

Menicon Co., Ltd.

Medium-Term Management Plan

Securities Code : 7780

Menicon Co., Ltd.

May 14, 2024

Partially revised and added on November 13, 2024.
【Revisions and additions】 p.18 , p.36 , p.37 , p.38
Please refer to [Appendix] on the last page for the revised and added parts.

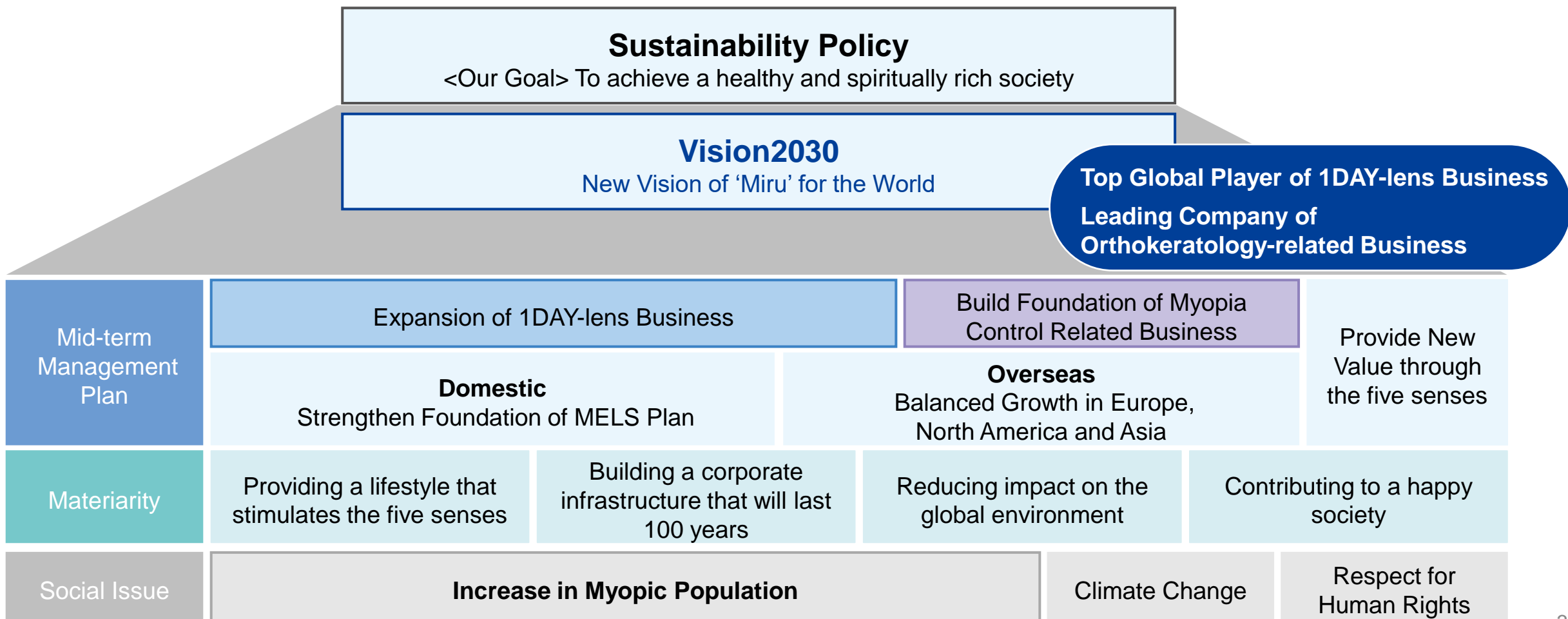
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- 6 **Capital Allocation, Shareholder Return Policy**
- 7 **Management with cost of capital and stock price in mind**

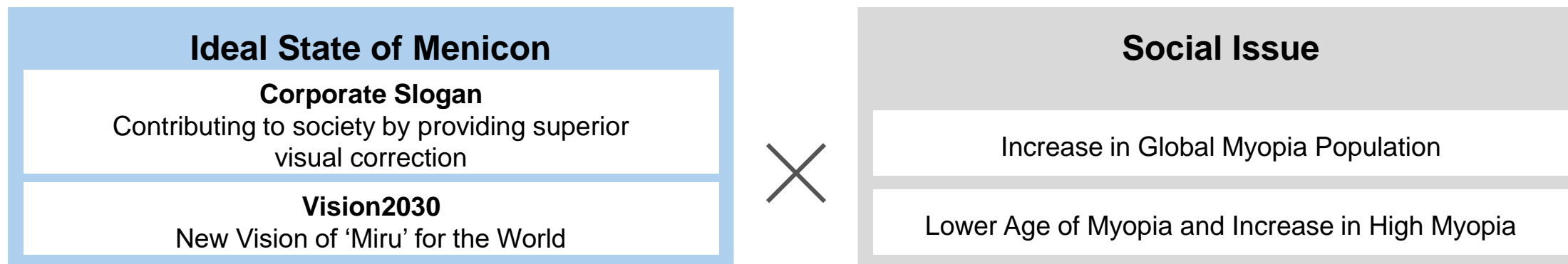
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Menicon's Goals



Menicon's Goal -Growth Strategy Policy



Company that Solves Social Issues



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Increase in Myopia Population

Myopia population continues to grow.

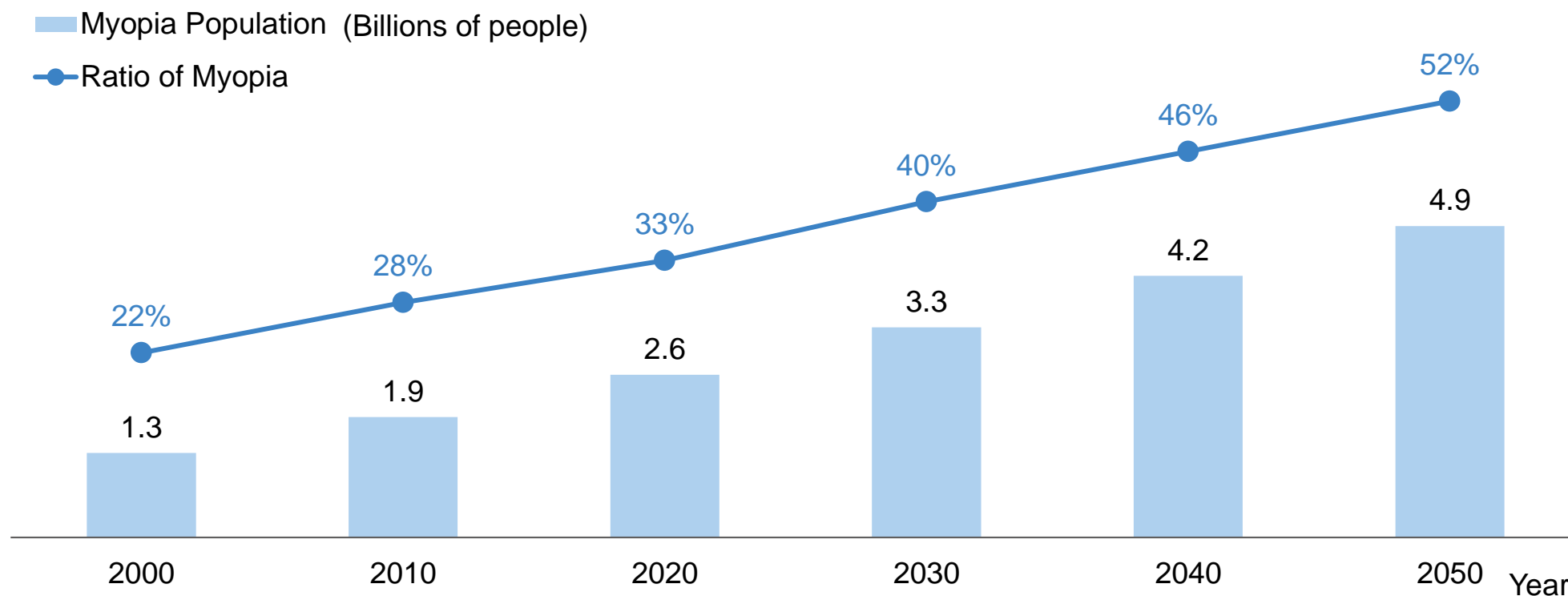
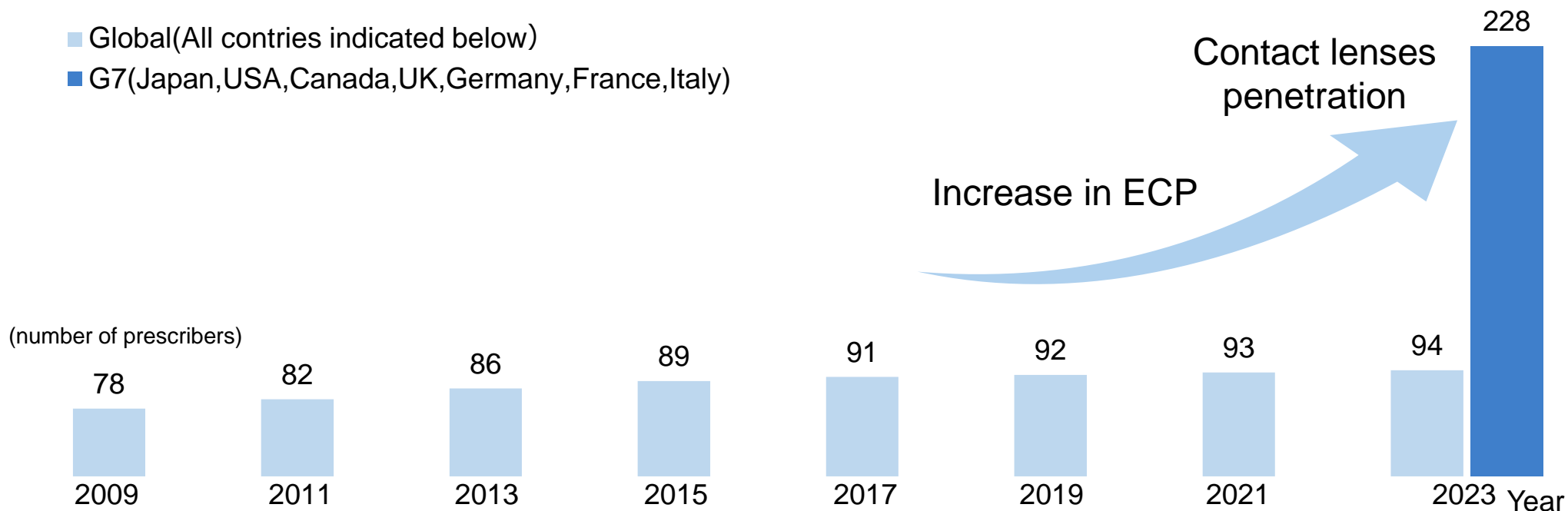


Exhibit: World Health Organization, "THE IMPACT OF MYOPIA AND HIGH MYOPIA"

Widespread use of contact lenses

Expected to increase global contact lens penetration by increasing number of ECP (Eye Care Practitioners)

Number of ECP per million population

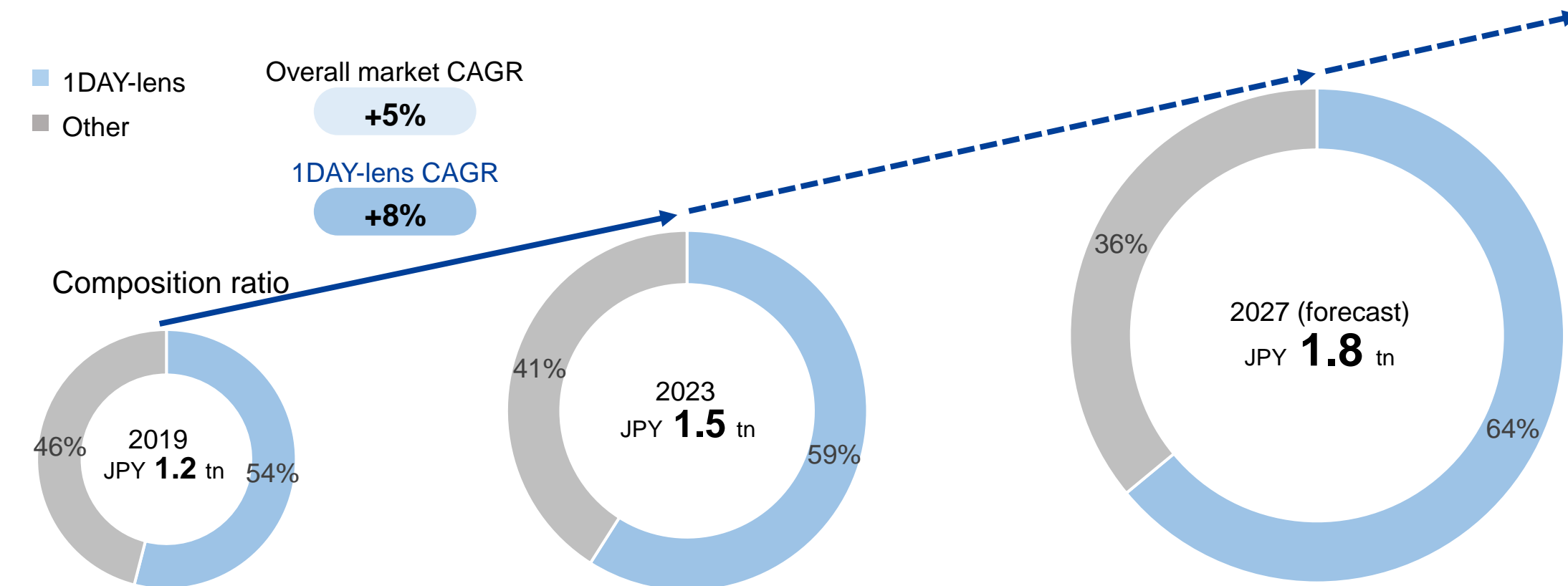


Source : Euromonitor International, Eyewear (2023) / Countries covered : China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, Australia, Poland, Romania, Russia, Ukraine, Argentina, Brazil, Mexico, South Africa, United Arab Emirates, Canada, USA, France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, Turkey, United Kingdom

ECP...Ophthalmologists, optometrists, etc. who prescribe contact lenses and eyeglasses.
The number of ECP is used as an indicator of contact lens penetration.

Growth potential of the global contact lens market (1DAY-lens)

Growth mainly in 1DAY-lens due to convenience 1DAY-lens accounting for 60% of the market

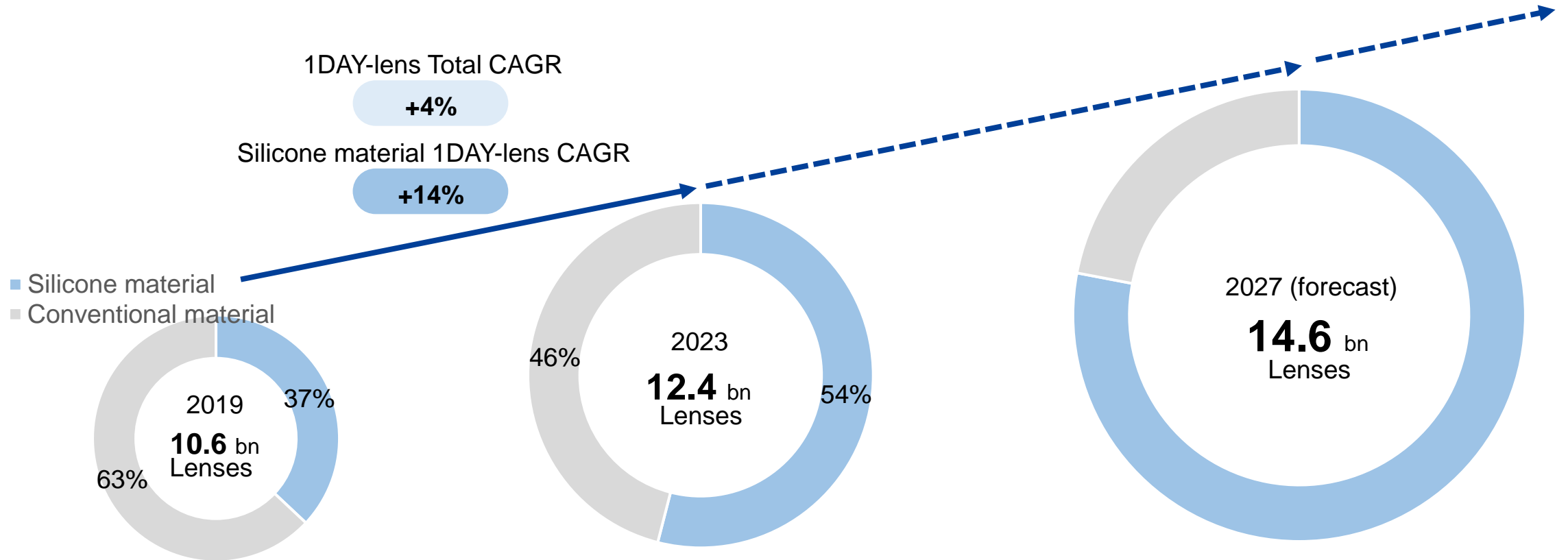


Source: Internal survey data

**Soft contact lens market growth potential
(Based on manufacturer shipments)**

Growth potential of global 1DAY-lens market (Silicone material)

Silicone material 1DAY-lens drives growth in 1DAY-lens



Source: Internal survey data
*OEM is not included in our sales figures.

**Growth potential of 1DAY-lens market
(Based on the number of pieces)**



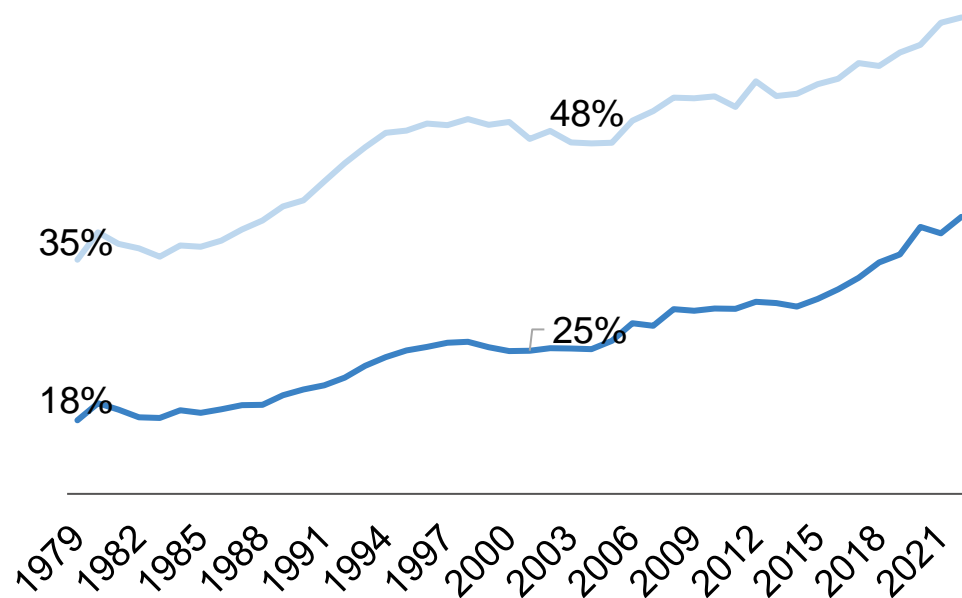
Lower Age of Myopia and Increase in High Myopia

Due to the spread of digital devices etc, the global myopia population is becoming younger and the number of high myopia people is increasing.

There are high expectations for efforts to myopia control because of concern about increasing risk of future eye diseases.

Ratio of myopia (Japan)

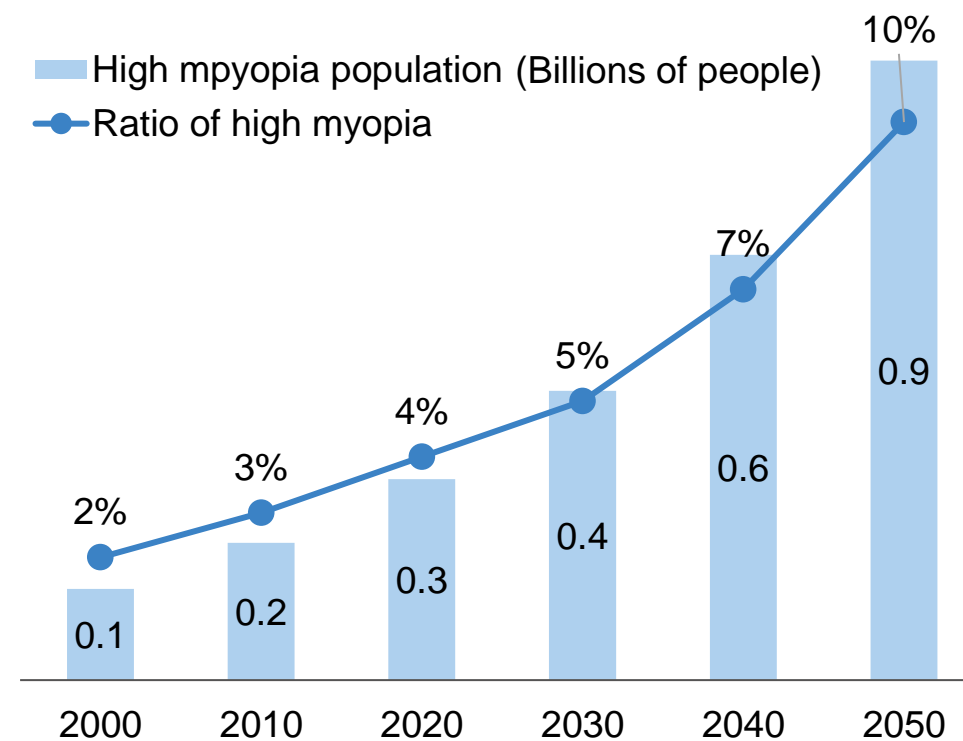
- Junior high school student (visual acuity : Less than 1.0)
- Elementary school student (visual acuity : Less than 1.0)



Source: School Health Statistics Survey

High myopia population (Global)

- High myopia population (Billions of people)
- Ratio of high myopia

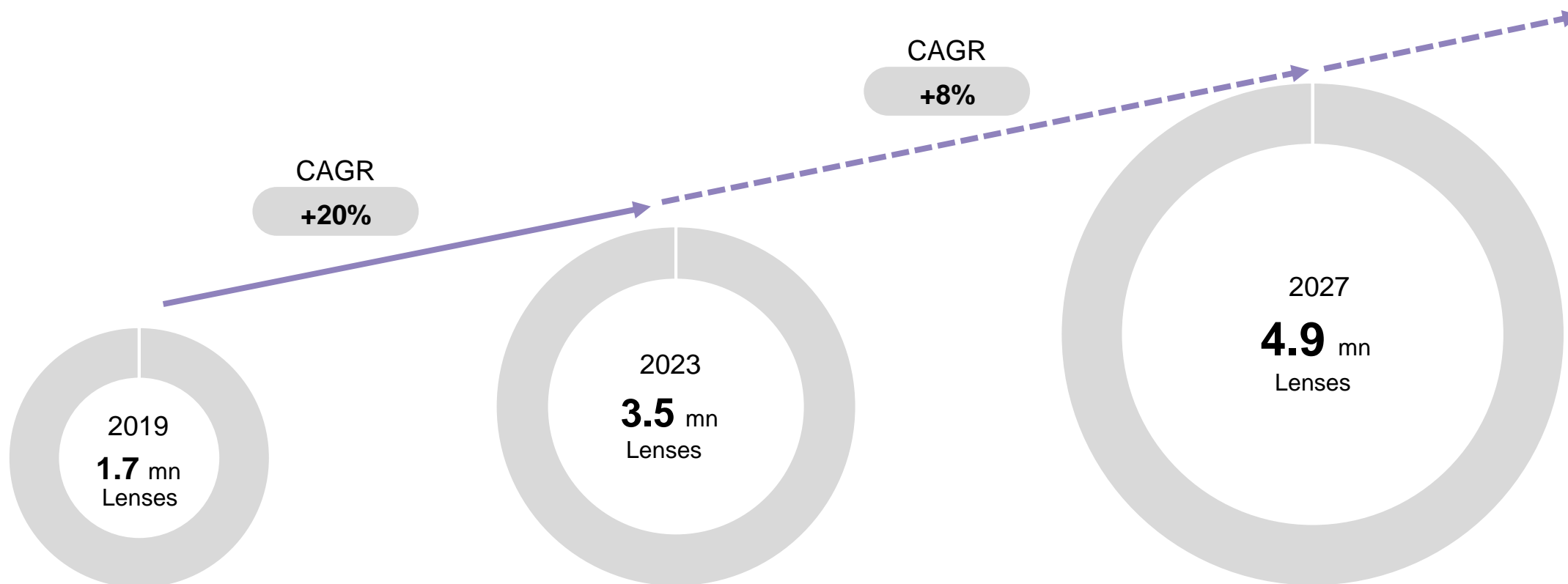


Source: World Health Organization

THE IMPACT OF MYOPIA AND HIGH MYOPIA

Growth Potential of Global Orthokeratology Lens Market

Expect to grow steadily



Growth Potential of Orthokeratology lens market (number of lenses)

Source: Internal survey data *Survey covers China, Japan and Europe only.

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Milestone 2025 Progress Assessment

Changes in the external environment affected the progress of Milestone 2025 (Quantitative Target FY2025)

	Target (FY2025)	Track Record (FY2023)	Evaluation (Change in business environment)	Future Initiatives
Quantitative Target	Net Sales JPY 140.0 bn	Net Sales JPY 116.1 bn	Covid-19 Careful decision of 1DAY-lens investment due to temporary stagnation in the contact lens market	1DAY-lens Supply System • Strengthen of supply chain
	OP margin 12 %	OP margin 8 %	International Affairs (War) Longer lead time for 1DAY-lens investment due to supply chain disruptions	Strengthen of profitability • Appropriate price revision • Reduce manufacturing costs by the effect of mass production
	ROE 10 %	ROE 6 %	Rising procurement costs and pressure on earnings due to accelerating inflation	Balanced growth in priority regions • Strengthen 1DAY-lens sales
Strategic Target	1DAY-lens Ratio 33%	1DAY-lens Ratio 27%	Global Market Growth of OEM supply of 1DAY-lens in Europe/USA	Japan: Increase in 1DAY-lens ratio of MELS
	MELS Members 1.50M	MELS Members 1.34M	Ortho-K growth acceleration of China (~2023/9)	Europe/North America: Expand OEM • Strengthen Orthokeratology-related sale
	Overseas Ratio 35 %	Overseas Ratio 32 %	Ortho-K growth stabilization of China (2023/10~)	China: Stable Orthokeratology-related growth

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Menicon Growth History

Sales growth of 1DAY-lens and Orthokeratology-related business through MELS Plan and M&A

Sales (JPY bn)

120.0

90.0

60.0

Start MELS Plan

30.0

0.0

116.1 JPY bn

- Start 1DAY-lens sales globally
- Acquisition of Ace Contacts

Launch
1DAY PremiO

Launch
Magic

05'

10'

15'

20'

1DAY-lens

2006

Start production system 1DAY-lens "Magic" production at Singapore plant.

2011

Launch "Magic," the first 1DAY-lens made in-house

2016

Launch Silicone material 1DAY "PremiO"

2012-2020

Develop sales network by acquiring domestic contact lens chains

2017-

Start supply to major contact lenses chains in Europe and North America

2019

Start establishing sales system by acquiring overseas contact lens sales company.

Orthokeratology-related

2002

Introduce Orthokeratology lenses "Menicon Z Night" and the support software to Market

2006

Acquire Menicon B.V., Netherlands-based Ortho-K manufacturing company

2016

Acquire Alpha Corp., the first manufacturing company to obtain regulatory approval in Japan

2019

Menicon BLOOM Night was obtained Europe's first regulatory approval for use of myopia control

2020

Acquire Itabashi trading to strengthen sales in China.

2022

Start of collaboration with Myopia Specialist Centre at Singapore for myopia research

15

Set Milestone 2027

Set Milestone 2027 (new quantitative target: FY2027) based on changes in the environment.

	Stable Growth phase	Investment phase	
	FY2019	FY2023	
Net sales	JPY 84.5 bn	JPY 116.1 bn	
Operating profit ratio	8 %	8 %	
ROE	9 %	6 %	

1DAY-lens Strategy

Orthokeratology-related strategy

Transform Profit Structure
by executing Strategy

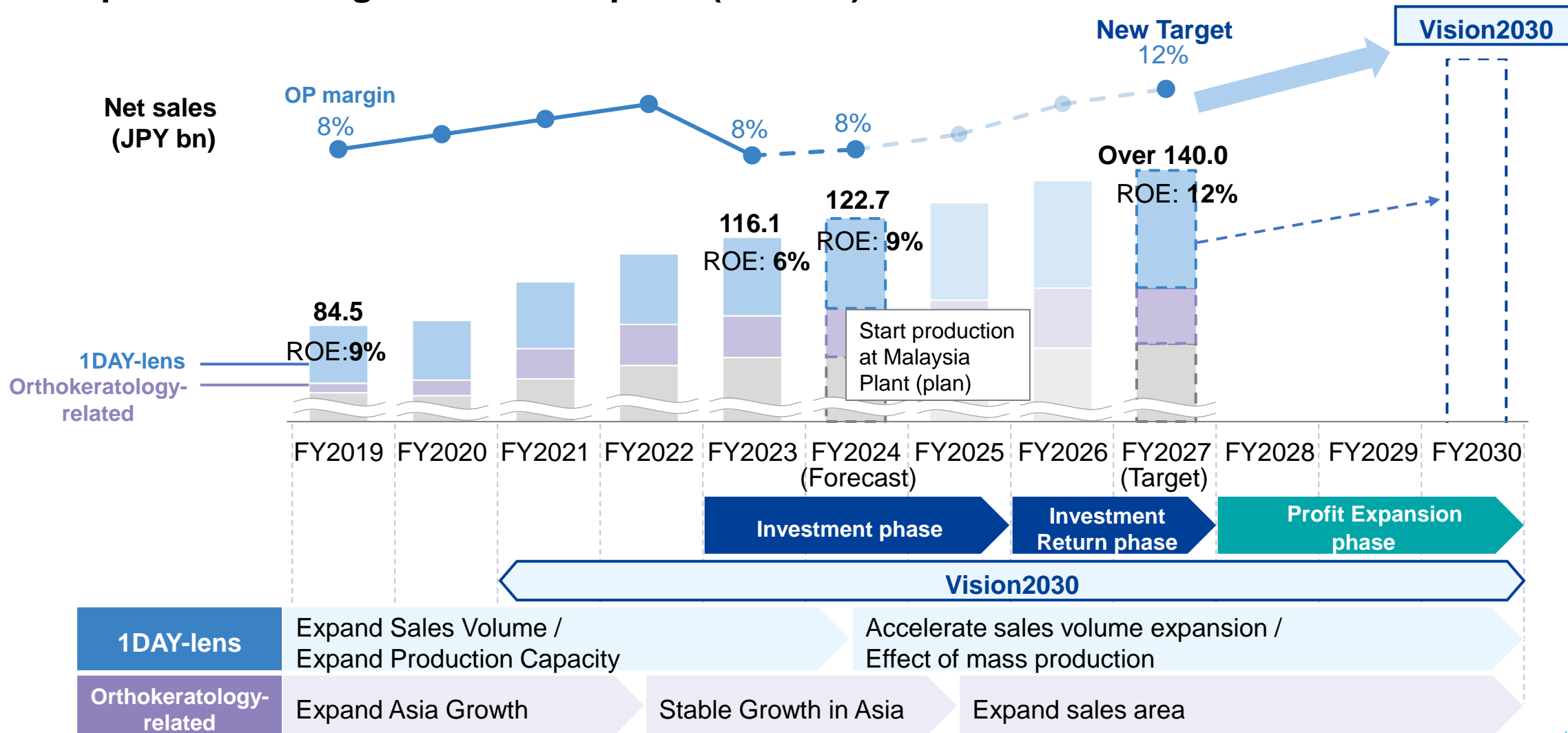
Investment Return phase
FY2027 Quantitative Targets
Over JPY 140.0 bn
12%.
12%.

Set ROIC as an internal target

- Promote management that is focused on return on capital
- Aim to shift the profit structure from “investment phase” to “Investment Return phase”

Set Milestone 2027

Set quantitative targets at the midpoint (FY2027) of Vision 2030



Set Milestone 2027

Aim to improve profitability through 1DAY-lens mass production effect of Malaysian plant

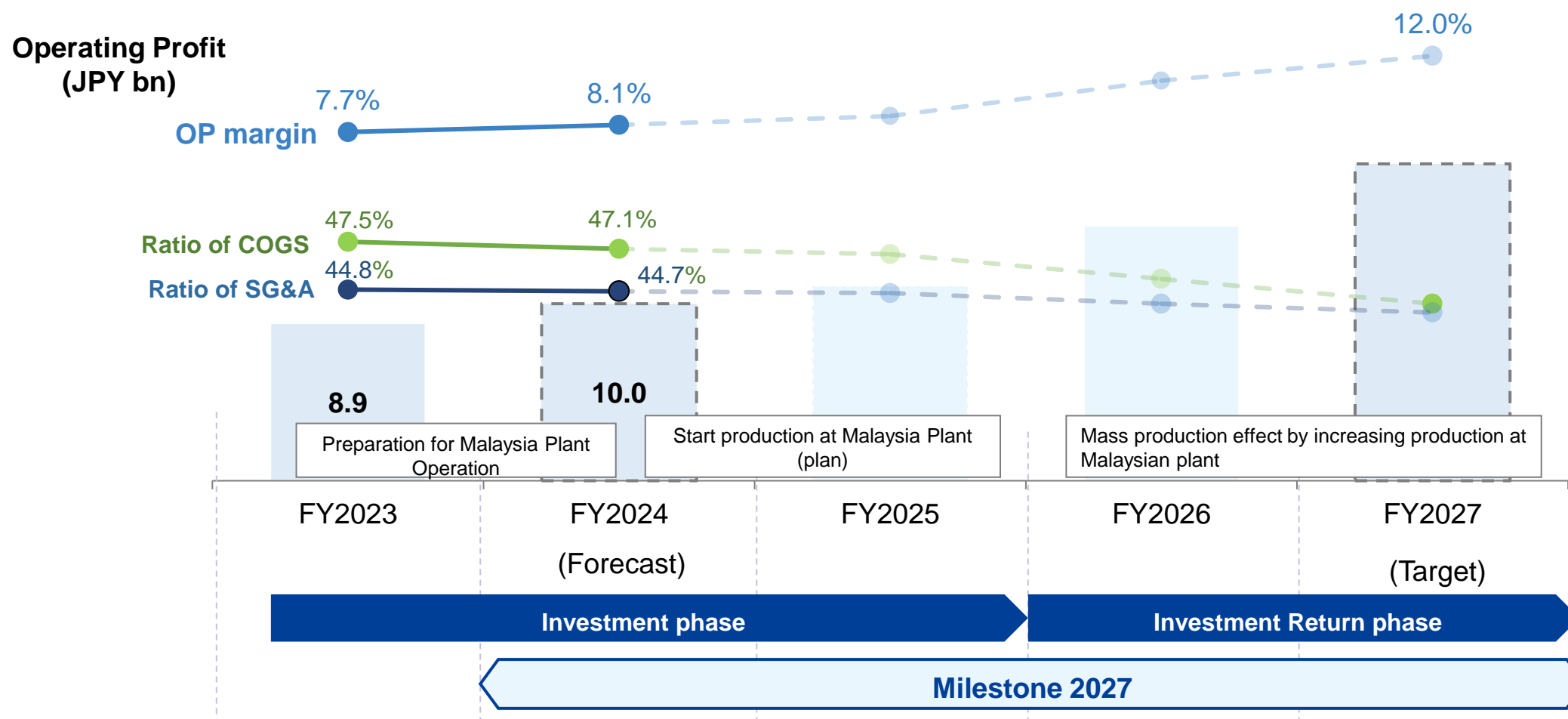


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Growth Strategy Targets & 1DAY-lens Regional Targets

Expect to achieve goals by implementing growth strategies

Growth Strategy Targets

Top Global Player
of 1DAY-lens Business

28.4 → JPY **42.0** bn

Leading Company of
Orthokeratology-related
Business*
(Myopia Control Related Business)

15.0 → JPY **20.0** bn

*Total amount of Orthokeratology lenses (Global)
and Lens care products (Asia)

1DAY-lens Regional Targets

1DAY-lens MELS (Japan)

20.7 → JPY **29.0** bn (**1.4 times**)
(Reference)
MELS sales: JPY 57.0 bn
MELS member 1DAY-lens ratio: 35%

1DAY-lens Overseas

2.9 → JPY **6.5** bn (**2.2 times**)
(Reference)
Ratio of 1DAY-lens sales to overseas
sales:16%

FY2023 → FY2027(Target)

Vision Care

106.8 → JPY **130.0** bn
(Reference) Japan: JPY 89.0 bn
Overseas: JPY 41.0 bn

Healthcare and life care

9.3 → JPY **10.0** bn

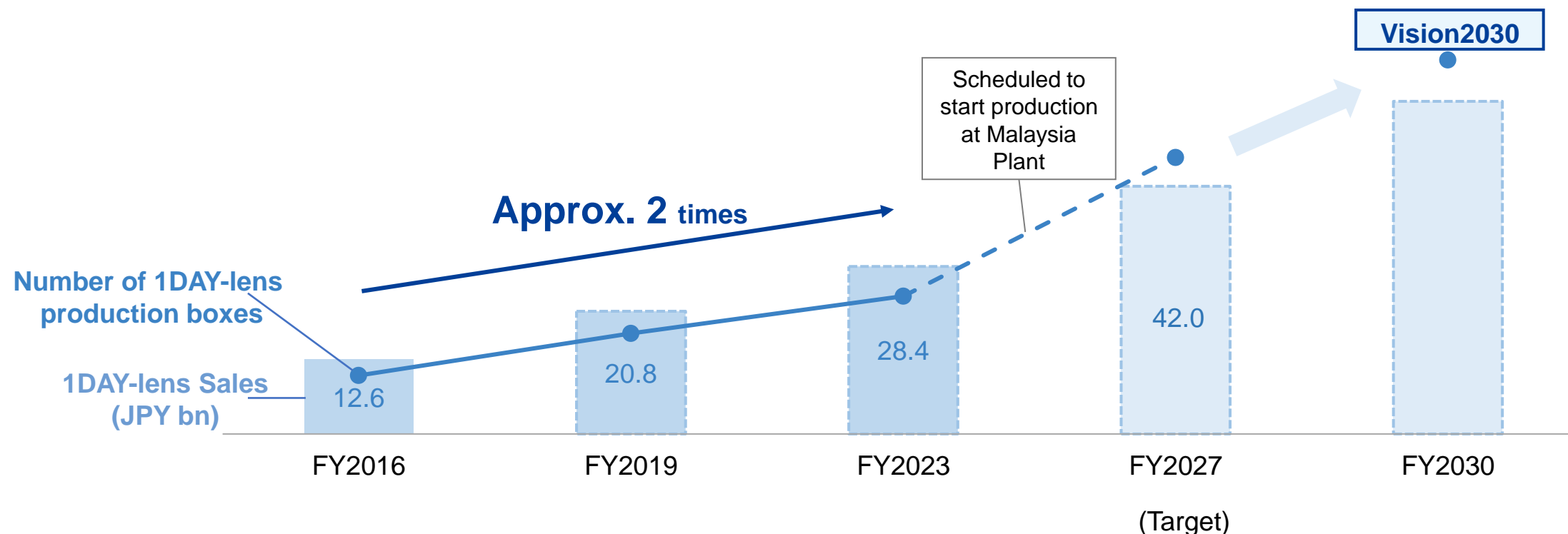
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1DAY-lens Production Capacity

Increase in 1DAY-lens sales due to strengthen production capacity

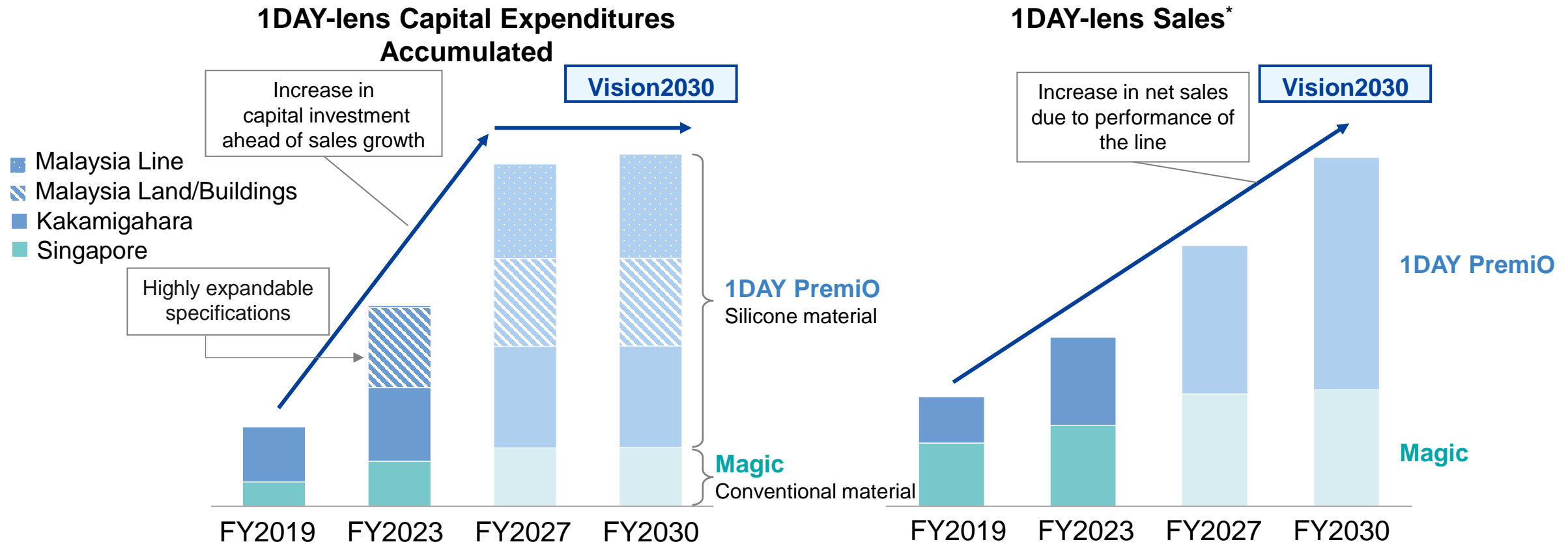
1DAY-lens Production Capacity and 1DAY-lens Sales* Transition



*1DAY-lens sales: Including OEM supplies from other companies

1DAY-lens Capital Investment and Sales

Expand 1DAY-lens sales through capital investment in Malaysia plant



*1DAY-lens sales: only 1DAY-lens products manufactured in-house (1DAY PremiO and Magic)

Strengths of Menicon

Expand sales through unique SMART TOUCH package and region-specific sales strategies

Unique products

SMART TOUCH package

No need to change the handle,
no touching the inner surface.



1DAY PremiO



High oxygen permeability
Silicone material lenses

Magic



Thinner package
with reduced plastic usage

Menicon's Core Values

- Over 70 years in business
- Trust in Japanese Quality
- Commitment to Innovation
- Environmentally friendly product design

Sales Strategy by Region

Japan	<ul style="list-style-type: none"> • MELS Plan in approx. 1,600 stores • Utilization of approx. 170 group stores
Europe & North America	<ul style="list-style-type: none"> • Expand sales to major volume retail chains
Asia	<ul style="list-style-type: none"> • Expand sales by group companies

*Including the development of new sales channels through M&A

Number of countries where products are exhibited:



Malaysia Plant Overview

As for Phase1, Production is scheduled to start in 2025.

Malaysia plant can be expanded up to 4 times the scale depending on demand.

Phase1 (on going)

Specifications that allow installation of multiple types of manufacturing equipment to meet demand



Phase1

Office building and logistics/packaging building can accommodate the expansion of production capacity in the Phase2

Malaysia plant overview

	【Phase1】
Product Capacity	Up to 500 million pieces/year
Total amount of investment	Approx. JPY 50.0 bn (Buildings : production, office, logistics and packaging) • Already carried out: Approx. JPY 21.0 bn • FY2024 - FY2027: approx. JPY 29.0 bn (tentative)
Schedule	Production is scheduled to start in 2025

Phase2~4 (Undecided : expanded based on demand)



Phase1

Phase2

Phase3,4

	【Phase2】	【Phase3~4】
Additional production capacity	Up to 500 million lenses/year (tentative)	Up to 1.0 billion lenses/year (tentative)
Additional investment	Approx. JPY 27.0 bn (tentative) (Buildings :only production)	undecided
Schedule	undecided	undecided

1DAY-lens market and Menicon's share

Establish a global sales base by developing sales and supply chain

⇒ Expand market share by increasing supply of the product

Establish a foundation in Japan

Expand 1DAY-lens market share mainly in **Japan**

Japan: 1DAY-lens market and Menicon's share

Product

- Launch of Magic



Production enhancement

- Singapore Plant

Strengthen domestic sales

- Expand directly managed stores

Product

- Launch of 1DAY PremiO Series

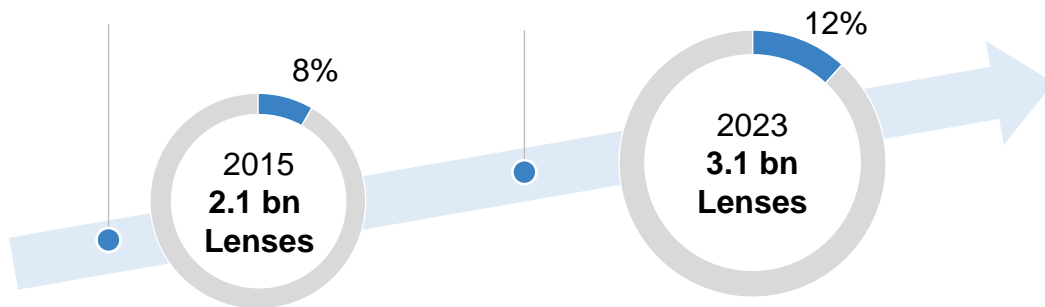
Production enhancement

- Singapore Plant
- Kakamigahara Plant



Strengthen domestic sales

- Acquire Retail Chain



*OEM-supplied products are not included in our sales figures (Internal survey data).

Establish a global infrastructure

Expanding 1DAY-lens market share **Global**

Global: 1DAY-lens Market and Menicon's share

Production enhancement

- Singapore Plant
- Kakamigahara Plant

Strengthen global sales

- Alliance with a major mass retailer chain

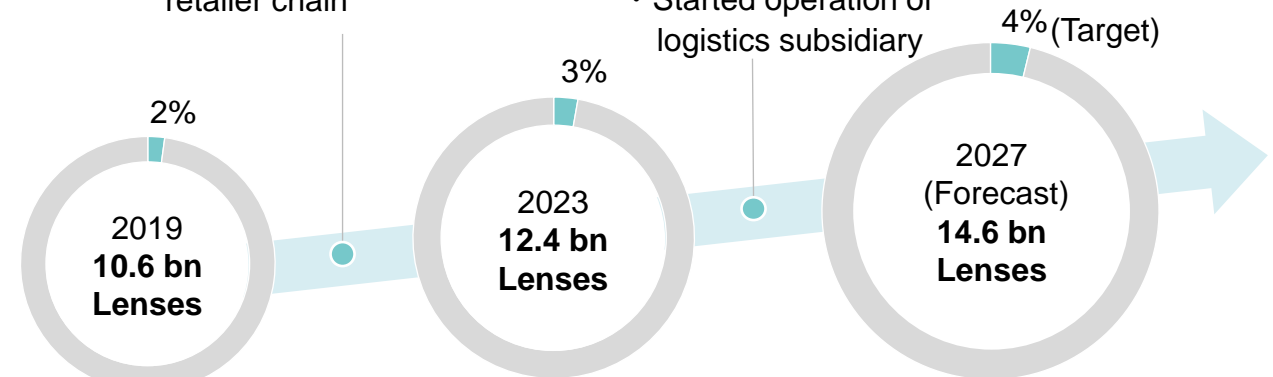
Production enhancement

- **Malaysia Plant**
- Singapore Plant
- Kakamigahara Plant



Strengthen global sales

- Started operation of logistics subsidiary



1DAY-lens Market CAGR

+4%

Menicon CAGR

+10%

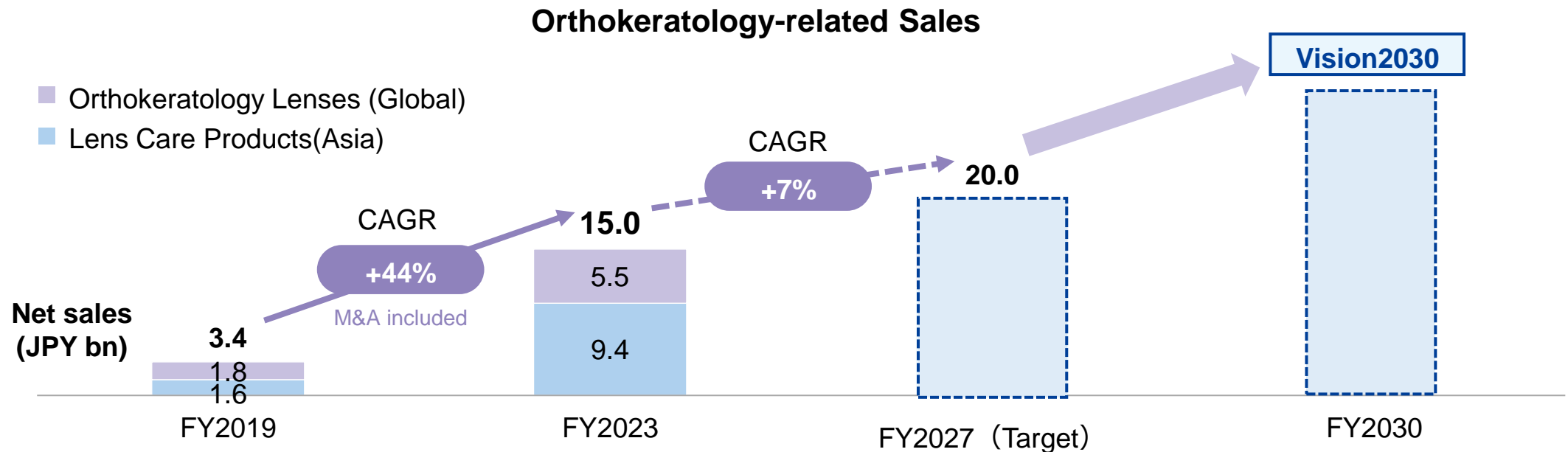
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Orthokeratology-Related Sales

Expect stable growth based on demand to myopia control



Orthokeratology-Related Strategy Measures

Orthokeratology Lenses: Expand global sales with multiple product features

Lens Care Products: Expand sales by diversifying sales channels

Orthokeratology-Related Sales Strategy

Orthokeratology Lenses (Global): Sales through “Multiple products” and “Expansion to other countries”
Lens Care Products (Asia): Sales through multiple channels (medical/EC)

Orthokeratology Lenses (Global)

α Ortho-K

- Product features: Highly customized
- Sales area: Japan / China / Asia

Menicon Z Night

- Product features: High oxygen permeability
Software to support prescription
- Sales area: Europe / China / Asia

Menicon Bloom Night

- Product features: Myopia control management approval
- Sales area: Europe / Asia

Number of countries where products are exhibited: about **35**



Lens Care Products (Asia)

MeniCare Plus

- Product features: Cleaning, disinfection and preservation solution
High cleaning and disinfection effectiveness

Progent

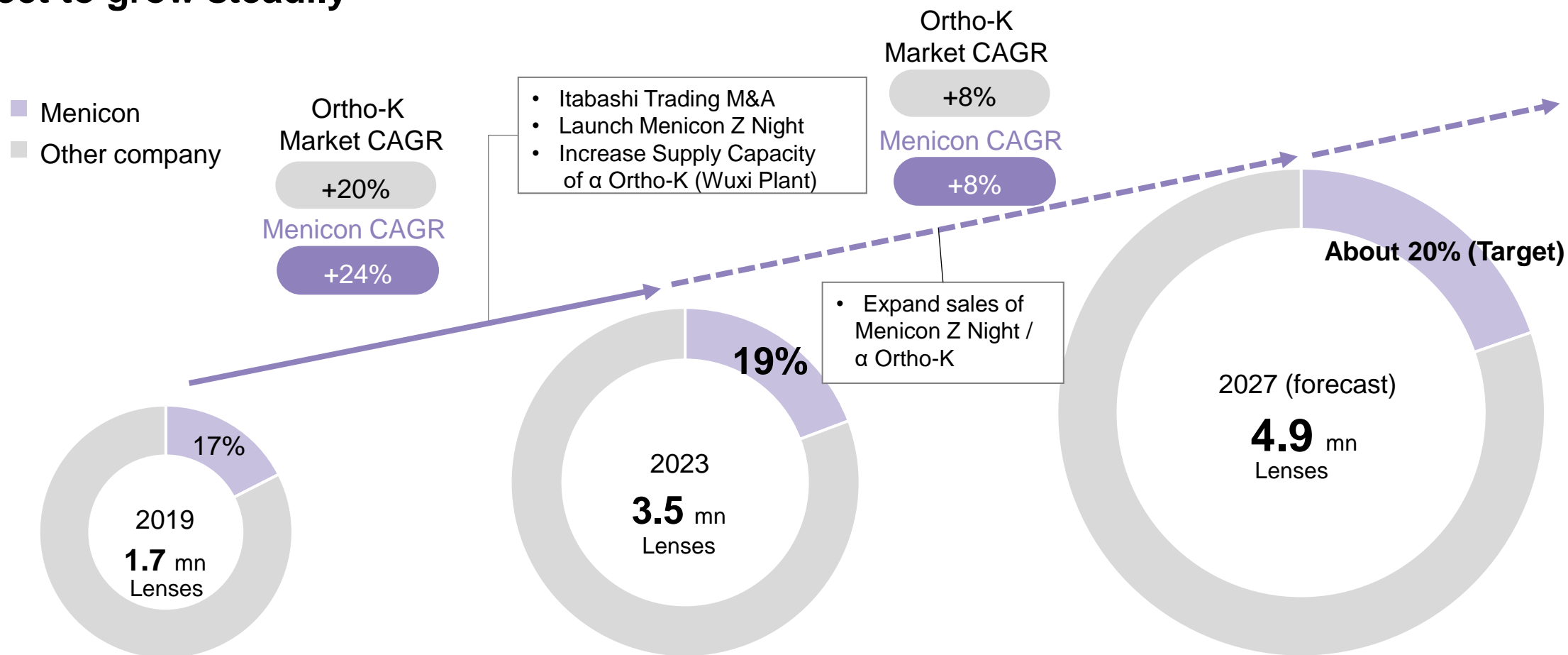
- Product features: Protein remover
High cleaning effectiveness

Expand sales through medical/EC channels



Orthokeratology Lens Market and Menicon Share

Expect to grow steadily



Source: Internal survey data *Survey covers China, Japan and Europe only.

Growth by Executing Growth Strategies

Aim to achieve targets by executing two growth strategies (1DAY-lens & Orthokeratology-related)

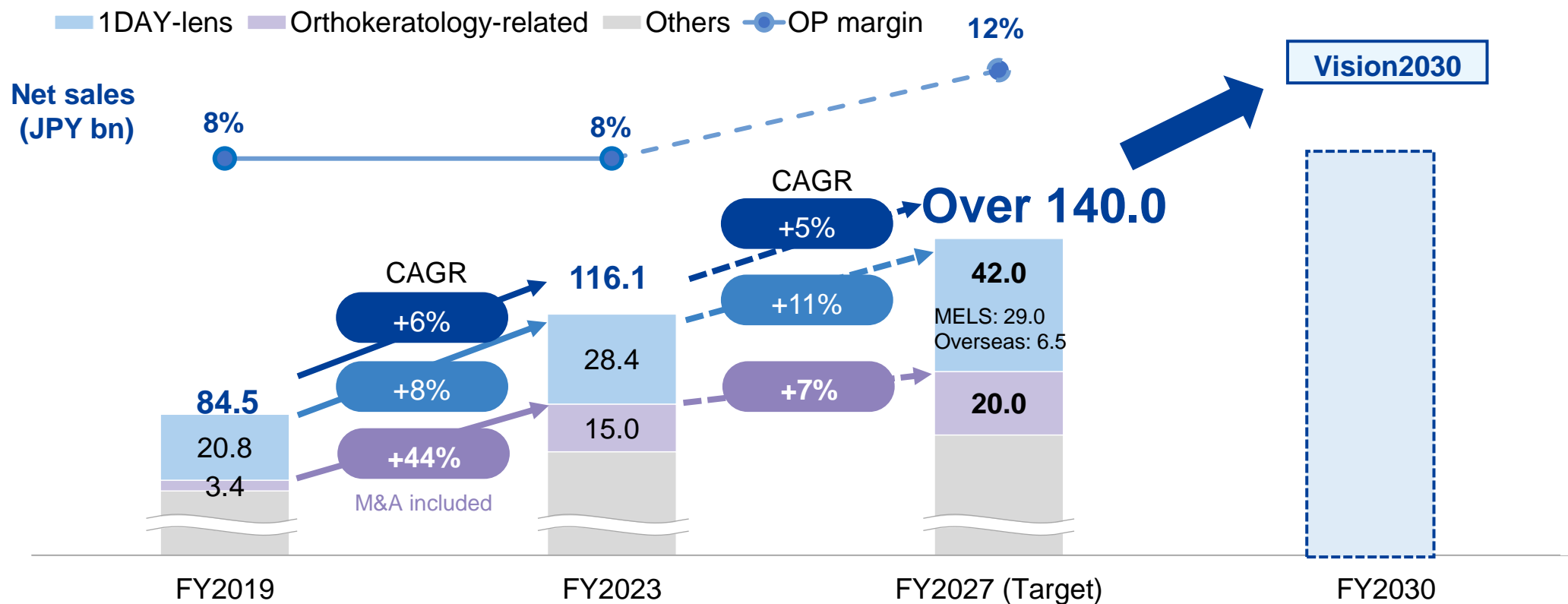
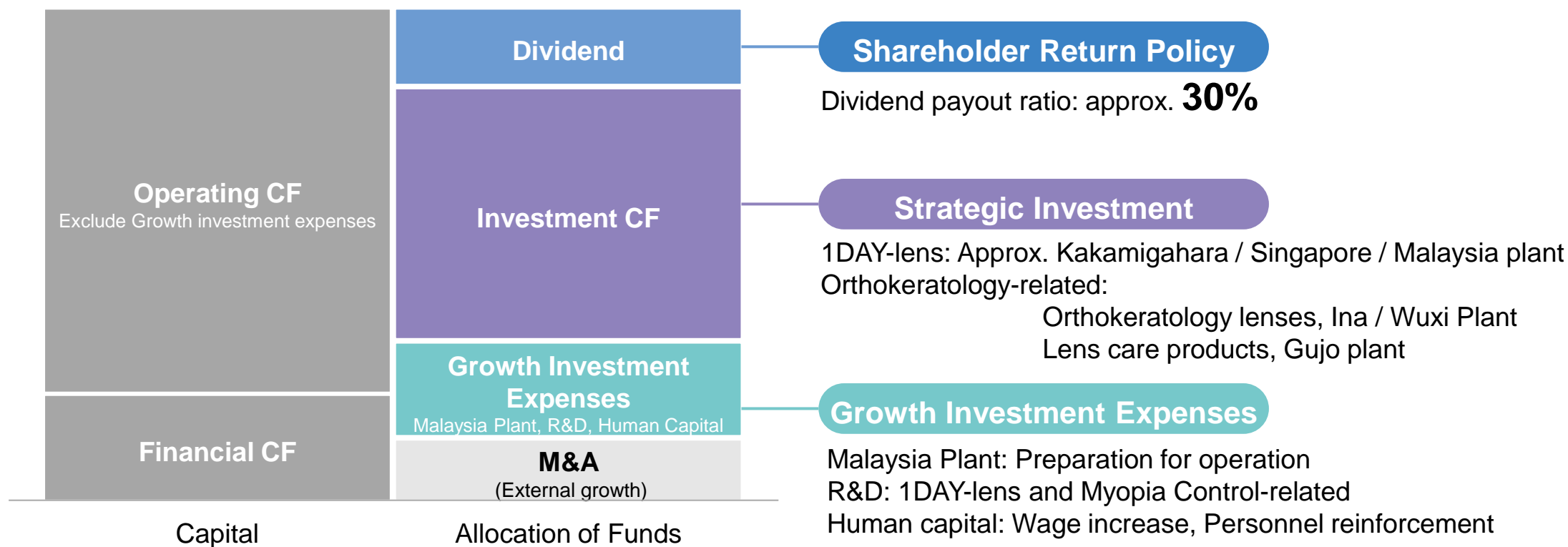


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Capital Allocation, Shareholder Return Policy

Four-year cumulative total (FY2024 – FY2027)



Shareholder Return Policy

Stable Dividend with a payout ratio approx. 30%

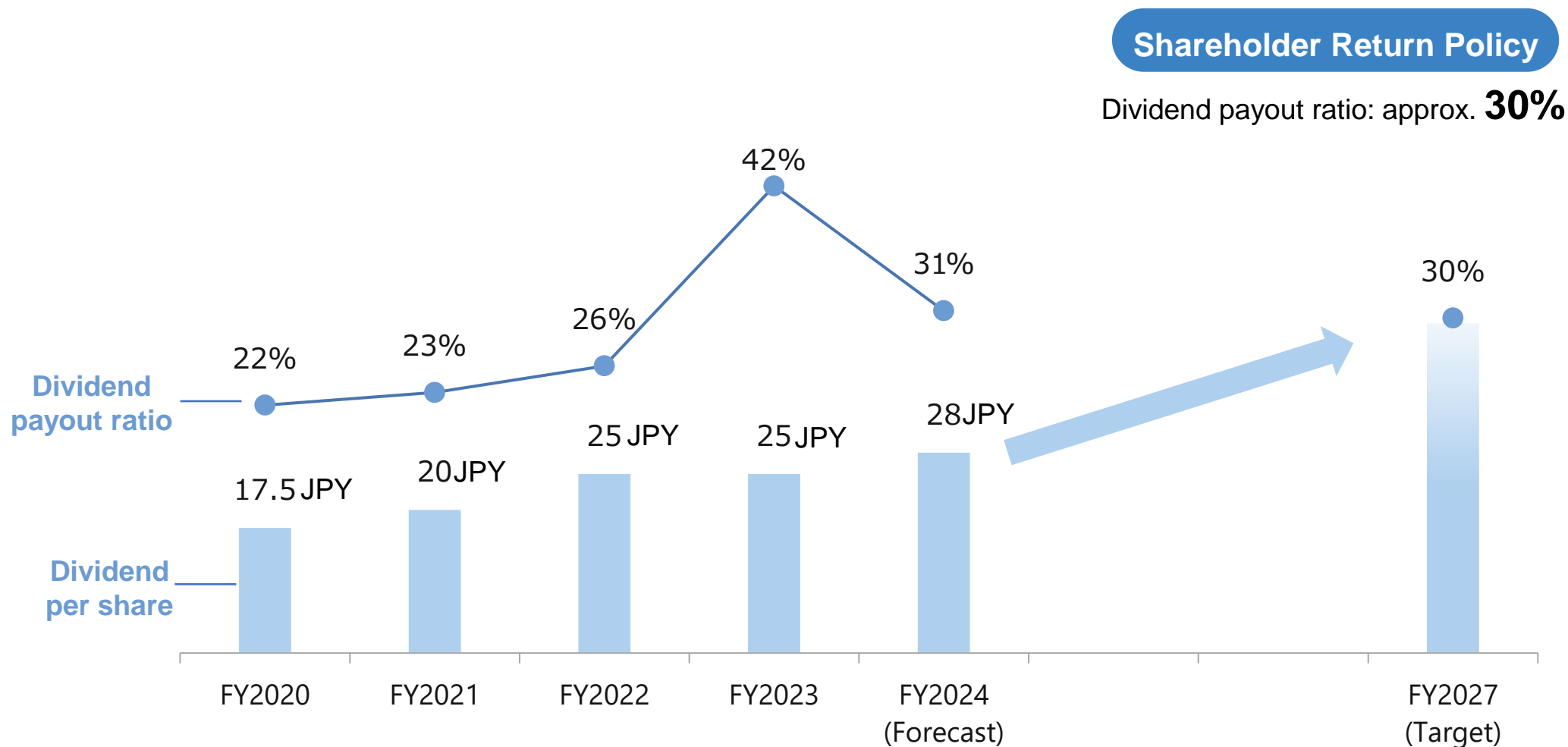
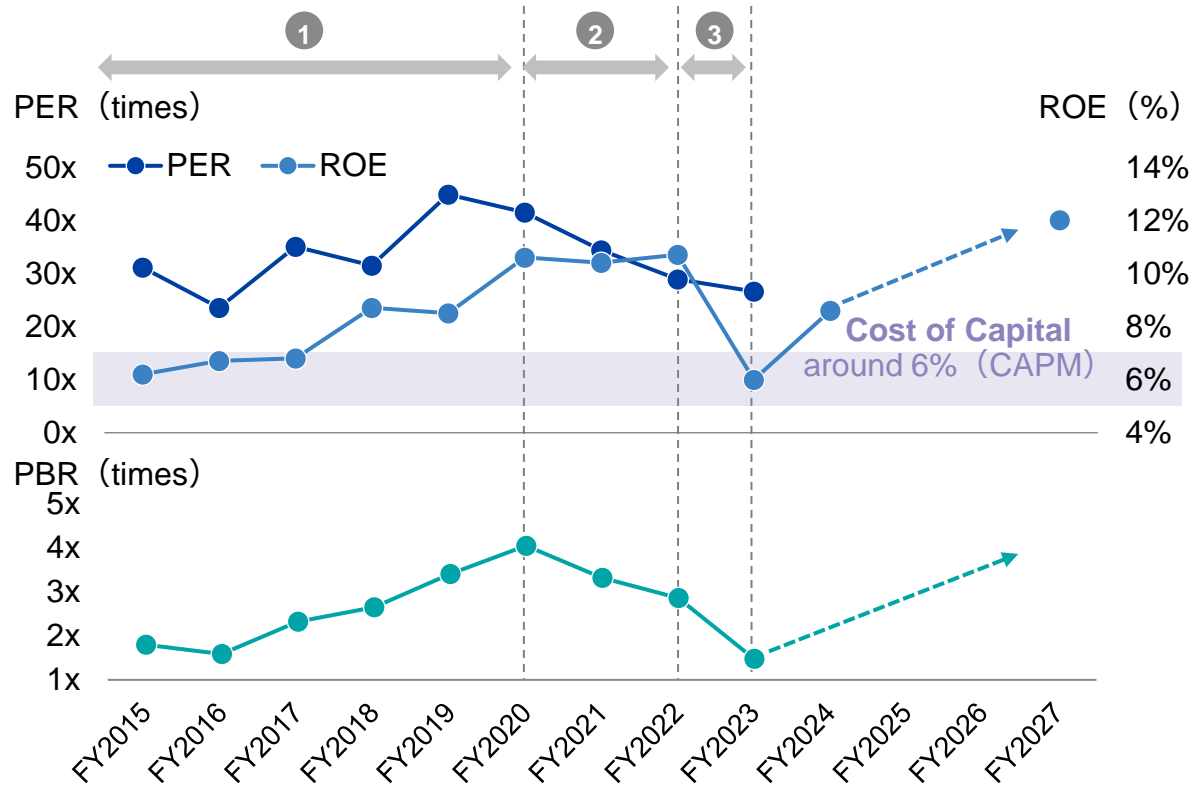


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Return on Capital and Market Valuation Trends

- PBR increased due to higher ROE from profit growth and higher PER from growth expectations for Vision Care business, in the past
- FY2023, PBR declined to around 1.3x due to a temporary slowdown in profit growth caused by accelerated growth investment and changes in growth expectations



ROE

Profit Growth

FY2015 ~ FY2022 (Increase) ① ②

- Increase in 1DAY-lens sales ratio
- Growth of orthokeratology-related business in China

FY2023 (Temporary decrease) ③

- Temporary decrease in profitability due to 1DAY-lens growth investments
- Slowdown in growth of orthokeratology-related business due to economic stagnation in China

PER

Growth Expectations

FY2015 ~ FY2020 (Increase) ①

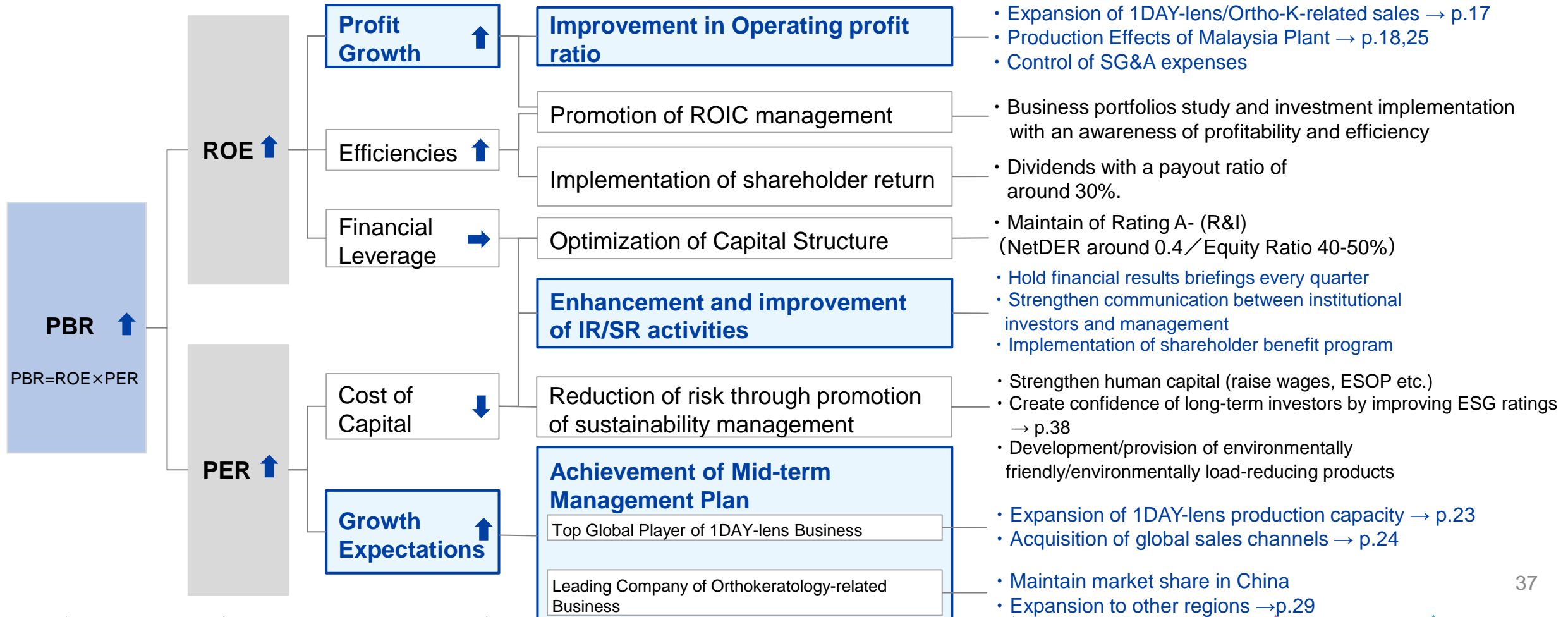
- Increase in number of MELS Plan members
- Growth of orthokeratology-related business in China

FY2021 ~ FY2023 (Decrease) ② ③

- Change in expectations due to 1DAY-lens supply restrictions
- Change in expectations due to stabilization of Orthokeratology-related market growth in China

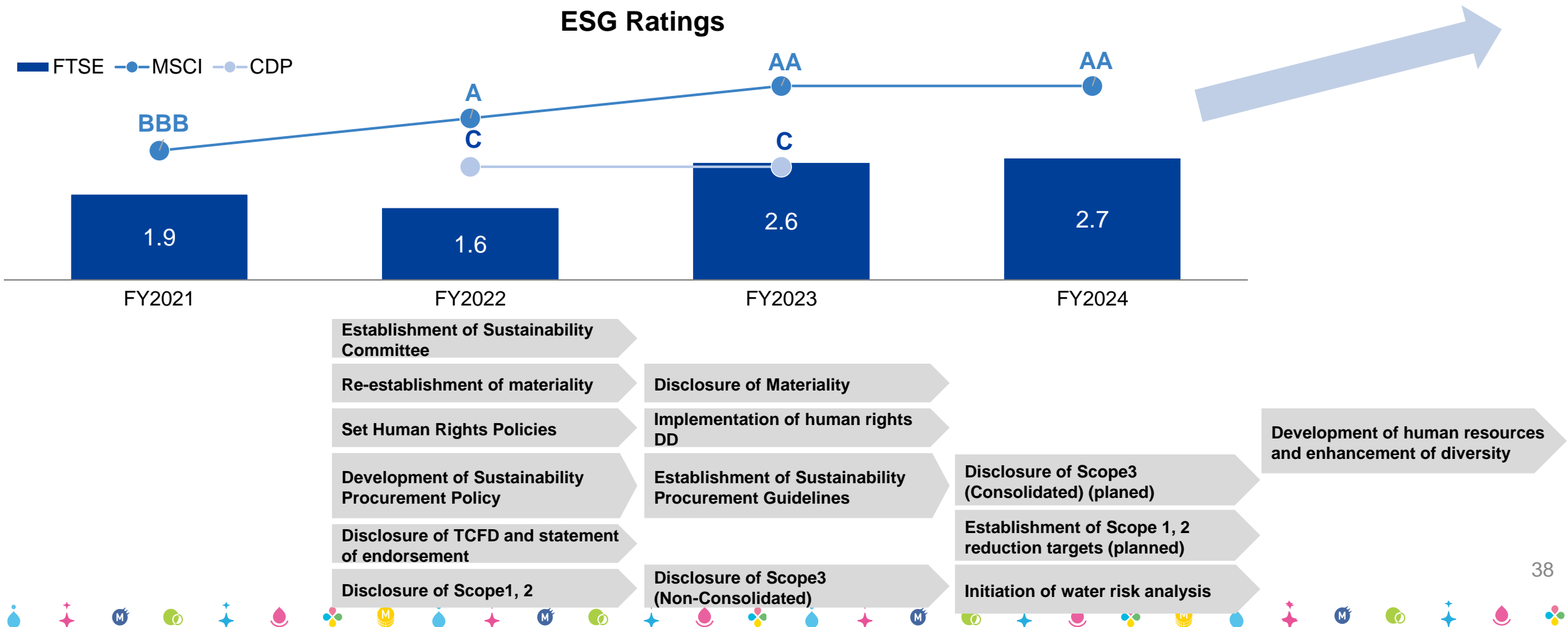
Actions to Improve PBR

Profit growth through execution of 1DAY-lens/Orthokeratology-related strategies (ROE improvement) and creating growth expectations (PER improvement) by achieving mid-term management plan milestones



Promote sustainability management and improve ESG ratings

Review policies and initiatives in line with materiality, and promote initiatives for items that have not yet been addressed.



Disclaimer on Forward-Looking Statements

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 May 14, 2024 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.

Notes on forward-looking statements

- The document and information provided in this presentation include so-called "forward-looking statements". These are based on current expectations, forecasts and risks assumptions and contain uncertainties that could lead to results that are substantially different from these statements.
- These risks and uncertainties include general industry and market conditions, general domestic and international economic conditions such as interest rates and currency exchange fluctuations.
- Even if there is new information or future events, we are not obligated to update or revise the "outlook information" included in this announcement.

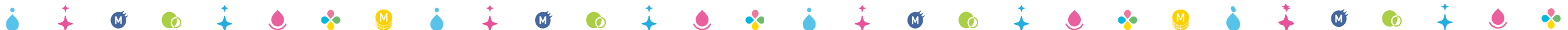
Contact information

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On November 13, 2024, the following part of the "Medium-Term Management Plan" was revised.

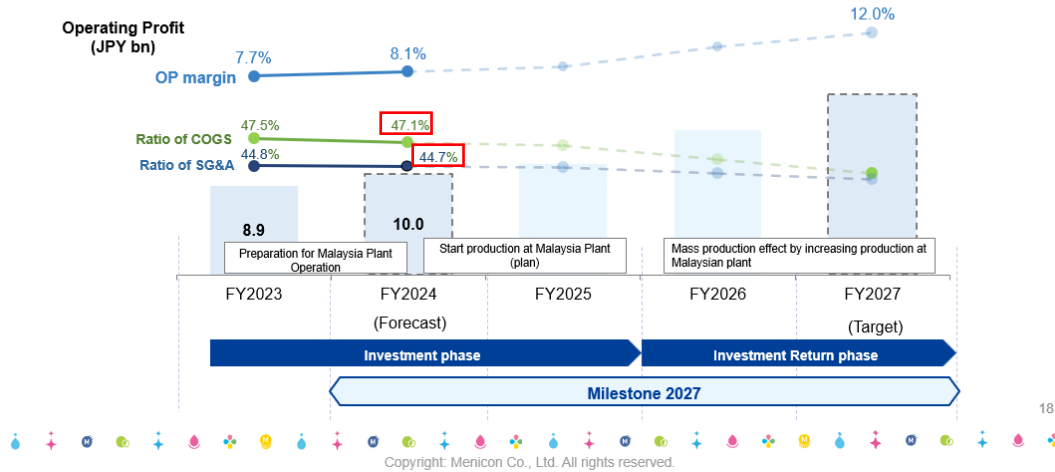
p.18

- Ratio of COGS (FY2024 (Forecast)) : 47.1% (Before revision 46.9%)
- Ratio of SG&A (FY2024 (Forecast)) : 44.7% (Before revision 45.0%)

Set Milestone 2027



Aim to improve profitability through 1DAY-lens mass production effect of Malaysian plant



[Appendix]

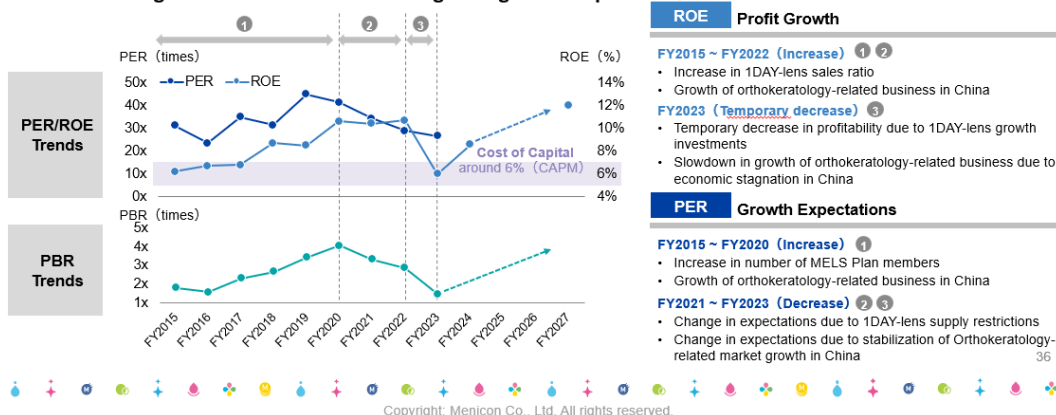
On November 13, 2024, the following slides of the "Medium-Term Management Plan" were added.

p.36 , p.37
• Slides addition

Return on Capital and Market Valuation Trends



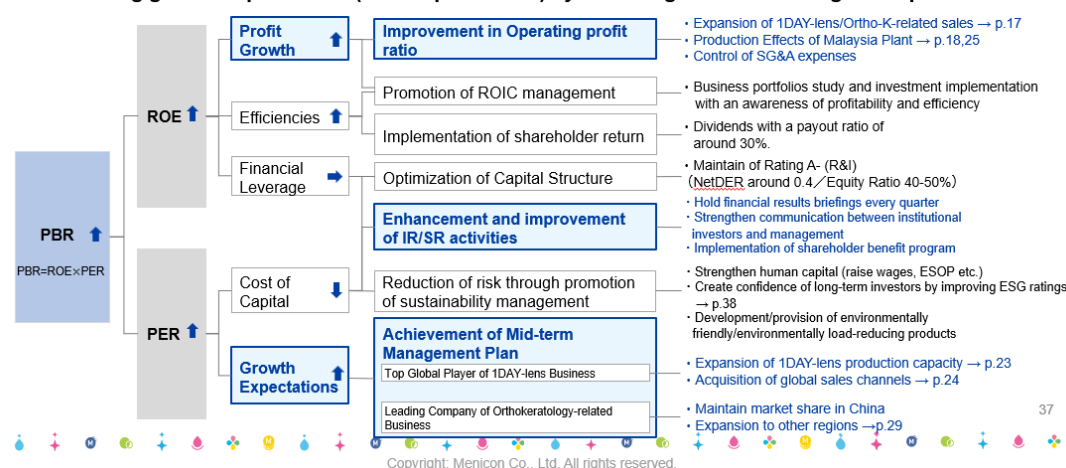
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- p.38
- Slides addition

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