

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 9, 2024

Company name: Menicon Co., Ltd.

Listing: Tokyo, Nagoya

Securities code: 7780

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

Representative: Koji Kawaura

President and COO

Inquiries: Hideki Koga

Senior Executive Officer, Corporate Management, CFO

Telephone: +81-52-935-1515

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	30,155	6.0	2,681	2.4	2,745	14.7	1,765	11.9
June 30, 2023	28,446	6.0	2,617	(23.6)	2,392	(27.6)	1,577	(25.6)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 4,860 million [40.9%]
Three months ended June 30, 2023: ¥ 3,450 million [(0.9)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	23.18	21.39
June 30, 2023	20.75	19.18

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	183,299	84,238	44.6
March 31, 2024	179,812	81,804	44.1

(Reference) Equity: As of June 30, 2024: ¥ 81,787 million
As of March 31, 2024: ¥ 79,346 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	25.00	25.00
Fiscal year ending March 31, 2025	-	-	-	-	-
Fiscal year ending March 31, 2025 (Forecast)	-	0.00	-	28.00	28.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	122,700	5.6	10,000	11.7	9,500	15.5	7,000	54.2	92.22

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: - (Company name:)
 Excluded: 1 (Company name: Fuji Contact Co., Ltd.)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement: None

(4) Number of issued shares (common shares)

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

June 30, 2024: 76,645,888 shares
 March 31, 2024: 76,634,388 shares

2) Number of treasury shares at the end of the period:

June 30, 2024: 862,033 shares
 March 31, 2024: 424,833 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 76,155,070 shares
 Three months ended June 30, 2023: 76,006,672 shares

(Note) The Company's shares held by "Employee Stock Ownership Plan (Stock Benefit Trust)" and the "Stock Benefit Trust (Employee Shareholder Association Purchase-Type)" are included in treasury shares, which are used in calculating the total number of treasury shares at the end of the period and deducted in calculating the average number of shares during the period.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

* **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 matters concerning the forecast of business results, please refer to "1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Information" on Page 3 of the appendix.

Table of contents of appendix

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Notes.....	4
(1) Quarterly Consolidated Balance Sheets.....	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	6
Quarterly Consolidated Statements of Income	6
(For the three months ended June 30)	6
Quarterly Consolidated Statements of Comprehensive Income	7
(For the three months ended June 30)	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes on significant changes in amount of shareholders' equity).....	8
(Notes on changes in accounting policies)	8
(Additional information).....	9
(Notes on segment information)	10
(Notes on consolidated statements of cash flows)	11

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

We established the current medium-term management plan, “Vision 2030” and are promoting a “1-DAY Lens Strategy Policy: Aim to be a top global player in 1-DAY Lens with original products and services” and an “Orthokeratology Strategy Policy: Aim to be the leading company in orthokeratology-related (Myopia Control-related) business by creating new value related to myopia control” as growth strategy policies under the slogan “New vision of ‘Miru’ for the world.” In addition, we believe that investing in human capital is essential to advance these strategies, and we continue to strengthen our workforce by raising wages for employees and increasing our workforce.

Performances in each business are as follows.

[Vision Care Business]

In regard to the “1-Day Lens Strategy,” the global contact lens market is witnessing increased demand for daily disposable contact lenses made of highly safe silicone hydrogel material due to the rising myopic population.

In Japan, we aim to increase the ratio of daily disposable contact lens members in the MELS Plan, while at the same time bolstering sales in Europe and North America by expanding business with major mass retailers. We will also continue to boost our daily disposable contact lens supply capacity to meet growing demand by investing in production facilities at the Kakamigahara Plant and Menicon Singapore Pte. Ltd. and starting up the new factory at Menicon Malaysia Sdn. Bhd.

During the three months ended June 30, 2024, we put the Global Logistics Center into operation to meet the growing demand for daily disposable contact lenses in a bid to further stabilize our logistics system.

Regarding the “Orthokeratology Strategy,” the market for orthokeratology lenses and care products used with orthokeratology lenses is expected to see stable growth, although it is being affected by economic stagnation in China. We will aim to expand sales through efforts such as increasing the recognition of lens products in conjunction with care products and developing new sales channels, by leveraging a line-up of multiple orthokeratology lenses, including “α Ortho-K,” which is enjoying strong sales in China, Japan, and the rest of Asia, “Menicon Z Night,” which is experiencing robust sales in Europe and Asia, including China, and “Menicon Bloom Night,” a contact lens with a CE marking certification for myopia control, which is expected to see sales expansion in Europe and elsewhere.

During the three months ended June 30, 2024, we strengthened sales of orthokeratology-related products in China by enhancing recognition through supporting sales promotion activities and organizing exhibitions at academic conferences there. In Europe, we began preparing for training and other programs in time for the start of sales activities of orthokeratology-related products by Laboratoires Dencott SA, a French company engaging in fitting services and distribution of contact lenses, which became our wholly owned subsidiary in March 2024.

[Other Businesses]

The healthcare and life care businesses are working on taking up the challenge to enter new areas that create health support and joy for people through the five senses.

During the three months ended June 30, 2024, we strove to expand the healthcare and life care businesses by increasing the variety of Femtech-related products, whose market is expected to expand. Among efforts in this regard are exhibiting at trade shows to increase recognition of our supplements and other products and reinforcing product line-up, including commencing sales of “LunaMavie DELICATE BUBBLE WASH,” a brand-new body wash for delicate areas.

As a result of these efforts, the Group’s consolidated business results for the three months ended June 30, 2024 were as follows.

Net sales increased by 6.0% year on year to ¥30,155 million due to price revisions, an increase in the number of MELS Plan members, and increased sales volume of daily disposable contact lenses through retail channels, as well as price revisions to other contact lenses offered through the MELS Plan in Japan. Operating profit increased by 2.4% year on year to ¥2,681 million as gross profit rose more than the increase in selling, general and administrative expenses, despite an increase in investment expenses for preparation of new plant operations, reinforcement of new product development, and human resources reinforcement by raising wages for employees and increasing our workforce, as well as expenses

associated with the operation of the Global Logistics Center. Ordinary profit increased by 14.7% year on year to ¥2,745 million due to the recording of foreign exchange gains as a result of the further depreciation of the yen. As a result of the above factors, profit attributable to owners of parent increased by 11.9% year on year to ¥1,765 million.

Business results by segment are as follows.

1) Vision Care Business

Sales of the Vision Care Business were ¥28,062 million, an increase of 7.9% year on year. Segment profit was ¥4,472 million, an increase of 6.5% year on year. The details are as follows.

Sales of the Vision Care Business increased by ¥2,043 million year on year. Sales of daily disposable contact lenses increased by ¥746 million, due to the effects of price revisions, an increase in the number of MELS Plan members, and increased sales volume through retail channels in Japan. Sales of orthokeratology-related products increased by ¥264 million as we were able to capture the strong demand for orthokeratology lenses in Japan, Singapore, Korea, and elsewhere. Other contact lens-related sales increased due to the effects of price revisions within the MELS Plan.

Segment profit increased by ¥274 million as gross profit rose more than the increase in investment expenses for preparing new plant operations, reinforcing new product development, and human resources reinforcement by raising wages for employees and increasing our workforce, as well as expenses associated with the operation of the Global Logistics Center.

2) Other

Sales of Other businesses decreased by 13.8% year on year to ¥2,092 million, mainly due to a decrease in the food business sales in China as a result of the discharge of ALPS treated water. Segment loss was ¥357 million, compared with a segment loss of ¥156 million for the same period of the previous year.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the first quarter of the fiscal year under review were ¥183,299 million, having increased by ¥3,487 million from the end of the previous fiscal year. Current assets decreased by ¥685 million to ¥85,086 million as cash and deposits decreased due mainly to dividends paid, despite an increase in merchandise and finished goods. Non-current assets increased by ¥4,173 million to ¥98,213 million, primarily due to the manufacturing plant building and facilities investments in Menicon Malaysia Sdn. Bhd. and the manufacturing facilities investments in Menicon Singapore Pte. Ltd. in order to expand the product capacity for daily disposable contact lenses, and the manufacturing facilities investments in Menicon Nect Co., Ltd. for care products.

(Liabilities and net assets)

Liabilities increased by ¥1,054 million from the end of the previous fiscal year to ¥99,061 million, due mainly to an increase in lease liabilities as a result of the sale-and-leaseback of the production lines of the Kakamigahara Plant.

Net assets increased by ¥2,433 million from the end of the previous fiscal year to ¥84,238 million, mainly due to an increase in foreign currency translation adjustment related to overseas subsidiaries as a result of the depreciating yen.

As a result, the capital adequacy ratio was 44.6%.

(3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Information

Business results for the three months ended June 30, 2024 were generally steady relative to the consolidated business results forecast for the full year ending March 31, 2025. From the second quarter of the fiscal year ending March 31, 2025, we expect to see the effects of revenue growth due to the full-scale price revision in Japan and sales expansion of daily disposable contact lenses and other offerings globally. While we anticipate continuing investment expenses for future growth, we will properly control selling, general, and administrative expenses.

As such, the consolidated business results forecast for the full year ending March 31, 2025 is unchanged from the forecast announced on May 14, 2024.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	46,911	44,735
Notes and accounts receivable - trade	13,340	14,091
Merchandise and finished goods	13,571	14,367
Work in process	1,470	1,321
Raw materials and supplies	3,761	3,975
Other	6,851	6,742
Allowance for doubtful accounts	(135)	(147)
Total current assets	85,771	85,086
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,753	35,624
Accumulated depreciation	(14,126)	(14,554)
Buildings and structures, net	18,626	21,069
Machinery, equipment and vehicles	33,296	27,519
Accumulated depreciation	(21,669)	(18,334)
Machinery, equipment and vehicles, net	11,626	9,184
Tools, furniture and fixtures	11,202	11,510
Accumulated depreciation	(9,399)	(9,524)
Tools, furniture and fixtures, net	1,803	1,985
Land	5,658	5,672
Leased assets	2,211	4,976
Accumulated depreciation	(954)	(1,063)
Leased assets, net	1,256	3,913
Right of use assets	7,846	8,296
Accumulated depreciation	(4,083)	(4,494)
Right of use assets, net	3,762	3,802
Construction in progress	32,727	34,277
Other	46	46
Accumulated depreciation	-	-
Other, net	46	46
Total property, plant and equipment	75,508	79,951
Intangible assets		
Goodwill	2,719	2,625
Patent right	268	245
Other	8,680	8,643
Total intangible assets	11,668	11,515
Investments and other assets		
Investment securities	720	765
Deferred tax assets	2,978	2,580
Other	3,666	3,925
Allowance for doubtful accounts	(501)	(524)
Total investments and other assets	6,863	6,746
Total non-current assets	94,040	98,213
Total assets	179,812	183,299

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,181	6,361
Short-term borrowings	169	186
Current portion of bonds payable	166	166
Current portion of convertible-bond-type bonds with share acquisition rights	22,971	22,979
Current portion of long-term borrowings	1,633	1,106
Lease liabilities	1,275	1,954
Accounts payable - other	7,338	6,371
Income taxes payable	1,265	678
Provision for bonuses	2,076	1,072
Provision for point card certificates	24	27
Provision for loss on guarantees	488	-
Other	6,460	7,548
Total current liabilities	50,053	48,454
Non-current liabilities		
Bonds payable	36,333	36,250
Long-term borrowings	4,251	4,847
Lease liabilities	3,995	6,060
Long-term accounts payable - other	1,194	1,186
Retirement benefit liability	645	673
Deferred tax liabilities	1,036	1,041
Asset retirement obligations	259	109
Other	237	440
Total non-current liabilities	47,953	50,607
Total liabilities	98,007	99,061
Net assets		
Shareholders' equity		
Share capital	5,521	5,535
Capital surplus	7,309	7,558
Retained earnings	60,763	60,623
Treasury shares	(344)	(1,120)
Total shareholders' equity	73,250	72,596
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	283	330
Foreign currency translation adjustment	5,812	8,860
Total accumulated other comprehensive income	6,096	9,190
Share acquisition rights	2,403	2,394
Non-controlling interests	55	55
Total net assets	81,804	84,238
Total liabilities and net assets	179,812	183,299

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months ended June 30)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	28,446	30,155
Cost of sales	13,365	13,627
Gross profit	15,080	16,528
Selling, general and administrative expenses	12,462	13,846
Operating profit	2,617	2,681
Non-operating income		
Interest income	11	30
Dividend income	7	9
Foreign exchange gains	-	117
Subsidy income	23	12
Other	55	82
Total non-operating income	98	253
Non-operating expenses		
Interest expenses	130	160
Bond issuance costs	101	-
Share of loss of entities accounted for using equity method	3	8
Foreign exchange losses	68	-
Other	20	20
Total non-operating expenses	324	189
Ordinary profit	2,392	2,745
Extraordinary income		
Gain on sale of non-current assets	97	2
Total extraordinary income	97	2
Extraordinary losses		
Loss on retirement of non-current assets	16	51
Other	0	-
Total extraordinary losses	17	51
Profit before income taxes	2,473	2,695
Income taxes - current	619	565
Income taxes - deferred	276	364
Total income taxes	895	929
Profit	1,577	1,766
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	1,577	1,765

Quarterly Consolidated Statements of Comprehensive Income (For the three months ended June 30)

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	1,577	1,766
Other comprehensive income		
Valuation difference on available-for-sale securities	55	46
Foreign currency translation adjustment	1,815	3,047
Share of other comprehensive income of entities accounted for using equity method	1	0
Total other comprehensive income	1,872	3,094
Comprehensive income	3,450	4,860
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,449	4,860
Comprehensive income attributable to non-controlling interests	0	0

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in amount of shareholders' equity)

During the three months ended June 30, 2024, in line with the reintroduction of the Employee Stock Ownership Plan (Stock Benefit Trust) treasury shares increased by ¥776 million. As a result, treasury shares as of June 30, 2024 were ¥1,120 million

(Notes on changes in accounting policies)

(Application of "Accounting Standards for Corporate Tax, Resident Tax, and Business Tax")

The "Accounting Standards for Corporate Tax, Resident Tax, and Business Tax." (ASBJ Statement No. 27 issued October 28, 2022; hereinafter, "2022 Revised Accounting Standards"), have been applied from the beginning of the first quarter of this fiscal year.

With regard to the amendments to the classification of corporate tax (taxation on other comprehensive income), we follow the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standards and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the "Guidelines for the Implementation of Accounting Standards for Tax-Effect Accounting" (Corporate Accounting Standards Implementation Guideline No. 28, October 28, 2022.). There is no impact on our group quarterly consolidated financial statements.

(Application of "Accounting and Disclosure of Corporate Tax related to the Global Minimum Taxation System")

"Accounting and Disclosure of Corporate Tax related to the Global Minimum Taxation System" (Practical Solution Report No. 46, March 22, 2024; hereinafter "Practical Solution Report") has been applied from the beginning of the first quarter of this fiscal year.

In addition, since paragraph 7 of the Practical Solution Report is applied in the first quarter of this fiscal year, corporate tax related to the global minimum taxation system has not been recorded.

(Additional information)

(Transaction to grant the Company's shares to employees, etc. through a trust)

We conducted transactions to grant the Company's shares to the Employee Shareholder Association through a trust with the purpose of enhancing employee benefits and providing incentives for improving the Company's corporate value.

1. Overview of Transaction

We reintroduced the Employee Stock Ownership Plan (Stock Benefit Trust; hereinafter, the "Plan") for the Employee Shareholder Association in June 2024. It is an employee incentive plan similar to the Stock Benefit Trust (Employee Shareholder Association Purchase-Type) introduced in September 2021.

The Plan is an employee benefit program designed mainly with reference to the Employee Stock Ownership Plan (ESOP), an employee compensation package widely used in the U.S. as part of an employee incentive plan, and the "Report on Company Stock Holding Schemes" released by the Ministry of Economy, Trade and Industry of Japan on November 17, 2008.

We will establish a trust in which members of the Shareholder Association who satisfy a certain set of requirements are beneficiaries, and the said trust will acquire the number of the Company's shares that the Shareholder Association is expected to acquire during the trust period within the predetermined share-acquisition period. Then, the trust will sell the Company's shares to the Shareholder Association on the same day every month. If the trust has generated profits due to a rise in share prices or otherwise at the time of expiration of the trust, cash will be distributed to employees who satisfy the beneficiary requirements. If, on the other hand, the trust incurred a loss on transfer due to a decline in share prices and a debt pertaining to trust assets remains, there will be no additional burden on the part of employees as we will pay off the outstanding loan balance en bloc to the bank pursuant to warranty provisions of the non-recourse loan 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 ¥20 million and 4 thousand shares, respectively, for the previous fiscal year, and ¥1,120 million and 862 thousand shares, respectively, for the first quarter of the fiscal year under review.

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

¥527 million for the previous consolidated fiscal year, ¥1,140 million for the first quarter of the fiscal year under review

(Notes on segment information)

For the three months ended June 30, 2023

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment		Other (Note)	Total
	Vision Care Business	Subtotal		
Net sales				
Net sales to external customers	26,019	26,019	2,427	28,446
Inter-segment net sales or transfers	—	—	—	—
Total	26,019	26,019	2,427	28,446
Segment profit (loss)	4,198	4,198	(156)	4,041

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

2. Differences between the total amount of profit or loss of the reportable segment and the amount stated in the consolidated statement of income, and major breakdown of such differences (Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segment total	4,198
“Other” loss	(156)
Corporate expenses (Note)	(1,423)
Operating profit stated in the consolidated statement of income	2,617

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

3. Information on impairment loss of non-current assets, goodwill, etc. for the reportable segment

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

For the three months ended June 30, 2024

1. Information on net sales and profit (loss) by reportable segment

(Millions of yen)

	Reportable segment		Other (Note)	Total
	Vision Care Business	Subtotal		
Net sales				
Net sales to external customers	28,062	28,062	2,092	30,155
Inter-segment net sales or transfers	—	—	0	0
Total	28,062	28,062	2,092	30,155
Segment profit (loss)	4,472	4,472	(357)	4,115

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

2. Differences between the total amount of profit or loss of the reportable segment and the amount stated in the consolidated statement of income, and major breakdown of such differences (Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segment total	4,472
“Other” loss	(357)
Corporate expenses (Note)	(1,434)
Operating profit stated in the consolidated statement of income	2,681

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

3. Information on impairment loss of non-current assets, goodwill, etc. for the reportable segment

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

(Notes on consolidated statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation (including amortization pertaining to intangible assets excluding goodwill) and amortization of goodwill pertaining to the three months ended June 30, 2024 are as follows.

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	1,775	1,857
Amortization of goodwill pertaining	98	115