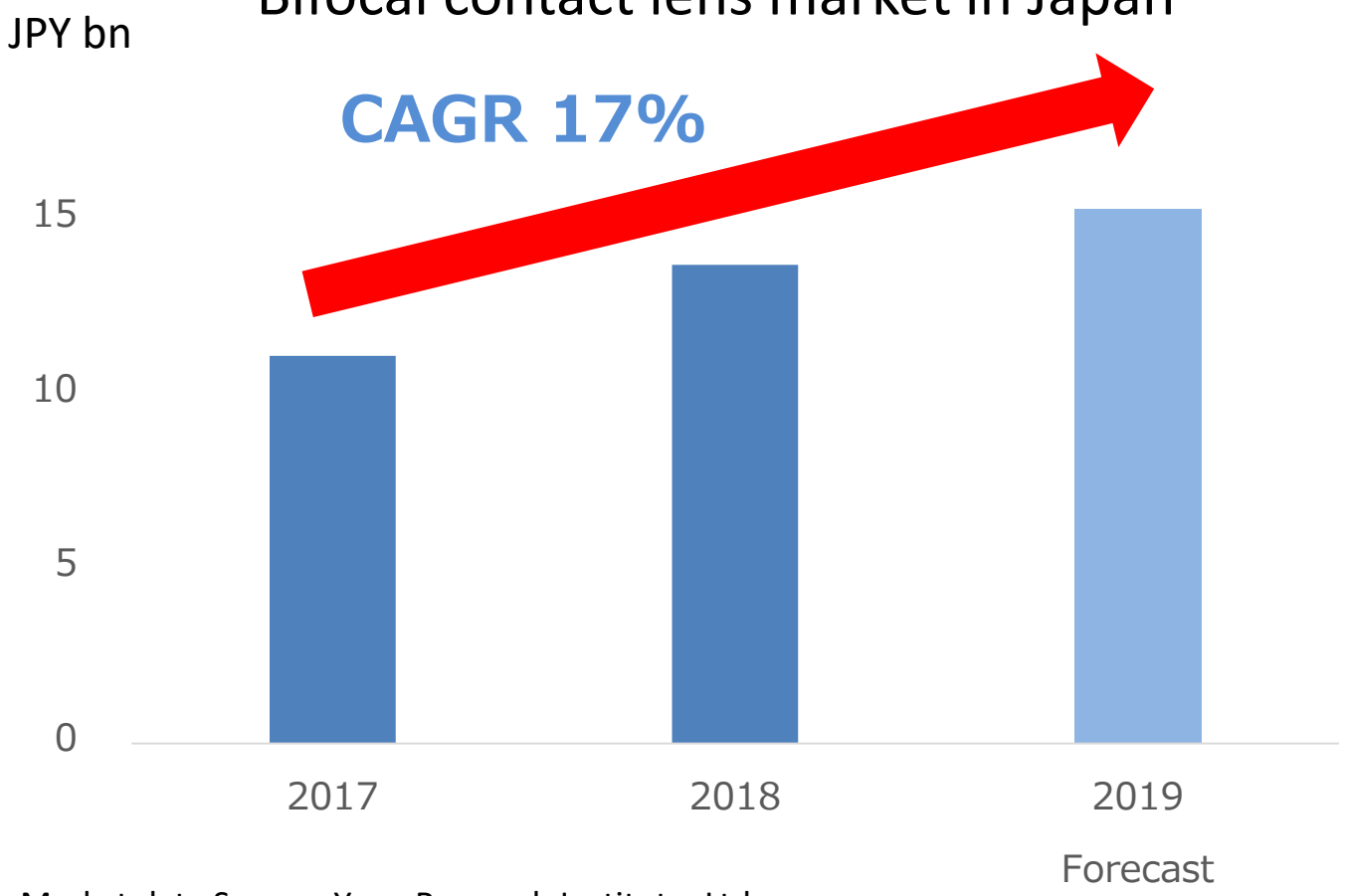


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Contact lens

✓ The bifocal market development

Bifocal contact lens market in Japan



Market data Source; Yano Research Institute, Ltd.

We launched new category contact lens in growing bifocal market.



3 month replacement-type hard contact lens
Four Seasons Bifocal

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Overseas business

✓ Menicon acquired SOLEKO S.p.A in Italy in October 2019.



● Netherlands



● France

● Germany



● Japan



● USA



● UK

● Spain

● South Korea

● China



● Singapore

● Australia



● Italy
(SOLEKO S.p.A.)

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Overseas business

✓ The disposable contact lens market in Italy is the second largest in the booming European market.



Miru 1 DAY



Miru 1 Month

Menicon

- Disposable contact lenses

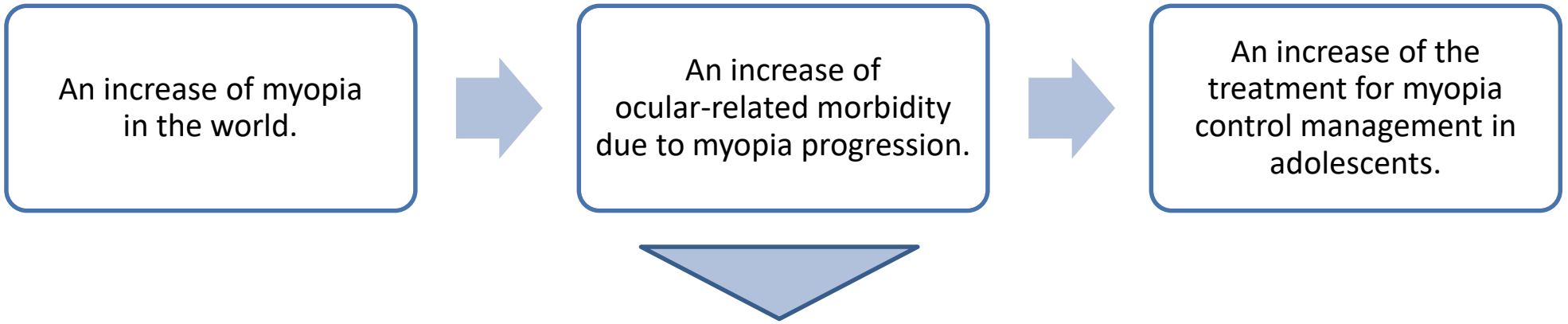
SOLEKO

- Sales channel and market recognition in Italy
- Lens care solution

Working together as a team

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For suppressing the progression of myopia



Menicon has developed myopia control management by contact lens.

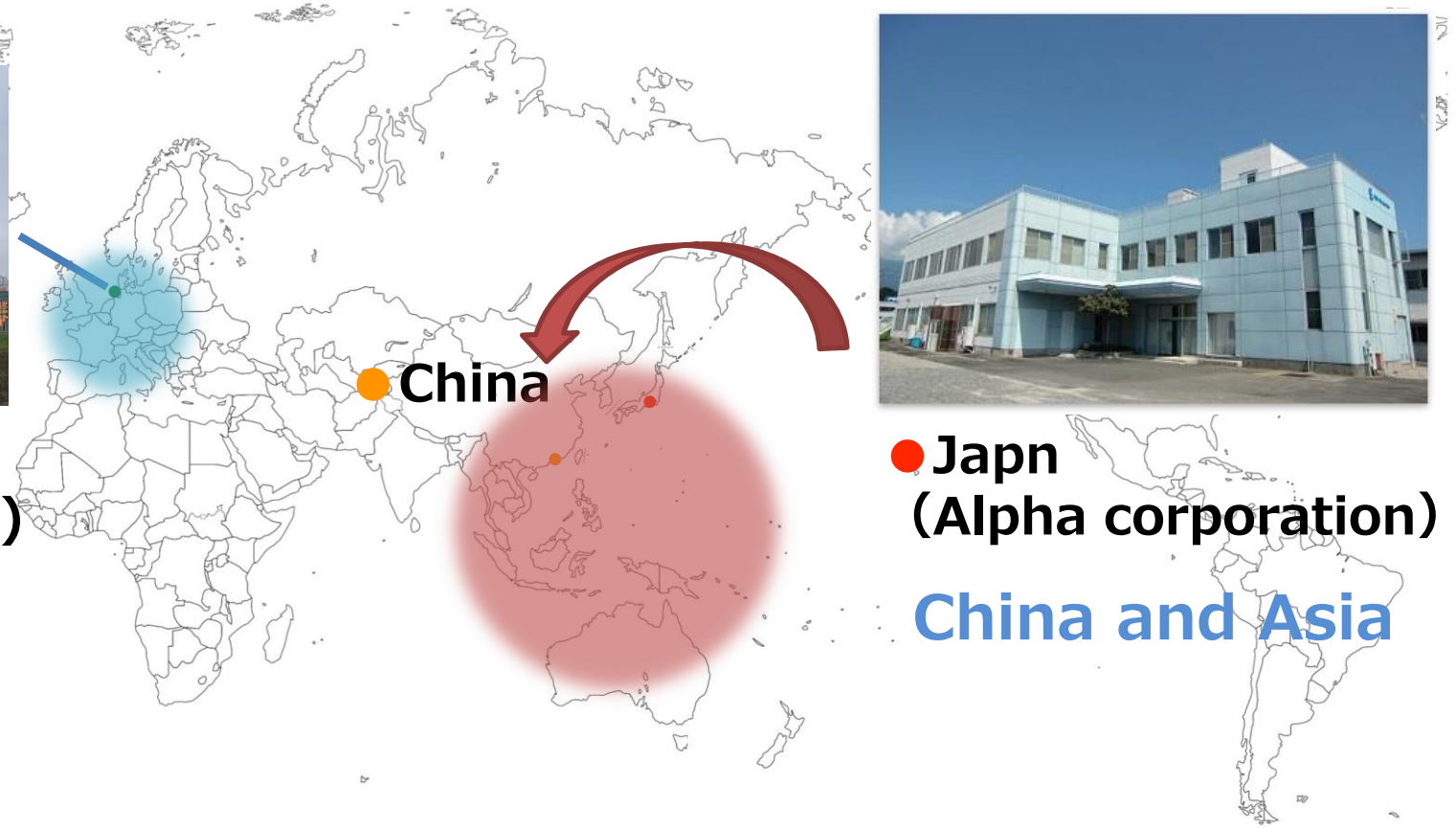
Academic	Practical
・CE approval for myopia control management in Europe. ・R&D	Expanding supply of high quality and high performance orthokeratology lens. ・Expanding market share in China. ・Expanding sales in Asian market.

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For suppressing the progression of myopia

✓ We have orthokeratology business companies in Netherlands and Japan.





● **Netherlands**
(NKL Contactlenzen B.V.)

Europe

● **Japn**
(Alpha corporation)

China and Asia

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For suppressing the progression of myopia

✓ Menicon Bloom™ Myopia Control Management System.

Contact lens category	Product name
Orthokeratology lens	Menicon Bloom Night
Daily disposable contact lens	Menicon Bloom Day

Full launch of **Menicon Bloom™ Myopia Control Management System** will be expected in major European markets throughout 2020.

“Bloom”, “Bloom Night” and “Bloom Day” are trademarks of Menicon Co., Ltd.

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New Businesses

✓ We released new products and services with higher quality.

We released Bilberry, supplement for eyes, the Menicon's first supplement of food with functional claims in August.



Meni-one Co., Ltd. Launched dog's ophthalmology medical care support service, Fundus AI, for Veterinarian in September.





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