

Financial Results Briefing for the Year Ended March 31, 2024

Securities Code : 7780

Menicon Co., Ltd.
May 15, 2024

Partially corrected from the material used in the
financial results briefing held on May 15, 2024.
[Corrections]
p.6 , p.35 , p.43 , p.46
Please refer to [Appendix] on the last page
for the corrected parts.

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This is Kawaura, President and COO of Menicon Co., Ltd..

Thank you all for attending our financial results briefing today.
Let us begin the presentation now.

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Today's announcement is as shown.

In addition to Summary of Consolidated Financial Results for FY2023 and Forecast of Consolidated Financial Results for FY2024, we have established Medium-term Management Plan and new milestones, which we will explain, including our medium- and long-term growth strategies.

We have already disclosed our financial results and medium-term management plan on May 14, and I would like to explain an excerpt of these materials today.

I . Summary of Consolidated Financial Results for FY2023

To begin with, let me explain Summary of Consolidated Financial Results for FY2023.

Summary of Consolidated Financial Results for FY2023

(JPY m)	FY2022	FY2023	YoY
Net sales	110,194	116,192	+5.4%
Cost of sales	51,719	55,181	+6.7%
(Cost of sales ratio)	46.9%	47.5%	(+0.6pt)
Gross profit	58,474	61,010	+4.3%
SGA	46,411	52,058	+12.2%
(SGA ratio)	42.1%	44.8%	(+2.7pt)
Operating profit	12,062	8,951	-25.8%
(Operating profit ratio)	10.9%	7.7%	(-3.2pt)
EBITDA	19,593	17,150	-12.5%
(EBITDA margin)	17.8%	14.8%	(-3.0pt)
Ordinary profit	11,755	8,225	-30.0%
Profit attributable to owners of parent	7,377	4,538	-38.5%

* EBITDA is calculated from operating profit, depreciation and amortization of goodwill, etc

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I will explain the details of the performance summary later.

Net sales increased 5.4% to JPY 116.1 bn and gross profit increased 4.3% to JPY 61.0 bn from the previous year.

We are also proceeding investments for future growth, mainly in 1DAY-lens, resulting in an operating profit decreased 25.8% to JPY 8.9 bn from the previous year.

Profit attributable to owners of parent decreased 38.5% to JPY 4.5 bn from the previous year, due to a total of JPY 0.9 bn in extraordinary losses.

Breakdown of Net Sales



(JPY m)	FY2022	FY2023	YoY
Net sales	110,194	116,192	+5.4%
(1) Vision Care	101,652	106,887	+5.1%
Net Sales in Japan	73,105	75,017	+2.6%
MELS Plan	45,491	46,459	+2.1%
Product sales*1 and Others	27,613	28,558	+3.4%
Overseas sales	28,547	31,869	+11.6%
Asia*2	15,648	15,843	+1.2%
Europe	10,869	13,360	+22.9%
North America	1,390	1,946	+40.0%
Oceania and Africa. Etc.	639	719	+12.5%
(2) Healthcare and life care	8,541	9,304	+8.9%
Net Sales in Japan	3,729	4,417	+18.4%
Overseas sales	4,811	4,886	+1.6%

*1 "Product sales" refers to contact lenses and lens care products.

*2 Since the fiscal year end of Menicon Japan and the Chinese subsidiary is different, Menicon Japan's full-year financial results (Apr. to Mar.) include full-year financial results (Jan. to Dec.) of the Chinese subsidiary

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The breakdown of net sales is as shown.

In the Vision Care business, both Japan and overseas sales increased, with particularly significant growth exceeding 20% in Europe and North America.

Key Factors



Sales increased due to expanded 1DAY-lens sales and Lens care products in priority regions (Japan, Europe, and North America)

Net Sales JPY 116.1 bn **YoY** +5.4%

Vision Care

- Japan: ↑ MELS Plan : Increase in 1DAY-lens members
Product sales: Steady sales of new high-price lens care products, etc.
↑ Increase in sales due to price revision (+JPY 0.6 bn)
- Overseas: ↑ Europe/North America : Expand sales of 1DAY-lens and lens care products
➡ Asia : Flat due to COVID-19 impact (1Q) and economic stagnation (3-4Q) in China

Healthcare and life care

- ↑ Expand food business in China

(Reference) **Overseas sales (consolidated) : JPY 33.35 bn → JPY 36.75 bn (+10.2%)**

Growth in local currency +4.4%, Impact of yen depreciation +5.7%

Overseas sales ratio : 30.3% → 31.6% (+1.3pt)

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The following is an explanation of the key points of net sales.

About the Vision Care business,

In Japan, the number of MELS Plan 1DAY-lens members and the volume of lens care products sales through merchandising are increased.

Regarding overseas, although sales in Asia remained flat due to COVID-19 in China and economic stagnation,

In Europe and North America, sales volume of 1DAY-lens and lens care products increased,

Overall overseas sales increased.

Overseas sales increased 10.2% to JPY 36.7 bn from the previous year, sales in local currencies also increased by 4.4%.

Key Factors



Execute investments for future growth

Gross profit JPY 61.0 bn **YoY** +4.3% **Cost of sales ratio** 46.9% → 47.5% (+0.6pt)

- ↑ Effect of sales increase due to sales expansion
- ↓ Cost of sales ratio increased due to higher procurement costs, etc.

Operating profit JPY 8.9 bn **YoY** -25.8% **Operating profit ratio** 10.9% → 7.7% (-3.2pt)

EBITDA JPY 17.1 bn **YoY** -12.5% **EBITDA margin** 17.8% → 14.8% (-3.0pt)

- Strengthen investments for future growth (new plants, R&D, Sales network)
- One-time expenses incurred in response to domestic price revision and operation of new office building and logistics center, etc.
- Impact of yen depreciation

Profit attributable to owners of parent JPY 4.5 bn **YoY** -38.5% **Profit attributable to owners of parent ratio** 6.7% → 3.9% (-2.8pt)

- Provision for allowance for doubtful accounts related to food business and provision for loss on guarantees in connection with termination of stock benefit trust, totaling JPY 0.9 bn, were recorded as extraordinary losses.

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The following is an explanation of the key points of each stage of profit.

Gross profit increased due to sales growth, despite an increase in the cost of sales ratio due to higher procurement costs and other factors.

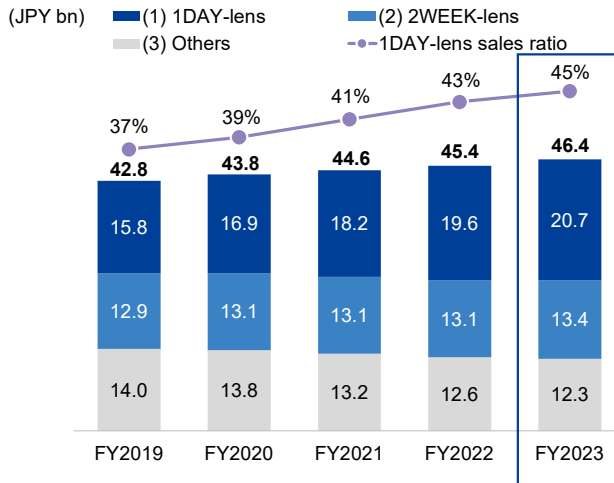
Operating profit decreased due to an increase in the SGA ratio, reflecting continued investment in growth, such as the start-up of new plants and new product development, as well as one-time expenses incurred in response to domestic price revision and other factors.

We are currently investing mainly in 1DAY-lens, so depreciation expenses are increasing, and EBITDA shows a smaller decrease in profit.

The main reasons for the decrease in profit attributable to owners of parent are, the extraordinary loss incurred by the food business in China due to the impact of ALPS treated water discharge, and the extraordinary loss related to a provision for loss on guarantees resulting from the end of the Stock Benefit Trust, totaling JPY 0.9 bn, were recorded.

MELS Plan Sales (Breakdown of net sales)

Growth due to increase in membership and effect of price revision for high unit price lenses (1DAY-lens and bifocal type)



- 1 1DAY-lens (YoY : JPY +1.07 bn)**
 - Increase in membership due to increased supply
 - Effect of price revision (+JPY 0.07 bn)
- 2 2WEEK-lens (YoY : JPY +0.22 bn)**
 - Increase in membership for high unit price lenses
 - Effect of price revision (+JPY 0.16 bn)
- 3 Others (YoY : JPY -0.33 bn)**
 - Decrease in membership due to increased 1DAY-lens demand

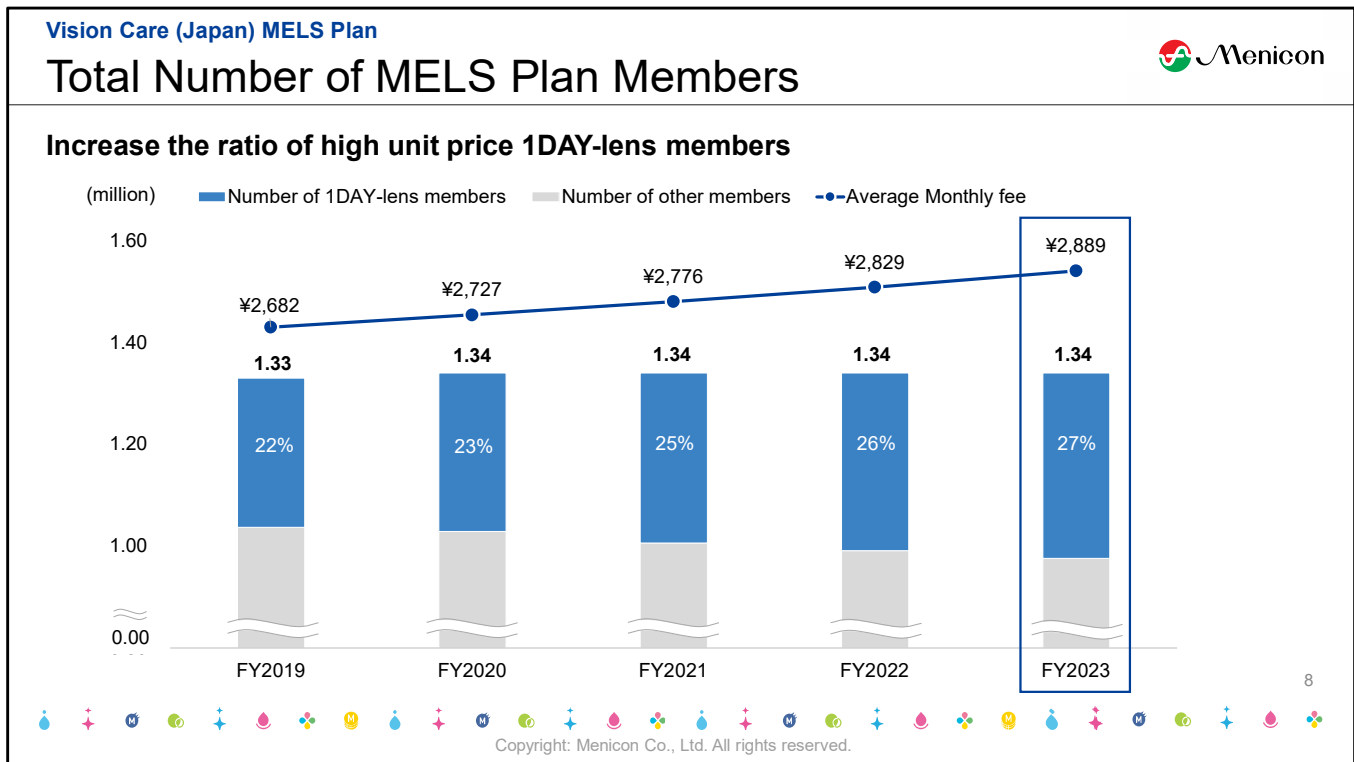
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Here is an explanation of the breakdown of net sales for the Vision Care business, broken down into MELS Plan and Product sales.

The MELS Plan revenue was JPY 46.4 bn, an increase of JPY 1.0 bn from the previous year.

The acquisition of members for 1DAY-lens and the multifocal types 2WEEK-lens, which have higher monthly fee, and the sequential price revisions implemented since January of this year have contributed to the increase in sales.



This chart shows the cumulative number of MELS Plan members.

The number of members landed at 1.34 million, partly due to the limited supply of 1DAY-lens, for which demand was strong, and partly due to the impact of the price revision from January on the number of members acquired.

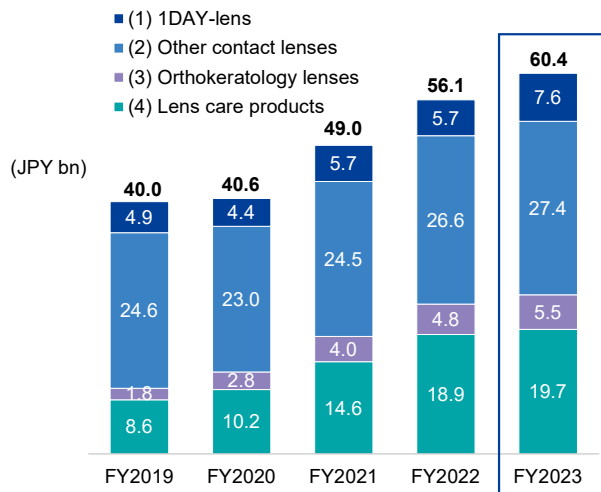
On the other hand, the average monthly fee has increased along with the increase in the 1DAY-lens member ratio, improving the mix among MELS Plan.

Since the price revision was completed in April of this year, we expect the impact on membership acquisition to gradually diminish in the current fiscal year.

Contact Lenses and Lens Care Products Sales (Breakdown of Sales)

Global : Expand 1DAY-lens & Ortho-K sales

Europe/North America : Expand Lens care products sales



1 1DAY-lens (YoY : JPY +1.97 bn)

- Europe : Expansion of sales areas
- North America : Develop new business partners
- Japan : Sales expansion, Effect of price revision

2 Other contact lenses (YoY : JPY +0.8 bn)

- Europe: 1MONTH-lens sales expansion
- Domestic: Effect of price revision

3 Orthokeratology lenses (YoY : JPY +0.66 bn)

- China: Expansion of new product sales (JPY +0.43 bn)
- Japan, etc.: Ortho-K dissemination (JPY +0.23 bn)

4 Lens care products (YoY : JPY +0.83 bn)

- Europe, etc.: Sales expansion in Europe, etc. (JPY +1.48 bn)
- China: Impact of economic stagnation (JPY -0.65 bn)

Contact lenses and lens care products sales were JPY 60.4 bn, sales increased by JPY 4.2 bn from the previous year.

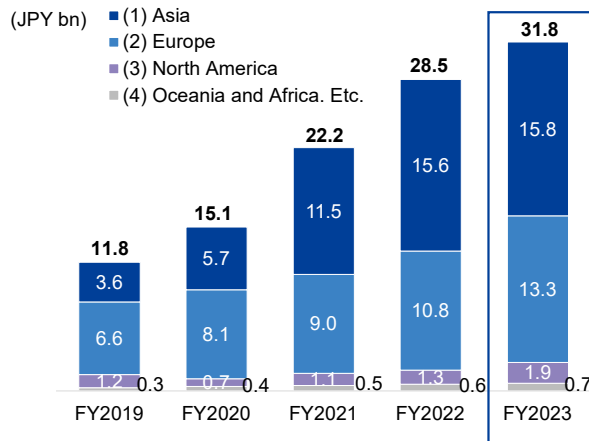
Sales of 1DAY-lens increased in Europe and North America due to expand sales to major retail chains, and in Japan due to sales expansion and price revisions etc.

Sales of orthokeratology lenses increased due to the introduction of a new product in China and the growing penetration of the product in Japan and other regions, although market growth slowed in China due to economic stagnation and other factors.

Regarding the lens care products, although sales declined in China, overall sales increased due to sales expansion in Europe and the introduction of a new hydrogen peroxide-type product in Japan.

Overseas Sales by Region (Breakdown of Sales)

Growth in each region, with a focus on key regions in Asia, Europe, and North America



1 Asia (YoY : JPY +0.19 bn)

- Expand Ortho-K and lens care products sales in Singapore / Korea (JPY +0.33 bn)
- COVID-19 impact (1Q) and economic stagnation (3-4Q) in China (JPY -0.14 bn)
*Ortho-K JPY +0.43 bn, Lens care products JPY -0.65 bn

2 Europe (YoY : +JPY 2.49 bn)

- Expand 1DAY-lens, 1MONTH-lens, Lens care products sales

3 North America (YoY : +JPY 0.55 bn)

- Expanded 1DAY-lens and lens care products sales

* Includes major exports to China through domestic distributors prior to FY2020.

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Here is an explanation of overseas sales in the Vision Care business by region.

Overseas sales totaled JPY 31.8 bn, sales increased by JPY 3.3 bn from the previous year.

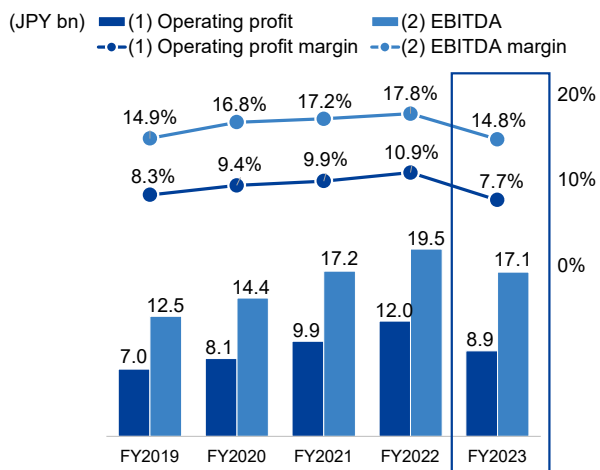
In Asia, although sales remained flat in China, overall sales increased due to expand orthokeratology lenses and lens care products sales in Singapore and Korea.

In Europe and North America, sales increased due to expand sales of 1DAY-lens and lens care products.

Until now, our overseas growth has been centered on Asia, but from now on, we will aim for well-balanced growth not only in Asia but also in Europe and North America, which have large markets, as our priority regions.

Operating profit / EBITDA

Execute investments for future growth



1 Operating profit (YoY : JPY -3.11 bn)
Operating profit margin (YoY : -3.2 pt)

- Gross profit: JPY +2.53 bn (JPY 58.4 bn → JPY 61.0 bn)
Expand sales of 1DAY-lens, etc., and effect of price revision in Japan
- SGA: JPY +5.64 bn (JPY 46.4 bn → JPY 52.0 bn)
Strengthen investments for future growth (new plants, R&D, strengthening sales network)
One-time expenses incurred in response to price revision, etc.

2 EBITDA (YoY: JPY -2.44 bn)
EBITDA margin (YoY: -3.0 pt)

- Depreciation: JPY +0.51 bn (JPY 7.0 bn → JPY 7.5 bn)
Increase due to 1DAY-lens investment, etc.

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Here is an explanation of operating profit and EBITDA.

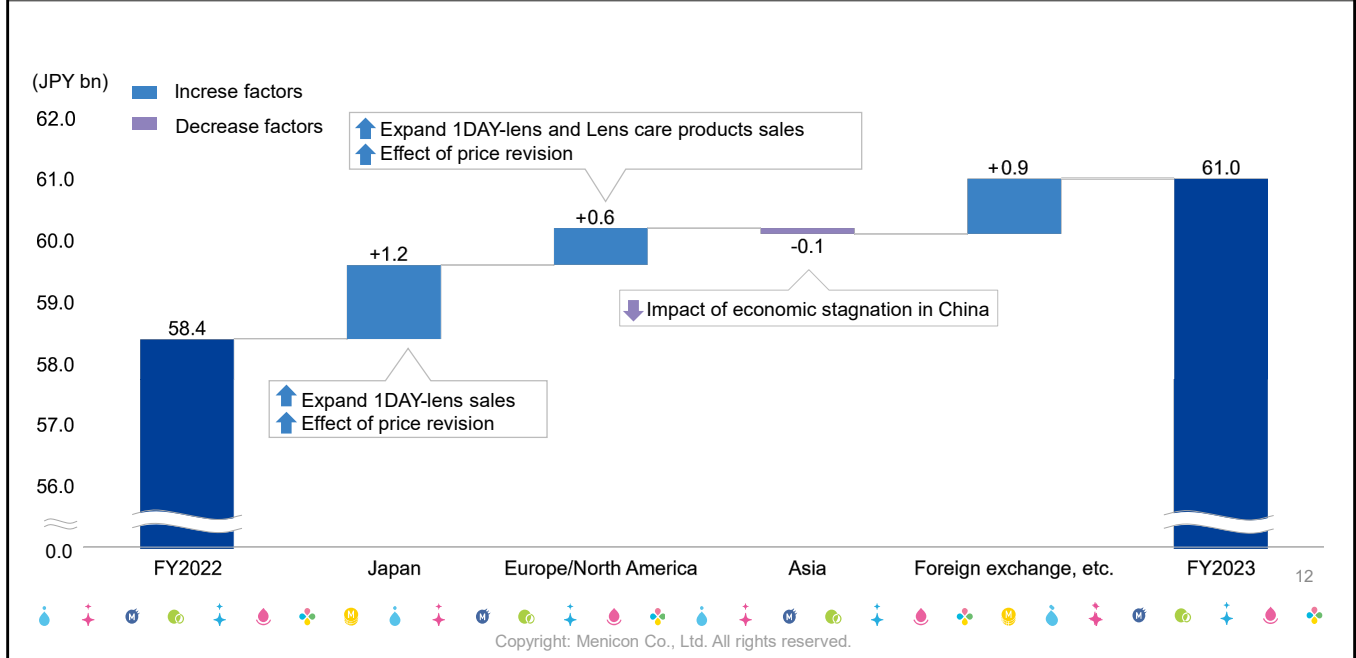
Although operating profit decreased mainly due to a preparation of the Malaysia plant to increase 1DAY-lens production capacity and one-time expenses such as response to price revisions and so on, we believe these efforts are necessary for future growth.

The graph also shows the changes in operating profit and EBITDA from the past.

The increase in depreciation has affected operating profit over the past several years due to ongoing investments in 1DAY-lens, etc.

Therefore, we regard ourselves as having a certain level of profitability in terms of EBITDA.

Analysis of Changes in Consolidated Gross profit



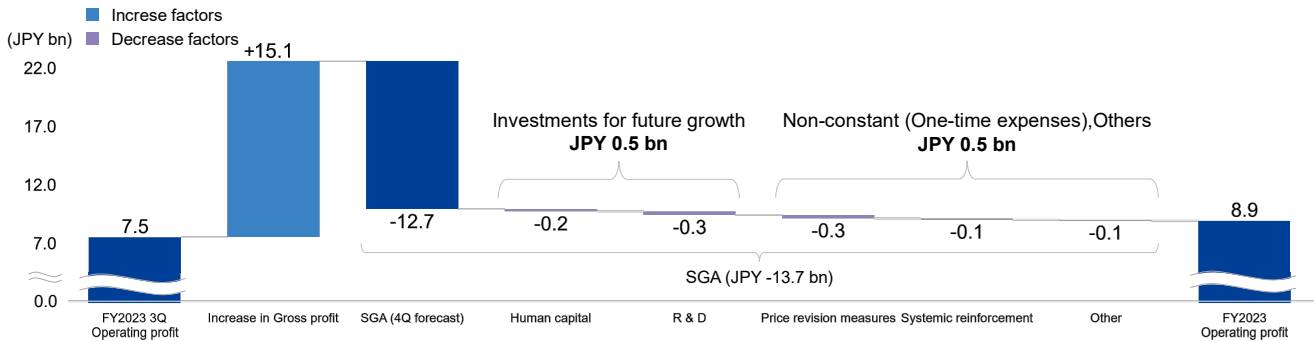
This chart shows the factors that contributed to increase or decrease in gross profit from the previous year.

In Japan, Europe, and North America, the effect of sales expansion and price revisions led to a total increase of JPY 1.8 bn.

On the other hand, Covid-19 and economic conditions in China led to a JPY 0.1 bn decrease in profits in Asia.

The increase of JPY 0.9 bn was mainly due to the depreciation of the yen against the exchange rate compared to the previous year.

Analysis of Changes between 3Q results and 4Q results (Operating Profit)



• Major breakdown

Items		Amount (JPY bn)
Investments for future growth	Human capital	-0.2
	R & D	-0.3
Non-constant (One-time expenses)	Price revision measures	-0.3
	Systemic reinforcement	-0.1
Others	Soaring prices due to inflation, etc.	-0.1

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Operating profit has landed below the revised forecast announced in February 2024. Here is an explanation of the reason.

This chart shows the factors of increase or decrease in operating profit from the 3Q results.

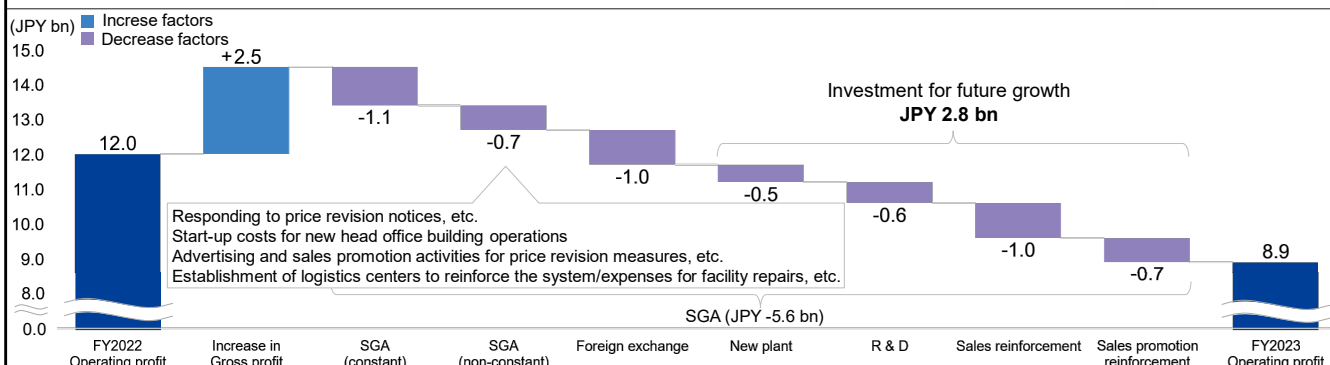
Regarding SGA, the revised forecast assumed that JPY 12.7 bn would be used in the 4Q, but as a result, the forecast was revised upward by JPY 1.0 bn.

The breakdown is investments for future growth and one-time expenses.

Investments for future growth are due to incentives for employees in Europe and accelerated lens care development costs for China.

One-time expenses include costs related to advertising and sales promotion to cope with the impact of the price revision, the cost of opening the Global Logistics Center, which started operation in May this year, and the cost of repairing facilities.

Analysis of Changes between FY2022 and FY2023 (Operating Profit)



• Investment expenses for future growth, etc. *Except exchange rate effects

Items	Amount (JPY bn)
New plant	-0.5
R & D	-0.6
Sales reinforcement	-1.0
Sales promotion reinforcement	-0.7

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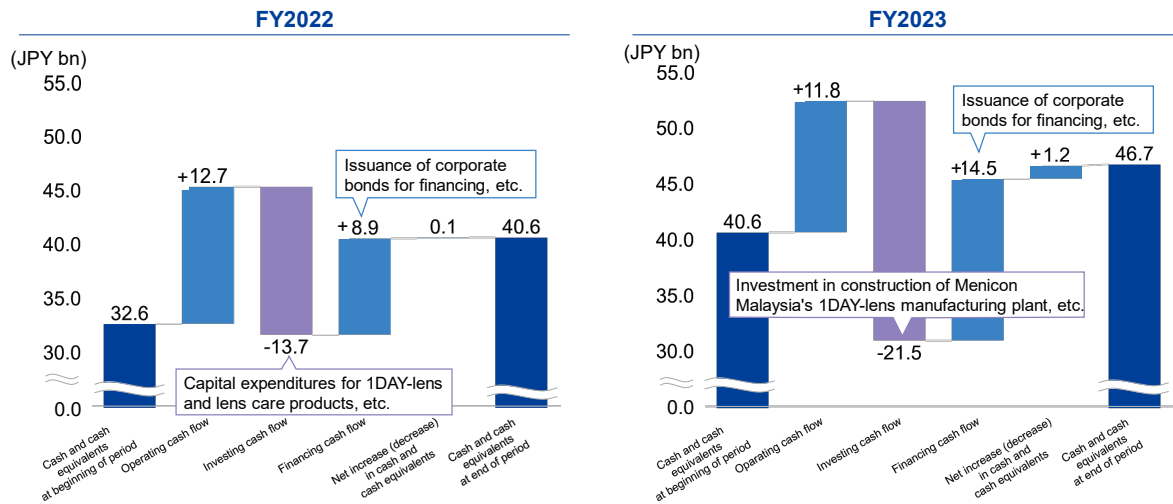
The chart here shows the factors that contributed to increase or decrease in consolidated operating profit for the full year from the previous year.

Gross profit increased JPY 2.5 bn, but SGA increased JPY 5.6 bn.

Here is also an explanation of SGA for the full year, broken down into investments for future growth and one-time expenses. Investments for future growth will cover expenses such as preparation for the Malaysia plant for 1DAY-lens and the China plant for orthokeratology lenses, research and development of new products, strengthening of sales and sales promotion etc. to expand the Vision Care business.

One-time costs are mainly the cost of dealing with price revisions.

Consolidated Cash Flow Comparison



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As you can see for consolidated cash flow.

Similar to the explanation of EBITDA, we consider that we are generating a certain amount of operating cash flow.

In April 2023, we issued JPY 20.0 bn in corporate bonds to be used for investments to strengthen production facilities at the Malaysia and Singapore plants, which are 1DAY-lens manufacturing bases, and the Gujo plant, which is a lens care products manufacturing base.

II. Forecast of Consolidated Financial Results for FY2024

Next, let me explain Forecast of Consolidated Financial Results for FY2024.

Financial Forecast



(JPY m)	FY2023	FY2024 (Forecast)	YoY
Net sales	116,192	122,700	+5.6%
Cost of sales	55,181	57,500	+4.2%
(Cost of sales ratio)	47.5%	46.9%	(-0.6pt)
Gross profit	61,010	65,200	+6.9%
SGA	52,058	55,200	+6.0%
(SGA ratio)	44.8%	45.0%	(+0.2pt)
Operating profit	8,951	10,000	+11.7%
(Operating profit ratio)	7.7%	8.1%	(+0.4pt)
EBITDA	17,150	20,437	+19.2%
(EBITDA margin)	14.8%	16.7%	(+1.9pt)
Ordinary profit	8,225	9,500	+15.5%
Profit attributable to owners of parent	4,538	7,000	+54.2%

* Exchange rate in FY2023 EUR : JPY 157.7, USD : JPY 145.3, CNY : JPY 19.9
Exchange rate in financial forecast FY2024 EUR : JPY 159.0, USD : JPY 147.0, CNY : JPY 20.3

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We expect net sales to increase 5.6% to JPY 122.7 bn from the previous year, gross profit to increase 6.9% to JPY 65.2 bn, and operating profit to increase 11.7% to JPY 10.0 bn.

Profit attributable to owners of parent is expected to increase 54.2% to JPY 7.0 bn from the previous year.

This is due to the inclusion of an extraordinary income related to the redemption of convertible bonds maturing in January 2025.

Before I provide details of this fiscal year's forecast, I would like to explain our medium-term management plan, which was announced yesterday, as I mentioned at the beginning of this presentation.

Ⅲ. Medium-Term Management Plan

Since the announcement of our medium-term management plan Vision2030 in May 2021, the situation surrounding our company has changed significantly.

The growth strategy remains the same, with the vision care business as the growth driver.

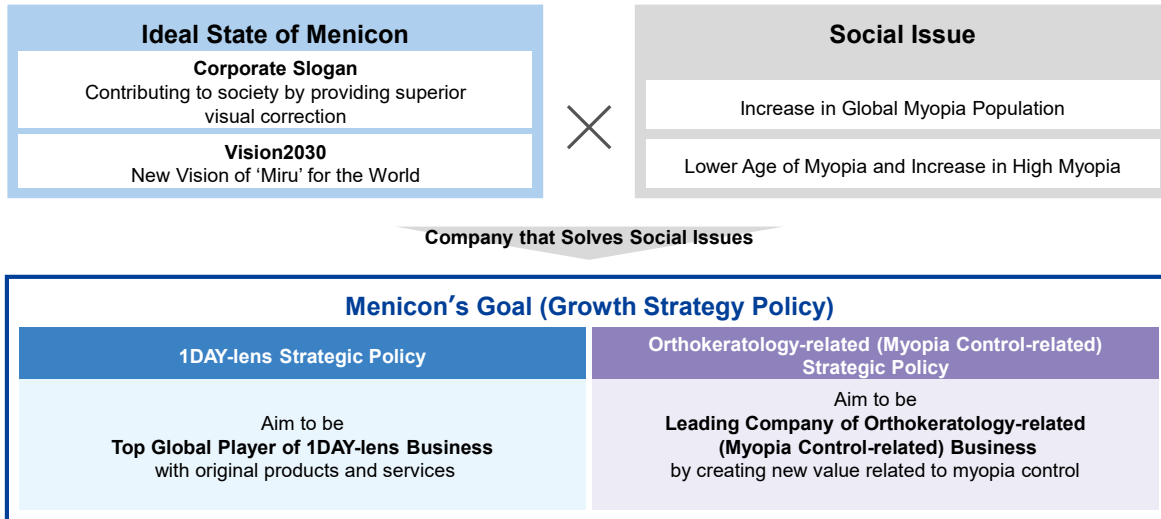
Today, I will once again explain Menicon's medium-term management plan and new milestones.

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- 2 Contact Lens Market Environment
- 3 Milestone 2025 Progress Assessment
- 4 Set Milestone 2027
- 5 Growth Strategies (1DAY-lens Growth Strategy and Orthokeratology-Related Growth Strategy)
- 6 Capital Allocation, Shareholder Return Policy

First of all, let me explain regarding Menicon's goal.

Menicon's Goal -Growth Strategy Policy



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At First, as we have told our stakeholders, our ideal state is to “Contributing to society by providing superior visual correction,” which is our corporate slogan, and “New Vision of “Miru” for the World,” which is message for Vision 2030. And “Increase in global myopia population” and “Lower age of myopia and increase in high myopia” are the social changes that form the basis of our vision care business. We recognize that these are global social issues. We believe that our goal is to solve these social issues through our vision care business, as it has been in the past.

We have now clarified our two growth strategy policies. The first is “Aim to be Top Global Player of 1DAY-lens Business with original products and services” as the “1DAY-lens Strategic Policy”, and the second is “Aim to be Leading Company of Orthokeratology-related Business by creating new value related to myopia control” as the "Orthokeratology-related Strategic Policy". Our goal remains unchanged.

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- 6 Capital Allocation, Shareholder Return Policy

From the next slide, I will explain why we are aiming two growth strategies and the market environment surrounding the vision care business.

Increase in Myopia Population



Myopia population continues to grow.

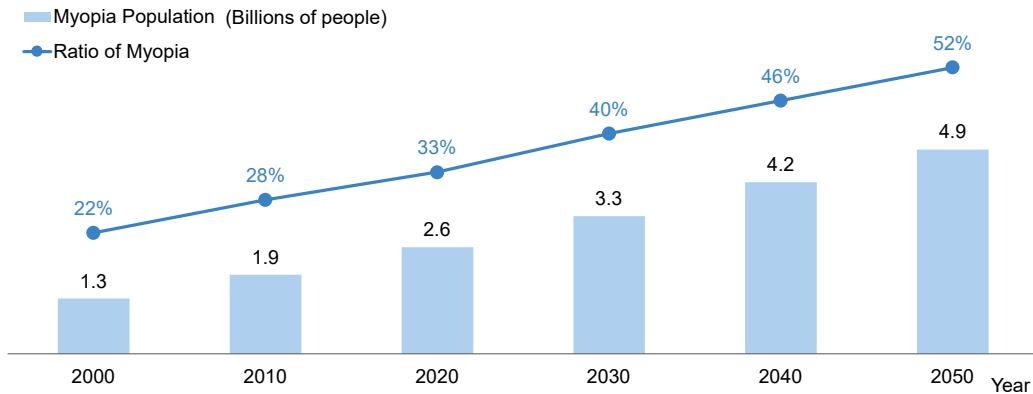


Exhibit: World Health Organization, "THE IMPACT OF MYOPIA AND HIGH MYOPIA"

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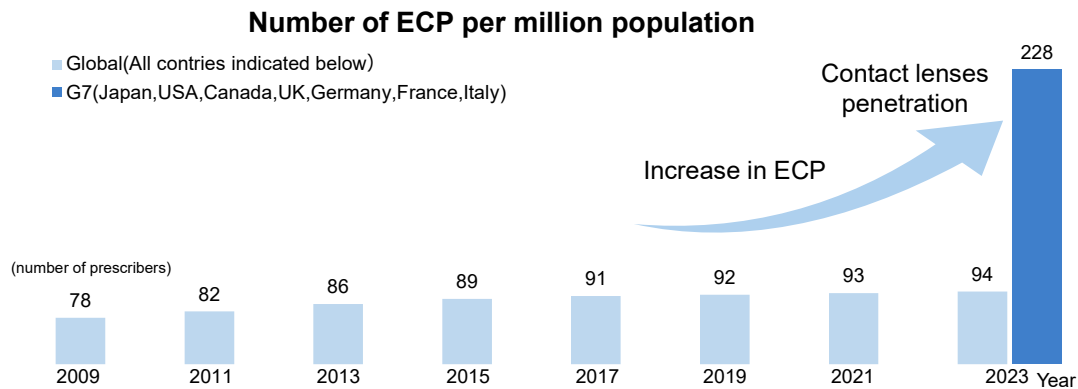
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It is said that the myopia population is increasing year by year due to the spread of digital devices, etc. It is predicted that about 30-several percent of the population is myopia today and about half of the world's population will be myopia by 2050.

We believe that by providing superior visual correction through our vision care business, we can contribute to solve the social issue of the growing myopia population.

Widespread use of contact lenses

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



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

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

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In addition, ECP, such as an ophthalmologist, who prescribes contact lenses or glasses, is needed for those who are myopia to achieve proper vision.

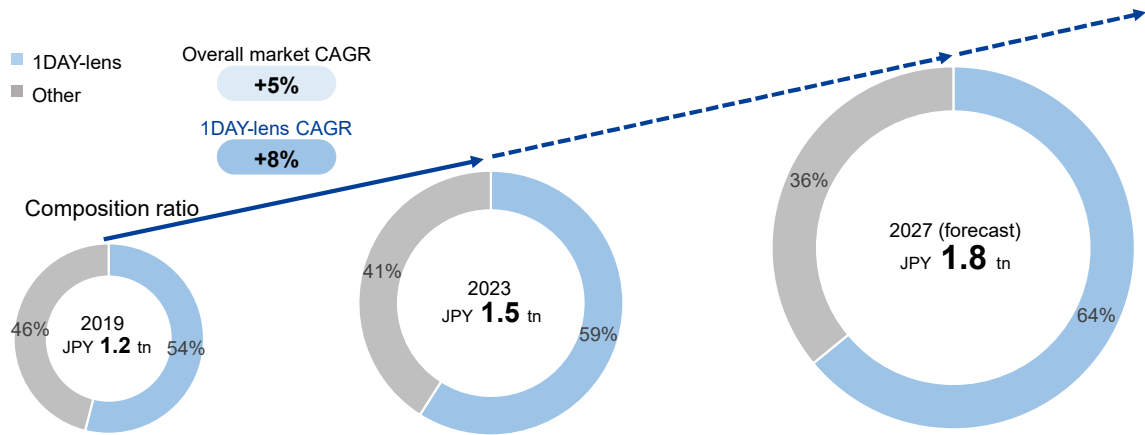
This graph shows that the number of ECP per million population is increasing every year.

We consider that the increase in the number of ECP is the basis for contact lens penetration.

In fact, there are more than twice as many ECP in the G7 countries, where contact lenses are more widespread than globally. We expect that contact lenses will become more popular in the future along with the number of ECP increases globally.

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

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



Source: Internal survey data

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

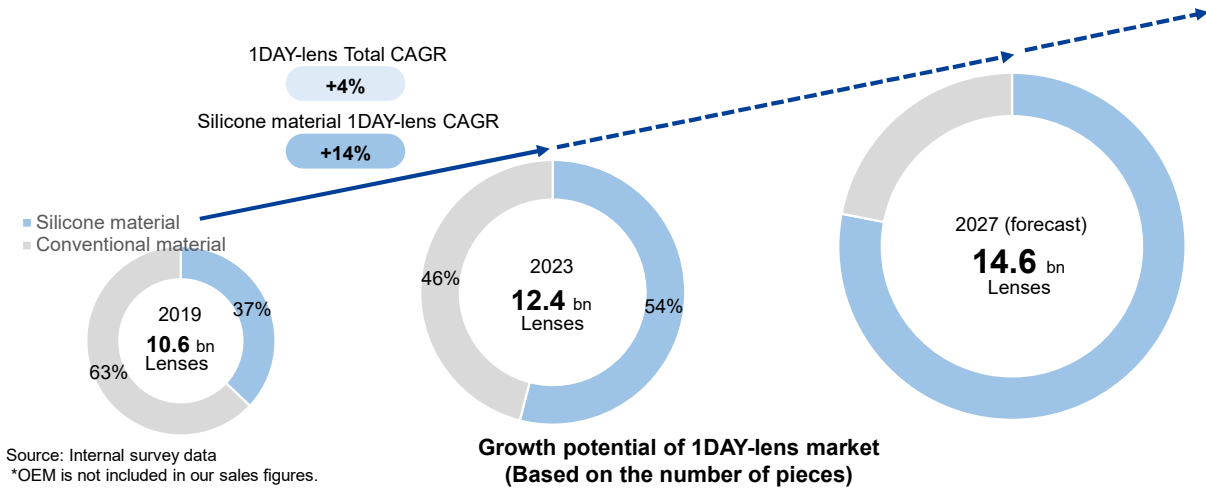
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Against the background of the increase in the myopia population and the number of ECP, the contact lens market has been growing at about 5% globally and is expected to continue to grow at the same rate in monetary terms.

Among contact lenses, 1DAY-lens contact lenses are growing, which is why we have positioned the 1DAY-lens strategy in our growth strategy.

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

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



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This chart shows the growth potential of the 1DAY-lens contact lens market in terms of number of lenses.

1DAY-lens contact lenses made of silicone materials, which is said to be less stressful on the eyes due to its higher oxygen permeability than conventional materials, have grown significantly and are leading the contact lens market.

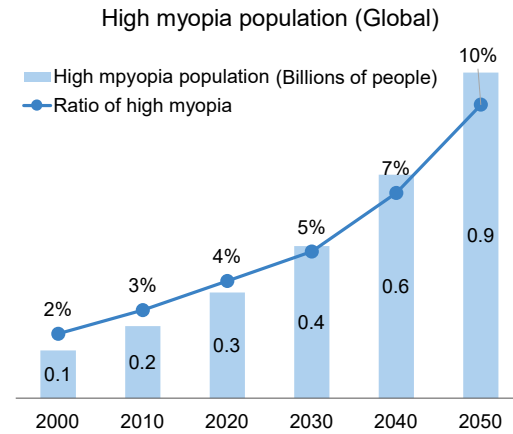
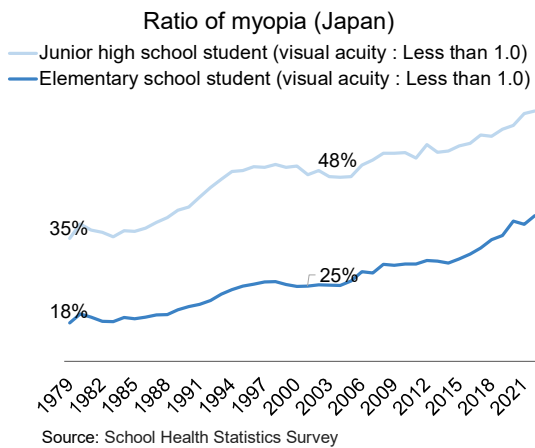
The Malaysia plant, in which we are currently investing aggressively, is scheduled to produce silicone material 1DAY-lens.

We are investing in the areas of the contact lens market with the greatest potential.

Lower Age of Myopia and Increase in High Myopia



Due to the spread of digital devices etc, the global myopia population is becoming younger and the number of high myopia people is increasing. There are high expectations for efforts to myopia control because of concern about increasing risk of future eye diseases.



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Now, let us return again to the explanation of the content regarding the myopia population.

The graph on the left shows that the percentage of myopia among elementary and junior high school students in Japan is increasing year by year.

It is presumed that the low age of myopia is occurring globally, as it is in Japan.

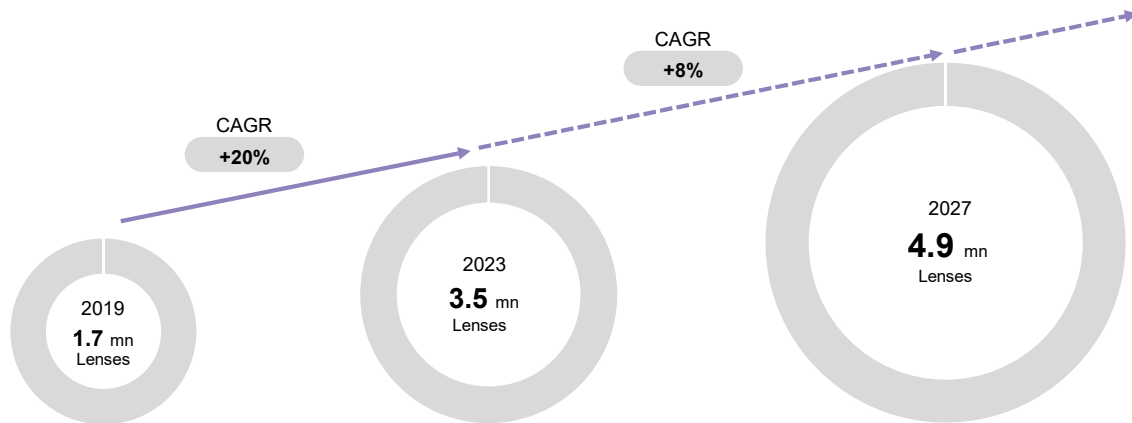
The graph on the right shows the expected increase in the myopia population and the percentage of the population with high myopia.

High myopia is said to increase the risk of eye disease, We believe that efforts to myopia control in young people are socially significant.

Growth Potential of Global Orthokeratology Lens Market



Expect to grow steadily



Growth Potential of Orthokeratology lens market (number of lenses)

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

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Thus, with the growing expectations for myopia control, the market for orthokeratology lenses, which are expected to myopia control, has been growing in recent years, especially in Asia.

This graph is based on the number of lenses. The market has grown significantly, especially in Asia, and we expect stable growth in the future.

Because orthokeratology lenses are specially designed contact lenses worn during sleep, proper care is essential. Therefore, we believe that the market for care products will grow along with the growth of orthokeratology lenses.

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So far, I explained the growth potential of the contact lens market.

From here, I will explain how changes in our business environment has impacted the current milestones announced in May 2021, as well as an assessment of our progress.

Milestone 2025 Progress Assessment



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

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

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Progress is evaluated e quantitative targets for the FY2025, a milestone set in May 2021, using results for the FY2023.

As shown here, global supply chain disruptions occurred due to the COVID-19 and changes in the international affairs.

This led to the need for longer lead time for 1DAY-lens investment. As a result, the supply of 1DAY-lens has not kept up with demand, affecting the ratio of 1DAY-lens to net sales and the number of MELS Plan members.

Current and future initiatives include, in terms of production, aggressive investment in the Malaysia plant to strengthen the supply system. In terms of profit, the company has implemented a comprehensive price revision in Japan since last year. The full-year effect will be expected to begin this fiscal year.

And by increasing 1DAY-lens production at the Malaysia plant, We expect a decrease in manufacturing costs due to the effect of mass production.

Thus, the assumptions have changed since the quantitative targets were set, the issues to be addressed has also changed significantly. Therefore, it was decided that a new milestone needed to be set.

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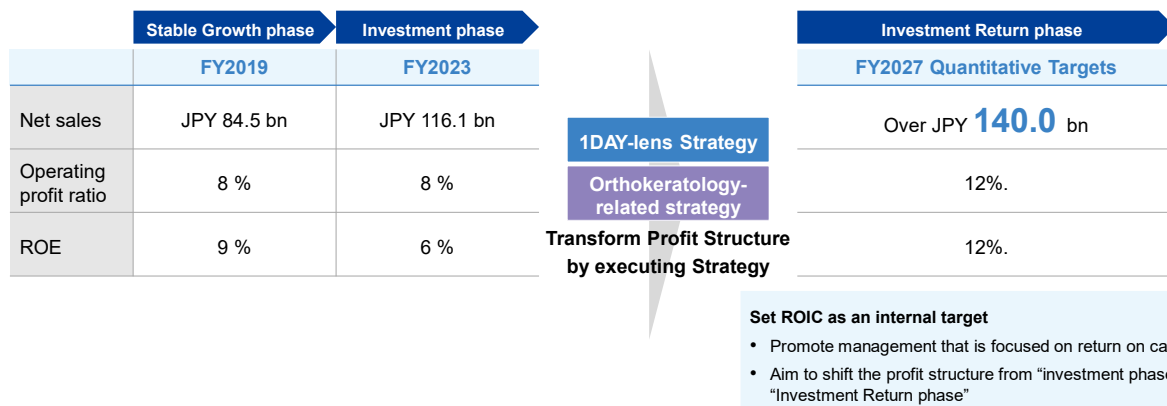


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On the next slide, I will describe the new milestones.

Set Milestone 2027

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



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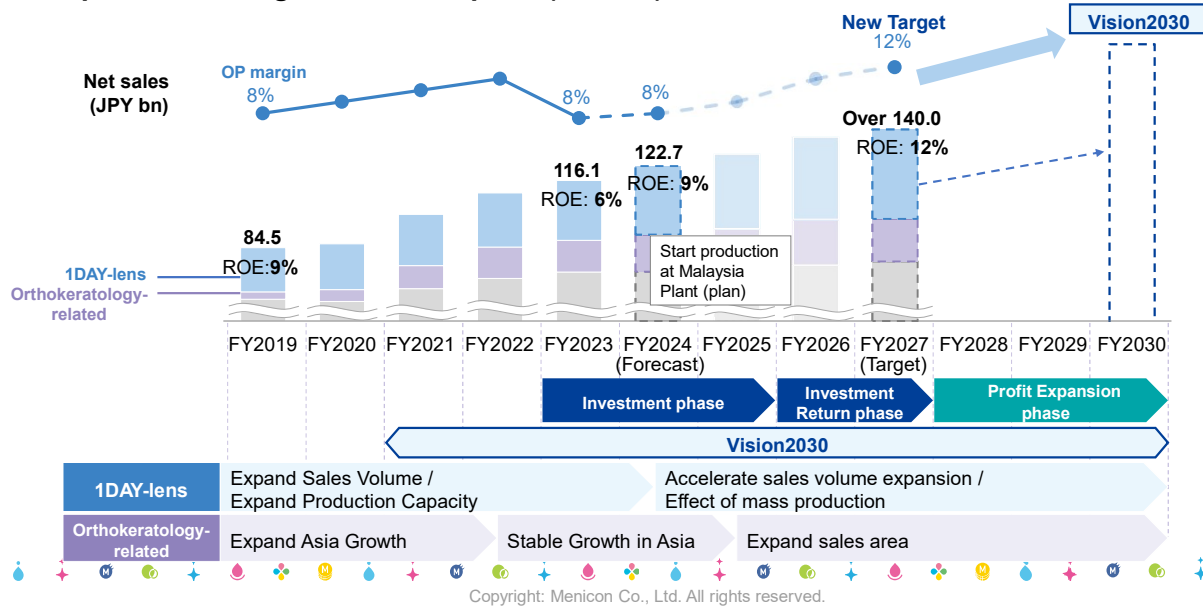
Currently, we are in the investment phase, mainly Malaysia plant, but we expect to move into the investment return phase by FY2027 as a result of executing the 1DAY-lens strategy and orthokeratology-related strategies that we have clarified this time. And the quantitative targets for FY2027 are net sales of over JPY 140 bn, operating profit margin of 12%, and ROE of 12%. We have also set ROIC, a measure of capital efficiency, as an internal target, aiming to transform our profit structure from the “investment phase” to the “investment return phase”.

The reason why the quantitative sales target is described as "over" is that this target is somewhat conservative based on the current plan.

Currently, we are considering not only organic growth, but also external growth through M&A, and strategies and measures to improve capital profitability. We will update the targets as necessary.

Set Milestone 2027

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



This slide shows sales and operating profit margin for the new milestone.

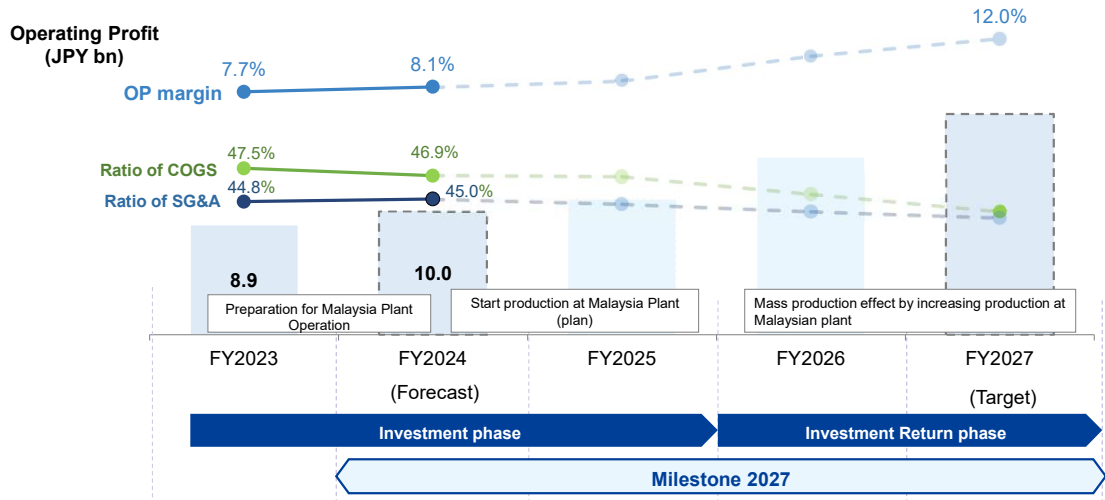
Although we are currently in the investment phase, we expect to move into the investment return phase when the Malaysia plant goes into full-scale operation, which will improve profitability.

We believe that we will move into the profit expansion phase by further expanding production at the Malaysia plant toward Vision 2030.

Currently, we are six years into our medium-term management plan Vision 2030, the new milestone is right in the middle of the process. Specific quantitative targets in Vision 2030 will be set based on the achievement of milestones.

Set Milestone 2027

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



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Here is an image of the changes in the profit structure up to the milestone.

During the preparation period of the Malaysia plant, which is the investment phase, the related costs are charged to SGA expenses, and after production starts, they are charged to cost. Among these related expenses, depreciation of the building and preparation costs before the start of production are recorded even before the start of production.

And, even after the start of production, costs will be incurred upfront, which is expected to have a certain impact on the current profit margin.

In the investment return phase, cost of sales ratio is expected to improve due to the mass production effect from the increased production at the Malaysia plant, and SGA ratio is expected to decline due to the sales expansion of 1DAY-lens, resulting in an improvement in operating profit margin.

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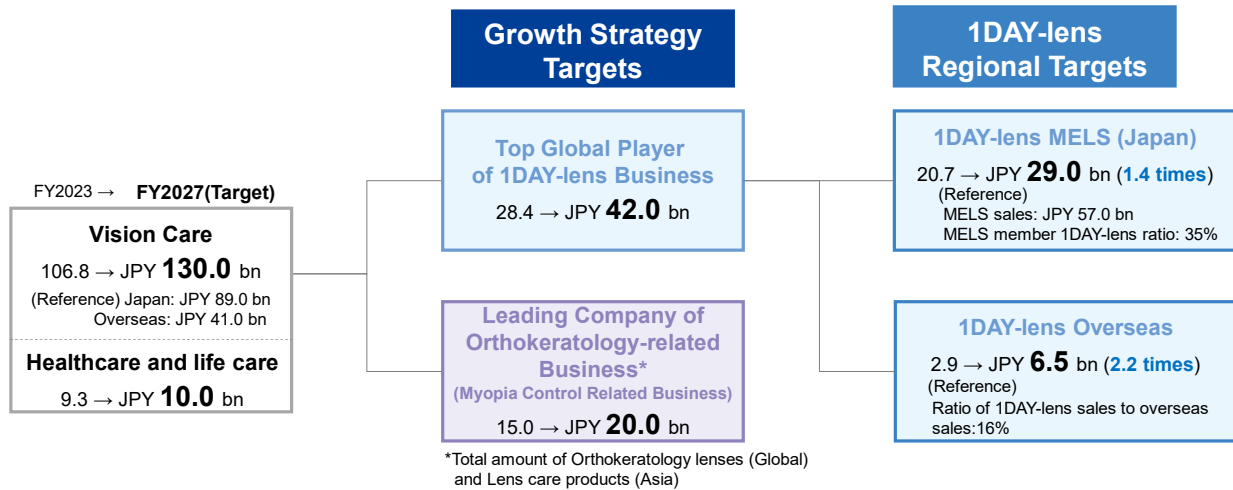
- 1 Menicon's Goals
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From here, we will discuss growth strategies to achieve milestones.

Growth Strategy Targets & 1DAY-lens Regional Targets



Expect to achieve goals by implementing growth strategies



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

35



As growth strategy targets to achieve net sales of over JPY 140 bn, operating profit margin of 12%, and ROE of 12%, we aim to achieve sales of JPY 42.0 bn for 1DAY-lens and total sales of JPY 20.0 bn for orthokeratology-related products, including orthokeratology lenses globally and lens care products in Asia.

For 1DAY-lens, we have set regional targets and will work to increase sales, focusing on expanding sales of MELS Plan in Japan and major mass retail chain stores overseas.

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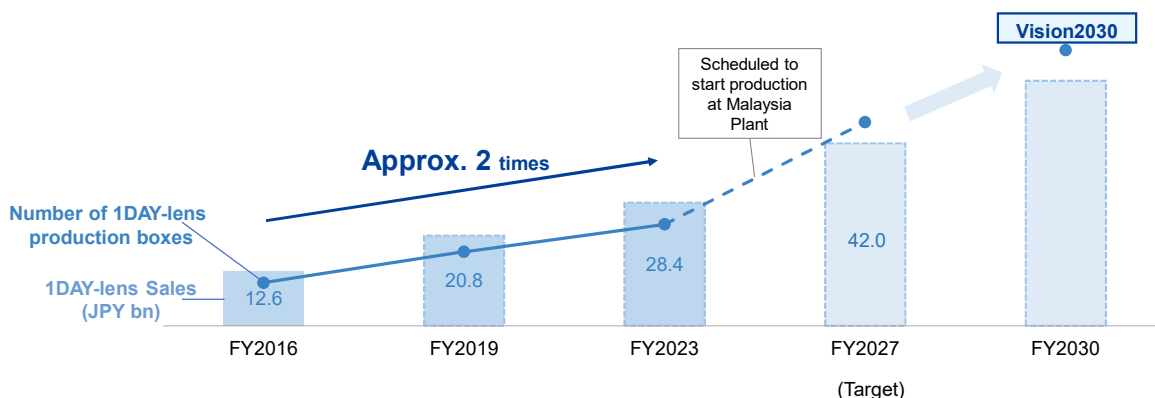


We will explain our growth strategy, divided into 1DAY-lens and orthokeratology-related business.
First, let's talk about 1DAY-lens.

1DAY-lens Production Capacity

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

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



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

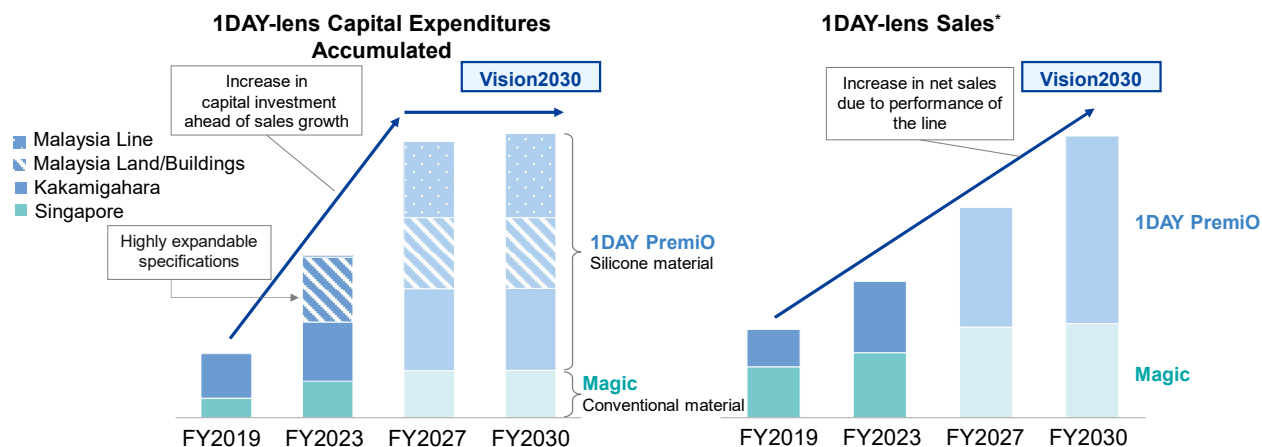
1DAY-lens has strong demand in the contact lens market, the supply of 1DAY-lens made of silicone hydrogel material manufactured at our Kakamigahara Plant is not keeping pace with demand.

In the past, sales have increased in proportion to the increase in production capacity, and we expect this trend to continue, backed by strong demand.

As mentioned above, we will set up the new Malaysia plant as a 1DAY-lens production base in anticipation of medium- to long-term demand, and will work to increase production capacity.

1DAY-lens Capital Investment and Sales

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



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

For 1DAY-lens, we show you the image, the left graph shows the past to future of cumulative capital expenditures, and the right graph shows single-year sales trends. Since demand for silicone material 1DAY-lens is expected to increase in the medium to long term, we will invest mainly in the Kakamigahara plant and the Malaysia plant, but investments are expected to settle down in FY2027.

On the other hand, since there is a time lag between the timing of capital expenditures, the increase in production volume, and the corresponding increase in sales, we expect a slight delay in sales growth from the investment.

Sales are expected to increase toward Vision 2030 even after the investments are expected to settle down in FY2027.

Strengths of Menicon

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

Unique products

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



<p>1DAY PremiO</p> <p>High oxygen permeability Silicone material lenses</p>	<p>Magic</p> <p>Thinner package with reduced plastic usage</p>
--	---

Menicon's Core Values

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

Sales Strategy by Region

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

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

Number of countries where products are exhibited:



Next, I would like to explain how Menicon 1DAY-lens will grow globally.

SMART TOUCH, Menicon's distinctive packaging, is easy to use and clean, allowing the user to wear without touching the inner surface.

In addition, Magic's thin packaging and reduced use of plastic have been well received in Europe and elsewhere as an environmentally friendly product.

Behind these unique products is our core value, "Commitment to Innovation," which has been passed down from generation to generation since we were the first to successfully develop and market contact lenses in Japan.

We will expand sales through region-specific strategies, leveraged with distinctive products and the Menicon brand.

Malaysia Plant Overview

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

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

Phase1 (on going)

Phase2~4 (Undecided : expanded based on demand)

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



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



Malaysia plant overview

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

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

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I would like to explain the progress of our Malaysia plant, which is the cornerstone of our 1DAY-lens growth strategy that we have repeatedly explained.

The first phase of construction is currently underway, with production of silicone material 1DAY-lens scheduled to begin in 2025.

When the production line is filled to the maximum, we expect to have an annual production capacity of approximately 500 million pieces.

In the long term, the production capacity can be further expanded through the second, third, and fourth phases of expansion, up to a four-fold increase in production capacity.

In the first phase of construction, not only the production building but also the office, logistics and packaging building are being put together. If the second phase of construction were to be implemented, investment would be made only for the production building. Therefore, in the second phase, production capacity could be expanded with a smaller investment than in the first phase plant.

1DAY-lens market and Menicon's share

Establish a global sales base by developing sales and supply chain

⇒ Expand market share by increasing supply of the product

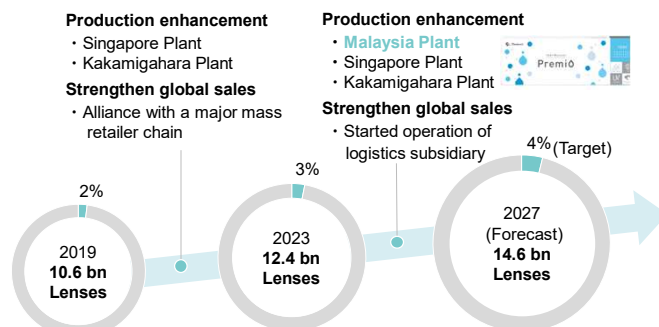
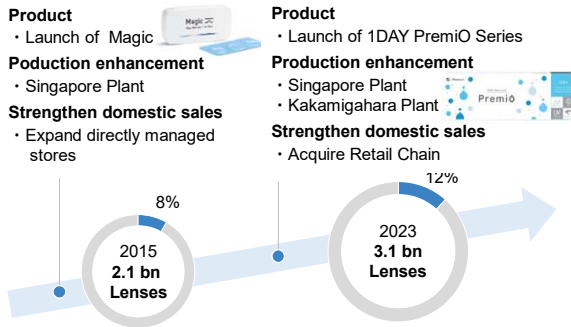
Establish a foundation in Japan → **Establish a global infrastructure**

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

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

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

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



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

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

1DAY-lens Market CAGR

+4%

Menicon CAGR

+10%

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So far, through in-house development of 1DAY-lens, expansion of production capacity at the Singapore and Kakamigahara plants, and establishment of a sales network through mergers and acquisitions of sales companies, our market share of 1DAY-lens in Japan, has increased from 8% in 2016 to the current 12%.

We plan to further increase our production capacity by operating the existing plant and the Malaysia plant, and to expand our global market share by establishing a global distribution network and sales infrastructure.

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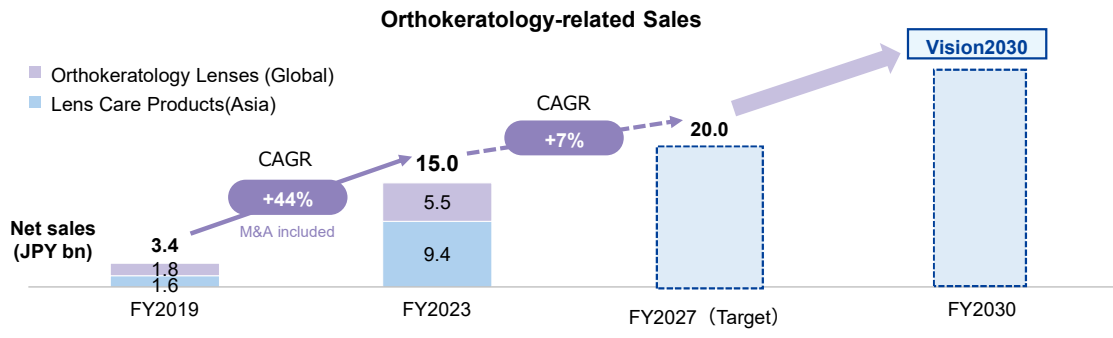


Next, I would like to explain the growth of orthokeratology-related strategy.

Orthokeratology-Related Growth Strategy
Orthokeratology-Related Sales



Expect stable growth based on demand to myopia control



Orthokeratology-Related Strategy Measures
 Orthokeratology Lenses: Expand global sales with multiple product features
 Lens Care Products: Expand sales by diversifying sales channels

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As I explained earlier, we believe there is a potential for the orthokeratology-related market to grow globally due to younger age of myopia and the increase in the population with high myopia.

The market has been growing significantly, especially in China, and we now expect stable growth. The next slide explains in more detail of our strategy for expanding our orthokeratology-related sales.

Orthokeratology-Related Sales Strategy

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

Orthokeratology Lenses (Global)

α Ortho-K

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

Menicon Z Night

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

Menicon Bloom Night

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

Lens Care Products (Asia)

MeniCare Plus

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

Progent

- Product features: Protein remover
High cleaning effectiveness

Expand sales through medical/EC channels



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



We are developing three types of orthokeratology lenses. We aim to take advantage of the features of each product and sell them through multinational development.

Alpha Ortho-K began the production in China last year, which is expected to improve the service level by shortening delivery time in China.

Menicon Z night was launched in China last year.

We consider that the presence of dedicated software to support prescribing will contribute to the development of new facilities that handle the product.

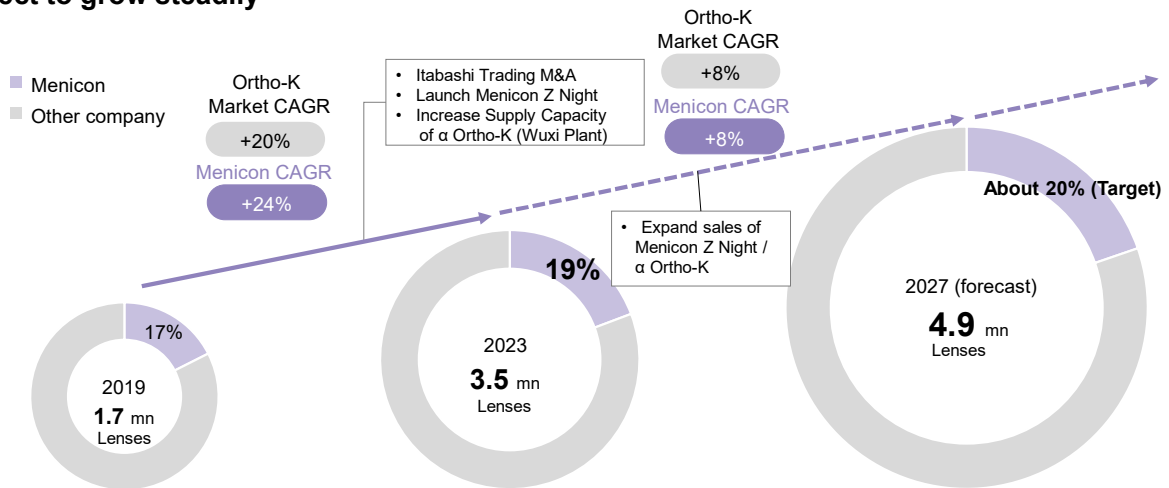
Menicon Bloom Night is an orthokeratology lens for controlling myopia progression, and sales are expected to expand, especially in Europe.

Lens Care products, which have an established reputation for cleaning and disinfecting effectiveness based on its long-standing development know-how, will be expanded together with orthokeratology lenses, through a variety of sales channels.

Orthokeratology Lens Market and Menicon Share



Expect to grow steadily



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

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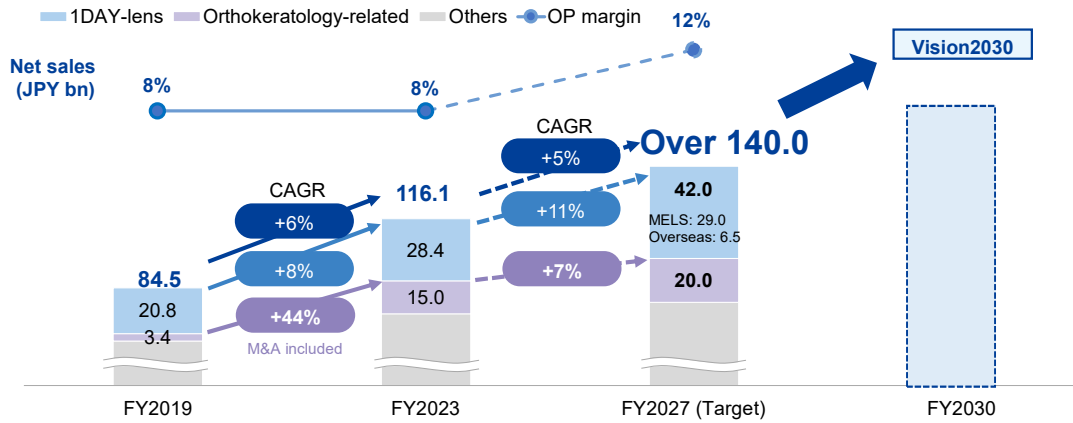
So far, we have continued to outpace the growth of the orthokeratology lens market and have increased our market share.

We will continue to aim for stable growth in markets that are expected to grow.

Growth by Executing Growth Strategies



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



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As described above, to achieve Vision 2030, we will grow based on two businesses, 1DAY-lens and orthokeratology-related businesses.

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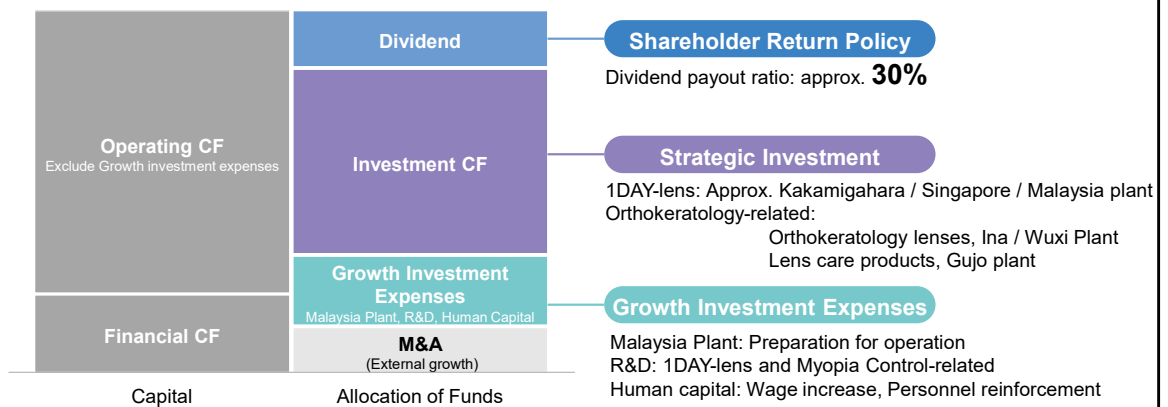


As the last part of our mid-term management plan, I would like to explain our capital allocation and shareholder return policies.

Capital Allocation, Shareholder Return Policy



Four-year cumulative total (FY2024 – FY2027)



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This is an image of how the funds will be allocated for the period up to the milestone.

First of all, as announced yesterday, we have changed our dividend policy and have added a "target dividend payout ratio of approx. 30%" to our policy, which had not been specifically stated before.

In addition, as we have explained, we will allocate funds mainly for investments to realize our growth strategy.

And while M&A has been an essential element of our growth driver in the past, we will continue to look at external growth through M&A related to our vision care business.

We are also looking at external growth through M&A related to our vision care business.

IV. Forecast for FY2024

I will discuss in detail the outlook for this fiscal year based on our medium-term management plan.

Financial Forecast



(JPY m)	FY2023	FY2024 (Forecast)	YoY
Net sales	116,192	122,700	+5.6%
Cost of sales	55,181	57,500	+4.2%
(Cost of sales ratio)	47.5%	46.9%	(-0.6pt)
Gross profit	61,010	65,200	+6.9%
SGA	52,058	55,200	+6.0%
(SGA ratio)	44.8%	45.0%	(+0.2pt)
Operating profit	8,951	10,000	+11.7%
(Operating profit ratio)	7.7%	8.1%	(+0.4pt)
EBITDA	17,150	20,437	+19.2%
(EBITDA margin)	14.8%	16.7%	(+1.9pt)
Ordinary profit	8,225	9,500	+15.5%
Profit attributable to owners of parent	4,538	7,000	+54.2%

* Exchange rate in FY2023 EUR : JPY 157.7, USD : JPY 145.3, CNY : JPY 19.9
 Exchange rate in financial forecast FY2024 EUR : JPY 159.0, USD : JPY 147.0, CNY : JPY 20.3

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The consolidated forecast is shown in this table I just showed you.

Breakdown of Net Sales



(JPY m)	FY2023	FY2024 (Forecast)	YoY
Net sales	116,192	122,700	+5.6%
Vision Care	106,887	115,100	+7.7%
1DAY-lens	28,429	32,000	+12.6%
MELS Plan	20,740	23,400	+12.8%
Overseas	2,977	3,500	+17.6%
Product sales in Japan	4,711	5,100	+8.3%
Orthokeratology-related	15,001	15,600	+4.0%
Other Contact lenses and Lens care products	63,456	67,500	+6.4%
Healthcare and life care	9,304	7,600	-18.3%

(Reference) MELS Plan sales for FY2024 are expected to be JPY 50.8 bn.

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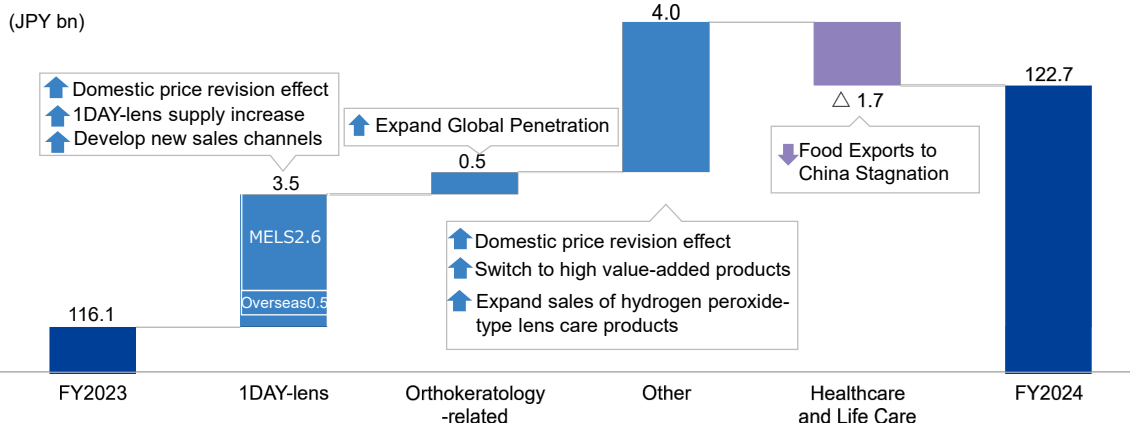
Breakdown of net sales, the vision care business is expected to post sales of JPY 115.1 bn, including JPY 32.4 bn for 1DAY-lens and JPY 15.6 bn for orthokeratology-related products, with sales growth expected mainly in 1DAY-lens and orthokeratology-related products.

The Healthcare and Life Care business is forecasted at JPY 7.6 bn.

Sales Forecast for FY2024



Expand 1DAY-lens sales due to price revision and increase supply of the product
Stable growth expected for orthokeratology-related products



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In 1DAY-lens, we expect an increase in sales due to the effect of price revisions in Japan and the expansion of 1DAY-lens sales in Japan and overseas.

In the orthokeratology-related business, although the impact of economic stagnation in China is still uncertain, we expect an increase in sales due to stable sales in Asia and the expansion of global penetration.

“Others” includes 2WEEK-lens and lens care products and so on, we expect the price revision in Japan to have a positive effect on these products as well.

In addition, sales are expected to increase due to a switch to high value-added products such as multifocal lenses and sales expansion of high-unit-price hydrogen peroxide-type lens care.

In the Health Care/Life Care business, we forecast a year-on-year decline in sales, taking into account the continued stagnation of food product sales to China.

1DAY-lens Growth Strategies

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

Sales Strategy by Region		Main measures
Japan	<ul style="list-style-type: none"> MELS Plan in approx. 1,600 stores Utilization of approx. 170 group stores 	<ul style="list-style-type: none"> Promote MELS Plan enrollment through expansion of MELS Plan member shop and online consultation Open of new group shop/relocation to favorable locations Europe: Strengthen sales activities and acquire new customers through personnel reinforcement North America: Expand product portfolio to existing customers, Expand sales regions Development of new sales channels by taking advantage of the geographical location of the group sales companies
Europe & North America	<ul style="list-style-type: none"> Expand sales to major volume retail chains 	
Asia	<ul style="list-style-type: none"> Sales expansion by group sales companies 	



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As a measure based on the 1DAY-lens sales strategy,

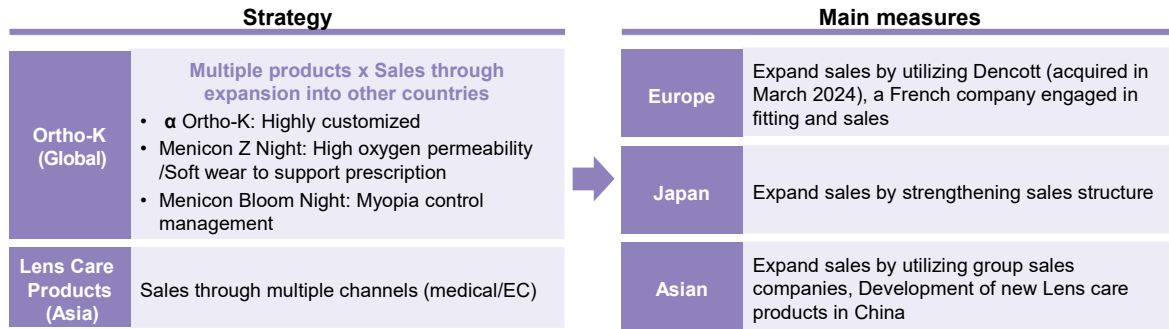
In Japan, we will implement measures that we have been working on since the previous fiscal year, aiming to increase the number of MELS Plan members and expand sales.

In Europe, we will strive to expand sales and acquire new customers by strengthening our global logistics functions and sales activities through personnel reinforcement.

In North America, we will increase sales volume by expanding our product portfolio to existing customers.

Orthokeratology-related Growth Strategies

Expand market share by increasing orthokeratology lenses penetration and establishing a position as a specialist company offering multiple products



As a measure based on orthokeratology-related strategies, in Europe, we will utilize our newly acquired subsidiary, Dencott, to develop prescribing facilities of orthokeratology lenses. In Japan, we will promote the spread of orthokeratology lenses by strengthening our sales structure to expand sales. Regarding the lens care products, we will continue to expand the number of sales destinations in Asia by utilizing our group's sales companies in the region.

In addition, although this will be a medium- to long-term growth initiative, we are developing new lens care products in order to maintain our competitive advantage in China. We will position this initiative as an investment for future growth and we will continue to work on it.

Expand production system for 1DAY-lens, Ortho-K lenses and Lens care products in anticipation of mid- to long-term demand growth

1DAY-lens



Singapore Plant

Products: Magic
Sales Area: Global

Line No. 9-10 scheduled to start operation in 2025



Kakamigahara Plant

Products : 1DAY Menicon Premio
Sales area: Global

Line No. 11 is scheduled to start operation in 2025.



Malaysia Plant

Products: 1DAY-lens
Sales Area: Global

Production is scheduled to start in 2025.

Production lines will be expanded sequentially thereafter.

Orthokeratology-related



Wuxi Plant

Products : α Ortho-K
Sales area: China

Reinforcement of production system to meet demand



Gujo Plant

Products : Lens care products for Hard/Soft lenses
Sales Area: Global

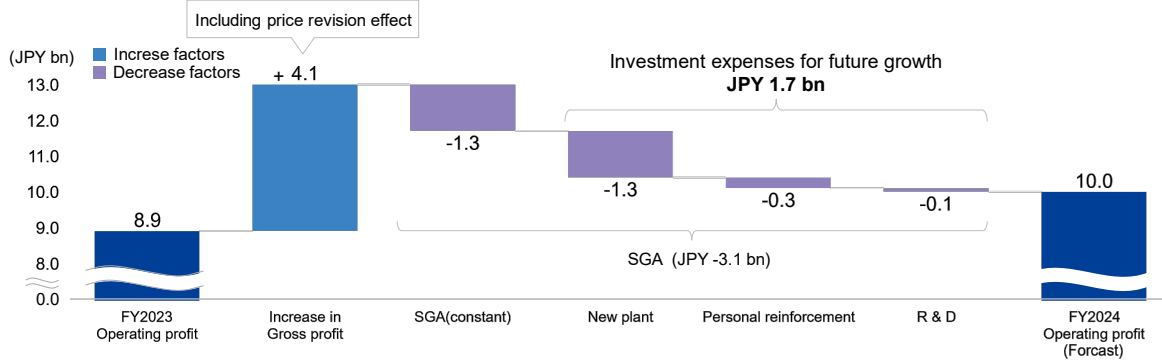
Completion of expansion and renovation and new line is scheduled to start operation in 2024



In order to realize our growth strategy, we must increase production capacity to meet demand. Therefore, we will continue to invest in facilities and strengthen our production system for both 1DAY-lens and orthokeratology-related products to increase supply volume.

In particular, we expect the production volume of 1DAY-lens to increase with the operation of the new line from 2025 onward.

Analysis of Changes in Consolidated Operating Profit



- Investment expenses for future growth, etc.

Items		Amount (JPY bn)
New plant	1DAY-lens Preparation for the operation of the Malaysian plant, a new production site.	-1.3
Personnel reinforcement	Increase personnel and invest in personnel	-0.3
R & D	Expand product deployment countries, develop new products	-0.1

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Next, I will explain the operating profit forecast for the FY2024.

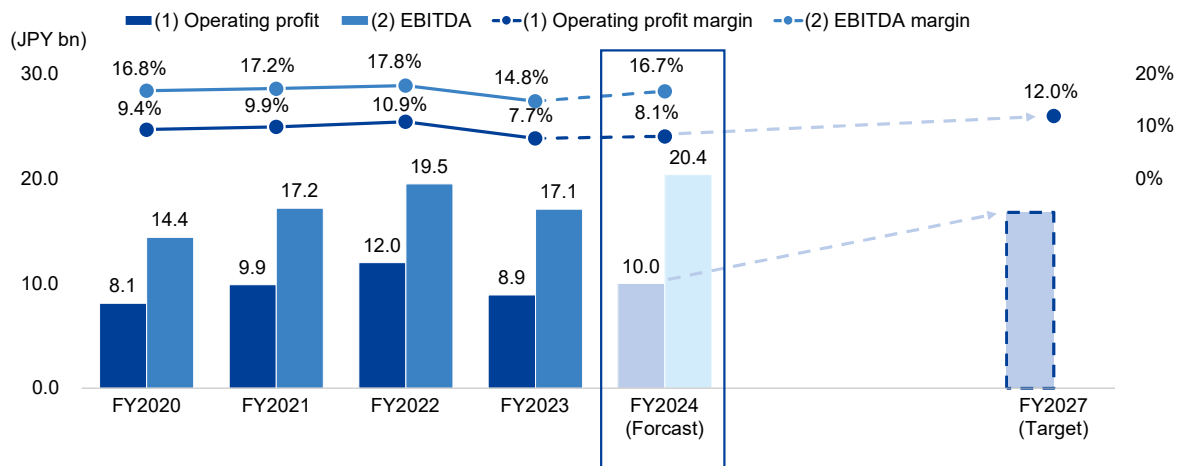
Although gross profit will increase due to the effect of price revisions, we expect to continue to use investment expenses for future growth.

Among these, we expect the operating profit of JPY 10 billion for the current fiscal year, as we expect to recognize depreciation expenses for the building of the Malaysia plant, and to start full-scale preparations for operation, and invest in personnel, including personnel increases and wage hikes.

Operating profit / EBITDA Forecast



Expect highest EBITDA due to expect depreciation of the Malaysian plant etc.



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And then, we show the historical operating profit and EBITDA results to date and the forecast for the current fiscal year. Operating profit for the current fiscal year was as explained earlier, but on an EBITDA basis, the amount is expected to be the highest ever.

In addition, we expect EBITDA margin to improve more than operating profit margin, and we believe that profitability will improve due to price revisions and so on.

In addition, as explained in our medium-term management plan, we are currently in the investment phase, but we believe that the operating profit margin will improve as we move into the investment return phase.

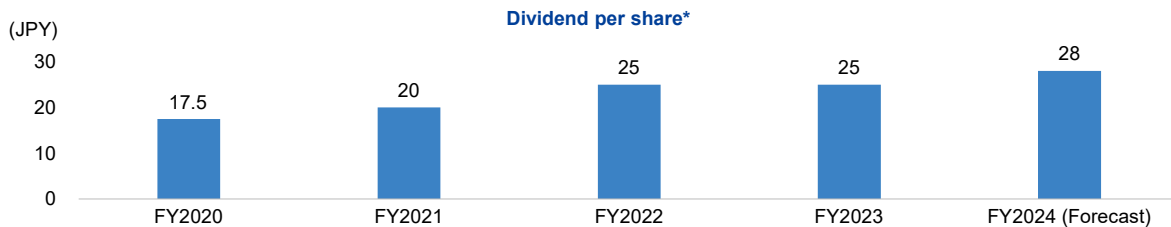
V. Dividend Policy and Forecast

Finally, I would like to explain about dividends.

Dividend Policy and Forecast



Dividend forecast of 28 JPY per share for FY2024, in accordance with the dividend payout ratio policy of approx. 30%



* Calculated assuming a stock split at the beginning of the FY2019

	FY2020	FY2021	FY2022	FY2023	FY2024 (Forecast)
Total amount of dividends	JPY 1.3 bn	JPY 1.5 bn	JPY 1.9 bn	JPY 1.9 bn	JPY 2.1 bn
Dividend payout ratio	22.2%	23.3%	25.7%	41.9%	30.5%

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We have announced a new dividend policy of a dividend payout ratio of approximately 30% as a continuous stable dividend.

For FY2023, we have set the dividend at JPY 25 per share, the same amount as for FY2022. Although the dividend payout ratio will exceed 30%, we consider this to be an ongoing stable dividend.

Dividend forecast for FY2024 is JPY 28 per share, with a payout ratio of approximately 30%.

The above is the explanation for this briefing.

Disclaimer on Forward-Looking Statements

Disclaimer

- This document was created by Menicon Co., Ltd. (hereinafter referred to as the "Company") for the purpose of understanding the current situation of the Company in order to serve as a reference for investors.
- The contents of this document have been prepared based on the generally recognized economic and social conditions as of May 15, 2024 and certain assumptions that the Company deems reasonable. The contents are subject to change without notice due to changes in the business environment
- When making an investment, please be sure to make your own judgment.

Notes on forward-looking statements

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

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[Appendix]

The following corrections have been made to the materials used in the financial results meeting held on May 15, 2024.

p.6

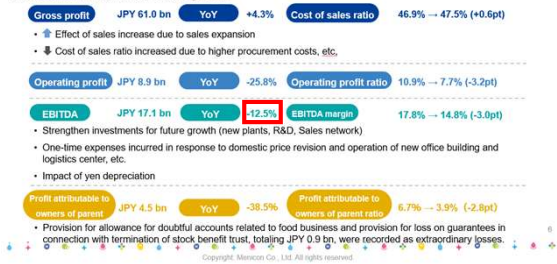
· EBITDA YoY : -12.5% (Before correction -14.8%)

p.35

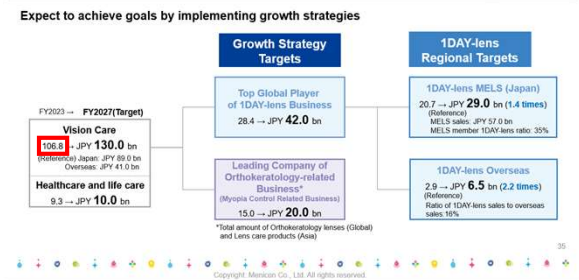
· Vision Care sales(FY2023) : 106.8 (Before correction 116.1)

Key Factors

Execute investments for future growth



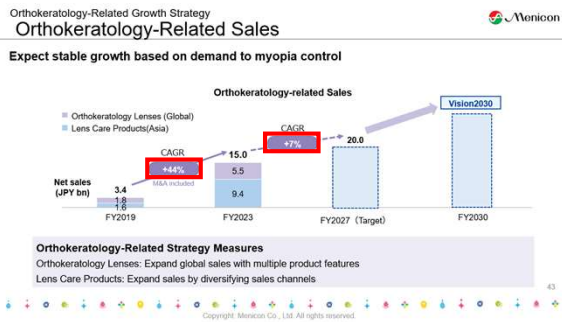
Growth Strategy Targets & 1DAY-lens Regional Targets



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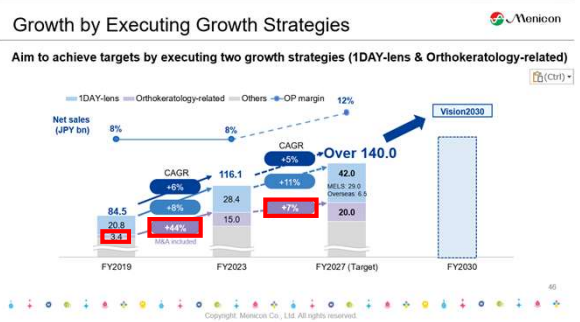
p.43

- CAGR(FY2019→FY2023) : +44% (Before correction +45%)
- CAGR(FY2023→FY2027(Target)) : +7% (Before correction +8%)



p.46

- Sales in FY2019 : JPY 3.4 bn (Before correction JPY 4.1 bn)
- CAGR(FY2019→FY2023) : +44% (Before correction +38%)
- CAGR(FY2023→FY2027(Target)) : +7% (Before correction +8%)



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