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## Consolidated Financial Results for the Nine Months Ended December 31, 2017 [Japanese GAAP]

February 9, 2018

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

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Scheduled date of filing quarterly securities report: February 9, 2018

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

CEO

Senior Executive Officer, Corporate Management, CFO

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

### 1. Consolidated Financial Results for the Nine Months Ended December 31, 2017 (April 1, 2017 to December 31, 2017)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2017	57,271	7.5	4,278	25.2	4,496	38.0	3,007	47.9
December 31, 2016	53,265	6.6	3,417	(0.8)	3,258	(4.5)	2,034	9.7

(Note) Comprehensive income: Nine months ended December 31, 2017: ¥ 3,725 million [ 90.4%]  
Nine months ended December 31, 2016: ¥ 1,956 million [ 7.4%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2017	85.70	84.77
December 31, 2016	57.16	56.49

(Note) The Company conducted a 2-for-1 stock split on January 1, 2018. Basic earnings per share and diluted earnings per share are calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 2017.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2017	73,487	40,780	55.4
March 31, 2017	72,336	37,681	52.0

(Reference) Equity: As of December 31, 2017: ¥ 40,707 million  
As of March 31, 2017: ¥ 37,609 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, 2017	-	0.00	-	38.00	38.00
Fiscal year ending March 31, 2018	-	0.00	-		
Fiscal year ending March 31, 2018 (Forecast)				25.00	25.00

(Note) 1.Revision to the forecast for dividends announced most recently: No

2. The Company conducted a 2-for-1 stock split on January 1, 2018. Dividends forecast for the consolidated fiscal year ending March 2018 is based on shares after the split. Without taking into consideration of the stock split, year-end dividends for the fiscal year ending March 31, 2018 (forecast) is 50.00 yen per share.

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2018(April 1, 2017 to March 31, 2018)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	77,247	7.2	4,451	13.9	4,616	14.4	3,017	18.7	85.94

(Note) 1. Revision to the financial results forecast announced most recently: No

2. The Company conducted a 2-for-1 stock split on January 1, 2018. Basic earnings per share in the forecast of consolidated business results for the fiscal year ending March 2018 is calculated, assuming that the stock split was conducted at the beginning of the fiscal year ending March 2018.

### \* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2017

(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: No

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

December 31, 2017: 36,804,000 shares

March 31, 2017: 36,804,000 shares

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

December 31, 2017: 1,666,964 shares

March 31, 2017: 1,720,622 shares

3) Average number of shares during the period:

Nine months ended December 31, 2017: 35,099,533 shares

Nine months ended December 31, 2016: 35,581,911 shares

(Note) The Company conducted a 2-for-1 stock split on January 1, 2018. The number of shares outstanding (shares of common stock) is calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 2017.

**\* Quarterly financial summary is not subject to the quarterly review procedures.**

**\* Explanation regarding appropriate use of business results forecasts and other special instructions**

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. Actual results may differ from the forecasts 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.

**\* About the change of the unit of the amount**

The amounts of items and others shown in the Company's quarterly consolidated financial statements had been stated in thousands of yen, but from the three-month period for the current fiscal year, the Company started to state the amounts in millions of yen. For ease of comparison, amounts in the previous nine-month period are also shown in millions of yen.

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

### (1) Explanation of Business Results

The Japanese economy during the nine months ended December 31, 2017 showed improvements in corporate earnings as well as the employment and income environment due to the government's ongoing economic and monetary policies. However, the outlook remains uncertain, reflecting overseas situation which remain unstable.

In the domestic contact lens market, daily disposable contact lenses and color contact lenses are the driving forces of the market and successive silicone hydrogel contact lens products are being launched. In the overseas contact lens market, demand for disposable-type contact lenses is increasing centering on the U.S., while in China demand for orthokeratology lenses, which are to be worn while sleeping and are effective for correcting vision, is rising.

Performances in individual business are as follows.

#### [Domestic Contact Lens Business]

We continued efforts to further expand the Menicon Eye Life Support Plan (MELS Plan) business that contributes to eye safety of contact lens users and stable earnings of the Company. By implementing sales promotion initiatives, including the 1 Day Debut Support Campaign, we focused efforts on attracting first-time contact lens users to become members of the MELS Plan. Regarding the product strategy, we began retail sales of 1 DAY Menicon PremiO, a daily disposable-type contact lens made of silicone hydrogel, which is already offered under the MELS Plan and has proven to be popular. While expanding channels, we are working to capture more users of daily disposable-type contact lenses. Measures to strengthen channels include refurbishment of our own retail shops and relocation of some shops to street-level sites. As a result of implementation of these measures, retail shops, including those of Group companies, namely, Ace Contact shops of W.I. System Inc., City Contact shops of AIP Co., Ltd., and Fuji Contact shops of Fuji Contact Co., Ltd., are contributing to enhancement of financial performance. Regarding promotion, we strengthened our drive to capture daily disposable-type contact lens users by launching TV commercials for SMART TOUCH, our proprietary technology that allows users to wear the lenses without touching the inner surface of the lens. As a corporate rebranding strategy, product packaging and the Company's website have been redesigned. Along with the refurbishment of retail shops, we are promoting the new Menicon brand.

#### [Overseas Contact Lens Business]

We have continued efforts to promote Miru, our own-brand disposable-type contact lenses for the overseas market. Sales expansion efforts centered on Miru 1day Menicon Flat Pack daily disposable contact lens, Miru 1month Menicon monthly disposable type contact lens, Miru 1month Menicon for Astigmatism monthly disposable contact lens for astigmatism, Miru 1month Menicon Multifocal monthly disposable multifocal contact lenses, and their private-brand products. We will continue efforts to promote the Miru series and expand sales. Regarding overseas business development by region, in Europe and North America while working to cultivate new channels and expand markets to further strengthen sales of disposable-type contact lenses, we are preparing for step-by-step introduction in key markets of 1 DAY Menicon PremiO, which has already gained popularity in Japan. In Asia, and especially in China, the market for orthokeratology lenses is growing rapidly and, along with its expansion, sales of lens care products continued to be robust. We are striving to expand the business foundation in China.

#### [Other Businesses]

Meni-one Co., Ltd., a Group company, is achieving strong sales growth of Pero-One oral care supplement which was released last year, in addition to veterinary medical equipment and supplements for dogs and cats. In the Environmental and Bioscience Business, sales of decomposition agents for rice straw were robust. In addition, the Company's Life Science Business Division sells supplements that support fertility treatment and supplements that contain lactoferrin as a major ingredient.

In these circumstances, the Group's consolidated business results for the nine months ended December 31, 2017 were as follows. Net sales increased by 7.5% year on year to ¥57,271 million due to increases in contact lens sales and MELS Plan memberships. As a result of efforts to enhance the efficiency of selling, general and administrative expenses also, operating profit increased by 25.2% year on year to ¥4,278 million and ordinary profit increased by 38.0% year on year to ¥4,496 million. Profit attributable to owners of parent was ¥3,007 million, with a 47.9% increase year on year.

Going forward, safety of eyes remains the Group's top priority and we will strive to further enhance the business foundation with the aim of contributing to society by providing superior visual correction.

Business results by segment are as follows.

1) Contact Lens-related Business

Sales of the contact lens-related business were ¥56,207 million for the nine months ended December 31, 2017, an increase of 7.6% year on year, due to an increase in MELS Plan memberships, and AIP Co., Ltd. becoming a consolidated subsidiary during the third quarter of the previous fiscal year.

2) Other

Sales of other businesses were ¥1,069 million for the nine months ended December 31, 2017, an increase of 5.5% year on year, reflecting an increase in sales of the veterinary business conducted by the Group company Meni-one Co., Ltd.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of the fiscal year under review were ¥73,487 million, having increased by ¥1,151 million from the end of the previous fiscal year. Current assets increased by ¥2,730 million to ¥36,113 million due to an increase in cash and deposits. Non-current assets decreased by ¥1,579 million to ¥37,374 million, reflecting depreciation and a decrease in construction in progress despite an increase in machinery, equipment and vehicles.

(Liabilities and net assets)

Liabilities decreased by ¥1,947 million from the end of the previous fiscal year to ¥32,707 million at the end of the third quarter of the fiscal year under review, due to a decrease in long-term loans payable despite an increase in short-term loans payable. Net assets increased by ¥3,099 million from the end of the previous fiscal year to ¥40,780 million due to an increase in retained earnings.

As a result, the shareholders' equity ratio was 55.4%.

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

Business results for the nine-month period ended December 31, 2017 remained robust. However, considering the investment in business expansion of the daily disposable contact lens category, which is a growth field, in the fourth quarter of the fiscal year under review, and other factors, the Company has made no revision to the forecast of consolidated business results for the fiscal year ending March 2018 announced on November 13, 2017.

The business results forecast was prepared based on the information currently available. Actual results may differ from the forecast figures due to various factors.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2017	As of December 31,2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,656	14,042
Notes and accounts receivable - trade	8,064	8,057
Securities	-	18
Merchandise and finished goods	7,718	8,920
Work in process	561	710
Raw materials and supplies	1,960	2,008
Deferred tax assets	752	669
Other	1,745	1,765
Allowance for doubtful accounts	(75)	(80)
<b>Total current assets</b>	<b>33,382</b>	<b>36,113</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	19,078	18,922
Accumulated depreciation	(9,695)	(9,613)
<b>Buildings and structures, net</b>	<b>9,383</b>	<b>9,309</b>
Machinery, equipment and vehicles	22,311	24,909
Accumulated depreciation	(13,896)	(15,137)
<b>Machinery, equipment and vehicles, net</b>	<b>8,415</b>	<b>9,771</b>
Tools, furniture and fixtures	6,452	7,025
Accumulated depreciation	(5,184)	(5,621)
<b>Tools, furniture and fixtures, net</b>	<b>1,268</b>	<b>1,404</b>
Land	5,969	5,256
Leased assets	999	995
Accumulated depreciation	(706)	(752)
<b>Leased assets, net</b>	<b>292</b>	<b>243</b>
Construction in progress	2,209	796
<b>Total property, plant and equipment</b>	<b>27,538</b>	<b>26,781</b>
<b>Intangible assets</b>		
Goodwill	4,741	3,972
Patent right	1,750	1,563
Other	2,229	2,182
<b>Total intangible assets</b>	<b>8,721</b>	<b>7,718</b>
<b>Investments and other assets</b>		
Investment securities	598	777
Long-term loans receivable	93	76
Deferred tax assets	110	108
Other	1,903	1,932
Allowance for doubtful accounts	(11)	(19)
<b>Total investments and other assets</b>	<b>2,693</b>	<b>2,874</b>
<b>Total non-current assets</b>	<b>38,953</b>	<b>37,374</b>
<b>Total assets</b>	<b>72,336</b>	<b>73,487</b>

(Million yen)

	As of March 31,2017	As of December 31,2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,292	3,905
Short-term loans payable	669	2,333
Current portion of bonds	1,473	2,585
Current portion of long-term loans payable	2,142	2,382
Lease obligations	67	72
Accounts payable - other	3,740	2,546
Income taxes payable	709	810
Provision for bonuses	1,404	844
Provision for point card certificates	95	96
Other	2,295	3,119
<b>Total current liabilities</b>	<b>16,889</b>	<b>18,695</b>
Non-current liabilities		
Bonds payable	7,948	5,833
Long-term loans payable	7,282	5,728
Lease obligations	203	146
Long-term accounts payable - other	1,539	1,510
Net defined benefit liability	315	328
Deferred tax liabilities	180	219
Asset retirement obligations	111	105
Other	182	139
<b>Total non-current liabilities</b>	<b>17,764</b>	<b>14,011</b>
<b>Total liabilities</b>	<b>34,654</b>	<b>32,707</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,379	3,379
Capital surplus	2,553	2,553
Retained earnings	35,112	37,414
Treasury shares	(2,640)	(2,558)
<b>Total shareholders' equity</b>	<b>38,405</b>	<b>40,789</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	70	206
Foreign currency translation adjustment	(866)	(288)
<b>Total accumulated other comprehensive income</b>	<b>(795)</b>	<b>(82)</b>
Subscription rights to shares	35	33
Non-controlling interests	35	39
<b>Total net assets</b>	<b>37,681</b>	<b>40,780</b>
<b>Total liabilities and net assets</b>	<b>72,336</b>	<b>73,487</b>

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statements of Income (For the nine months)

(Million yen)

	For the nine months ended December 31,2016	For the nine months ended December 31,2017
Net sales	53,265	57,271
Cost of sales	24,454	26,299
Gross profit	28,810	30,972
Selling, general and administrative expenses	25,392	26,693
Operating profit	3,417	4,278
Non-operating income		
Interest income	9	7
Dividend income	7	8
Foreign exchange gains	-	106
Rent income	164	83
Other	231	220
Total non-operating income	413	426
Non-operating expenses		
Interest expenses	180	152
Bond issuance cost	59	-
Share of loss of entities accounted for using equity method	2	2
Foreign exchange losses	143	-
Cost of lease revenue	45	23
Other	140	30
Total non-operating expenses	571	208
Ordinary profit	3,258	4,496
Extraordinary income		
Gain on sales of non-current assets	7	6
Subsidy income	127	105
Gain on step acquisitions	66	-
Total extraordinary income	201	112
Extraordinary losses		
Loss on sales of non-current assets	15	27
Loss on retirement of non-current assets	26	24
Impairment loss	47	-
Other	0	0
Total extraordinary losses	90	52
Profit before income taxes	3,369	4,556
Income taxes - current	945	1,486
Income taxes - deferred	389	59
Total income taxes	1,334	1,545
Profit	2,035	3,010
Profit attributable to non-controlling interests	1	2
Profit attributable to owners of parent	2,034	3,007

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

(Million yen)

	For the nine months ended December 31,2016	For the nine months ended December 31,2017
Profit	2,035	3,010
Other comprehensive income		
Valuation difference on available-for-sale securities	53	136
Foreign currency translation adjustment	(125)	577
Share of other comprehensive income of entities accounted for using equity method	(6)	0
Total other comprehensive income	(78)	714
Comprehensive income	1,956	3,725
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,955	3,721
Comprehensive income attributable to non-controlling interests	1	3

(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.

(Segment information)

For the nine months ended December 31, 2016

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

(Millions of yen)

	Reportable segment		Other (Note)	Total
	Contact Lens-related Business	Subtotal		
Net sales				
Net sales to external customers	52,251	52,251	1,014	53,265
Inter-segment net sales or transfers	3	3	—	3
Total	52,255	52,255	1,014	53,269
Segment profit (loss)	6,506	6,506	(167)	6,338

(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)

(Millions of yen)

Profit	Amount
Reportable segment total	6,506
Profit of "Other"	(167)
Corporate expenses (Note)	(2,920)
Operating profit stated in the consolidated statement of income	3,417

(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 nine months ended December 31, 2017

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

(Millions of yen)

	Reportable segment		Other (Note)	Total
	Contact Lens-related Business	Subtotal		
Net sales				
Net sales to external customers	56,201	56,201	1,069	57,271
Inter-segment net sales or transfers	5	5	—	5
Total	56,207	56,207	1,069	57,277
Segment profit (loss)	7,379	7,379	(221)	7,158

(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)

(Millions of yen)

Profit	Amount
Reportable segment total	7,379
Profit of “Other”	(221)
Corporate expenses (Note)	(2,879)
Operating profit stated in the consolidated statement of income	4,278

(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.

(Significant subsequent events)

The Company conducted a stock split on January 1, 2018 based on the resolution made at the Board of Directors meeting held on November 13, 2017.

1. Purpose of the stock split

The purpose is to improve liquidity of shares of the Company and expand the investor base by reducing the amount per tradable unit of shares by means of the stock split.

2. Outline of the stock split

(1) Method of the stock split

Shares of common stock held by shareholders whose names appear or are recorded in the final Shareholders Registry on the record date of December 31, 2017 shall be split at a ratio of 1:2.

(2) Number of shares increased by the stock split

Number of shares outstanding before the stock split	18,402,000 shares
Number of shares increased by the stock split	18,402,000 shares
Number of shares outstanding after the stock split	36,804,000 shares
Total number of authorized shares	62,184,000 shares

(3) Schedule of the stock split

Public notice of the record date	December 14, 2017
Record date	December 31, 2017
Effective date	January 1, 2018

(4) Impact on per share information

The impact on per share information is as follows. Basic earnings per share and diluted earnings per share are calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 2017.

	For the nine months ended December 31, 2016	For the nine months ended December 31, 2017
	Yen	Yen
Basic earnings per share	57.16	85.70
Diluted earnings per share	56.49	84.77