

Consolidated Financial Results for the Six Months Ended September 30, 2019

TSE 1st Section: Ticker 7780



Key reason

➤ For the six months ended September 30, 2019

Net sales : Year on year change **+6.8%**

The total number of members in MELS Plan

1.32millions

Gross profit: Improvement cost of sales ratio

as a result of curbed manufacturing costs

cost of sales ratio: 46.5% → **45.7%**

Operating profit : An increase of gross profit

and improvement of SGA ratio

Operating margin : 7.3% → **10.6%**

Summary

	For the Six Months Ended September 30, 2018	For the Six Months Ended September 30, 2019	(JPY m)
			YoY change
Net sales	40,097	42,824	+6.8%
Cost of sales	18,638	19,560	+4.9%
(Cost of sales ratio)	46.5%	45.7%	(0.8pt)
Gross profit	21,459	23,264	+8.4%
Selling, general and administrative expenses	18,537	18,705	+0.9%
(SGA ratio)	46.2%	43.7%	(2.5pt)
Operating profit	2,921	4,558	+56.0%
(Operating margin)	7.3%	10.6%	+3.3pt
Ordinary profit	2,898	4,564	+57.5%
Profit attributable to owners of parent	1,810	2,992	+65.3%
Basic earnings per share	JPY 51.46	JPY 84.47	---

Net sales

JPY 42.8 bn

YoY change +JPY 2.7 bn
+6.8%

① MELS Plan sales
+JPY 1.2 bn

② Contact lens/Care products
+JPY 1.4 bn

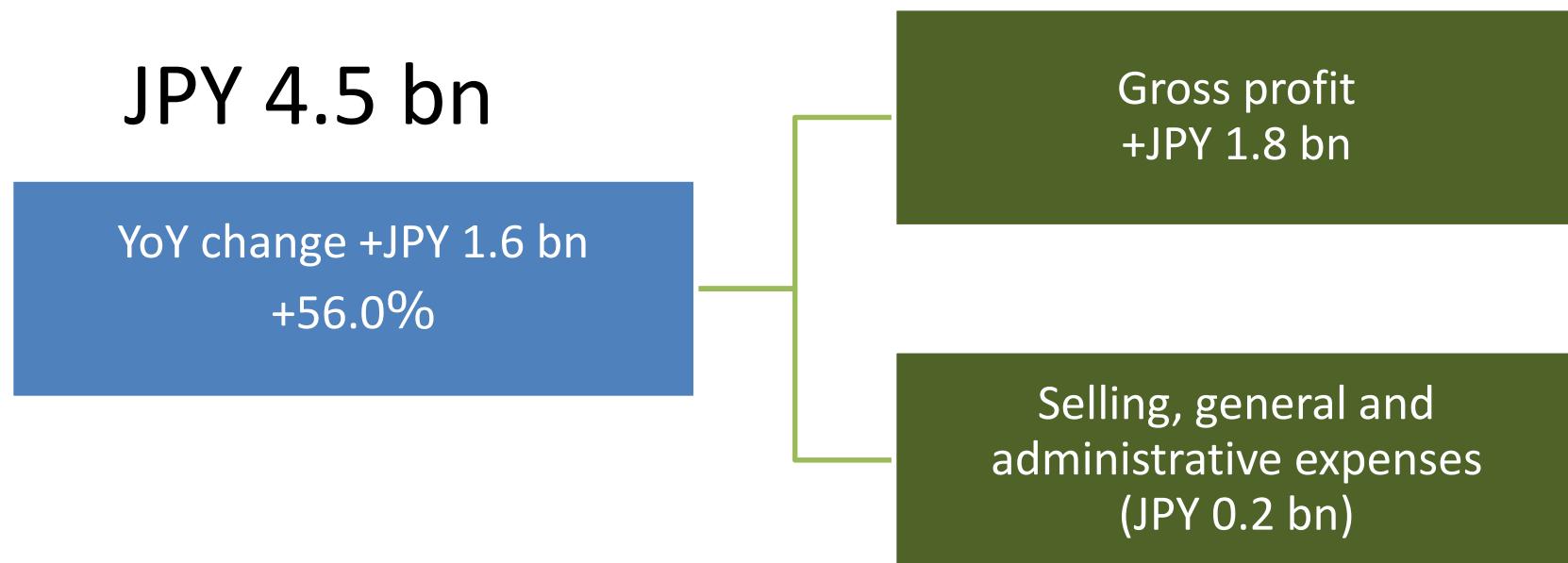
Other
+JPY 0.1 bn

Key reason

- ① An increase of membership, especially Daily disposable contact lens.
- ② Expanding Daily and orthokeratology lens sales.

Demand ahead of the consumption tax hike.

Operating profit

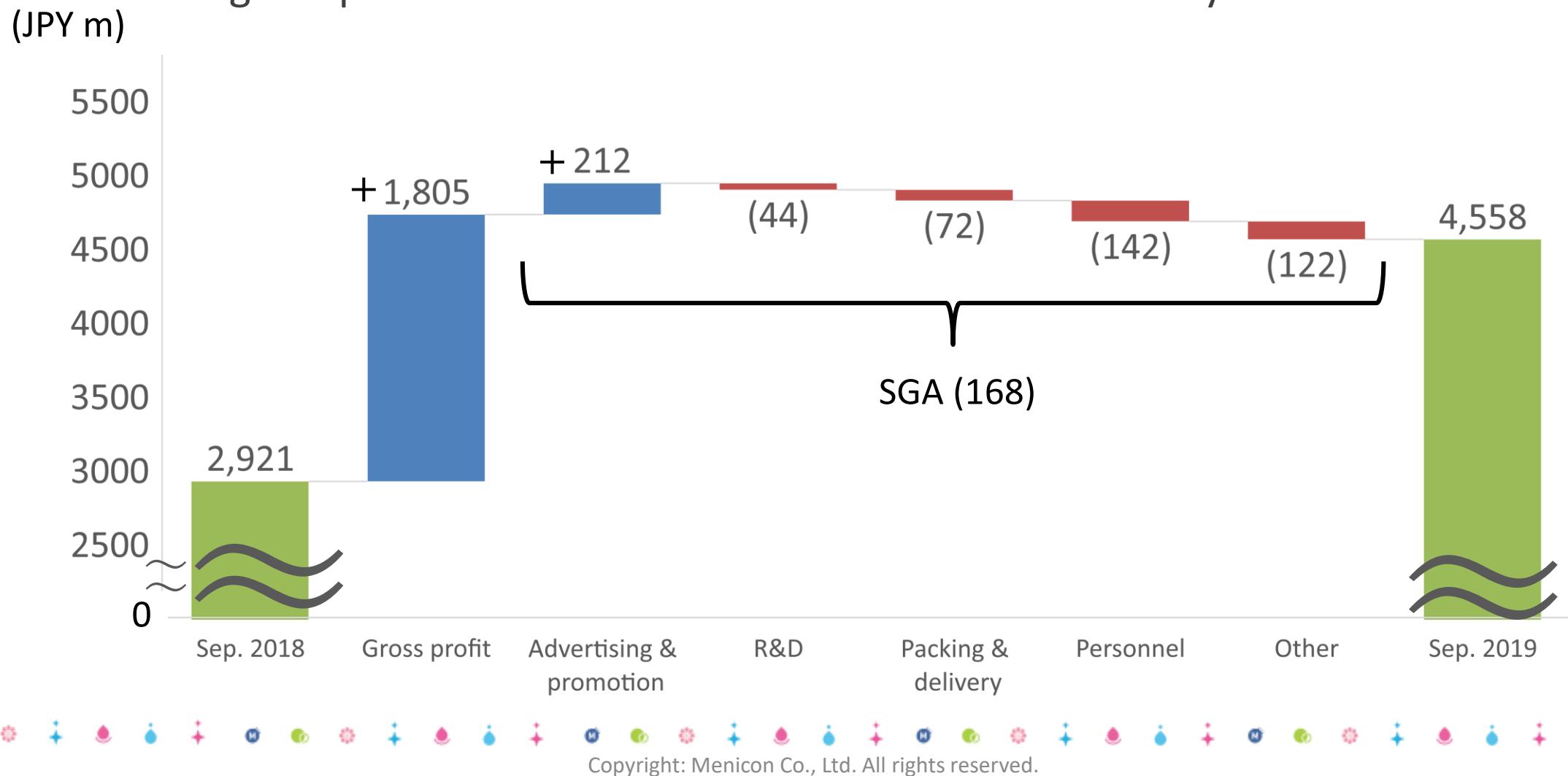


Key reason

An increase of gross profit due to curbed manufacturing cost and sales growth.
A decrease of SGA ratio.

Operating profit break down

- ✓ Operating profit increased, which is attributable to the increase of gross profit and the efforts to enhance the efficiency of SGA.



Net Sales break down

By Segment

(JPY m)

		For the Six Months Ended September 30, 2018	For the Six Months Ended September 30, 2019	YoY change
Net sales		40,097	42,824	+6.8%
Reportable segment	Contact Lens- related Business	39,387	41,990	+6.6%
	Other	709	833	+17.5%
Product/ service	Contact lens / Care products	19,055	20,482	+7.5%
	MELS Plan	20,045	21,250	+6.0%
	Other	996	1,091	+9.5%

(Note)The amount of "Other" includes the amount of new businesses.

Contact lens and Care products

JPY 20.4 bn

YoY change +JPY 1.4bn
+7.5%

① Daily
+JPY 0.4 bn

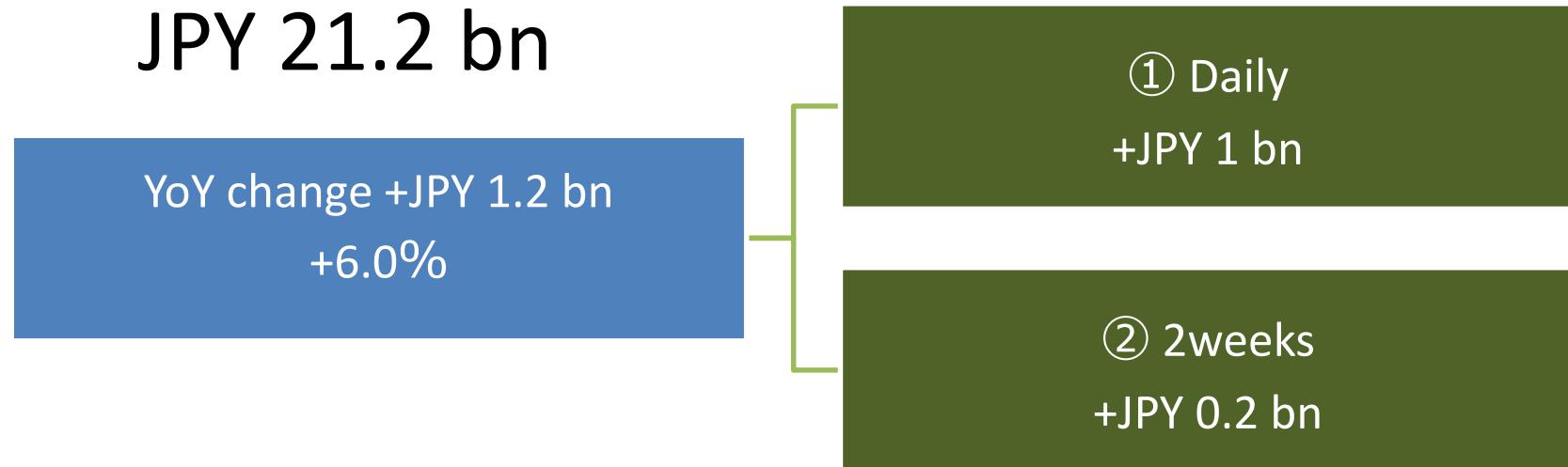
② 2weeks • 1month
+JPY 0.4 bn

③ Other
+JPY 0.6 bn

Key reason

- ① Sales of daily disposable contact lens was robust.
- ② Sales of 2weeks contact lenses in domestic market, and sales of 1 month contact lens in overseas market were robust.
- ③ Mainly sales of orthokeratology lenses and lens care products in China were robust.

MELS Plan



Key reason

- ① Membership of daily disposable contact lens has increased.
- ② "2WEEK Menicon PremiO" series were robust.

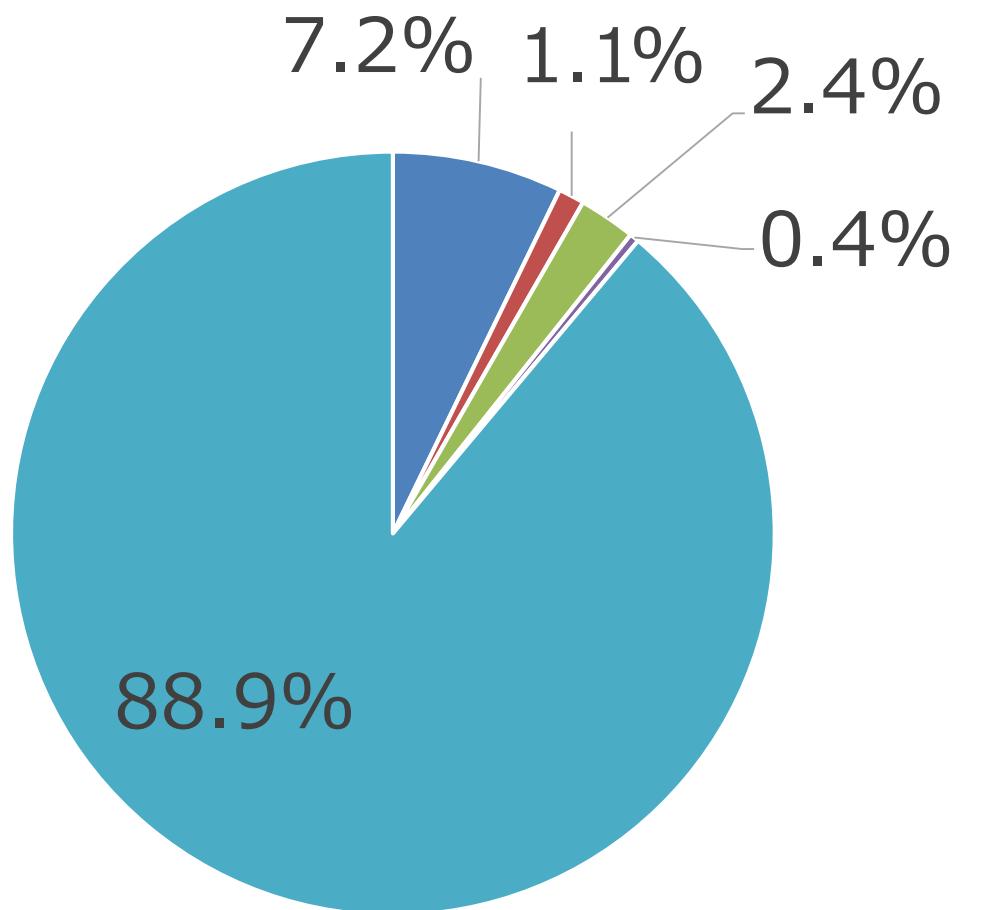
Net Sales break down

Geographical information

(JPY m)

	For the Six Months Ended September 30, 2018	For the Six Months Ended September 30, 2019	YoY change
Net Sales	40,097	42,824	+6.8%
Japan	35,528	38,086	+7.2%
Overseas Total	4,569	4,737	+3.7%
Europe	3,119	3,074	(1.4%)
North America	487	484	(0.8%)
Asia	813	1,027	+26.3%
Other	149	152	+2.0%

Overseas sales ratio

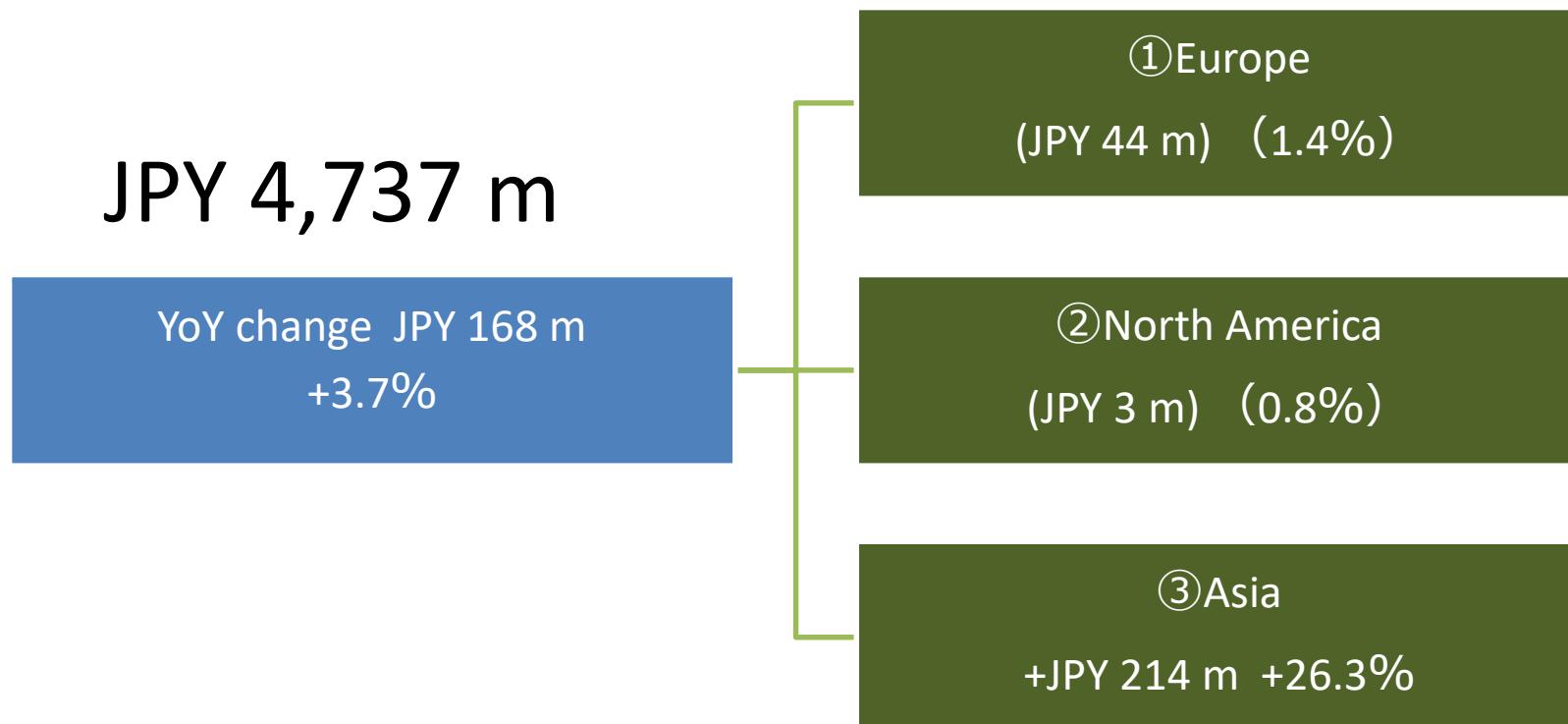


Overseas sales ratio
11.1%

■ Europe ■ North America ■ Asia ■ Other ■ Japan

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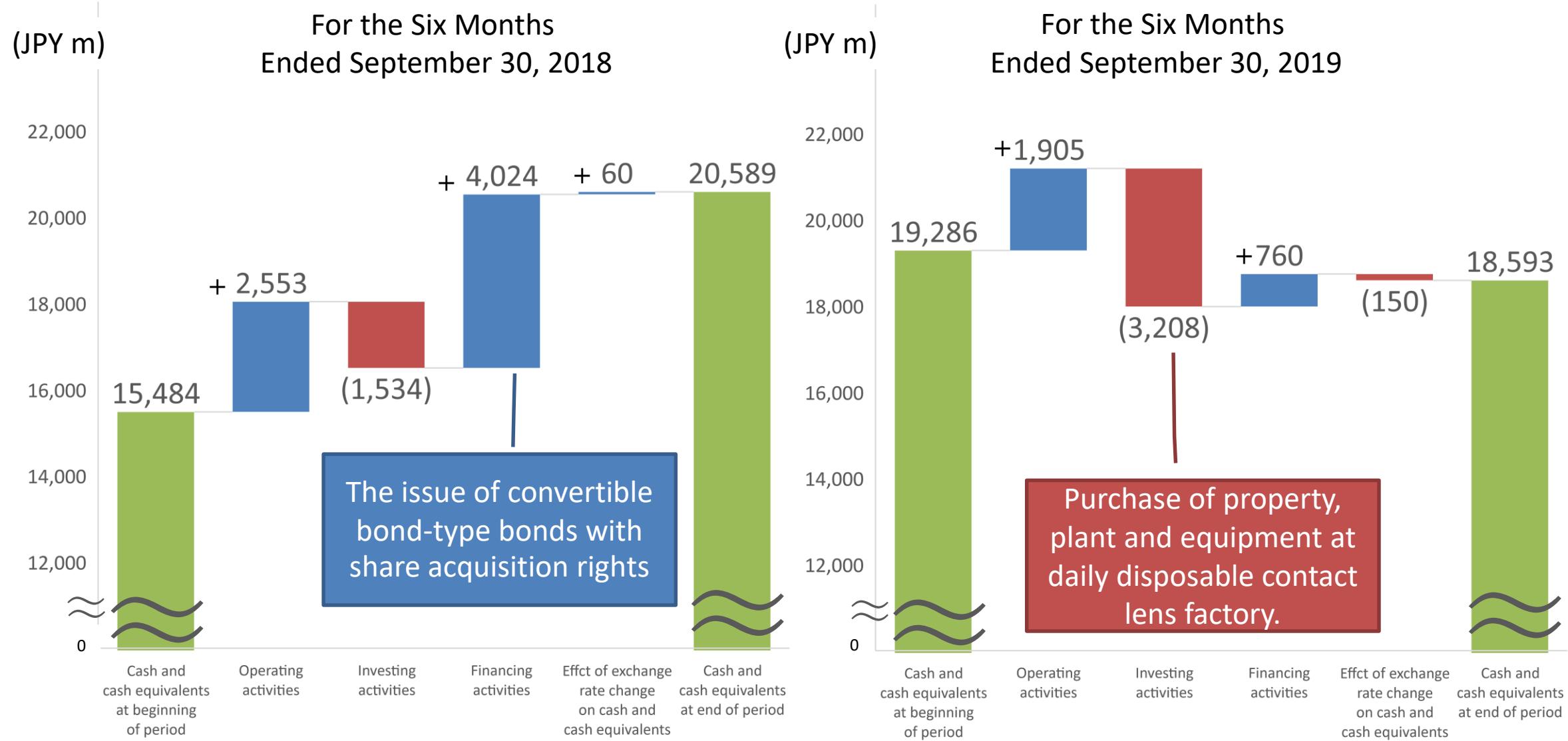
Overseas sales



Key reason

- ① ② The effects of changes in foreign exchange rates.
Sales increased in local currency.
- ③ Asia: Orthokeratology lenses sales were robust.

Cash Flows



Revisions to Financial Forecasts

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

Net sales : Unchanged

Net sales in the second half of the fiscal year is foreseen to remain at around the same level as in the previous forecast, because of a likely downturn after the consumption tax hike, it is expected to recover for the full year.

Operating profit : Upward revision

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.

Revised consolidated financial forecasts

	Previous forecast A		Revised forecast B	Difference B - A	Percentage change	(JPY m)
Net sales	85,083		85,083	---	---	
Cost of sales	39,883		38,997	(885)	(2.2%)	
(Cost of sales ratio)	46.9%		45.8%	(1.1pt)	---	
Gross profit	45,199		46,085	+885	+2.0%	
Selling, general and administrative expenses	38,696		38,873	+176	+0.5%	
(SGA ratio)	45.5%		45.7%	+0.2pt	---	
Operating profit	6,502		7,211	+709	+10.9%	
(Operating margin)	7.6%		8.5%	+0.9pt	---	
Ordinary profit	6,488		7,197	+708	+10.9%	
Profit attributable to owners of parent	4,091		4,500	+408	+10.0%	
Basic earnings per share	116.12円		125.10円	+8.98	---	

Operating profit vs Plan

Operating profit
(JPY m)

8,000

vs Plan

6,000

100%

4,000

80%

2,000

60%

0

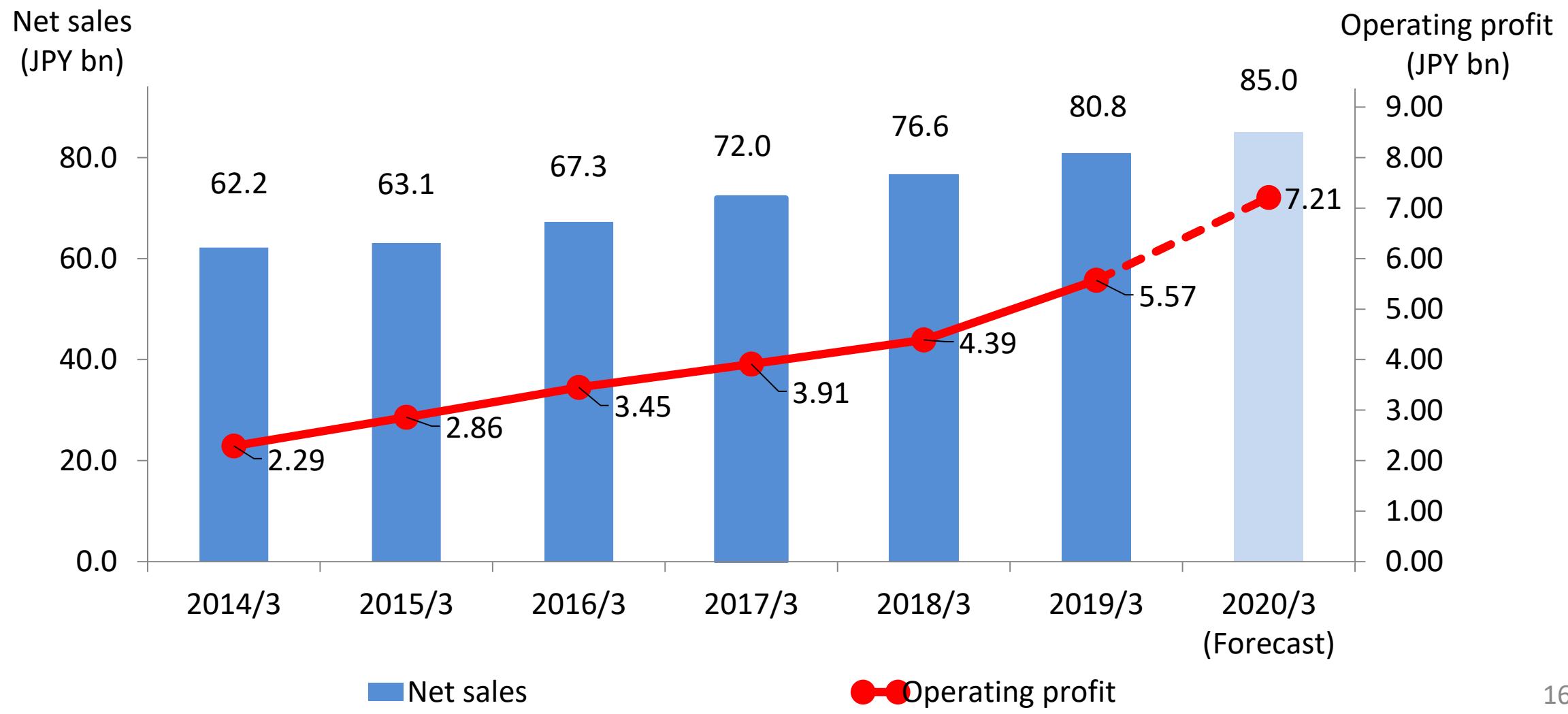
40%



2019/3 Operating Profit 2020/3 Operating Profit 2020/3 vs Plan

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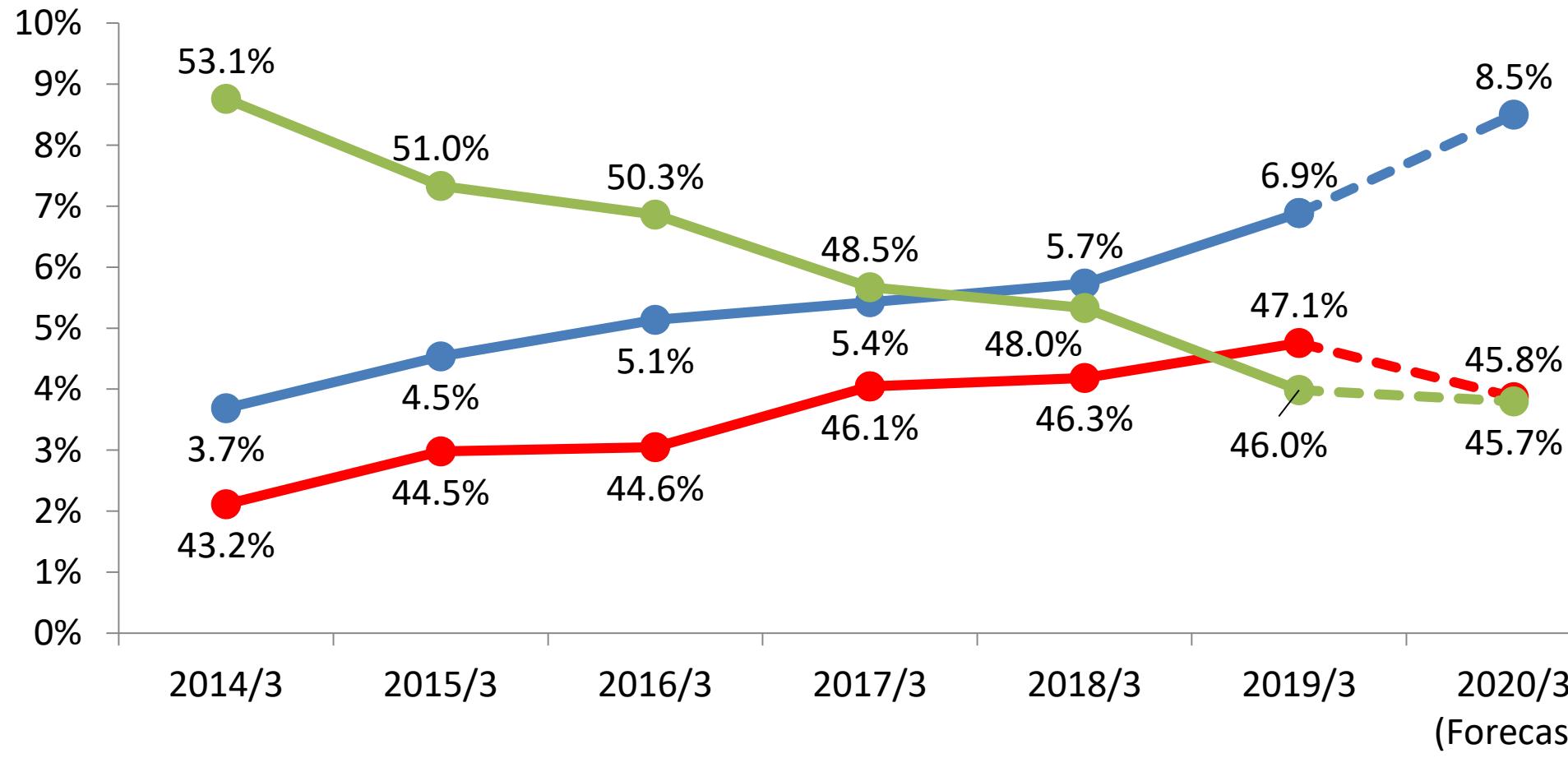
Annual Sales/Operating Profit



Operating margin/Cost ratio/SGA ratio

Operating margin

Cost ratio, SGA ratio



● Operating margin ● Cost ratio ● SGA ratio

Our Medium-term Business plan Vision 2020

Toward Achievement of Sales of JPY100bn and
Operating Profit Margin of 10%



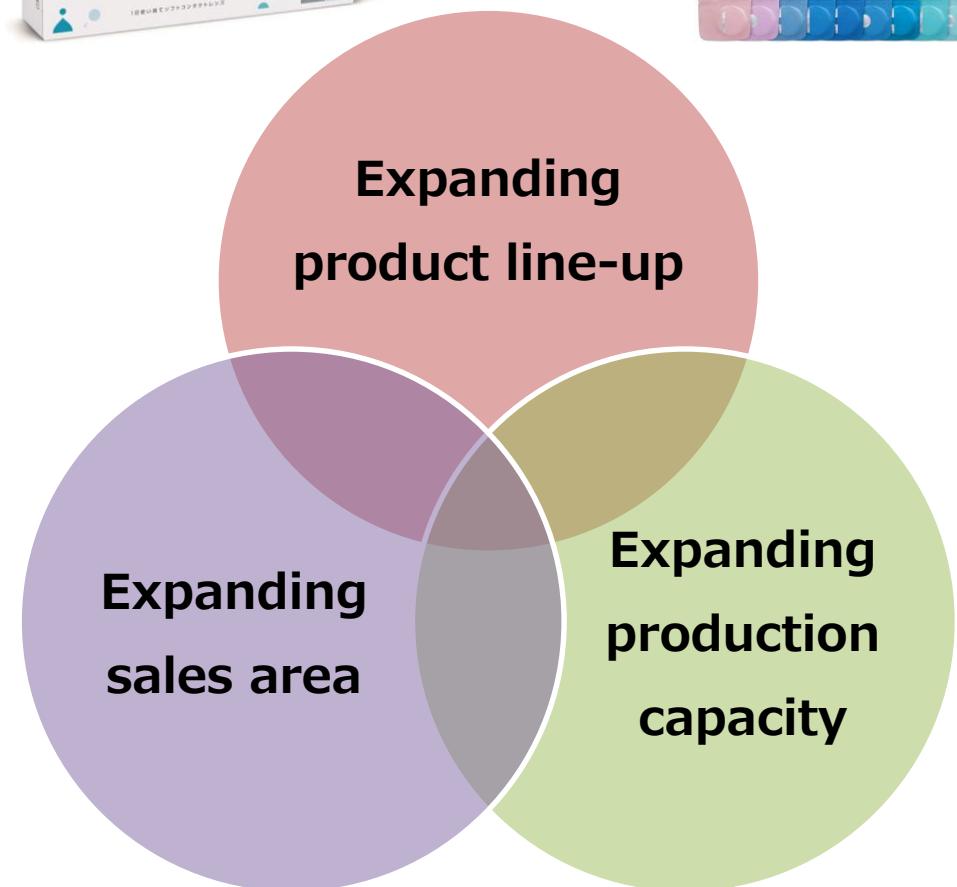
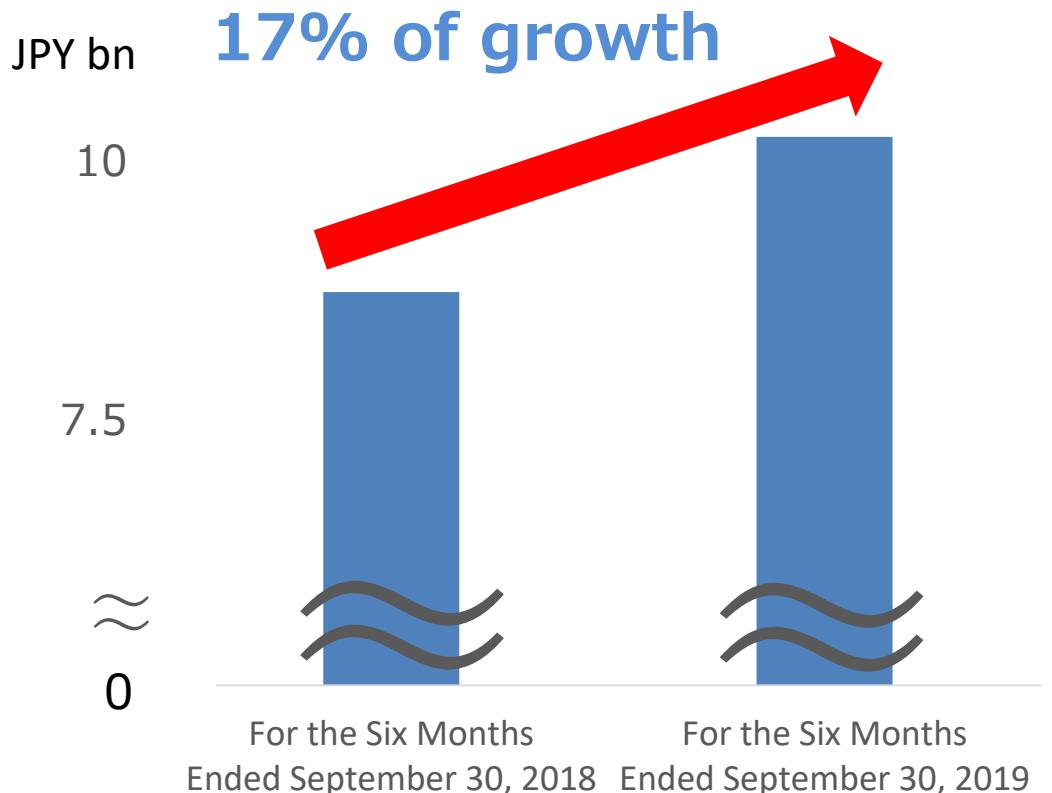
Vision2020 : Our target for the fiscal year ending March 31, 2021.

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Contact lens

- ✓ Growth of Daily disposable contact lens sales

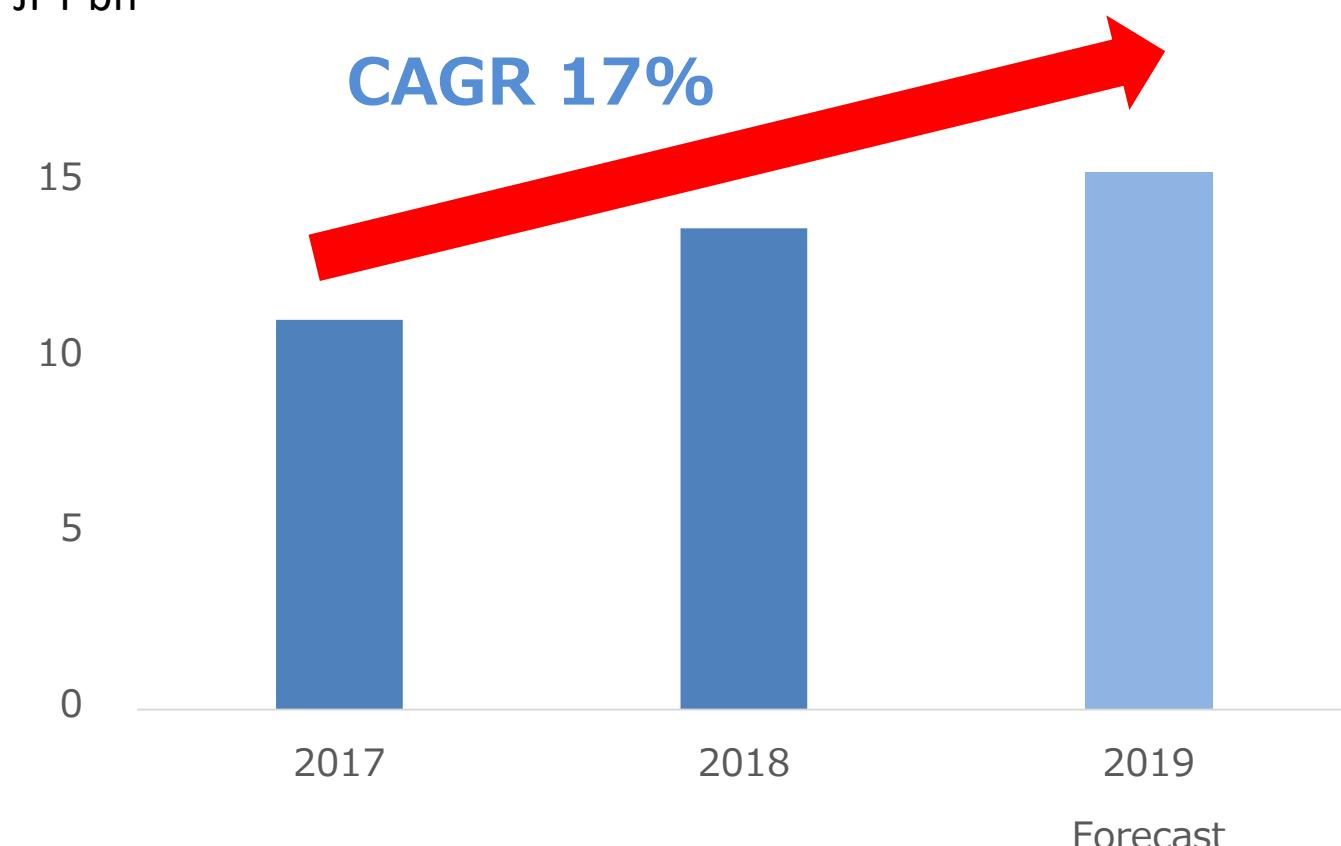
Daily disposable contact lens sales



Contact lens

- ✓ The bifocal market development

Bifocal contact lens market in Japan



Market data Source; Yano Research Institute, Ltd.

We launched new category contact lens in growing bifocal market.



3 month replacement-type hard contact lens
Four Seasons Bifocal

Overseas business

✓ Menicon acquired SOLEKO S.p.A in Italy in October 2019.



● Netherlands



● France



● Germany



● UK



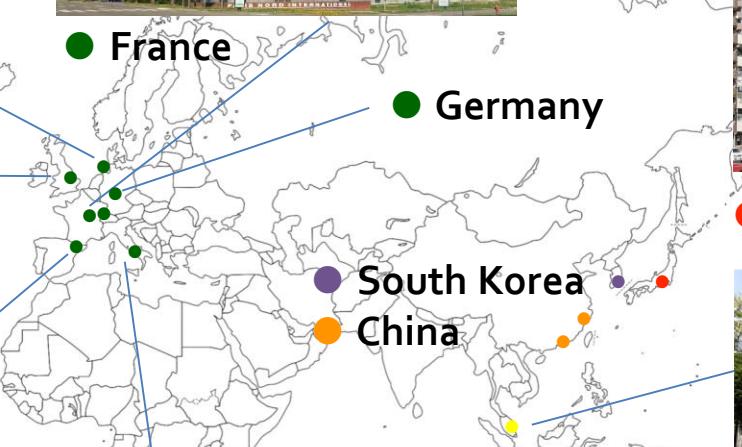
● Japan



● Singapore



● USA

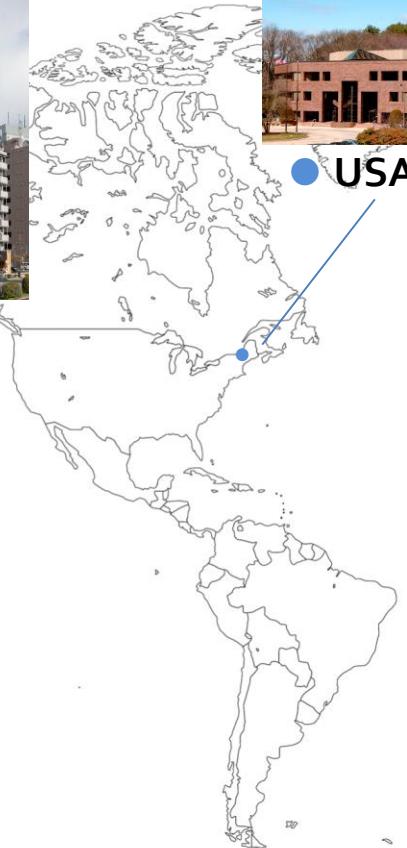


● Spain



● Italy
(SOLEKO S.p.A.)

● Australia



Overseas business

- ✓ The disposable contact lens market in Italy is the second largest in the booming European market.



Miru 1 DAY



Miru 1 Month

Menicon

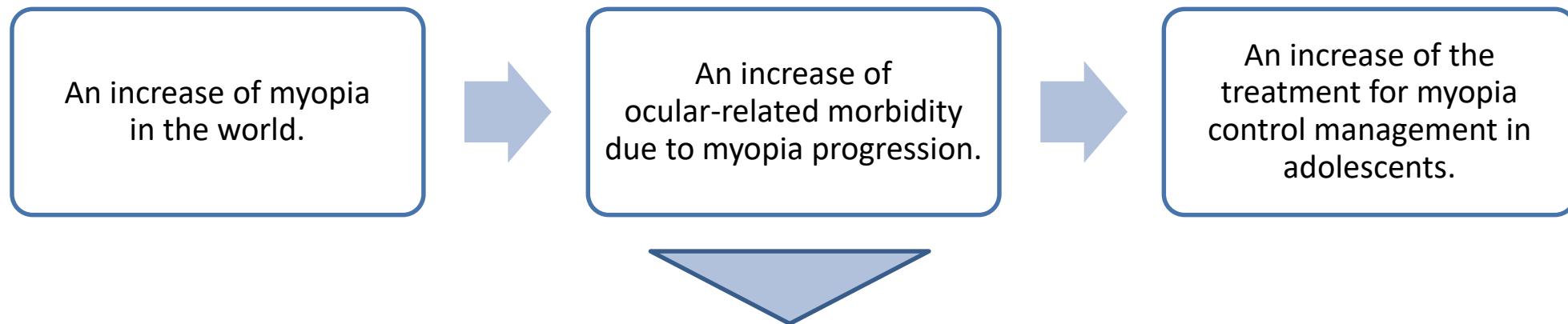
- Disposable contact lenses

SOLEKO

- Sales channel and market recognition in Italy
- Lens care solution

Working together as a team

For suppressing the progression of myopia



Menicon has developed myopia control management by contact lens.

Academic

- CE approval for myopia control management in Europe.
- R&D

Practical

Expanding supply of high quality and high performance orthokeratology lens.

- Expanding market share in China.
- Expanding sales in Asian market.

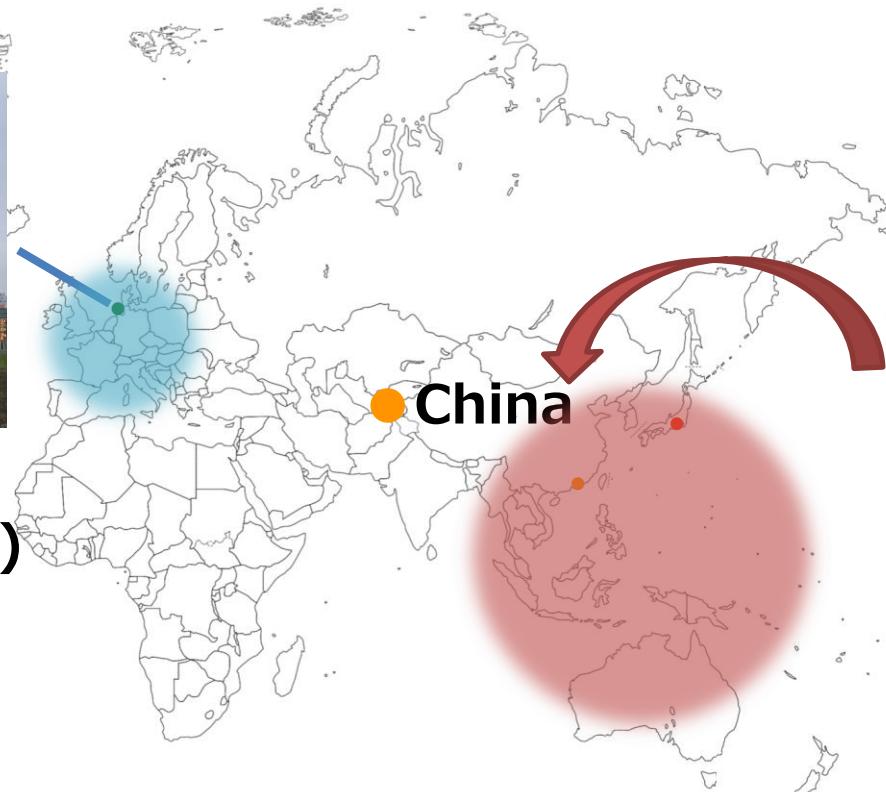
For suppressing the progression of myopia

- ✓ We have orthokeratology business companies in Netherlands and Japan.



● **Netherlands**
(NKL Contactlenzen B.V.)

Europe



● **Japan**
(Alpha corporation)

China and Asia

For suppressing the progression of myopia

- ✓ Menicon Bloom™ Myopia Control Management System.

Contact lens category	Product name
Orthokeratology lens	Menicon Bloom Night
Daily disposable contact lens	Menicon Bloom Day

Full launch of **Menicon Bloom™ Myopia Control Management System** will be expected in major European markets throughout 2020.

“Bloom”, “Bloom Night” and “Bloom Day” are trademarks of Menicon Co., Ltd.

New Businesses

- ✓ We released new products and services with higher quality.

We released Bilberry, supplement for eyes, the Menicon's first supplement of food with functional claims in August.



Meni-one Co., Ltd. Launched dog's ophthalmology medical care support service, Fundus AI, for Veterinarian in September.



Disclaimer on Forward-Looking Statements

- ✓ This material includes certain forward-looking statements about the Menicon Group. To the extent that statements in this material do not relate to historical or current facts, they constitute forward-looking statements.
- ✓ These forward-looking statements are based on the current assumptions and judgments of the Menicon Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors, which may affect the statements made in this material.

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