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## Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 13, 2024

Company name: Menicon Co., Ltd.  
Stock exchange listing: Tokyo, Nagoya  
Code number: 7780  
URL: <https://www.menicon.com>

Representative: Koji Kawaura

President and COO

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Scheduled date of filing quarterly securities report: February 13, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: None

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	87,401	6.0	7,529	(28.9)	7,269	(30.2)	4,576	(33.3)
December 31, 2022	82,463	10.4	10,585	31.7	10,411	28.6	6,858	28.0

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ 6,823 million [ (14.6) %]  
Nine months ended December 31, 2022: ¥ 7,987 million [ 37.9 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	60.16	55.57
December 31, 2022	90.44	83.45

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	173,798	80,226	44.8
March 31, 2023	152,522	74,665	47.5

(Reference) Equity: As of December 31, 2023: ¥ 77,865 million  
As of March 31, 2023: ¥ 72,460 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, 2023	-	0.00	-	25.00	25.00
Fiscal year ending March 31, 2024	-	0.00	-		
Fiscal year ending March 31, 2024 (Forecast)				25.00	25.00

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

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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	116,000	5.3	10,500	(13.0)	10,300	(12.4)	6,000	(18.7)	78.85

(Note) Revision to the financial results forecast announced most recently: Yes

\* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: None

(3) 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

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

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

December 31, 2023: 76,624,388 shares

March 31, 2023: 76,527,888 shares

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

December 31, 2023: 457,733 shares

March 31, 2023: 553,319 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023: 76,072,555 shares

Nine months ended December 31, 2022: 75,836,080 shares

(Note) The Company's shares held by "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.

\* **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 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 4 of the appendix.

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

## (1) Explanation of Business Results

Under the slogan “New vision of ‘Miru’ for the world,” laid out in the current medium-term management plan, “Vision 2030,” we are forging ahead with growth strategies designed to realize “increasing overseas sales,” “increasing sales of daily disposable contact lenses,” “further expanding MELS Plan,” and “expanding the healthcare and life care business.” As for daily disposable contact lenses, we began operating a new production line for “1 DAY Menicon PremiO” at our Kakamigahara Plant to accommodate the growth in demand both in Japan and overseas. Additionally, we expand "Magic" production line at Menicon Singapore to increase supply and continue capital investment for constructing of a new plant at Menicon Malaysia to ensure the stable supply in the future.

Performances in each business are as follows.

### [Domestic Vision Care Business]

The domestic contact lens market is seeing demand growing against the background of an increase in the myopic population, an increase in occasions to go out as restrictions on movements were relaxed, and other factors. In particular, demand is growing for daily disposable contact lenses, which do not require daily care, offering superior convenience, and for bifocal contact lenses, as expanding age range of contact lens users.

According to the Group’s policy, in the Domestic Vision Care Business, we are aiming to expand the market share of daily disposal contact lenses, increase the number of MELS Plan members, and turn our customers into loyal customers. For the MELS Plan, we launched “1MONTH Menicon MelsME” and “1MONTH Menicon MelsME toric (for astigmatism)”, monthly replacement contact lenses made of silicone hydrogel material, both as MELS Plan-exclusive products. In addition, we conducted a member introduction campaign that encourages new members to enroll in MELS Plan through referrals from current members, and promotional activities targeting younger customers for the daily disposable contact lenses, “Magic,” a product that uses less plastic and is environmentally friendly, and expanded the number of MELS Plan partner stores, in a bid to increase the number of MELS Plan members.

For the care products, we launched "epica Smart clean", a hydrogen peroxide-type disinfectant for soft type of contact lenses and sales remained strong. Since the proportion of hydrogen peroxide-type disinfectants used in the market is increasing year by year and is expected to continue to grow, we focus on further sales expansion as one of our main care products.

### [Overseas Vision Care Business]

The overseas contact lens market demand continues to be on the rise overall, although it is subject to prolonged global inflation, trends in economic conditions, and the destabilization of the supply chain.

According to the policy of “increasing overseas sales” as proclaimed in the medium-term management plan, “Vision 2030,” the Overseas Vision Care Business is expediting its growth strategies through business activities that cater to the different demands in different regions.

In China, although the consumption of contact lens-related products, including orthokeratology lenses and care products, is trending toward recovery with the mitigation of the impact of COVID-19 infections, market growth has been slow due to the impact of the stagnant economy. Also in China, with the main policy to strengthen sales of orthokeratology lenses and care products, in a competitive environment that is seeing a rise in competitors, we are proceeding with initiatives aimed at the expansion of sales. These include strengthening our sales framework and organizing new product announcements for medical professionals and distributors in key cities.

In Europe and North America, demand for contact lenses and care products continues to expand. In these markets, we forged ahead with the development of new distribution channels and the strengthening of relationships with existing ones, while introducing our private-label products to major mass retailers and mounting an effort to encourage them to switch from other brands, in a bid to expand sales of disposable contact lenses and care products.

#### [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.

For the food business and composting-related business, we focused on the expansion of sales channels mainly outside of Japan. In the veterinary medical care business, we have started selling supplements for dogs and cats to general consumers, in addition to selling to veterinary hospitals and veterinary drug distributors in order to expand sales channels. In the supplement business, we added new products focused on the life support area, including Femtech-related products, and have strived to expand sales.

As a result of these efforts, the Group's consolidated business results for the nine months ended December 31, 2023 were as follows.

Net sales increased by 6.0% year on year to ¥87,401 million due to steady overseas sales in Europe and elsewhere. Operating profit decreased by 28.9% year on year to ¥7,529 million mainly due to an increase in investment expenses for preparation of new plant operations, reinforcement of new product development, and strengthening of the sales systems including increasing personnel. Ordinary profit decreased by 30.2% year on year to ¥7,269 million mainly due to increases in interest expenses and bond issuance costs. As a result of the above factors, profit attributable to owners of parent decreased by 33.3% year on year to ¥4,576 million.

The increase in the investment expenses will contribute to the realization of the Group's "Vision 2030" and the enhancement of our competitive edge over the long term.

Business results by segment are as follows.

##### 1) Vision Care Business

Sales of the Vision Care Business were ¥80,126 million, an increase of 4.5% year on year. Segment profit was ¥12,189 million, a decrease of 15.1% year on year. The details are as follows.

Sales of the Vision Care Business increased by ¥3,432 million year on year. Overseas sales increased by ¥2,232 million, mainly owing to sales of daily disposable contact lenses and care products in Europe and North America performing briskly. Domestic sales increased by ¥1,199 million, mainly due to growth in the membership of MELS Plan for daily disposable contact lenses, which have higher average spending per customer.

Segment profit decreased by ¥2,176 million year on year, mainly due to an increase in investment expenses for preparation of new plant operations, reinforcement of new product development, and strengthening of the global sales systems including increasing personnel.

##### 2) Other

Sales of Other business were ¥7,274 million for the nine months ended December 31, 2023, an increase of 26.1% year on year, due mainly to an increase in overseas sales in the food business. Segment loss was ¥595 million, compared with a segment loss of ¥514 million for the same period of the previous year.

## (2) Explanation of Financial Position

### (Assets)

Total assets at the end of the third quarter of the fiscal year under review were ¥173,798 million, having increased by ¥21,275 million from the end of the previous fiscal year. Current assets increased by ¥8,526 million to ¥86,227 million mainly owing to an increase in cash and deposits resulting from the issuance of bonds. Non-current assets increased by ¥12,748 million to ¥87,570 million primarily due to investment related to the construction of a manufacturing facility in Menicon Malaysia in order to expand the product capacity for daily disposable contact lenses.

(Liabilities and net assets)

Liabilities increased by ¥15,714 million from the end of the previous fiscal year to ¥93,571 million mainly due to the issuance of bonds.

Net assets increased by ¥5,560 million from the end of the previous fiscal year to ¥80,226 million mainly due to the recording of profit attributable to owners of parent and an increase in foreign currency translation adjustment related to overseas subsidiaries as a result of yen depreciation. As a result, the capital adequacy ratio was 44.8%.

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

Business results for the nine months ended December 31, 2023 saw net sales and gross profit generally in line with expectations. Although sales of orthokeratology lens-related products in China felt the impact of the economic stagnation, sales of disposable contact lenses and care products have been strong in Europe and North America. On the other hand, selling, general and administrative expenses increased due to the strengthening of the global sales structure including personnel reinforcement, and the normalization of sales activities due to the convergence of COVID-19 infections. In addition, temporary costs were generated for responding to domestic price revisions and other factors. For these reasons, due to higher than expected spending, profit items in the earnings hierarchy below operating profit have been progressing at a lower rate than expected in the previous forecast.

In the fourth quarter, although the impact of the economic stagnation is expected to continue in China, sales of disposable contact lenses and care products are expected to remain strong in Europe and North America, and domestic price revisions are expected to make steady progress. As such, we anticipate an improvement in gross profit margin. However, due to initiatives toward future growth, such as the strengthening of global sales systems as selling, general and administrative expenses and the estimated possibility of recording extraordinary losses in the provision for loss on guarantees resulting from the end of the Stock Benefit Trust, profit items in the earnings hierarchy below operating profit are expected to fall below the previous forecast.

Considering the aforementioned scenario, we have revised the full-year consolidated business results forecast as released on May 15, 2023. This business results forecast is based on information currently available to the Company as of the date of publication of these materials, and actual results may differ from these forecasts due to various factors.

Revised consolidated financial forecasts for the full fiscal year ending March 31, 2024.

(April 1, 2023 to March 31, 2024)

	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
Previous forecast A	116,000	12,300	12,000	7,600	99.89
Revised forecast B	116,000	10,500	10,300	6,000	78.85
Difference B – A	—	(1,800)	(1,700)	(1,600)	—
Percentage change (%)	—	(14.6%)	(14.2%)	(21.1%)	—
(Reference) Results of the previous year (Fiscal year ending March 31, 2023)	110,194	12,062	11,755	7,377	97.25

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	41,249	47,163
Notes and accounts receivable - trade	12,411	14,400
Securities	36	18
Merchandise and finished goods	12,746	12,869
Work in process	1,267	1,518
Raw materials and supplies	3,404	3,957
Other	6,746	6,433
Allowance for doubtful accounts	(161)	(133)
Total current assets	77,701	86,227
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,137	32,298
Accumulated depreciation	(12,796)	(13,826)
Buildings and structures, net	15,340	18,471
Machinery, equipment and vehicles	29,599	32,940
Accumulated depreciation	(19,275)	(21,041)
Machinery, equipment and vehicles, net	10,324	11,899
Tools, furniture and fixtures	10,367	11,197
Accumulated depreciation	(8,707)	(9,243)
Tools, furniture and fixtures, net	1,659	1,954
Land	4,996	4,849
Leased assets	2,217	2,220
Accumulated depreciation	(742)	(908)
Leased assets, net	1,474	1,312
Right of use assets	7,110	7,660
Accumulated depreciation	(2,973)	(3,764)
Right of use assets, net	4,136	3,896
Construction in progress	19,163	27,939
Other	46	46
Accumulated depreciation	-	-
Other, net	46	46
Total property, plant and equipment	57,143	70,369
Intangible assets		
Goodwill	2,368	2,110
Patent right	357	291
Other	8,744	8,548
Total intangible assets	11,470	10,950
Investments and other assets		
Investment securities	499	625
Deferred tax assets	2,567	2,352
Other	3,140	3,273
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	6,207	6,250
Total non-current assets	74,821	87,570
Total assets	152,522	173,798

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	5,609	6,649
Short-term borrowings	126	194
Current portion of bonds payable	726	166
Current portion of long-term borrowings	1,488	1,327
Lease liabilities	1,301	1,364
Accounts payable - other	5,517	4,557
Income taxes payable	1,506	780
Provision for bonuses	1,967	1,147
Provision for point card certificates	24	23
Other	6,084	5,849
Total current liabilities	24,352	22,062
Non-current liabilities		
Bonds payable	16,500	36,333
Convertible-bond-type bonds with share acquisition rights	22,936	22,962
Long-term borrowings	5,936	4,562
Lease liabilities	4,566	4,098
Long-term accounts payable - other	1,232	1,175
Retirement benefit liability	720	779
Deferred tax liabilities	1,258	1,290
Asset retirement obligations	115	109
Other	236	198
Total non-current liabilities	53,503	71,509
Total liabilities	77,856	93,571
Net assets		
Shareholders' equity		
Share capital	5,487	5,517
Capital surplus	7,275	7,305
Retained earnings	58,127	60,800
Treasury shares	(919)	(491)
Total shareholders' equity	69,971	73,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	122	219
Foreign currency translation adjustment	2,366	4,513
Total accumulated other comprehensive income	2,489	4,733
Share acquisition rights	2,153	2,307
Non-controlling interests	52	54
Total net assets	74,665	80,226
Total liabilities and net assets	152,522	173,798



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	82,463	87,401
Cost of sales	38,091	41,563
Gross profit	44,372	45,837
Selling, general and administrative expenses	33,786	38,308
Operating profit	10,585	7,529
Non-operating income		
Interest income	24	53
Dividend income	12	14
Foreign exchange gains	-	63
Subsidy income	32	33
Other	245	192
Total non-operating income	314	357
Non-operating expenses		
Interest expenses	274	425
Bond issuance costs	79	101
Share of loss of entities accounted for using equity method	10	15
Foreign exchange losses	87	-
Other	36	74
Total non-operating expenses	488	617
Ordinary profit	10,411	7,269
Extraordinary income		
Gain on sale of non-current assets	3	99
Total extraordinary income	3	99
Extraordinary losses		
Loss on retirement of non-current assets	43	27
Other	1	0
Total extraordinary losses	45	27
Profit before income taxes	10,369	7,341
Income taxes - current	3,003	2,596
Income taxes - deferred	504	166
Total income taxes	3,508	2,763
Profit	6,860	4,578
Profit attributable to non-controlling interests	2	2
Profit attributable to owners of parent	6,858	4,576

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	6,860	4,578
Other comprehensive income		
Valuation difference on available-for-sale securities	51	97
Foreign currency translation adjustment	1,044	2,145
Share of other comprehensive income of entities accounted for using equity method	31	1
Total other comprehensive income	1,126	2,244
Comprehensive income	7,987	6,823
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,985	6,820
Comprehensive income attributable to non-controlling interests	2	2

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

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 ¥595 million and 133 thousand shares, respectively, for the previous fiscal year, and ¥167 million and 37 thousand shares, respectively, for the third quarter of the fiscal year under review.

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

¥803 million for the previous consolidated fiscal year, ¥586 million for the third quarter of the fiscal year under review.

(Segment information)

For the nine months ended December 31, 2022

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

(Millions of yen)

	Reportable segment		Others (Note)	Total
	Vision Care Business	Subtotal		
Net sales				
Net sales to external customers	76,693	76,693	5,769	82,463
Inter-segment net sales or transfers	—	—	—	—
Total	76,693	76,693	5,769	82,463
Segment profit (loss)	14,365	14,365	(514)	13,851

(Note) “Others” is a business segment not included in the reportable segment, including the healthcare and 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	14,365
Profit of “Others” (loss)	(514)
Corporate expenses (Note)	(3,265)
Operating profit stated in the consolidated statement of income	10,585

(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 nine months ended December 31, 2023

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

(Millions of yen)

	Reportable segment		Others (Note)	Total
	Vision Care Business	Subtotal		
Net sales				
Net sales to external customers	80,126	80,126	7,274	87,401
Inter-segment net sales or transfers	—	—	—	—
Total	80,126	80,126	7,274	87,401
Segment profit (loss)	12,189	12,189	(595)	11,593

(Note) “Others” is a business segment not included in the reportable segment, including the healthcare and 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	12,189
Profit of “Others” (loss)	(595)
Corporate expenses (Note)	(4,064)
Operating profit stated in the consolidated statement of income	7,529

(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.