

Annual
Report 2017



We endeavor to continue enhancing our company value through sustainable growth.

Hidenari Tanaka

President and CEO



Firstly, I would like to express my appreciation to all of our supporters for your continuous support.

We, at Menicon, carry out our business activities based on our corporate slogan: "Contributing to society by providing superior visual correction." The aim of our business is to provide our customers with joy of sight as well as the joy of life.

Six years have passed since we set our objectives for the year 2020 called "Vision 2020", where we outlined a sales goal of 100 billion yen and an operating profit ratio of 10 percent. On the path to those goals, we successfully carried out an IPO, thereby strengthening our financial base. Also, our business growth has been accelerating with the release of new products and the increase in the number of our group companies. Although our business environment is changing drastically with the changes in global affairs and technical advances in IT and other fields, we continue steadily growing our business as we respond to stakeholders' demands.

Our business has been growing smoothly towards the achievement of "Vision 2020." As for our financial results for the year ended March 31, 2017, the consolidated net sales value was 72 billion yen, which was an increase of seven percent compared to the previous fiscal year. Consolidated operating profit was 3.9 billion yen (up 13 percent from the previous fiscal year), and the net income attributable to owners of the parent company was 2.5 billion yen (up 14 percent up from the previous fiscal year).

The following two factors are believed to have contributed to the increase in sales and profits. The first factor is the increase in the number of members of MELS Plan, our unique flat-fee membership system. The number has increased by five percent from 1.16 million members (as of the end of March, 2016) to 1.22 million (as of the end of March, 2017).

The other factor is the addition of two subsidiaries to our group. We have newly acquired two companies: Alpha Corporation, a manufacturer / sales company of specialty orthokeratology lenses, and AIP Co. Ltd., which has a sales network under the City Contact brand name in western Japan.



City Contact shop

Our business strategy to achieve goals in the 61st fiscal year

The following three remain our core aims for our future growth: the "further development of MELS Plan", the "expansion of our overseas business", and the "development of new businesses".

Firstly, for the further development of MELS Plan, we will increase the product lineup by introducing more products including daily disposal contact lenses and regular replacement contact lenses, which is a growing segment of the market. Furthermore, we strive to deliver more convenient services to our customers by strengthening the network with our own retail shops, shops under the group companies, and MELS Plan affiliate facilities. We will also attempt to improve our services to be more attractive and be able to fulfill the lifestyles and needs of our customers with our smartphone application and a delivery service of contact lenses to customers' homes. We will expand MELS Plan in order to further improve the satisfaction level of new and existing members.

In order to expand our overseas business, it is vital to consider the different cultures, business customs, and legal regulations in each country. In order to establish business strategies that suit each country, we divide our overseas business into three regions: Europe, China, and North America.

We have two aims in our product strategies to realize the "development of MELS Plan" and the "expansion of our overseas business".

The first aim is a sales expansion of daily disposable contact lenses. We have created a new value in a packaging concept called SMART TOUCH, which allows users to wear the lenses in a clean and easy way without needing to check the orientation of the lenses when removing them from the package. With this as our global standard, we will boost sales.

The second aim is to establish an infrastructure for specialty contact lenses. As part of this, we have opened a research center called Menicon International Specialty Lens Research Center. We strive to enhance recognition of specialty lenses and conduct promotional activities while applying our know-how to product development.

In regards to the "development of new businesses", we continue supporting an environmental biotechnology business, a life science business, and a veterinary business conducted by our subsidiary Meni-one Co., Ltd. Moreover, as a manufacturer of specially controlled medical devices, we support the healthy lives of our customers by conducting anti-smoking activities, and our subsidiary Menicon Nect Co., Ltd. is attempting to commercialize the promotion of a new eye lifestyle for modern people, who overstrain their eyes.

Under the philosophy of becoming a No.1 company that is respected and loved by all stakeholders, we will continue providing better products and services to our customers. We look forward to receiving your continued support.



Ina Office of Alpha Corporation

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Menicon headquarters

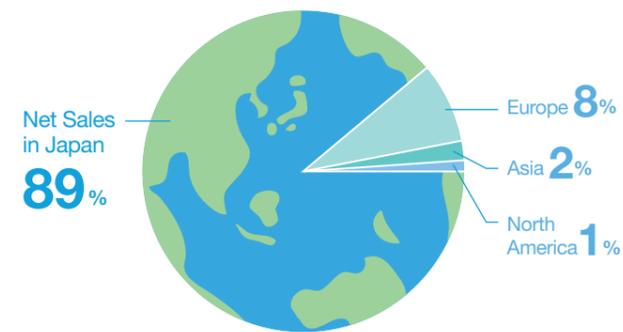
Our Business in Numbers

Data on Social Activities

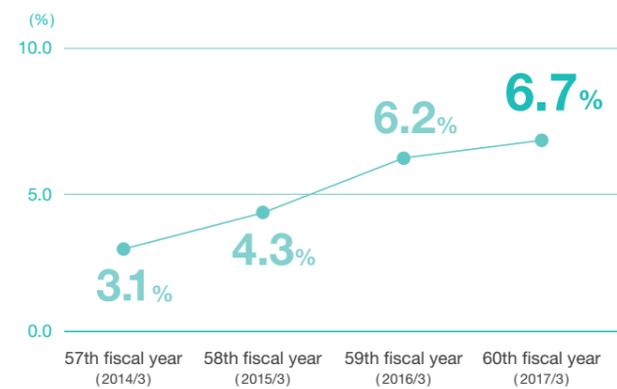
Consolidated Net Sales



Net Sales by Region



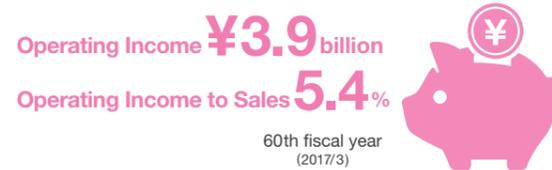
ROE (Return on Equity)



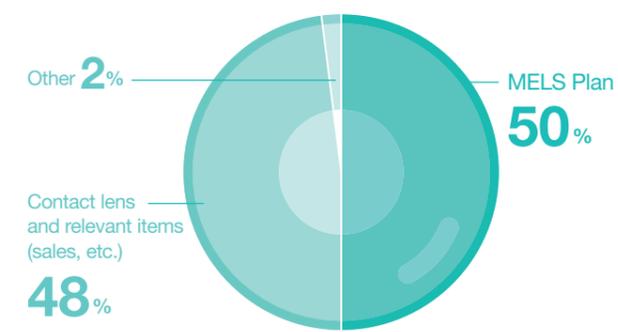
EPS (Earning per Share)



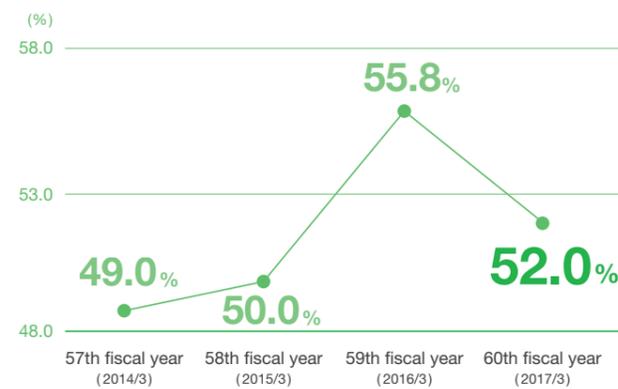
Operating Income / Operating Income to Sales



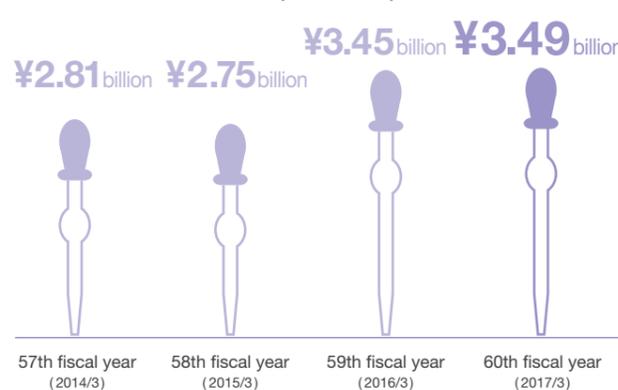
Net Sales by Segment



Equity Capital Ratio



Research and Development Expenditure



ESG

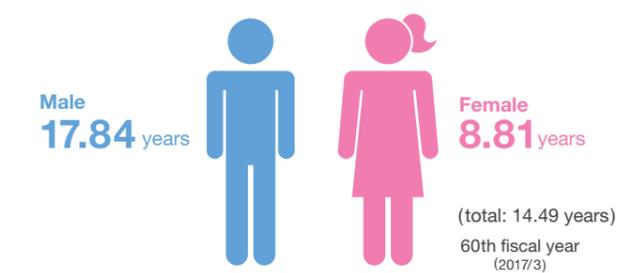
Data on Our Employees

Number of Employed (non-consolidated)

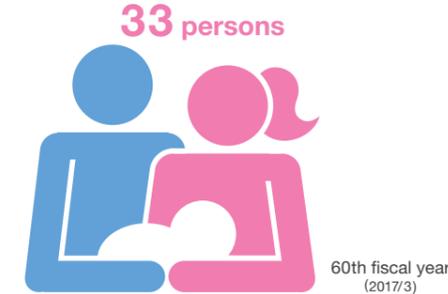


The numbers do not include Directors, Corporate Officers, Advisers, temporary staff, part-timers, and casual staff.

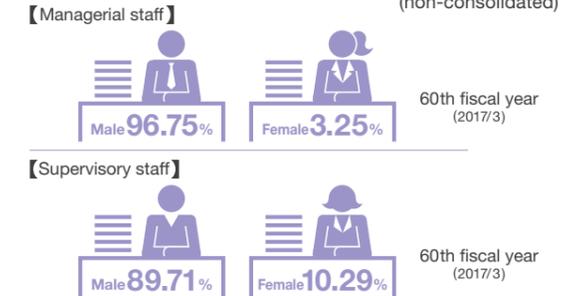
Average Number of Years of Employment (non-consolidated)



Number of Employees Who Took Childcare Leave (non-consolidated)

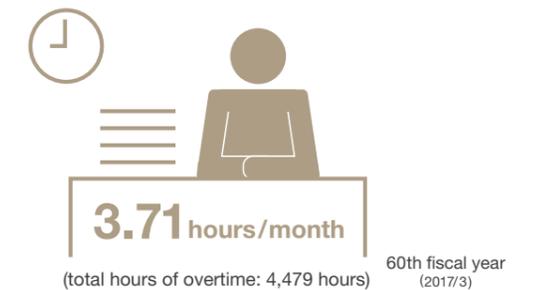


Composition Ratio of Managerial and Supervisory Staff (non-consolidated)



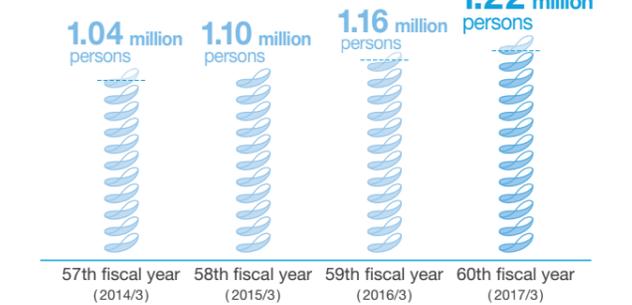
We aim to increase the ratio of female managerial staff to be four percent or more, and 20 percent or more females in supervisory staff, by April 1, 2020.

Average Hours of Overtime (non-consolidated)



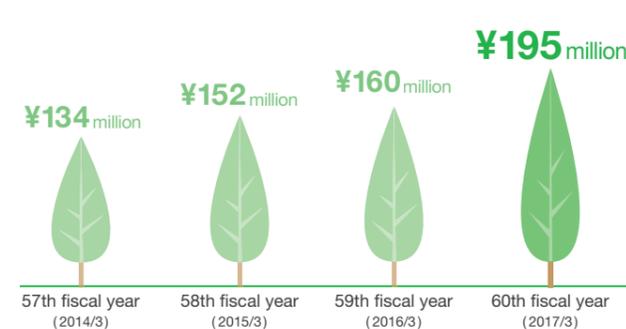
Data on End-users

Number of Members in MELS Plan

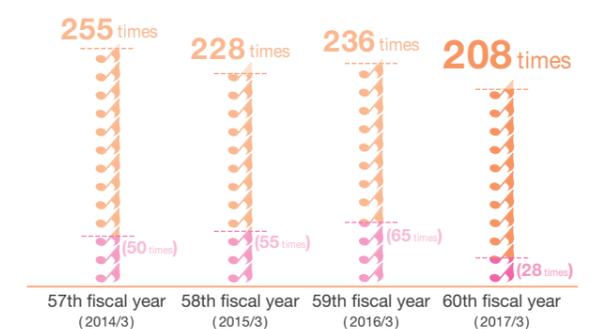


Data on Society

Sales in Environmental Business (non-consolidated)



Number of Events held at HITOMI Hall



The number in the brackets indicates those of events planned by our company.

The Will to Forge its Own Path and Be a Pioneer Is in Menicon's DNA.

1950~1969 »

Starting from Zero to Take on New Challenges

Menicon began when founder Kyoichi Tanaka developed Japan's first corneal contact lens in 1951. Tanaka, who was working at an optical shop, happened to hear about contact lenses from the wife of a U.S. Army officer. However, she did not show any actual contact lenses to him. Tanaka resolved to create a practical contact lens, and after much study and research, he succeeded. In 1957 he established Nippon Contact Lens Co., Ltd., the predecessor to Menicon.



Kyoichi Tanaka when he worked at an optical shop and the wife of a U.S. Army officer. The MT contact lens (first successful product)

1970~1989 »

Realizing More Originality

Based on its experience of finally arriving at and achieving practical application of a rigid contact lens with almost the same shape as today's rigid contacts entirely on its own, one thing Menicon values is avoiding imitation. By continuing to do all its own original research — designing methods of combining and polymerizing materials, designing products and manufacturing methods and assembling its own manufacturing facilities — Menicon developed Japan's first oxygen permeable rigid contact lens and established a new automated production factory, among other achievements.



Some notes on research activities Menicon Seki Factory

1990~1999 »

Toward the Highest Quality

In 1995, Menicon founded the R&D Center as a base for conducting its research and development. To come up with the next generation of contact lenses and lens care products, specialists in various fields conducted research. In the entire process from material development to design development, manufacturing, distribution, sales and end-user sales, Menicon strengthened its insistence on its own original concept of safety, always worked to improve its technology and worked to better its quality assurance system.



Menicon R&D Center Menicon Z

2000~2009 »

Bringing Innovation to the World

In 2001, Menicon introduced MELS Plan, the industry's first fixed-charge membership plan, to provide full support to our customers so that they can use our contact lenses worry-free. To bring high-quality, safe contact lenses to the people of the world, the company established outposts in various countries and is manufacturing and selling contact lenses rooted in ophthalmological medical care everywhere.



Office building of NKL Contactlinsen B.V. (Netherlands) Menicon Singapore Pte. Ltd.

2010~2014 »

Vow to Become a Global Company

As a pioneer in contact lenses and lens care products, Menicon is always leading the industry. While working for the continual growth of its business, the company put to work the technologies and people it had fostered through contact lenses to roll out veterinary ophthalmology, environmental-biotechnology and life sciences businesses. With the wish to "To be a global enterprise that is friendly to people, animals and the environment" Menicon began working to create new value.



Physical examinations for assistance dogs "Agri Kakumei" Series

2015~

To the Soaring Future

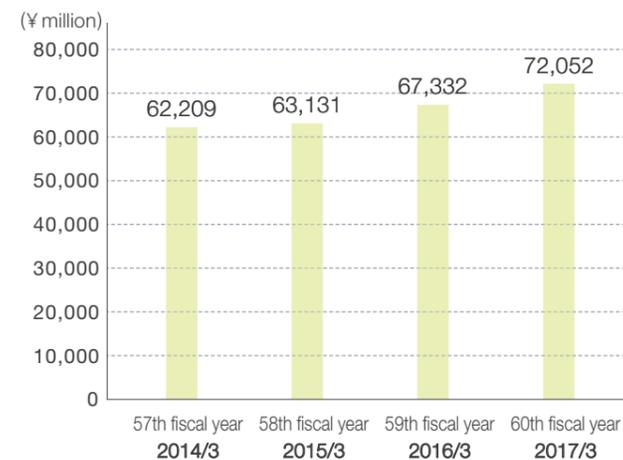
On June 25, 2015, Menicon was newly listed in the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange. With the money raised with its listings, it is investing in the construction of a new factory to produce daily disposable contact lenses. Menicon aims to continue providing the world with products useful to society and to be a company respected and loved by everyone.



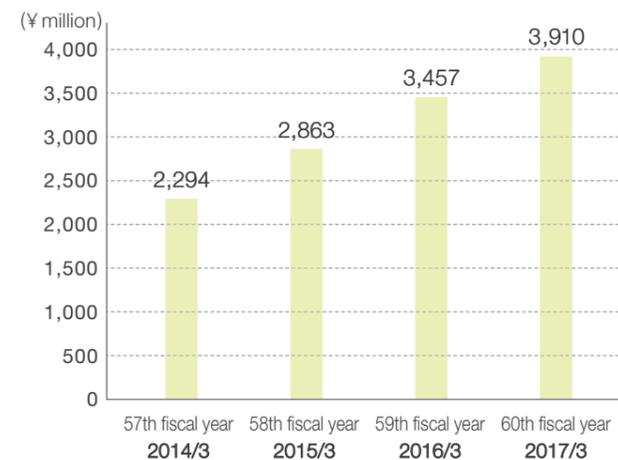
June 25, 2015 — Tokyo Stock Exchange Menicon Kakamigahara Factory

Financial Highlights (Consolidated Basis)

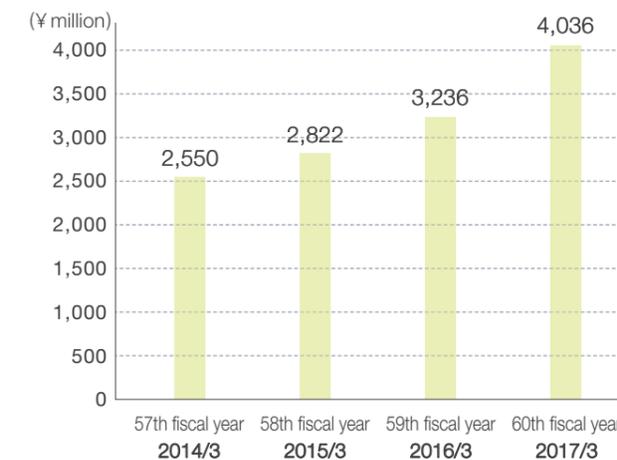
Net Sales



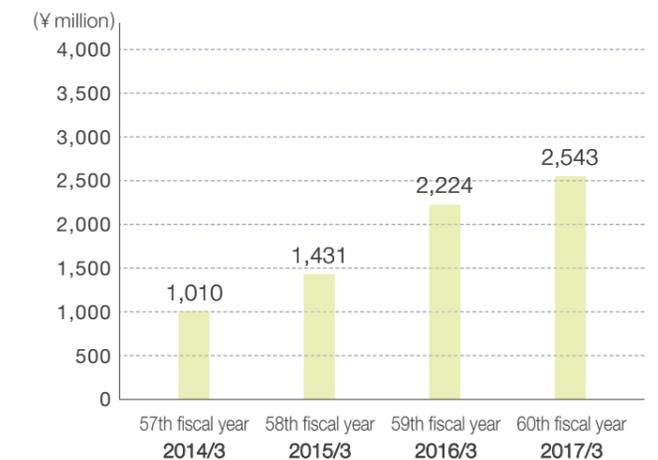
Operating Income



Ordinary Income



Profit Attributable to Owners of Parent



Policy on Quality

We attempt to increase the satisfaction level of our customers by providing joy of visibility and enjoyable life using our splendid technologies.

Through our activities of research and development, production, marketing, business operations, and sales, we continue providing the world with products and services that are useful for society by effectively utilizing resources such as technologies and personnel that we have gained through the marketing of contact lenses. We also attempt to create new values by working on new businesses, to which technologies are effectively applied. We promise to focus on our businesses to be respected and loved by all our stakeholders.



Corporate Slogan

Contributing to society by providing superior visual correction.

Vision2020

What Our Corporate Group Should Look Like in 2020

By building and maintaining a superior system and structure that includes everything from product development to customer service, we will provide products and services around the world in a way that others will be unable to match. We will win absolute trust and support from our customers.

With a flexible stance toward cooperation and competition with other people and companies in the same industry, we will protect the health of the end user by establishing a healthy global market and keeping it orderly.

Using technologies we fostered for contact lenses along with creative and original techniques, we will enter new businesses outside the field of ophthalmology and offer new products and services for life and the environment.

Achievement of Our Medium-term Business plan Vision 2020

Toward Achievement of Sales of 100 billion yen and an Operating Profit Margin of 10 percent



Menicon Product Lineup



Understanding MELS Plan

Menicon Eye Life Support Plan

MELS Plan is an entirely new service system that allows customers to continuously use Menicon's high-quality contact lenses in their best condition. It gives top priority to the health of the customers' eyes. MELS Plan is a service in which rather than purchasing Menicon contact lenses, you use them for a fixed monthly fee. We started this service with our wish to protect the all-important health of our customers' eyes.

So that customers can always use our contact lenses worry free, we also provide complete support. If trouble should ever occur, replacement products are available so that customers can always use our contact lenses in good condition.

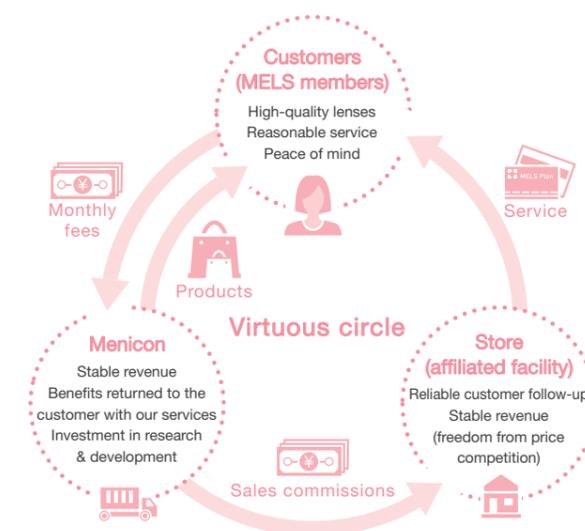
If a contact no longer matches a customer's needs because of changes in vision or lifestyle, he can change the refraction or type at any time. This allows customers to choose the contact lens that best suits them without worrying about price.

The plan has the advantage that because customers are committed, stores selling Menicon products can specialize in customer service.

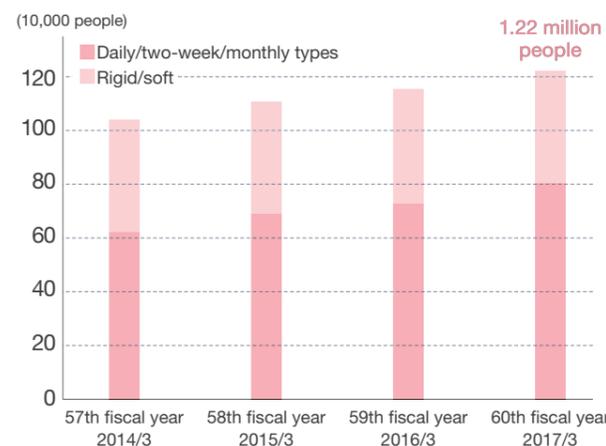
Customers and Menicon enter into a direct contract, customers pay Menicon a monthly fee and they receive their products. Stores provide service to customers and receive a sales commission from Menicon.

The plan is supported by many customers, and the number of members and sales are increasing year by year. As of the end of March 2017, 1.22 million customers had joined.

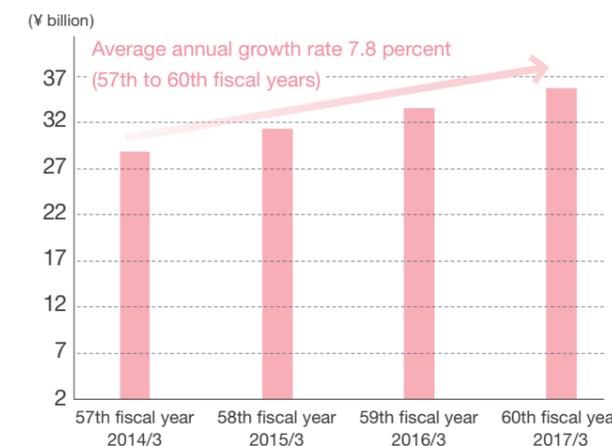
MELS Plan Virtuous Circle



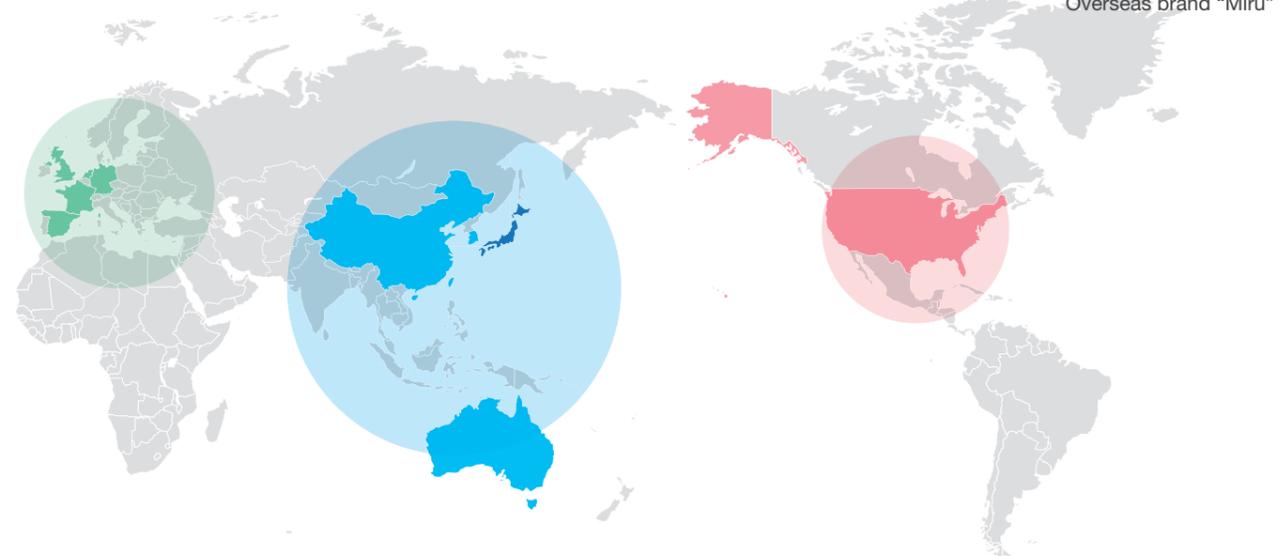
Changes in the Total Number of Members in MELS Plan



Changes in MELS Plan Sales



Expansion of Our Overseas Business



Overseas brand "Miru"

- Europe**
- Trust gained through our history with hard contact lenses.
 - Expanding sales of specialty and order-made contact lenses
 - Daily disposable sales expansion with volume retailers

- China**
- Expanding sales of specialty contact lenses, with a focus on orthokeratology
 - Expanding sales of daily disposable and hard contact lenses

- North America**
- Full-scale entry to the US market
 - Daily disposable sales expansion with volume retailers

Overseas sales result was 7.6 billion yen in the fiscal year ended March 2017, making the overseas sales ratio 11 percent of our overall total. In order to grow further in overseas business, we have divided our business into three areas: China, Europe, and North America, and will conduct business strategies that suit each country in consideration of different cultures, business customs, and legal regulations in each county.

In Europe, we have several decades of history with hard contact lenses. With the trust we have developed during this period, we aim to expand sales and profits with orthokeratology lenses and order-made lenses. We will also expand our share of the daily disposable contact lens market by promoting sales of Miru 1day at volume retail shops through our newly established sales network. In China, we will strengthen cooperation with distributors in order to focus on sales of specialty contact lenses, primarily for orthokeratology. Along with that, we will aim to boost sales of Miru 1day and hard contact lenses as well as lens care products. In North America, we will expand sales in the disposable contact

lens market by increasing the lineup of daily disposable contact lenses including Miru 1day. We will put our overseas operation on the track to growth by expanding the share in the quite large US market.

Moreover, we will carefully observe the movement of the market in developing countries including Southeast Asia and Central and South America, and nurture the markets over the long term through the development of human network and sales routes.



Orthokeratology lens (αOrtho-K)

Development of new businesses

Veterinary Medicine Business

- Intraocular lenses for animals
- Contact lenses for treatment of animals
- Veterinary medical equipment
- Supplements for animals

Environmental and Bioscience Business

- Agriculture
- Animal husbandry
- Animal feed

Life Science Business

- Products for assisted reproductive technologies
- Fertility supplements
- Supplements for QOL improvement
- Physics and chemistry products for research activities



These new businesses have been derived from R&D activities on contact lenses and lens care products.

Meni-one Co., Ltd, one of our subsidiaries, implements the Veterinary Medicine Business that handles intraocular lenses for animals by using technologies we have obtained through the ophthalmological field for humans. We implement veterinary ophthalmic treatments including contact lenses for treatment, ophthalmic examination equipment, supplements, etc.

In the Environmental and Bioscience Business, we provide decomposition agents for rice straw, composting accelerators, etc. using plant fiber-decomposing enzymes, which were discovered in the process of developing lens care products. Through these products, we support the environmental burden reduction as well as the businesses of agriculture and livestock.

In the Life Science Business, we market supplements for eyes and body as well as support the medical field of assisted reproduction. Our other activities include Menicon Nect Co., Ltd. providing a new eye lifestyle for people of today, who tend to overstrain their eyes. The first product released from the activity is called

LUTEIN&ME Drip Coffee, which contains lutein*.

We continue developing new businesses using our technologies as we are determined to provide our customers with the joy of sight and the joy of living.

* Lutein is an antioxidant component that removes active oxygen, the reduction of which is thought to be the cause of eye oxidation (ageing).

COLUMN

Health promotion business

Smoking and passive smoking impact eye health. We conduct various educational activities on anti-smoking including planning, production, operation and consultation of study meetings, lectures, etc. as we care for the health of our customers' eyes. We continue promoting the health of our customers.

Basic Philosophy on Corporate Governance

One of our basic policies is to carry out our corporate activities with the aim of being a company that is respected and loved by all stakeholders, including shareholders, investors, customers and employees. To achieve that, we have positioned earning the trust of stakeholders and sound corporate management as important issues and we are working to realize good corporate governance.

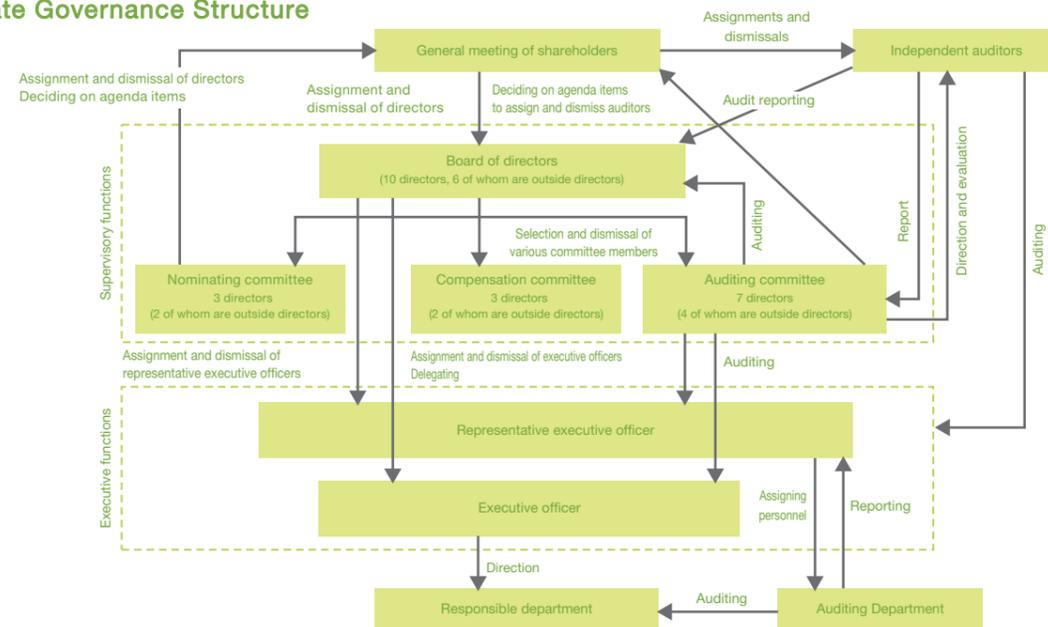
Outline of Corporate Governance Structure

Menicon has a nominating committee, as required by corporate law, and the company's governance structure is made up of 10 directors (among whom six are outside directors) and 13 executive officers (including one who is also a director). Outside directors provide advice, to accompany the management and supervision performed by executive officers, from an objective, big-picture point of view that aims at increasing the value of the company. As a mechanism for the administration of business matters and the monitoring of management, the board of directors — composed of directors appointed at a general meeting of shareholders — makes important corporate decisions and supervises the executive officers. The board of directors also names executive officers. Through the authority of these executive officers that is strengthened with each matter placed under their charge, swift, effective execution of business is achieved.

The majority of directors on committees (the nominating committee, the compensation committee and the auditing committee) are outside directors. As for the roles of each committee, the nominating committee decides the director candidates to submit at the next general meeting of shareholders, the auditing committee inspects the compliance and suitability of the performance of their duties of the directors and executive officers and determines a plan for appointing independent auditors, and the compensation committee is responsible for deciding compensation plans and amounts for directors and executive officers.

Regarding matters important to the administration of business matters (excluding matters decided by the board of directors), the performance review council and the executive committee — made up of all executive officers — deliberate and decide.

Corporate Governance Structure



Reasons for Adopting Our Corporate Governance Structure

In consideration of the need to realize rapid management decision making and strengthen administrative functions, Menicon designed its institutions to include a nominating committee and other committees, with a majority of the directors on each committee being outside directors. Moreover, the auditing committee works with auditors to audit the

administration of business matters by executive officers. Based on this philosophy, in order to realize the best possible corporate governance possible at Menicon, we have created and officially announced a "Basic Corporate Governance Policy," which has increased the practical effectiveness of our corporate governance.

“Corporate Governance of Menicon”

Our role is to monitor the executives and directors from our viewpoint as outsiders. By effectively using the expertise of each of the external directors, we contribute to the sustainable growth of Menicon and the improvement of the corporate value.

External Director
Yutaka Yasuda



Evaluation of operation of the Board of Directors

At Board of Directors meetings, I can see that their operations are being conducted in an efficient and effective manner. The company has nominating committees as it operates as a company with a committee governance structure. I understand this as an indication of the company wanting to maintain fairness and transparency in its governance, and it gives weight to the utilization of independent external directors. Information is sufficiently shared so that external directors have been able to participate actively in discussions.

What I think of the characteristics and strengths of Menicon

I believe that the company holds the values of the concepts of "Creation, Originality, and Challenge" in their DNA, and I wish for them to continue doing so. I believe that Menicon strives to provide new value by tirelessly conducting R&D activities to develop new products for the future in order to respond to the various needs of the customers in an adequate manner. I also understand that the company's operational systems, a consistent system from development and production to sales, allows them to be able to deliver safe and secure contact lenses, which are specially controlled medical devices, and this

enhances confidence in the company's brands.

The operational system designed under the company's slogan; "contributing to society by providing superior visual correction", which delivers high quality, safe and reliable products including our representative MELS Plan, has been accepted not only by its customers but also by retail shops. The company can now offer services to a wider range of customers as, even in fiscal year 2016, two sales companies joined the group. Thus, the chief advantage of the company is their operational structure that has allowed them to be able to respond to various needs for the full lineup within the group based on the strength of the Menicon brand that has been nurtured for a long time, and to carry it on for the future.

Menicon's Challenges

In order to achieve the goal of Vision 2020, it is vital that results are seen from the following three core aims: the "further development of MELS Plan", the "expansion of our overseas business", and the "development of new businesses". In the midst of dramatic economic environment changes in Japan and overseas, it is even more important to continually

monitor progress of our strategies and rapidly make adjustments to fill gaps to achieve the goals. We as directors must pay attention to these points. Especially, the growth potential of the overseas business is expected to be huge. Although the differences in regional cultures and corporate climates of each country present difficulties, our results in the overseas field must be increased. Also, including overseas, it is another issue to maintain internal control of the whole group and conduct operations efficiently.

I am sure there will be situations where discussions are required on investment, etc. on the path to achieving Vision 2020, and I would like to make my decisions from an objective view by determining whether the Board of Directors is identifying risks and conducting evaluations based on reasonable grounds.

My thoughts on my role as an external director

I hope to support the company for its healthy growth using my years of experience in conducting audit activities as a certified public accountant. I will try my best to make judgements calmly and deliver my comments in order to be able to conduct adequate risk evaluation on management issues.

Energizing our business by providing superior visual correction

Designing new products based on the accumulation of various ideas from many viewpoints.

1day Menicon PremiO, a contact lens which successfully maintains moisture, softness and hygiene at a high level.

1day Menicon PremiO was released in December 2016. We have utilized silicon hydrogel as the material of the new lens as it provides more oxygen necessary for the eyes. Moreover, using an innovative package design, we can remove the lenses from the package without touching the inside surface of the lens which directly touches the eye. The demand for daily disposable contact lenses has been increasing not only in Japan but also in the global market as well. We continue increasing the product lineup to expand our share of the market.

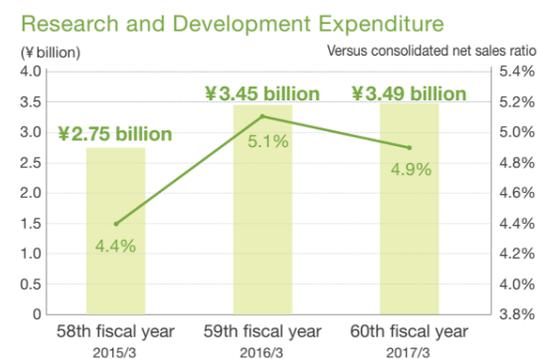
[Manufacturing]

1day Menicon PremiO is manufactured at the Kakamigahara factory in Gifu Prefecture. The flow within the factory, from the reception of materials to processing and product shipping, is one-way and compact in order to avoid contamination and confusion. A high-quality manufacturing system has been established in the factory for specially controlled medical devices. Moreover, in consideration of the environment, emission of greenhouse gases is regulated and energy is conserved. This contributes to the reduction of production costs.

[Research and development]

According to Menicon's unique "philosophy on safety", we conduct company activities with systems of research & development, production, and sales that prioritize the safety of our customers' eyes.

Menicon implements research and development activities at the following facilities: the R&D Center, which conducts research and development on materials for contact lenses; Clinical R&D Center, which clinically evaluates ophthalmic safety and product effectiveness, and Techno Station, which does R&D on manufacturing technologies for mass production of high quality products. Our corporate group is distinguished by an R&D structure that integrates everything from material development to safety evaluation and the development of manufacturing technologies in house, while closely and organically linking these functions.

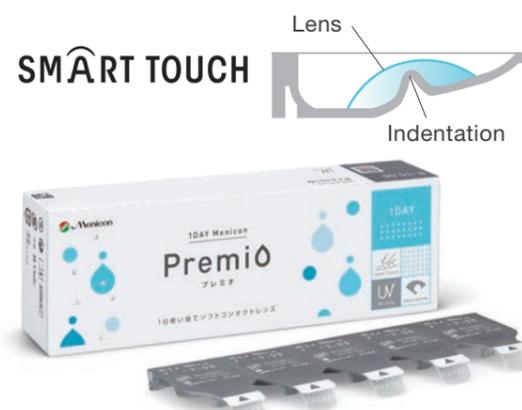


COLUMN

The design of the new package allows the users to remove lenses without checking the surface of the lens and without touching the inside of the lens.

The new concept SMART TOUCH is the realization of our wish for our customers to use contact lenses in a clean way as it is for their important eyes. We also want them to be able to wear the lenses in a simple way even on a busy morning. The design of the package allows users to remove the lenses without needing to check which side is correct, without touching the inside of the lenses, and to wear them easily and cleanly.

SMART TOUCH brand site <http://www.menicon.co.jp/st/>



We conduct practical activities taking responsibility as a manufacturer of specially controlled medical devices.

The birth of the new Menicon brand! Renewal of the designs of our products and services

Since its establishment, we at Menicon have strived to produce safe and quality products and services in order to support the health of our customers' precious eyes. We have renewed the design of our brand ahead of the next generations for the purposes of not only supporting the health of eyes but also to respond to the needs of our customers with various lifestyles.

With the catch phrase of "toward what has never been seen before", we have described the products and services of Menicon with individual brand patterns. The shape Menicon's future is formed as all the motifs become one.

With Menicon contact lenses, every day is a day where you can shine in your own way. This is the feeling we want our brand to offer.



We contribute to the activities of manufacturing, sales, research & development and promotion of specialty contact lenses.

Alpha Corporation Inc. has joined the group. Their main business activity is to manufacture and market orthokeratology lenses, a vision-correcting contact lens which reshapes the surface of the cornea as the user wears them while sleeping so that they can maintain their vision without glasses during the day. Going forward, we aim to expand our market share, primarily in China.

We have also established Menicon International Specialty Lens Research Center, a facility for research & development activities and prescription of specialty contact lenses as well as vision correction research. We transmit our know-how that we have gained through our activities domestically and internationally for the promotion of specialty contact lenses.



AIP Co., Ltd., known for the "CityContact" brand, has joined the Menicon Group.

AIP Co., Ltd., a company that operates contact lens shops called CityContact mainly in western Japan, has now joined the Menicon Group.

Under the philosophy that "in any situations, everyone is our important customer", AIP strives to improve its services every day in order to gain its customers' confidence and satisfaction while keeping in mind the importance of meeting with people.

We will continue strengthening our sales foundation and expanding the MELS Plan.

CityContact website <https://www.city-contact.com>



Consolidated Balance Sheets

Menicon Co., Ltd. and Subsidiaries

	(¥ thousand)	
	March 31, 2016	March 31, 2017
Assets		
Current assets		
Cash and deposits	12,463,184	12,656,384
Notes and accounts receivable – trade	7,670,656	8,064,087
Securities	141,672	–
Merchandise and finished goods	6,863,734	7,718,740
Work in progress	445,955	561,005
Raw materials and supplies	1,402,840	1,960,998
Deferred tax assets	910,469	752,041
Other	1,553,678	1,745,108
Allowance for doubtful accounts	(107,154)	(75,556)
Total current assets	31,345,036	33,382,810
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,454,013	19,078,443
Accumulated depreciation	(8,925,318)	(9,695,426)
Buildings and structures, net	9,528,695	9,383,016
Machinery, equipment and vehicles	21,349,773	22,311,247
Accumulated depreciation	(12,753,359)	(13,896,019)
Machinery, equipment and vehicles, net	8,596,414	8,415,228
Tools, furniture and fixtures	5,973,405	6,452,739
Accumulated depreciation	(4,917,716)	(5,184,642)
Tools, furniture and fixtures, net	1,055,688	1,268,096
Land	5,980,779	5,969,893
Leased assets	1,299,544	999,593
Accumulated depreciation	(962,846)	(706,768)
Leased assets, net	336,698	292,825
Construction in progress	1,157,996	2,209,496
Tangible fixed assets total	26,656,273	27,538,556
Intangible assets		
Goodwill	4,579,150	4,741,221
Patent right	1,997,831	1,750,897
Other	1,482,983	2,229,119
Total intangible assets	8,059,964	8,721,239
Investments and other assets		
Investment securities	798,710	598,052
Long-term loans receivable	196,258	93,790
Deferred tax assets	119,627	110,140
Other	1,735,593	1,903,197
Allowance for doubtful accounts	(9,662)	(11,744)
Total investment and other assets	2,840,527	2,693,435
Total non-current assets	37,556,765	38,953,231
Total assets	68,901,802	72,336,042

	(¥ thousand)	
	March 31, 2016	March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable – trade	3,576,132	4,292,511
Short-term loans payable	570,000	669,000
Current portion of bonds	1,840,560	1,473,060
Current portion of long-term loans payable	2,117,406	2,142,843
Lease obligations	189,127	67,164
Accounts payable – other	3,200,224	3,740,524
Income taxes payable	1,028,290	709,645
Provision for bonuses	1,506,867	1,404,826
Provision for point card certificates	59,558	95,261
Other	2,120,879	2,295,110
Total current liabilities	16,209,047	16,889,949
Non-current liabilities		
Bonds payable	6,121,560	7,948,500
Long-term loans payable	5,628,789	7,282,950
Lease obligations	167,548	203,745
Long-term accounts payable – other	1,829,211	1,539,197
Net defined benefit liability	273,775	315,943
Deferred tax liabilities	38,816	180,032
Asset retirement obligations	23,346	111,870
Other	169,779	182,650
Total non-current liabilities	14,252,827	17,764,889
Total liabilities	30,461,874	34,654,838
Net assets		
Shareholders' equity		
Capital stock	3,329,445	3,379,620
Capital surplus	2,503,219	2,553,394
Retained earnings	33,210,680	35,112,675
Treasury shares	–	(2,640,294)
Total shareholders' equity	39,043,344	38,405,394
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,830	70,715
Foreign currency translation adjustment	(615,246)	(866,272)
Accumulated other comprehensive income total	(603,415)	(795,556)
Subscription rights to shares	–	35,904
Non-controlling interests	–	35,460
Total net assets	38,439,928	37,681,203
Total liabilities and net assets	68,901,802	72,336,042

Consolidated Statements of Income

Menicon Co., Ltd. and Subsidiaries

	Year ended March 31, 2016	Year ended March 31, 2017
		(¥ thousand)
Net sales	67,332,437	72,052,400
Cost of sales	30,012,368	33,192,913
Gross profit	37,320,069	38,859,486
Selling, general and administrative expenses	33,862,229	34,949,290
Operating income	3,457,840	3,910,196
Non-operating income		
Interest income	30,263	14,165
Dividend income	7,343	7,706
Changes in fair value relating to conditional acquisition price	—	284,722
Foreign exchange gains	51,242	—
Rent income	251,289	205,385
Other	214,740	350,743
Total non-operating income	554,879	862,723
Non-operating expenses		
Interest expenses	262,744	240,096
Bond issuance cost	—	59,446
Share of loss of entities accounted for using equity method	3,787	3,692
Changes in fair value relating to conditional acquisition price	127,315	—
Foreign exchange losses	—	102,163
Cost of lease revenue	89,275	54,620
Bad debts expenses	111,060	—
Other	181,669	276,027
Total non-operating expenses	775,852	736,046
Ordinary income	3,236,867	4,036,873
Extraordinary income		
Gain on sales of non-current assets	78,535	11,611
Subsidy income	581,623	127,308
Gain on sales of shares of subsidiaries	23,640	—
Gain on step acquisitions	—	66,030
Other	—	5,415
Total extraordinary income	683,799	210,365
Extraordinary losses		
Loss on sales of non-current assets	22,252	19,342
Loss on retirement of non-current assets	79,537	59,395
Loss on valuation of investment securities	5,476	—
Impairment loss	—	49,442
Other	—	1,071
Total extraordinary losses	107,266	129,251
Net income before taxes and other adjustments	3,813,400	4,117,986
Income taxes – current	1,570,960	1,394,226
Income taxes – deferred	79,333	178,389
Total income taxes	1,650,293	1,572,615
Profit	2,163,106	2,545,371
Profit (loss) attributable to non-controlling interests	(61,271)	2,171
Profit attributable to owners of parent	2,224,377	2,543,200

Consolidated Statements of Comprehensive Income

Menicon Co., Ltd. and Subsidiaries

	Year ended March 31, 2016	Year ended March 31, 2017
		(¥ thousand)
Profit	2,163,106	2,545,371
Other comprehensive income		
Valuation difference on available-for-sale securities	(79,489)	59,092
Deferred gains or losses on hedges	(1,944)	—
Foreign currency translation adjustment	(129,934)	(248,750)
Share of other comprehensive income of entities accounted for using equity method	(2,024)	(2,275)
Total other comprehensive income	(213,392)	(191,933)
Comprehensive income	1,949,713	2,353,438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,011,962	2,351,059
Comprehensive income attributable to non-controlling interests	(62,248)	2,378

Consolidated Statements of Changes in Equity

Menicon Co., Ltd. and Subsidiaries

Year ended March 31, 2017

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at the beginning of current period	3,329,445	2,503,219	33,210,680	—	
Changes of items during period					
Issuance of new shares	50,175	50,175			
Dividends of surplus			(549,570)		
Profit attributable to owners of parent			2,543,200		
Purchase of treasury shares				(2,839,779)	
Disposal of treasury shares			(91,635)	199,485	
Net changes of items other than shareholders' equity					
Total changes of items during period	50,175	50,175	1,901,995	(2,640,294)	
Balance at the end of current period	3,379,620	2,553,394	35,112,675	(2,640,294)	
	Shareholders' equity	Accumulated other comprehensive income			
	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at the beginning of current period	39,043,344	11,830	(615,246)	(603,415)	
Changes of items during period					
Issuance of new shares	100,350				
Dividends of surplus	(549,570)				
Profit attributable to owners of parent	2,543,200				
Purchase of treasury shares	(2,839,779)				
Disposal of treasury shares	107,850				
Net changes of items other than shareholders' equity		58,884	(251,025)	(192,140)	
Total changes of items during period	(637,949)	58,884	(251,025)	(192,140)	
Balance at the end of current period	38,405,394	70,715	(866,272)	(795,556)	
		Subscription rights to shares	Non-controlling interests	Total net assets	
Balance at the beginning of current period		—	—	38,439,928	
Changes of items during period					
Issuance of new shares				100,350	
Dividends of surplus				(549,570)	
Profit attributable to owners of parent				2,543,200	
Purchase of treasury shares				(2,839,779)	
Disposal of treasury shares				107,850	
Net changes of items other than shareholders' equity		35,904	35,460	(120,775)	
Total changes of items during period		35,904	35,460	(758,724)	
Balance at the end of current period		35,904	35,460	37,681,203	

Consolidated Statement of Cash Flows

Menicon Co., Ltd. and Subsidiaries

(¥ thousand)

	Year ended March 31, 2016	Year ended March 31, 2017
Cash flows from operating activities		
Net income before taxes and other adjustments	3,813,400	4,117,986
Depreciation	3,349,000	3,635,897
Impairment loss	—	49,442
Amortization of goodwill	1,015,678	1,018,813
Loss on retirement of non-current assets	79,537	59,395
Subsidy income	(581,623)	(127,308)
Interest income and dividend income	(37,607)	(21,871)
Interest expenses	262,744	240,096
Foreign exchange losses (gains)	(54,402)	85,011
Decrease (increase) in notes and accounts receivable - trade	(461,424)	(292,144)
Decrease (increase) in inventories	(215,442)	(1,444,627)
Increase (decrease) in notes and accounts payable - trade	746,395	479,670
Increase (decrease) in provision for bonuses	454,533	(116,768)
Other	319,694	(684,073)
Subtotal	8,690,483	6,999,521
Interest and dividend income received	44,181	23,039
Interest expenses paid	(153,371)	(131,454)
Income taxes paid	(1,303,691)	(1,821,193)
Proceeds from subsidy income	581,623	127,308
Net cash provided by (used in) operating activities	7,859,226	5,197,220
Cash flows from investing activities		
Collection of loans receivable	34,061	112,675
Purchase of securities	(324,461)	(1,519)
Proceeds from sales of securities	1,110,000	242,227
Purchase of intangible assets	(560,107)	(968,929)
Purchase of property, plant and equipment	(3,679,163)	(2,769,424)
Proceeds from sales of property, plant and equipment	331,585	62,417
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(132,923)	(2,686,711)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	43,482
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(33,235)	—
Other	(38,865)	(99,677)
Net cash provided by (used in) investing activities	(3,293,109)	(6,065,460)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(140,000)	39,000
Proceeds from long-term loans payable	400,000	3,800,000
Repayments of long-term loans payable	(1,786,651)	(2,196,095)
Proceeds from issuance of bonds	—	3,240,553
Redemption of bonds	(1,725,560)	(1,840,560)
Proceeds from issuance of common shares	3,104,078	100,350
Purchase of treasury shares	—	(2,876,884)
Repayments of finance lease obligations	(193,937)	(95,896)
Cash dividends paid	(490,320)	(549,330)
Proceeds from sales of treasury shares	—	107,850
Other	(18,782)	—
Net cash provided by (used in) financing activities	(851,173)	(271,012)
Effect of exchange rate change on cash and cash equivalents	(44,863)	(162,472)
Net increase (decrease) in cash and cash equivalents	3,670,079	(1,301,725)
Cash and cash equivalents at beginning of period	8,387,331	12,057,411
Cash and cash equivalents at end of period	12,057,411	10,755,686

Notes to Consolidated Financial Statements

Menicon Co., Ltd. and Subsidiaries

Going concern note: None

Change in Accounting Policies

In connection with the amendment of the Corporation Tax Law, "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force No. 32 issued on June 17, 2015) has been adopted to the current consolidated fiscal year, and the depreciation method for building fixtures and structures obtained on / after April 1, 2016 has been changed from the declining balance method to the straight-line method. There is only minor impact on the consolidated financial statements for the current consolidated fiscal year.

Additional information

"The Application Guideline for Possibility of Realization of the Deferred Tax Assets" (Corporate Accounting Standard No. 26, March 28, 2016) has been adopted to the current consolidated fiscal year.

Directors



Hidenari Tanaka

1987 Joined the company.
1994 Became a director.
1999 Became an executive vice-president.
2000 Became president and representative director.
2010 Became president & CEO. (present post)



Mamoru Fukimbara

1977 Joined the company.
2003 Became a company executive, production executive officer.
2006 Became management executive officer.
2010 Became director of the office of business management.
2013 Became overseas corporation general headquarters executive officer.
2015 Became adviser to the corporate strategy division. Became a director. (present post)



Mondo Katayama

1968 Certified as an attorney.
1999 Became an auditor at Menicon.
2010 Became a director. (present post)

Important concurrent posts
Chief director, Takaoka Academy



Kazuhiro Takagi

1975 Became a certified tax accountant.
1977 Became a certified public accountant.
1979 Certified as a real estate appraiser. Established Takagi CPA Office.
1991 Became a representative partner, Century Auditing Corporation (currently Ernst & Young ShinNihon LLC).
2010 Became a director at Menicon. (present post)



Yutaka Yasuda

1981 Became a certified public accountant.
1991 Became an employee at the Ota Showa Auditing Corporation (currently Ernst & Young ShinNihon LLC).
1999 Became a representative partner, Ota Showa Auditing Corporation (currently Ernst & Young ShinNihon LLC).
2007 Became head of the Nagoya office, Ernst & Young ShinNihon LLC.
2016 Became a director at Menicon. (present post)

Important concurrent posts
Outside auditor, DAIBIRU Corporation



Yasuyuki Ishida

1977 Joined the company.
2005 Became a company executive, director of the care product business.
2006 Became a company executive, care product marketing executive officer.
2007 Became a company executive, lens care marketing executive officer.
2009 Became general manager of the auditing department.
2012 Became a director. (present post)



Shizuya Yoneda

1976 Joined the company.
2009 Became a company executive, production executive officer.
2010 Became production and physical distribution executive officer.
2011 Became director of the global production and physical distribution strategy office.
2015 Became executive officer for production and physical distribution.
2016 Became adviser to management headquarters. Became a director. (present post)



Hiroshi Okada

1968 Began working at Brother Industries, Ltd.
2003 Became a professor, Nagoya City University Graduate School of Economics.
2005 Became a visiting professor, Jiangnan University, China.
2007 Became a professor, Department of Modern Management, Sugiyama Jogakuen University.
2009 Became principal of Ohzan Japanese Language School, Weifang, Shandong province, China.
2010 Became a director at Menicon. (present post)

Important concurrent posts
Professor, Tokyo University Graduate School of Social Welfare



Yoshimi Oyama

2000 Certified as an attorney.
Joined the Nagoya Bar Association.
2004 Joined the Asahikawa Bar Association.
2007 Rejoined the Nagoya Bar Association (Currently the Aichi Prefecture Bar Association).
2014 Became a member of the Nagoya Architectural Dispute Resolution Committee.
Became a Nagoya Summary Court civil mediation officer.
2016 Became a director at Menicon. (present post)



Hideshi Honda

1977 Joined Eisai Co., Ltd.
2003 Became an executive officer, senior director of the International business and development department, Eisai Co., Ltd.
2005 Became general manager of the consumer health product division, Eisai Co., Ltd.
2007 Became a managing executive officer, Eisai Co., Ltd., president, Eisai Japan.
2008 Became a senior managing executive officer, Eisai Co., Ltd., president, Eisai Japan.
2011 CEO, Eisai Co., Ltd., President, Eisai East Asia Region.
2013 CEO, Eisai Co., Ltd., President, Eisai Asia Region.
2017 Became a director at Menicon (present post)

Executive Officers



Akinori Oota

1980 Joined the company.
2013 Became an executive officer, director of the office of business management, CFO. (present post)
2016 Became director of the corporate strategy division.
2017 Became director of the management control department. (present post)



Toshiyuki Ooguchi

1976 Joined Yamaha Motor Co., Ltd.
Joined the company
2007 Became a corporate officer, director of the office of management planning.
2010 Became an executive officer, director of the office of management planning.
2011 Became director of the office of global strategy.
2012 Became director of the office of management strategy.
2016 Became deputy director of the management department.
2017 Became director of the domestic business control department. (present post)



Akihisa Sugiyama

1985 Joined the company.
2005 Became a corporate officer, director of the development department.
2010 Became an executive officer, director of the development department.
2011 Became director of the office of global R&D strategy, director of the development department.
2012 Became director of the development department.
2015 Became director of the R&D department.
2016 Became director of the new business department.
2017 Became director of the new business control department. (present post)



Yoshiyuki Takino

1984 Joined the company.
2016 Became an executive officer, director of the office of business management. (present post)



Toshikazu Miura

1984 Joined the company.
2017 Became an executive officer, director of production and physical distribution. (present post)



Hisashi Moriyama

1988 Joined the company.
2016 Became an executive officer, director of the 1st domestic business department. (present post)



Koji Kawaura

1992 Joined the company.
2013 Became an executive officer, director of the office of area & products marketing strategy.
2015 Became director of the office of brand strategy.
2016 Became director of the product development department.
2017 Became director of the production development control department. (present post)



Hideki Koga

1993 Joined the company.
2016 Became an executive officer, director of the overseas department.
2017 Became director of the overseas control department. (present post)



Motonari Watanabe

1997 Joined the company.
2017 Became an executive officer, director of the office of management strategy. (present post)



Stephen Donald Newman

1997 Joined Igel CM Laboratory Pte. Ltd.
2007 Joined the company, became R&D vice president.
2010 Became CTO, Menicon Singapore Pte. Ltd.
2013 Became president, Menicon Singapore Pte. Ltd., and director of the office of area & products marketing strategy
2015 Became president, Menicon Singapore Pte. Ltd., and vice director of the office of brand strategy
2016 Became president, Menicon Singapore Pte. Ltd., and vice director of the product development department
2017 Became an executive officer, director of the product development department. (present post)



Wataru Ito

1983 Joined the company.
2016 Became an executive officer, director of the office of domestic marketing strategy. (present post)



Hiroki Shinoda

1986 Joined the company.
2013 Became an executive officer, director of the domestic business department.
2015 Became director of the 2nd domestic business department. (present post)

As of March 31, 2017

Company name	Menicon Co., Ltd.
Representative's name	Hidenari Tanaka, president & CEO
Headquarters	3 Chome-21-19, Aoi, Naka-ku, Nagoya-shi, Aichi-ken, 460-0006, Japan
Phone	(+81)-52-935-1515
Initiation	February 1951
Established	July 1957
Capital	3,379 billion yen
Employees	2,971(consolidated) 1,208(non-consolidated)
Description of business	Contact lenses, lens care products, etc.
Number of offices	15 business offices, 47 stores, 6 laboratories and factories, 1 customer center and 4 distribution centers(non-consolidated)

Number of affiliated companies	7 in Japan, 15 overseas
Customers	Hospitals, ophthalmological clinics, contact lens vendors, optical shops and pharmaceutical wholesalers throughout Japan, and overseas sales companies (exporting to more than 80 countries around the world).
Banking partners	The Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Resona Bank, the Shizuoka Bank and others
Website	www.menicon.co.jp / www.menicon.com
Shareholder registry administrator	1 Chome-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Stock Exchange Listings	Tokyo, Nagoya
Stock Code	7780

Major Shareholders

Shareholder name	No. of shares held (thousand shares)
Menicon Employee Shareholder Association	1,187
Toyotomi Co, Ltd.	991
Japan Trustee Services Bank, Ltd.	815
Kazuko Tsukamoto	707
Hedenari Tanaka	616

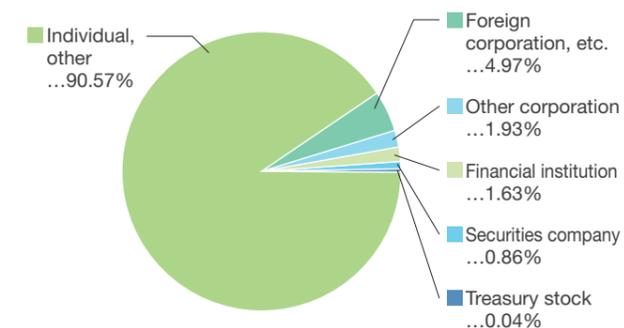
Shareholder name	No. of shares held (thousand shares)
Mami Co., Ltd.	517
The Master Trust Bank of Japan, Ltd.	450
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	400
Yasunori Tanaka	341
Junko Tanaka	329

As of March 31, 2017

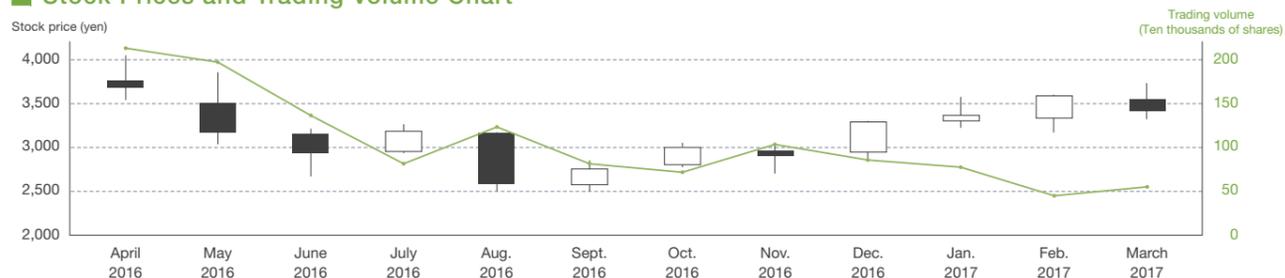
Shareholder Circumstances

Total number of authorized shares	62,184,000
Total number of outstanding shares	18,402,000
Number of shareholders	2,333
Total number of voting rights	175,390

Shareholder Type Percentage Breakdown by Number of Shares



Stock Prices and Trading Volume Chart



Menicon Nect Co., Ltd.

Miyuki Business Park, 390, Ichibagi-cho, Nishi-ku Nagoya 452-0805 Japan
Tel: +81-52-325-7351
<http://www.meniconnect.co.jp>

Meni-one Co., Ltd.

Miyuki Business Park, 390, Ichibagi-cho, Nishi-ku Nagoya 452-0805 Japan
Tel: +81-52-325-3823
<http://www.meniconnect.co.jp>

Fuji Contact Co., Ltd.

5th Floor, Ikebukuro Higashiguchi Building, 41-7, Higashi-Ikebukuro 1, Toshima-ku Tokyo 170-0013 Japan
Tel: +81-3-5952-1081
<http://www.meniconnect.co.jp>

AIP Co., Ltd.

16-22, Meinhamaekiminami 3, Nishi-ku Fukuoka 819-0006 Japan
Tel: +81-92-884-0780
<http://www.meniconnect.co.jp>

NKL Contactlenzen B.V.

Waanderweg 6, 7812 HZ Emmen, The Netherlands
TEL: +31 (0)591 610 640
<http://www.contactlenzen.nl>

Menicon Pharma SAS

Boulevard Sebastien Brant, Parc d'Innovation, F-67400 Illkirch-Graffenstaden, France
TEL: +33 (0)3 88 66 81 30

Menicon Limited.

Gatelodge Close, Round Spinney, Northampton, NN3 8RJ UK
TEL: +44 (0)1604 646216
<http://www.menicon.co.uk>

Menicon America, Inc.

76 Treble Cove Rd, Bldg #3, North Billerica, MA 01862, USA
TEL: +1-781-609-2042
<http://www.meniconamerica.com>

Menicon Singapore Pte. Ltd.

8 International Business Park, Singapore 609925, Singapore
TEL: +65-6411-4777

Menicon Australia Pty Ltd

3 Lloyd Street, St Marys, SA 5042, Australia
TEL: +61-(0)8 8277 4545

First Glory Holdings Ltd.

Unit D, 15F, Prosperous Comm Bldg, 54-58 Jardine's Bazaar, Causeway Bay, Hong Kong

Menicon Business Assist Co., Ltd.

21-19, Aoi 3, Naka-ku, Nagoya 460-0006 Japan
Tel: +81-52-979-3222
<http://www.menicon-ba.co.jp>

W.I. Sysytem Inc.

5th Floor, Ikebukuro Aoyagi Building, 43-1, Ikebukuro 2, Toshima-ku, Tokyo 171-0014 Japan
Tel: +81-3-5979-1140
<http://www.wis.co.jp>

Alpha Corporation

8-16, Izumi 1, Higashi-ku, Nagoya 461-0001 Japan
Tel: +81-52-971-6000
<http://www.alphacl.co.jp/>

Menicon Holdings B.V.

Waanderweg 6, 7812 HZ Emmen, The Netherlands
TEL: +31 (0)591 610 640

Menicon SAS

104 rue Martre, 92583 Clichy cedex, France
TEL: +33 (0)1 41 40 19 00
<http://www.menicon.fr>

Menicon GmbH

Jakob-Latscha-Straße 3, 60314 Frankfurt am Main, Germany
TEL: +49 (0)69-84 00 08 10
<http://www.menicon.de>

Menicon España S.L.

C/ Córcega N° 329, 5° 2ª, 08037 Barcelona, Spain
TEL: +34 93 272 13 69
<http://www.menicon.es>

The Lagado Corporation

2890 South Tejon Street, Englewood, CO 80110, USA
TEL: +1-303-789-0933
<http://www.lagadocorp.co/>

Menicon Singapore Sales Pte. Ltd.

8 International Business Park, Singapore 609925, Singapore
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