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Consolidated Financial Results for the Nine Months Ended December 31, 2020 [Japanese GAAP]

February 12, 2021

Company name: Menicon Co., Ltd.
Stock exchange listing: Tokyo, Nagoya
Code number: 7780
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CEO
Senior Executive Officer, Corporate Management

Scheduled date of filing quarterly securities report: February 12, 2021
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results: Yes
Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2020 (April 01, 2020 to December 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2020	63,421	0.1	6,914	13.8	7,203	20.2	4,918	22.9
December 31, 2019	63,344	5.1	6,075	35.8	5,994	35.7	4,000	41.2

(Note) Comprehensive income: Nine months ended December 31, 2020: ¥ 5,459 million [39.9%]
Nine months ended December 31, 2019: ¥ 3,901 million [48.0%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2020	130.33	129.37
December 31, 2019	111.78	105.40

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2020	100,721	57,964	57.4
March 31, 2020	87,286	53,520	61.2

(Reference) Equity: As of December 31, 2020: ¥ 57,763 million
As of March 31, 2020: ¥ 53,378 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	-	0.00	-	28.00	28.00
Fiscal year ending March 31, 2021	-	0.00	-	-	-
Fiscal year ending March 31, 2021 (Forecast)	-	-	-	30.00	30.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021(April 01, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	85,899	1.6	8,006	13.8	8,223	25.5	5,308	30.7	140.63

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2020

(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, 2020: 38,047,444 Shares

March 31, 2020: 38,015,944 Shares

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

December 31, 2020: 287,836 Shares

March 31, 2020: 287,836 Shares

3) Average number of shares during the period:

Nine months ended December 31, 2020: 37,742,089 shares

Nine months ended December 31, 2019: 35,791,466 shares

* **This summary of financial results is exempt from audit procedures.**

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

- Forecasts regarding future performance presented in this material include the outlook for the future, assumptions on which the plan is based, and projections as of the date of announcement of this material. Actual results may differ from the forecasts presented in this material due to various factors.
- For matters concerning the forecast of business results, please refer to “1. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Consolidated Business Results Forecast and Other Forward-looking Information” on Page 5 of the appendix.

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

(1) Explanation of Business Results

Status of performance

Regarding the world economy during the nine months ended December 31, 2020, a sense of future uncertainty remained due to the prolonged impact of COVID-19. Despite some signs of recovery in China and certain other geographic regions owing to economic policies implemented by each country, harsh conditions persisted as governments strengthened restrictions on movement amid a new wave of infections particularly in developed countries. As for the domestic economy, there have been signs of recovery resulting from various national economic policies, yet concerns persist regarding the prospect of a decline in personal consumption and the worsening of the employment situation given the effects of a new wave of infections, such as the full suspension of the Go To Travel Campaign nationwide in December.

In the midst of such a business environment, we continued to engage in business activities under the policy of working scrupulously to prevent the spread of infection.

Performances in each business units are as follows.

[Domestic Contact Lens Business]

We pushed forward with efforts to create a shop environment that allows customers to feel safe when they visit. Specifically, acrylic boards were installed at customer service counters, foot pedal-operated alcohol sprayers and air purifiers were introduced, and videos about our infection prevention measures were posted on the websites of Miru, the Group retail shops. In addition, we established a department for online customer support, with the aim of developing new styles of retailing. The department implements measures geared to alleviating congestion, reducing time spent at shops and achieving other such outcomes by providing online guidance that extends from communicating preliminary information to booking appointments for those planning to visit retail shops.

Regarding sales channels, the Company has made Hamano Contact Co., Ltd. a wholly-owned subsidiary with the aim of reinforcing its sales base in the Kansai area. As an operator of three contact lens specialty shops in central Osaka City, Hamano Contact is likely to help us generate substantial customer traffic.

Under the Group's sales policy, we continued to address the increasing sense of value assigned to "cleanliness" and have accordingly been working to increase sales of IDAY contact lenses equipped with SMART TOUCH design that makes it possible to hygienically and easily insert contacts without having to touch the inner lens surface. Meanwhile, we have also been working to stimulate demand for "cleanliness," one of its strengths, in part through promotions involving TV commercials.

We have launched "Club Menicon" website along with our "MENICOiN" reward points services for contact lens users with the aim of giving the benefits of being our customer. The registration of these services are also open to ordinary users and will help us reach potential customers, in addition to increasing the levels of satisfaction of MELS Plan members.

[Overseas Contact Lens Business]

Overseas sales activities were also affected by restrictions imposed on non-essential outings and shop closures aimed at controlling the COVID-19 outbreak. Nonetheless, we have been endeavoring to strengthen our sales network while taking measures to prevent infection amid this environment.

In Europe, we continued on with efforts to increase sales of our “Miru 1day UpSide” series of daily disposable contact lenses that use silicone hydrogel with high oxygen permeability.

We entered into a share purchase agreement to make Itabashi Trading Co., Ltd. a wholly owned subsidiary with the aim of strengthening our sales network particularly in China’s burgeoning orthokeratology lens market. Itabashi Trading owns Itabashi Medical Device Co., Ltd. Dalian, a retail company that sells medical devices domestically in China. We have also established a local subsidiary of Alpha Corporation, a manufacturer of orthokeratology lenses, in China in order to meet the growth in demand and embark on mass production in 2024. Through such activities we have laid the foundation for building an integrated manufacturing and sales structure in the Chinese market.

[Other Businesses]

In the Life Science Business, we have launched two new products in the Foods with Function Claims (FFC) category as part of the “Meni supple” series of dietary supplements, in order to improve users’ quality of life with our brand.

Menicon Nect Co., Ltd. has newly released its “me to me CARE CLEANSING GEL”, skin-friendly cleansing that is gentle on the eyes and has powerful cleansing performance, which is the culmination of research extending over many years of product development thus far with respect to contact lenses and lens care products.

Such initiatives resulted in the Group’s consolidated business results for the nine months ended December 31, 2020 as follows. Net sales increased by 0.1% year on year to ¥63,421 million and gross profit decreased by 1.6% year on year to ¥33,786 million due to reflecting the performance of SOLEKO S. p. A. (Italy), which became a wholly owned subsidiary in October 2019 and robust sales achieved by orthokeratology lenses and lens care products in the Chinese market, combined with consistent earnings generated by MELS Plan. Meanwhile, operating profit increased by 13.8% year on year to ¥6,914 million and ordinary profit increased by 20.2% year on year to ¥7,203 million, as a result of the Group having made more effective use of selling, general and administrative expenses relative to the same period of the previous fiscal year. Profit attributable to owners of parent was ¥4,918 million, an increase of 22.9% year on year.

Business results by segment are as follows.

1) Contact Lens-related Business

Sales of the contact lens-related business were ¥62,171 million, an increase of 0.1% year on year. Segment profit was ¥10,280 million, an increase of 6.5% year on year.

Sales of the Contact Lens-related Business increased by ¥65 million year on year. Positive factors facilitating year-on-year sales growth mainly included increased MELS Plan sales and lens care product sales in overseas markets by ¥820 million and ¥1,300 million, respectively. MELS Plan memberships increased year on year. The increase in overseas lens care product sales is attributable to reflection of the performance of SOLEKO S. p. A. (Italy) which became a wholly owned subsidiary in October 2019, and the increase of the sales of lens care products for orthokeratology lenses in China as its market continues to grow. In addition, Meanwhile, negative factors inhibiting year-on-year sales growth mainly consisted of a ¥1,972 million decrease in net sales of contact lens products due to COVID-19.

2) Other

Sales of the Other Businesses were ¥1,250 million for the nine months ended December 31, 2020, an increase of 0.9% year on year, amid strong sales of dietary supplements due to improvement in brand recognition of the conception support business in the life science field. However, segment loss was ¥331 million, compared with a segment loss of ¥307 million for the same period of the previous year, reflecting the upfront expenditure of costs for future business expansion.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the third quarter of the fiscal year under review were ¥100,721 million, having increased by ¥13,434 million from the end of the previous fiscal year. Current assets increased by ¥8,925 million to ¥50,648 million mainly owing to an increase in cash and deposits due to the execution of borrowings. Non-current assets increased by ¥4,508 million to ¥50,073 million, primarily due to capital investment earmarked for production lines to manufacture 1DAY contact lenses at the Kakamigahara Factory.

(Liabilities and net assets)

Liabilities increased by ¥8,990 million from the end of the previous fiscal year to ¥42,756 million at the end of the third quarter of the fiscal year under review mainly due to an increase in borrowings and an increase in lease obligations in association with the acquisition of leased assets.

Net assets increased by ¥4,444 million from the end of the previous fiscal year to ¥57,964 million due to an increase in retained earnings resulting from the recording of profit attributable to owners of parent.

As a result, the capital adequacy ratio was 57.4%.

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

Business results for the nine months ended December 31, 2020 saw net sales trend firmly. Profit items in the earnings hierarchy below operating profit have been increasing at a faster pace than had been expected relative to the consolidated business results forecast for the full year released on August 11, 2020 (the “previous forecast”), which is a result of our having made more effective use of selling, general and administrative expenses than had been the case in the same period of the previous fiscal year. In the fourth quarter, contact lenses are likely to encounter consistent and constant demand given their nature as a product essential for everyday life, which holds true even if restrictions are imposed on people’s movement due to COVID-19 both in Japan and abroad. Moreover, net sales are likely to exceed the previous forecast amid a scenario of a potential increase in sales of orthokeratology lenses* and lens care products amid mounting demand for such lenses in China. In addition, whereas we plan to tap sales promotion expenses in line with our budget looking toward the spring demand season, we expect that profits at each level of the earnings hierarchy will exceed those of the previous forecast due to a rise in gross profit associated with higher net sales along with expectation of ongoing effective use of selling, general and administrative expenses. Taking into account the aforementioned scenario, we have revised the full-year consolidated business results forecast as released on August 11, 2020, as follows.

The above business results forecast is based on information currently available to the Company as of the date of publication of these materials and actual results may differ from these forecasts due to various factors including the timing of the containment of COVID-19.

* An orthokeratology lens is a hard contact lens featuring a specially designed inner surface that corrects the shape of the cornea while the user sleeps to improve vision of those who are near-sighted. Because the lens causes the cornea to retain the corrected corneal shape over a certain period of time, it enables users to go about their day without the need for eyewear or contact lenses.

Revised consolidated financial forecasts for the full fiscal year ending March 31, 2021.

(April 1, 2020 to March 31, 2021)

(Million yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previous forecast A	84,839	6,838	6,821	4,256	JPY 112.78
Revised forecast B	85,899	8,006	8,223	5,308	JPY 140.63
Difference B – A	1,060	1,167	1,402	1,052	—
Percentage change (%)	1.2	17.1	20.6	24.7	—
(Reference) Results of the previous year (Fiscal year ending March 31, 2020)	84,519	7,033	6,554	4,060	JPY 112.25

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of December 31,2020
Assets		
Current assets		
Cash and deposits	17,327	24,068
Notes and accounts receivable - trade	9,733	10,275
Merchandise and finished goods	9,798	10,611
Work in process	905	1,252
Raw materials and supplies	2,226	2,571
Other	1,878	2,031
Allowance for doubtful accounts	(148)	(164)
Total current assets	41,722	50,648
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,895	22,091
Accumulated depreciation	(10,204)	(10,792)
Buildings and structures, net	10,690	11,299
Machinery, equipment and vehicles	22,447	23,420
Accumulated depreciation	(14,798)	(15,984)
Machinery, equipment and vehicles, net	7,649	7,436
Tools, furniture and fixtures	7,911	8,428
Accumulated depreciation	(6,559)	(6,964)
Tools, furniture and fixtures, net	1,352	1,464
Land	4,926	4,961
Leased assets	849	2,167
Accumulated depreciation	(726)	(239)
Leased assets, net	122	1,927
Right of use assets	4,782	5,412
Accumulated depreciation	(644)	(1,190)
Right of use assets, net	4,137	4,222
Construction in progress	5,793	7,101
Total property, plant and equipment	34,672	38,412
Intangible assets		
Goodwill	2,437	2,811
Patent right	975	791
Other	3,651	4,134
Total intangible assets	7,064	7,737
Investments and other assets		
Investment securities	505	557
Long-term loans receivable	48	47
Deferred tax assets	1,254	1,074
Other	2,033	2,254
Allowance for doubtful accounts	(15)	(11)
Total investments and other assets	3,826	3,922
Total non-current assets	45,564	50,073
Total assets	87,286	100,721

(Million yen)

	As of March 31,2020	As of December 31,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,373	3,956
Short-term borrowings	77	4,081
Current portion of bonds payable	1,465	1,229
Current portion of long-term borrowings	1,798	1,836
Lease obligations	720	1,028
Accounts payable - other	4,583	3,807
Income taxes payable	1,398	1,051
Provision for bonuses	1,598	832
Provision for point card certificates	67	21
Other	5,669	5,471
Total current liabilities	21,751	23,317
Non-current liabilities		
Bonds payable	4,082	3,153
Long-term borrowings	1,692	8,306
Lease obligations	3,594	5,261
Long-term accounts payable - other	1,485	1,462
Retirement benefit liability	622	739
Deferred tax liabilities	339	312
Asset retirement obligations	105	104
Other	93	97
Total non-current liabilities	12,014	19,439
Total liabilities	33,765	42,756
Net assets		
Shareholders' equity		
Share capital	5,396	5,406
Deposits for subscriptions of shares	1	-
Capital surplus	6,658	6,632
Retained earnings	42,764	46,627
Treasury shares	(441)	(441)
Total shareholders' equity	54,378	58,224
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20	61
Foreign currency translation adjustment	(1,020)	(522)
Total accumulated other comprehensive income	(999)	(460)
Share acquisition rights	88	154
Non-controlling interests	53	46
Total net assets	53,520	57,964
Total liabilities and net assets	87,286	100,721

(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 31,2019	For the nine months ended December 31,2020
Net sales	63,344	63,421
Cost of sales	29,019	29,634
Gross profit	34,324	33,786
Selling, general and administrative expenses	28,248	26,872
Operating profit	6,075	6,914
Non-operating income		
Interest income	3	2
Dividend income	10	10
Foreign exchange gains	-	21
Subsidy income	41	354
Other	194	141
Total non-operating income	249	529
Non-operating expenses		
Interest expenses	129	164
Share of loss of entities accounted for using equity method	58	28
Foreign exchange losses	58	-
Other	84	48
Total non-operating expenses	330	240
Ordinary profit	5,994	7,203
Extraordinary income		
Gain on sales of non-current assets	0	0
Subsidy income	15	10
Gain on step acquisitions	52	-
Other	-	0
Total extraordinary income	69	10
Extraordinary losses		
Loss on retirement of non-current assets	13	30
Loss on subsidy repayment	-	30
Other	6	6
Total extraordinary losses	19	67
Profit before income taxes	6,044	7,146
Income taxes - current	1,798	1,952
Income taxes - deferred	242	274
Total income taxes	2,041	2,227
Profit	4,003	4,919
Profit attributable to non-controlling interests	2	0
Profit attributable to owners of parent	4,000	4,918

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

(Million yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Profit	4,003	4,919
Other comprehensive income		
Valuation difference on available-for-sale securities	4	41
Foreign currency translation adjustment	(92)	489
Share of other comprehensive income of entities accounted for using equity method	(12)	9
Total other comprehensive income	(101)	539
Comprehensive income	3,901	5,459
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,899	5,458
Comprehensive income attributable to non-controlling interests	1	0

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Additional information)

The forecast of consolidated business results for the fiscal year ending March 31, 2021 is calculated based on the assumption that social restrictions, including the declaration of another state of emergency due to the spread of infections, will not be enforced. There are no significant changes to assumptions, including about the future spread of COVID-19 and the timing of its containment, as described in (Additional information) in the Annual Securities Report for the previous consolidated fiscal year.

(Segment information)

[Segment Information]

For the nine months ended December 31, 2019

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

(Million yen)

	Reportable segment		Other (Note)	Total
	Contact Lens-related Business	Subtotal		
Net sales				
Net sales to external customers	62,105	62,105	1,238	63,344
Inter-segment net sales or transfers	—	—	—	—
Total	62,105	62,105	1,238	63,344
Segment profit (loss)	9,649	9,649	(307)	9,341

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

2. Differences between the total amount of profit or loss of the reportable segment and the amount stated in the consolidated statement of income, and major breakdown of such differences (Reconciliation)

(Million yen)

Profit	Amount
Reportable segment total	9,649
Profit of “Other”	(307)
Corporate expenses (Note)	(3,266)
Operating profit stated in the consolidated statement of income	6,075

(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, 2020

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

(Million yen)

	Reportable segment		Other (Note)	Total Contact Lens- related Business
	Contact Lens-related Business	Subtotal		
Net sales				
Net sales to external customers	62,171	62,171	1,250	63,421
Inter-segment net sales or transfers	—	—	—	—
Total	62,171	62,171	1,250	63,421
Segment profit (loss)	10,280	10,280	(331)	9,949

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

2. Differences between the total amount of profit or loss of the reportable segment and the amount stated in the consolidated statement of income, and major breakdown of such differences (Reconciliation)

(Million yen)

Profit	Amount
Reportable segment total	10,280
Profit of “Other”	(331)
Corporate expenses (Note)	(3,034)
Operating profit stated in the consolidated statement of income	6,914

(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)

(Issuance of euro-yen denominated convertible bond-type bonds with share acquisition rights due in 2025)

At the meeting of the Board of Directors held on January 13, 2021, the Company resolved to issue euro-yen denominated convertible bond-type bonds with share acquisition rights maturing in 2025 (the “Bonds”), with respect to which payment was completed on January 29, 2021. Details of the bond issuance are as follows.

1. Total amount of issue: Sum total of ¥23,000 million plus total par value of the Bonds associated with the replacement certificates of Bonds with share acquisition rights
2. Issue price: 106.5% of the par value of the Bonds (¥10,000,000 par value with respect to each of the Bonds)
3. Issue price (offer price): 109.0% of the par value of the Bonds
4. Interest rate: No interest
5. Redemption price: To be redeemed at 100% of the par value of the Bonds
6. Maturity date: January 29, 2025 (London time; the same applies hereinafter unless otherwise indicated)
7. Matters concerning the share acquisition rights
 - (1) Class of shares subject to the share acquisition rights
Common stock of the Company (100 shares constituting one share unit)
 - (2) Aggregate number of share acquisition rights issued
Sum total of 2,300 share acquisition rights plus the number of share acquisition rights obtained by dividing the total par value of the Bonds associated with the replacement certificates of Bonds with share acquisition rights by ¥10 million
 - (3) Conversion price
¥7,403 per share (initially)
 - (4) Conversion price adjustment

The conversion price shall be adjusted in accordance with the following formula when the Company issues its common stock or otherwise disposes of its common stock holdings for a paid-in amount that is less than the market price thereof, subsequent to having issued the Bonds with share acquisition rights. In the following formula, the “number of shares outstanding” refers to the total number of issued shares of the Company’s common stock (excluding shares held by the Company).

$$\begin{array}{r} \text{Conversion} \\ \text{price after} \\ \text{adjustment} \end{array} = \begin{array}{r} \text{Conversion} \\ \text{price before} \\ \text{adjustment} \end{array} \times \frac{\begin{array}{r} \text{Number of} \\ \text{shares} \\ \text{outstanding} \end{array} + \frac{\begin{array}{r} \text{Number of shares} \\ \text{to be issued or} \\ \text{disposed of} \end{array} \times \begin{array}{r} \text{Paid-in amount} \\ \text{per share} \end{array}}{\begin{array}{r} \text{Market price} \\ \text{Number of shares outstanding} \\ + \text{Number of shares to be issued or disposed of} \end{array}}$$

The conversion price shall also be adjusted from time to time when certain events occur. Such events include those involving: split or consolidation of common stock; issuance of share acquisition rights (including those attached to bonds with share acquisition rights) entitling holders thereof to request grant of the Company’s common stock at a price below that of the market price thereof, or; when payment of dividends exceeds a certain limit.

(5) Exercise period

From February 12, 2021 to January 15, 2025

8. Payment date (issue date): January 29, 2021

9. Securitization: Unsecured

10. Use of proceeds

- (1) The Company plans to allocate ¥17.0 billion to investment related to the disposable contact lens business by March 2025. Specifically, this amount is earmarked for capital investment to augment capacity for manufacturing disposable contact lenses, funds for disposable contact lens R&D, investment to enhance locations that sell disposable contact lenses in Japan and abroad, and investment in systems related to production, distribution and sales.
- (2) The Company plans to allocate ¥3.0 billion to investment related to the orthokeratology lens business by December 2024. Specifically, this amount is earmarked in part for capital investment, channeled through a subsidiary, undertaken to augment capacity for manufacturing orthokeratology lenses as well as lens care products for hard contact lenses that can be used for orthokeratology lenses.

In addition, the remaining balance obtained by subtracting the total amounts of (1) and (2), above, from the procured funds is earmarked for use by March 2024, for repayment of borrowings, investment in future growth of the Group, and working capital for business expansion.

(Corporate acquisition through share purchase)

At the meeting of the Board of Executive Officers held on December 17, 2020, the Company resolved to make Itabashi Trading Co., Ltd. (“Itabashi Trading”) a subsidiary upon purchase of its shares. To such ends, the Company entered into a share purchase agreement on December 17, 2020, and subsequently made Itabashi Trading a subsidiary upon purchasing its shares on January 8, 2021.

1. Overview of business combination

(1) Name of acquired company and description of its business

Name of acquired company: Itabashi Trading Co., Ltd.
Description of business: Sales and export/import of medical devices; consulting services,
and; sales and export/import of agricultural and fishery products

(2) Primary reasons for business combination

The Company sells Alpha Ortho-K lenses made by its subsidiary Alpha Corporation as well as its own lens care products under its orthokeratology lens business in China. Upon having made Itabashi Trading a subsidiary, the Company will develop greater strengths in this field of business going forward by working through the marketing and technological support units of Itabashi Trading’s Chinese subsidiary Itabashi Medical Device Co., Ltd. Dalian, a retail company that sells medical devices. Moreover, the Company’s full-scale entry into the rapidly growing Chinese market is bound to facilitate further expansion of its business involving contact lenses and related products while also enabling it to accelerate growth of its international business.

(3) Date of business combination

January 8, 2021

(4) Legal form of business combination

Purchase of shares in exchange for cash

(5) Name of company subsequent to combination

Unchanged

(6) Voting rights acquired

Voting rights held immediately prior to the business combination: 14%
Voting rights additionally acquired on the date of business combination: 86%
Voting rights subsequent to acquisition: 100%

(7) Basis for determining the acquirer

It is based on the fact that the Company acquired shares in exchange for cash.

2. Acquisition cost of the acquired company and related details of each class of consideration

Business combination date market value of the Company’s holdings of Itabashi Trading immediately prior to the business combination	¥569 million
Cash outlays associated with the additional purchase of shares	¥3,500 million
Acquisition cost	¥4,069 million

3. Amount of goodwill incurred, reasons for the goodwill incurred, and the method and period of amortization

Yet to be determined