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## Consolidated Financial Results for the Three Months Ended June 30, 2019 [Japanese GAAP]

August 08, 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: August 08, 2019

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

CEO

Senior Executive Officer, Corporate Management

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

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2019 (April 01, 2019 to June 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	%
Three months ended June 30, 2019	20,613	4.9	1,862	46.3	1,893	51.7	1,242	62.1
June 30, 2018	19,643	5.4	1,272	(3.3)	1,247	(14.7)	766	(26.7)

(Note) Comprehensive income: Three months ended June 30, 2019: ¥ 1,070 million [ 55.1%]  
Three months ended June 30, 2018: ¥ 690 million [ (48.8)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2019	35.25	32.73
June 30, 2018	21.79	20.21

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2019	82,668	42,634	51.5
March 31, 2019	78,275	42,549	54.3

(Reference) Equity: As of June 30, 2019: ¥ 42,565 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	-				
Fiscal year ending March 31, 2020 (Forecast)		0.00	-	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	6,502	16.7	6,488	14.9	4,091	14.4	116.08

(Note) Revision to the financial results forecast announced most recently: No

### \* Notes:

(1) Changes in significant subsidiaries during the three months ended June 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 details, please refer to “Notes to Quarterly Consolidated Financial Statements” (Changes in accounting policies) on Page 8 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):

June 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:

June 30, 2019: 1,563,734 shares

March 31, 2019: 1,573,484 shares

3) Average number of shares during the period:

Three months ended June 30, 2019: 35,236,814 shares

Three months ended June 30, 2018: 35,178,040 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 “Explanation of Consolidated Business Results Forecast and Other Forward-looking Information” on Page 3 of the appendix.

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

## (1) Explanation of Business Results

Regarding the world economy during the three months ended June 30, 2019, uncertainty remained due to strained relations arising from protectionist trade policies by the U.S. and China and the unpredictability surrounding the withdrawal of the U.K. from the European Union. Regarding the domestic economy, although sales took a downturn due to sluggish exports by the manufacturing sector and others, there are signs of recovery as exemplified by firm trends in capital investment and an improved employment and income environment resulting from strong corporate recruitment sentiment.

In these circumstances, in the contact lens market, disposable contact lenses, principally daily disposable contact lenses, are the driving forces of the market overseas. In particular, the sales of silicone hydrogel contact lens products, which have high oxygen permeability, are growing. Furthermore, in the domestic market, demand for circle lenses, which are intended to make your eyes appear larger, and multifocal contact lenses is rising.

Performances in individual businesses 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, and worked 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, we have been working since May this year with our contact lens sales subsidiaries, W.I System Co., Ltd., (Ace Contact), Fuji contact Co., Ltd. (Fuji Contact), and AIP Co., Ltd. (City Contact), to standardize our store logo under the name “Miru.” The Group operates 159 stores (as of June 30, 2019) and the objectives of the logo standardization are to clarify that all stores are part of the Group’s expansion and to create further synergy within the Group. Regarding promotion, in April we started broadcasting TV commercials featuring Minami Hamabe as the brand ambassador in efforts to appeal to young people who are first time users of contact lenses. In addition, we strengthened sales promotions for our contact lens products targeting first time users of contact lenses under the name, “First time Miru Campaign,” which we held in spring, a high demand period.

### [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, in May, 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]

The Veterinary Medical Business conducted by Meni-one Co., Ltd. worked to expand sales of supplements, in addition to medical equipment. The Environmental and Bioscience Business grew as the result of the expansion of the composting acceleration business. In the Life Science Business, we have renewed the “pregna” series, supplements that support fertility treatment, as well as expanded sales of supplements developed with the aim of supporting eyes and life stages, which contain lactoferrin as a major ingredient.

In these circumstances, the Group's consolidated business results for the three months ended June 30, 2019 were as follows. Net sales increased by 4.9% year on year to ¥20,613 million, reflecting an increase in MELS Plan memberships. Operating profit increased by 46.3% year on year to ¥1,862 million owing to the lower cost of sales ratio and selling, general and administrative expenses ratio, and ordinary profit increased by 51.7% to ¥1,893 million. Profit attributable to owners of parent was ¥1,242 million, an increase of 62.1%.

(Business results by segment)

1) Contact Lens-related Business

Sales of the contact lens-related business were ¥20,225 million, an increase of 4.8% year on year. Segment profit was ¥3,047 million, an increase of 26.1% year on year.

Sales of the contact lens-related business increased by ¥920 million from the same period of the previous year mainly due to an increase by ¥610 million in MELS Plan sales.

This was attributable to an increase in membership as a result of the incorporation of demand from first time contact lens users, centered on students, following sales campaigns such as the "Spring 1 day Debut Support Campaign" and the "MELS Plan x Magic Students' Mikata!! Campaign." In addition, the shift by existing members to high-priced products such as "1DAY Menicon PremiO" and "Four Seasons" also contributed to sales expansion.

Regarding the business in China, where the market continues to grow, sales of orthokeratology lenses and contact lens care products continued to be buoyant.

Segment profit increased year on year as sales did, which is attributable to the efforts to enhance the efficiency of the advertising expenses and sales promotion expenses.

2) Other

Sales of the other businesses were ¥388 million for the three months ended June 30, 2019, an increase of 14.3% year on year, as sales of "resQ45," an eco-friendly composting accelerator by the Company's Environmental and Bioscience Business was robust. Segment loss was ¥103 million, compared with a segment loss of ¥81 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 first quarter of the fiscal year under review were ¥82,668 million, having increased by ¥4,392 million from the end of the previous fiscal year. Current assets increased by ¥644 million to ¥43,229 million due to an increase in cash and deposits resulting mainly from short-term loans payable. Non-current assets increased by ¥3,748 million to ¥39,438 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 ¥4,307 million from the end of the previous fiscal year to ¥40,033 million at the end of the first quarter of the fiscal year under review mainly as a result of an increase in lease obligations due to the application of IFRS 16 "Leases".

Net assets increased by ¥85 million from the end of the previous fiscal year to ¥42,634 million mainly due to an increase in retained earnings resulting from the recording of profit attributable to owners of parent, despite the payment of cash dividends.

As a result, capital adequacy ratio was 51.5%.

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

The consolidated business results forecast for the full year ending March 31, 2020 is unchanged from the forecast announced on May 14, 2019.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2019	As of June 30,2019
<b>Assets</b>		
Current assets		
Cash and deposits	20,084	20,599
Notes and accounts receivable - trade	8,857	8,601
Merchandise and finished goods	9,110	9,352
Work in process	771	820
Raw materials and supplies	2,076	2,078
Other	1,763	1,855
Allowance for doubtful accounts	(79)	(79)
Total current assets	42,584	43,229
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,070	19,194
Accumulated depreciation	(10,148)	(10,303)
Buildings and structures, net	8,921	8,890
Machinery, equipment and vehicles	19,374	19,582
Accumulated depreciation	(13,587)	(13,631)
Machinery, equipment and vehicles, net	5,786	5,951
Tools, furniture and fixtures	7,328	7,454
Accumulated depreciation	(5,892)	(6,032)
Tools, furniture and fixtures, net	1,435	1,421
Land	5,164	5,160
Leased assets	849	849
Accumulated depreciation	(699)	(707)
Leased assets, net	149	141
Right of use assets	-	4,407
Accumulated depreciation	-	(159)
Right of use assets, net	-	4,248
Construction in progress	3,989	4,087
Total property, plant and equipment	25,447	29,902
Intangible assets		
Goodwill	2,719	2,487
Patent right	1,219	1,158
Other	2,297	2,293
Total intangible assets	6,236	5,939
Investments and other assets		
Investment securities	908	847
Long-term loans receivable	55	53
Deferred tax assets	1,112	764
Other	1,942	1,944
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	4,006	3,597
Total non-current assets	35,690	39,438
Total assets	78,275	82,668

(Million yen)

	As of March 31,2019	As of June 30,2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,471	4,457
Short-term borrowings	32	4,030
Current portion of bonds	1,765	1,615
Current portion of long-term borrowings	1,984	1,936
Lease obligations	30	694
Accounts payable - other	2,970	2,549
Income taxes payable	1,562	339
Provision for bonuses	1,592	777
Provision for point card certificates	105	89
Other	4,053	3,542
<b>Total current liabilities</b>	<b>18,568</b>	<b>20,032</b>
Non-current liabilities		
Bonds payable	3,547	3,215
Convertible bond-type bonds with share acquisition rights	8,000	8,000
Long-term borrowings	3,423	2,967
Lease obligations	90	3,759
Long-term accounts payable - other	1,425	1,378
Retirement benefit liability	331	331
Deferred tax liabilities	88	93
Asset retirement obligations	102	104
Other	147	150
<b>Total non-current liabilities</b>	<b>17,156</b>	<b>20,000</b>
<b>Total liabilities</b>	<b>35,725</b>	<b>40,033</b>
Net assets		
Shareholders' equity		
Share capital	3,379	3,379
Capital surplus	2,553	2,553
Retained earnings	39,690	39,944
Treasury shares	(2,414)	(2,399)
<b>Total shareholders' equity</b>	<b>43,208</b>	<b>43,477</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46	30
Foreign currency translation adjustment	(786)	(942)
<b>Total accumulated other comprehensive income</b>	<b>(739)</b>	<b>(912)</b>
Share acquisition rights	38	26
Non-controlling interests	42	42
<b>Total net assets</b>	<b>42,549</b>	<b>42,634</b>
<b>Total liabilities and net assets</b>	<b>78,275</b>	<b>82,668</b>

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

(Million yen)

	For the three months ended June 30,2018	For the three months ended June 30,2019
Net sales	19,643	20,613
Cost of sales	9,227	9,460
Gross profit	10,416	11,152
Selling, general and administrative expenses	9,143	9,290
Operating profit	1,272	1,862
Non-operating income		
Interest income	1	1
Dividend income	4	5
Foreign exchange gains	-	4
Subsidy income	44	41
Other	70	56
Total non-operating income	120	109
Non-operating expenses		
Interest expenses	47	41
Share of loss of entities accounted for using equity method	1	24
Foreign exchange losses	58	-
Other	38	11
Total non-operating expenses	145	77
Ordinary profit	1,247	1,893
Extraordinary income		
Gain on sales of non-current assets	0	0
Subsidy income	67	4
Total extraordinary income	67	4
Extraordinary losses		
Loss on retirement of non-current assets	4	7
Total extraordinary losses	4	7
Profit before income taxes	1,310	1,889
Income taxes - current	246	287
Income taxes - deferred	297	359
Total income taxes	543	646
Profit	767	1,242
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	766	1,242

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

(Million yen)

	For the three months ended June 30,2018	For the three months ended June 30,2019
Profit	767	1,242
Other comprehensive income		
Valuation difference on available-for-sale securities	7	(16)
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	(83)	(141)
Share of other comprehensive income of entities accounted for using equity method	(0)	(14)
Total other comprehensive income	(77)	(172)
Comprehensive income	690	1,070
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	689	1,069
Comprehensive income attributable to non-controlling interests	1	0

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

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(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 June 30, 2019 show increases of ¥4,248 million in right of use assets, net of property, plant and equipment, ¥26 million in other under intangible assets, ¥664 million in lease obligations under current liabilities, and ¥3,676 million in lease obligations under non-current liabilities.

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

(Segment information)

For the three months ended June 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	19,304	19,304	339	19,643
Inter-segment net sales or transfers	0	0	0	1
Total	19,305	19,305	339	19,644
Segment profit (loss)	2,416	2,416	(81)	2,335

(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	2,416
Profit of "Other"	(81)
Corporate expenses (Note)	(1,062)
Operating profit stated in the consolidated statement of income	1,272

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

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

(Significant impairment loss on non-current assets)

Not applicable.

(Significant change in amount of goodwill)

Not applicable.

(Significant gain on bargain purchase)

Not applicable.

For the three months ended June 30, 2019

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	20,225	20,225	388	20,613
Inter-segment net sales or transfers	-	-	-	-
Total	20,225	20,225	388	20,613
Segment profit (loss)	3,047	3,047	(103)	2,943

(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	3,047
Profit of "Other"	(103)
Corporate expenses (Note)	(1,081)
Operating profit stated in the consolidated statement of income	1,862

(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.