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Consolidated Financial Results for the Six Months Ended September 30, 2019 [Japanese GAAP]

November 12, 2019

Company name: Menicon Co., Ltd.
Stock exchange listing: Tokyo, Nagoya
Code number: 7780

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Scheduled date of filing quarterly securities report: November 12, 2019

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

CEO

Senior Executive Officer, Corporate Management

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2019 (April 01, 2019 to September 30, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2019	42,824	6.8	4,558	56.0	4,564	57.5	2,992	65.3
September 30, 2018	40,097	5.0	2,921	(4.5)	2,898	(11.0)	1,810	(19.2)

(Note) Comprehensive income: Six months ended September 30, 2019: ¥ 2,604 million [34.2%]
Six months ended September 30, 2018: ¥ 1,940 million [(29.3)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2019	84.47	78.82
September 30, 2018	51.46	47.75

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2019	84,452	48,282	57.0
March 31, 2019	78,275	42,549	54.3

(Reference) Equity: As of September 30, 2019: ¥ 48,149 million
As of March 31, 2019: ¥ 42,468 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, 2019	-	0.00	-	28.00	28.00
Fiscal year ending March 31, 2020	-	0.00			
Fiscal year ending March 31, 2020 (Forecast)			-	28.00	28.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020(April 01, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	85,083	5.2	7,211	29.4	7,197	27.5	4,500	25.8	125.10

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

For matters revision of 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 5 of the appendix.

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2019
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For further information, please refer to “2. Quarterly Consolidated Financial Statements and Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” on Page 11 of the appendix.

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

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

September 30, 2019: 36,804,000 shares

March 31, 2019: 36,804,000 shares

2) Total number of treasury shares at the end of the period:

September 30, 2019: 287,799 shares

March 31, 2019: 1,573,484 shares

3) Average number of shares during the period:

Six months ended September 30, 2019: 35,424,354 shares

Six months ended September 30, 2018: 35,184,321 shares

* **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 5 of the appendix.

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

(1) Explanation of Business Results

Status of performance

Regarding the world economy during the six months ended September 30, 2019, the outlook for the growth rate of the world economy was revised downward by the Organisation for Economic Co-operation and Development (OECD) and growing signs of protectionism were seen, as exemplified by intensification of the trade friction between the U.S. and China and the protraction of the withdrawal of the U.K. from the European Union. Regarding the domestic economy, while there remained uncertainty over the future due to the strained relations between Japan and South Korea as well as overseas economic slowdown, corporate employment rates remained high and consumer spending was on a moderate recovery track as a result of the improved income environment.

In these circumstances, in the contact lens market, disposable contact lenses, principally daily disposable contact lenses, are the driving forces of the market overseas, and orthokeratology lenses, which are to be worn while sleeping and are effective for correcting vision, are also the driving forces in Asia, particularly in China. In the domestic market, demands for circle lenses, which are intended to make your eyes appear larger, and multifocal contact lenses is rising.

Performances in each business units are as follows.

[Domestic Contact Lens Business]

We stepped up efforts to expand the Menicon Eye Life Support (MELS) Plan business, which contributes to eye safety of contact lens users and stable earnings of the Company, work on sales promotion activities for daily disposable contact lenses, whose demand is increasing in the market.

Regarding the product strategy, we conducted sales promotion activities centered on “Four Seasons,” a three-month replacement lens, in addition to “Magic,” “1DAY Menicon PremiO,” and “1DAY Menicon PremiO Toric,” disposable contact lenses, which come in “SMART TOUCH,” a package using our proprietary technology that allows users to take out the lenses without touching the inner surface of them. Regarding measures to strengthen channels and promotion, we launched “Will you get a new look by Miru? Campaign” in July at the Group’s “Miru” retail shops. We strove to capture new customers through measures targeting first time users of contact lenses, including those who “want to start using contact lenses” and those who “want to get a new look,” as well as an increase in the number of shops that have introduced an online reservation system to the shop.

In addition, we conducted “Before putting it in your shopping cart” enlightenment activity for sound development of the contact lens industry. We explained risks, including stiff shoulder, eye fatigue, headache and dry eye, which may be caused by improper use of contact lenses, and called attention of contact lens users anew to the importance of correctly using contact lenses that are suitable for their eyes.

[Overseas Contact Lens Business]

We strove to promote “Miru,” our own-brand disposable contact lenses for the overseas market.

Regarding measures by region, in North America we worked to strengthen sales promotion activities for the “Miru 1month Menicon” series, whose product line-ups include lenses for myopia/hyperopia and astigmatism, and presbyopia, to further strengthen sales of disposable contact lenses, and worked to expand sales channels and markets.

In Europe, we are strengthening sales in the market of disposable contact lenses, which constitute a growth field, focusing on private-brand products of major retail chains, including “Miru 1day UpSide,” a disposable silicone hydrogel contact lens. In addition, NKL Contactlenzen B.V., our subsidiary in the Netherlands, acquired the CE marking certification for “Menicon Bloom Night,” orthokeratology lenses suppressing the progression of myopia. The Company will strive to gradually expand the sales regions for these products and strengthen the business foundation.

In Asia, sales of orthokeratology lenses and contact lenses care products remained robust in China. Going forward, we will continue to promote sales activities. In addition, we launched “Miru 1day UpSide” in Singapore in April, which has been extremely well received by the market.

[Other Businesses]

Meni-one Co., Ltd. worked to expand sales of supplements, in addition to sales of medical equipment, in the Veterinary Medical Business. In the Life Science Business, we released in August “Bilberry, supplement for eyes,” the Menicon’s first supplement of food with functional claims, to support focus adjustment function and relieve feeling of eye fatigue.

In these circumstances, the Group’s consolidated business results for the six months ended September 30, 2019 were as follows. Net sales increased by 6.8% year on year to ¥42,824 million, reflecting an increase in MELS Plan memberships and the impact of demand ahead of the consumption tax hike, while gross profit increased by 8.4% year on year to ¥23,264 million owing to the lower cost of sales ratio. Operating profit increased by 56.0% year on year to ¥4,558 million thanks to the lower expenses as a result of a review of budget allocation for advertising expenses and sales promotion expenses, and ordinary profit increased by 57.5% to ¥4,564 million. Profit attributable to owners of parent was ¥2,992 million, an increase of 65.3% year on year.

Business results by segment are as follows.

1) Contact Lens-related Business

Sales of the contact lens-related business were ¥41,990 million, an increase of 6.6% year on year. Segment profit was ¥6,979 million, an increase of 40.3% year on year.

Sales of the contact lens-related business increased by ¥2,602 million from the same period of the previous year mainly due to an increase by ¥1,205 million in MELS Plan sales and an increase by ¥759 million in contact lens product sales. This was attributable to an increase in sales of high-priced products such as “Magic,” “1DAY Menicon PremiO,” and “1DAY Menicon PremiO Toric,” which come in “SMART TOUCH,” following efficient sales promotion activities such as the “Will you get a new look by Miru? Campaign” and the “1day Debut Summer Campaign,” targeting long vacations of students who are first time contact lens users. The increased sales are also attributable to acquisition of demand for multifocal contact lenses whose market continues to grow and high value-added products such as “Four Seasons,” which features advantages of both hard contact lenses and periodic-replacement-type contact lenses, as well as demand ahead of the consumption tax hike.

2) Other

Sales of the other businesses were ¥833 million for the six months ended September 30, 2019, an increase of 17.5% year on year, as sales of “resQ45,” a composting accelerator contributing to environmental burden reduction in the Company’s Environmental and Bioscience Business, increased by 135.3% year on year. Segment loss was ¥179 million, compared with a segment loss of ¥151 million for the same period of the previous year, reflecting an increase in expenses.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the second quarter of the fiscal year under review were ¥84,452 million, having increased by ¥6,177 million from the end of the previous fiscal year. Current assets increased by ¥1,683 million to ¥44,268 million mainly due to an increase in deposits paid, etc., included in other. Non-current assets increased by ¥4,493 million to ¥40,184 million, mainly as a result of an increase in right of use assets due to the application of IFRS 16 “Leases”.

(Liabilities and net assets)

Liabilities increased by ¥445 million from the end of the previous fiscal year to ¥36,170 million at the end of the second quarter of the fiscal year under review mainly as a result of an increase in short-term borrowings and an increase in lease obligations due to the application of IFRS 16 “Leases”, despite a decrease resulting from the exercise of the rights of convertible bond-type bonds with share acquisition rights. Net assets increased by ¥5,732 million from the end of the previous fiscal year to ¥48,282 million mainly due to an increase in capital surplus and a decrease in treasury shares, following the exercise of the rights of convertible bond-type bonds with share acquisition rights, and an increase in retained earnings resulting from the recording of profit attributable to owners of parent.

As a result, capital adequacy ratio was 57.0%.

(Status of Cash Flows)

Cash and cash equivalents at the end of the six months ended September 30, 2019 were ¥18,593 million, having decreased by ¥692 million or 3.6 % from the end of the previous fiscal year.

1) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥1,905 million, compared with net cash provided by operating activities amounting to ¥2,553 million in the same period of the previous year, mainly as a result of an increase in deposit paid, despite an increase in profit before income taxes.

2) Cash flows from investing activities

Net cash used in investing activities amounted to ¥3,208 million, compared with net cash used in investing activities amounting to ¥1,534 million in the same period of the previous year, mainly due to an increase in purchase of property, plant and equipment in construction in progress associated with the expansion of floor area and the increase of production lines at the Kakamigahara Factory.

3) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥760 million, compared with net cash provided by financing activities amounting to ¥4,024 million in the same period of the previous year, mainly due to the issue of convertible bond-type bonds with share acquisition rights in the same period of the previous year, despite an increase short-term loans payable.

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

Business results for the six months ended September 30, 2019 is progressing at a higher rate than the consolidated business results forecast for the full year ending March 31, 2020 announced on May 14, 2019 (the “previous forecast”), owing to robust increases in MELS Plan memberships, a rise in net sales due to demand ahead of the consumption tax hike, and improved cost of sales ratio as a result of curbed manufacturing costs. Net sales in the second half of the fiscal year (the third and fourth quarters of the fiscal year under review) is foreseen to remain at around the same level as in the previous forecast, because despite a likely downturn after the consumption tax hike, it is expected to recover for the full year. Profit is projected to outperform the previous forecast in every level based on ongoing reductions in manufacturing costs, although expenditures are planned to expand sales of daily disposable contact lens line and strengthen sales promotion aiming to increase MELS Plan memberships including member purchases of new products. Considering the above, we revise the consolidated business results forecast for the full year ending March 31, 2020, announced on May 14, 2019, as follows.

Forecasts regarding future performance in this material are based on information currently available to the Company. Actual results may differ from the forecasts due to various factors.

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

(April 1, 2019 to March 31, 2020)

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previous forecast A	85,083	6,502	6,488	4,091	JPY 116.12
Revised forecast B	85,083	7,211	7,197	4,500	JPY 125.10
Difference B – A	—	709	708	408	—
Percentage change (%)	—	10.9	10.9	10.0	—
(Reference) Results of the previous year (Fiscal year ending March 31, 2019)	80,898	5,571	5,645	3,576	JPY 101.63

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2019	As of September 30,2019
Assets		
Current assets		
Cash and deposits	20,084	19,372
Notes and accounts receivable - trade	8,857	9,146
Merchandise and finished goods	9,110	9,234
Work in process	771	848
Raw materials and supplies	2,076	2,097
Other	1,763	3,657
Allowance for doubtful accounts	(79)	(88)
Total current assets	42,584	44,268
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,070	19,198
Accumulated depreciation	(10,148)	(10,443)
Buildings and structures, net	8,921	8,754
Machinery, equipment and vehicles	19,374	19,924
Accumulated depreciation	(13,587)	(13,823)
Machinery, equipment and vehicles, net	5,786	6,101
Tools, furniture and fixtures	7,328	7,488
Accumulated depreciation	(5,892)	(6,129)
Tools, furniture and fixtures, net	1,435	1,358
Land	5,164	5,154
Leased assets	849	849
Accumulated depreciation	(699)	(711)
Leased assets, net	149	138
Right of use assets	-	4,379
Accumulated depreciation	-	(316)
Right of use assets, net	-	4,062
Construction in progress	3,989	5,084
Total property, plant and equipment	25,447	30,653
Intangible assets		
Goodwill	2,719	2,255
Patent right	1,219	1,097
Other	2,297	2,299
Total intangible assets	6,236	5,652
Investments and other assets		
Investment securities	908	834
Long-term loans receivable	55	51
Deferred tax assets	1,112	1,069
Other	1,942	1,935
Allowance for doubtful accounts	(12)	(11)
Total investments and other assets	4,006	3,878
Total non-current assets	35,690	40,184
Total assets	78,275	84,452

(Million yen)

	As of March 31,2019	As of September 30,2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,471	3,789
Short-term borrowings	32	4,030
Current portion of bonds	1,765	1,515
Current portion of long-term borrowings	1,984	1,882
Lease obligations	30	598
Accounts payable - other	2,970	2,736
Income taxes payable	1,562	1,677
Provision for bonuses	1,592	1,519
Provision for point card certificates	105	67
Other	4,053	3,442
Total current liabilities	18,568	21,258
Non-current liabilities		
Bonds payable	3,547	2,815
Convertible bond-type bonds with share acquisition rights	8,000	3,977
Long-term borrowings	3,423	2,505
Lease obligations	90	3,659
Long-term accounts payable - other	1,425	1,363
Retirement benefit liability	331	327
Deferred tax liabilities	88	75
Asset retirement obligations	102	104
Other	147	84
Total non-current liabilities	17,156	14,911
Total liabilities	35,725	36,170
Net assets		
Shareholders' equity		
Share capital	3,379	3,379
Deposit for subscriptions to shares	-	2
Capital surplus	2,553	4,641
Retained earnings	39,690	41,696
Treasury shares	(2,414)	(441)
Total shareholders' equity	43,208	49,278
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46	36
Foreign currency translation adjustment	(786)	(1,165)
Total accumulated other comprehensive income	(739)	(1,129)
Share acquisition rights	38	88
Non-controlling interests	42	43
Total net assets	42,549	48,282
Total liabilities and net assets	78,275	84,452

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2018	For the six months ended September 30,2019
Net sales	40,097	42,824
Cost of sales	18,638	19,560
Gross profit	21,459	23,264
Selling, general and administrative expenses	18,537	18,705
Operating profit	2,921	4,558
Non-operating income		
Interest income	4	2
Dividend income	5	5
Subsidy income	44	41
Other	120	147
Total non-operating income	176	197
Non-operating expenses		
Interest expenses	93	82
Share of loss of entities accounted for using equity method	1	40
Foreign exchange losses	42	45
Other	62	22
Total non-operating expenses	199	191
Ordinary profit	2,898	4,564
Extraordinary income		
Gain on sales of non-current assets	0	0
Subsidy income	86	15
Total extraordinary income	86	16
Extraordinary losses		
Loss on retirement of non-current assets	8	9
Loss on valuation of investment securities	1	-
Other	-	0
Total extraordinary losses	10	9
Profit before income taxes	2,974	4,570
Income taxes - current	1,127	1,545
Income taxes - deferred	34	31
Total income taxes	1,162	1,576
Profit	1,812	2,994
Profit attributable to non-controlling interests	1	1
Profit attributable to owners of parent	1,810	2,992

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

(Million yen)

	For the six months ended September 30,2018	For the six months ended September 30,2019
Profit	1,812	2,994
Other comprehensive income		
Valuation difference on available-for-sale securities	11	(10)
Foreign currency translation adjustment	117	(352)
Share of other comprehensive income of entities accounted for using equity method	(1)	(27)
Total other comprehensive income	128	(389)
Comprehensive income	1,940	2,604
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,939	2,602
Comprehensive income attributable to non-controlling interests	1	1

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2018	For the six months ended September 30,2019
Cash flows from operating activities		
Profit before income taxes	2,974	4,570
Depreciation	1,713	2,048
Amortization of goodwill	520	460
Subsidy income	(86)	(15)
Interest and dividend income	(10)	(8)
Interest expenses	93	82
Foreign exchange losses (gains)	55	15
Decrease (increase) in trade receivables	(363)	(358)
Decrease (increase) in inventories	(85)	(318)
Decrease (increase) in deposits paid	28	(1,886)
Increase (decrease) in trade payables	(135)	(662)
Increase (decrease) in accounts payable - other	(585)	(254)
Increase (decrease) in provision for bonuses	(11)	(66)
Other, net	(541)	(285)
Subtotal	3,565	3,320
Interest and dividends received	9	7
Interest paid	(52)	(50)
Income taxes paid	(1,055)	(1,388)
Subsidies received	86	15
Net cash provided by (used in) operating activities	2,553	1,905
Cash flows from investing activities		
Collection of loans receivable	30	5
Purchase of investment securities	(0)	(0)
Purchase of intangible assets	(253)	(338)
Purchase of property, plant and equipment	(1,266)	(2,865)
Proceeds from sales of property, plant and equipment	8	0
Other, net	(52)	(10)
Net cash provided by (used in) investing activities	(1,534)	(3,208)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(333)	3,998
Proceeds from long-term borrowings	300	-
Repayments of long-term borrowings	(1,199)	(1,021)
Redemption of bonds	(1,792)	(982)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	7,960	-
Repayments of lease obligations	(43)	(276)
Dividends paid	(877)	(985)
Other, net	11	28
Net cash provided by (used in) financing activities	4,024	760
Effect of exchange rate change on cash and cash equivalents	60	(150)
Net increase (decrease) in cash and cash equivalents	5,104	(692)
Cash and cash equivalents at beginning of period	15,484	19,286
Cash and cash equivalents at end of period	20,589	18,593

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

During the six months ended September 30, 2019, capital surplus increased by ¥2,088 million and treasury shares decreased by ¥1,973 million, mainly due to disposal of treasury shares following the exercise of the rights of convertible bond-type bonds with share acquisition rights in the six months ended September 30, 2019. As a result, capital surplus was ¥4,641 million and treasury shares amounted to ¥441 million at the end of the second quarter of the fiscal year under review.

(Changes in accounting policies)

Some overseas subsidiaries have applied IFRS 16 "Leases" from the first quarter of the fiscal year under review. With this accounting change, in principle lessees recognize assets and liabilities with respect to all leases on the Balance Sheets. In applying this accounting standard, the Company has adopted a method regarded as a transitional measure, whereby the cumulative effect of the application of this standard is recognized as of the date of its application.

As a result of the application of this accounting standard, the Quarterly Consolidated Balance Sheets for the period ended September 30, 2019 show increases of ¥4,062 million in right of use assets, net of property, plant and equipment, ¥22 million in other under intangible assets, ¥551 million in lease obligations under current liabilities, and ¥3,596 million in lease obligations under non-current liabilities.

The impact on profit or loss for the second quarter of the fiscal year under review is immaterial.

(Segment information)

[Segment Information]

For the six months ended September 30, 2018

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

(Million yen)

	Reportable segment		Other (Note)	Total
	Contact Lens-related Business	Subtotal		
Net sales				
Net sales to external customers	39,387	39,387	709	40,097
Inter-segment net sales or transfers	—	—	0	0
Total	39,387	39,387	709	40,097
Segment profit (loss)	4,974	4,974	△151	4,822

(Note) “Other” is a business segment not included in the reportable segment and includes new 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)

(Million yen)

Profit	Amount
Reportable segment total	4,974
Profit of “Other”	△151
Corporate expenses (Note)	△1,900
Operating profit stated in the consolidated statement of income	2,921

(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 six months ended September 30, 2019

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

(Million yen)

	Reportable segment		Other (Note)	Total Contact Lens- related Business
	Contact Lens-related Business	Subtotal		
Net sales				
Net sales to external customers	41,990	41,990	833	42,824
Inter-segment net sales or transfers	—	—	—	—
Total	41,990	41,990	833	42,824
Segment profit (loss)	6,979	6,979	△179	6,799

(Note) “Other” is a business segment not included in the reportable segment and includes new 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)

(Million yen)

Profit	Amount
Reportable segment total	6,979
Profit of “Other”	△179
Corporate expenses (Note)	△2,241
Operating profit stated in the consolidated statement of income	4,558

(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.