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Consolidated Financial Results for the Year Ended March 31, 2021 [Japanese GAAP]

May 13, 2021

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

URL: <https://www.menicon.com>

Representative: Hidenari Tanaka

Contact: Motonari Watanabe

Phone: +81-52-935-1515

Scheduled date of Annual General Meeting of Shareholders: June 24, 2021

Scheduled date of commencing dividend payments: June 25, 2021

Scheduled date of filing annual securities report: June 25, 2021

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

CEO

Senior Executive Officer, Corporate Management

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 01, 2020 to March 31, 2021)

(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	%
Fiscal year ended March 31, 2021	86,209	2.0	8,106	15.3	8,348	27.4	5,952	46.6
March 31, 2020	84,519	4.5	7,033	26.2	6,554	16.1	4,060	13.5

(Note) Comprehensive income: Fiscal year ended March 31, 2021: ¥ 6,823 million [79.4%]
Fiscal year ended March 31, 2020: ¥ 3,802 million [16.7%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2021	157.67	154.46	10.6	7.8	9.4
March 31, 2020	112.25	106.95	8.5	7.9	8.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2021: ¥ (39) million
Fiscal year ended March 31, 2020: ¥ (300) million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2021	126,731	60,985	46.7	1,565.10
March 31, 2020	87,286	53,520	61.2	1,414.80

(Reference) Equity: As of March 31, 2021: ¥ 59,144 million
As of March 31, 2020: ¥ 53,378 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2021	10,628	(15,629)	28,913	41,120
March 31, 2020	8,712	(7,656)	(3,438)	16,791

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2020	-	0.00	-	28.00	28.00	1,056	24.9	2.1
March 31, 2021	-	0.00	-	35.00	35.00	1,322	22.2	2.3
Fiscal year ending								
March 31, 2022 (Forecast)	-	0.00	-	35.00	35.00		23.2	

(Note) Breakdown of the year-end dividend for the fiscal year ended March 31, 2021 :

Ordinary dividend	30 yen
Commemorative dividend (the 70th anniversary of the Company's founding)	5 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 01, 2021 to March 31, 2022)

(% 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	99,200	15.1	9,000	11.0	8,800	5.4	5,700	(4.2)	150.83

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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

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

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

March 31, 2021: 38,077,444 shares

March 31, 2020: 38,015,944 shares

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

March 31, 2021: 287,876 shares

March 31, 2020: 287,836 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2021: 37,750,801 shares

Fiscal Year ended March 31, 2020: 36,178,168 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 01, 2020 to March 31, 2021)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2021	59,720	1.2	5,335	(1.0)	5,274	(0.3)	3,081	(6.5)
March 31, 2020	58,999	5.7	5,386	18.9	5,292	16.2	3,294	2.4

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2021	81.61	80.00
March 31, 2020	91.07	86.79

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2021	112,630	58,033	49.9	1,488.31
March 31, 2020	80,882	54,224	66.9	1,434.85

(Reference) Equity: As of March 31, 2021: ¥ 56,242 million
As of March 31, 2020: ¥ 54,135 million

* **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 the forecast of consolidated business results assumptions and our response, please refer to “1. Overview of Business Results (5) Outlook” on Page 5 of the appendix.

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1. Overview of Business Results

(1) Overview of Business Results for the Fiscal Year Under Review

(Business results for the fiscal year under review)

Regarding the world economy during the fiscal year ended March 31, 2021, situation remained increasingly uncertain, mainly due to restricted economic activities as a result of the COVID-19 pandemic. As for the domestic economy, uncertainty about the future continued as economic activities slowed in response to the state of emergency declared by the Japanese government and requests issued by local governments to stop the spread of COVID-19 infections, which in turn exerted a major impact on personal consumption and employment.

Under these circumstances, in the contact lens market, demand for disposable contact lenses has heightened overseas, especially for daily disposable contact lenses. This suggests that demand is on a recovery trend although the impact of COVID-19 has cooled consumption to some extent. In the domestic market, demand continued to rise for circle lenses, which are intended to make your eyes appear larger, and so did demand for multifocal contact lenses.

Performances in each business units are as follows.

[Domestic Contact Lens Business]

Due to the impact of COVID-19, sales promotion activities were restricted at our partner retail shops and the group retail shops because of limited interactions with customers by reduced the number of business days and shortened business hours, and increased awareness of the need to avoid in-person contact. Under such circumstances, we focused on expanding the users of daily disposable contact lenses, for which demand in the market is increasing, multifocal contact lenses targeting the generation with presbyopia, and circle lenses, which help users give the impression of having larger eyes even while wearing face masks during the COVID-19 pandemic.

Regarding the product strategy, we have newly released a 30-piece pack for the “1DAY FRUTTIE” daily disposable circle lenses and are making the product more widely available through retail facilities that offer contact lenses based on prescriptions from ophthalmologists. Meanwhile, we also released a 10-piece pack of the same product on a major online shopping site in Japan. As part of our efforts to raise safety awareness, we have launched a trial program called “Let’s Go Color Contact Lens Health Checkup” for those who purchased this product. The aim is to help users confirm the right strength of lenses for their eyes. As we enter a new market and expand sales of circle lenses, we will raise consumer safety awareness based on the concept of our Safety Philosophy Charter.

Our own retail shops and the Group retail shops are working to create an environment that makes customers feel safe to visit. In addition to posing the video about our infection prevention measures on the website of Miru, we have also started to take appointments from customers planning visits and to offer a service in which customers can receive their purchases from dedicated delivery lockers for the purpose of reducing congestion and the time spent in the store. We started providing services that enable smooth communication with customers even in the new era, such as the “AR Shop,” which offers a pseudo shopping experience closer to the reality, the “Club Menicon” total service site, and the “MENICOiN” reward point program.

As promotional measures, we worked on advertising activities, such as broadcasting TV commercials primarily on “SMART TOUCH” and “Miru,” and on sales promotion activities such as running the 1DAY admission campaign.

As a result of these initiatives, MELS Plan memberships reached 1.34 million as of March 31, 2021. We will strive to further expand the business in the future.

[Overseas Contact Lens Business]

Our overseas activities were conducted under strict restrictions on outings and other COVID-19-related measures. Our representatives could not visit customers for some time and our production sites had to take infection prevention measures. Under such difficult circumstances, we successfully expanded business mainly by strengthening our sales network through M&A and the acquisition of new outlets and by improving our logistics functions. This resulted in the overall growth of the overseas contact lens business, achieving a 27.9% increase in net sales year on year.

In Europe, our net sales increased 23.6% year on year, demonstrating expanded performance. This is attributable to increased sales in the Italian market through the sales network acquired by making SOLEKO S.p.A. our wholly-owned subsidiary in October 2019. In addition, in the burgeoning disposable contact lens market, we positioned “Miru 1day UpSide” and “Miru 1day Menicon Flat Pack” as strategic products and have started to deal with new leading mass-volume retailers. To meet the growing sales of disposable contact lenses in terms of distribution, our logistics center functions were relocated and expanded in Germany, leading to an enhanced supply chain.

In the area of suppression of myopia progression, we developed and test-marketed a service system designed to analyze the status of the eyes of the users and their contact lens usage. We also expanded our product lineup with “Menicon Bloom Night,” orthokeratology lenses for suppressing the progression of myopia, and “Menicon Bloom Day,” a daily disposable contact lens.

In North America, net sales decreased by about 39.5% year on year due to the strong impact of COVID-19. We worked toward future growth by preparing to supply daily disposable contact lenses to major retail chains as their private-brand products and by strengthening the online marketing of contact lens care products to cope with restrictions on outings due to COVID-19.

In Asia*, a great leap was made in net sales in China with 57.3% increase year on year, mainly driven by orthokeratology lenses and contact lens care products. On the sales front, we have acquired a sales network to prepare for market growth in China by turning Itabashi Trading Co., Ltd. into a wholly-owned subsidiary in January 2021 with the primary aim of strengthening our sales capability in China. Regarding production, we have established a local subsidiary in China, which is preparing to start operation as a new factory of Alpha Corporation to meet the future growth in demand for orthokeratology lenses. We have successfully laid the groundwork for building an integrated structure that covers everything from manufacturing to sales in China.

* "Asia" includes major exports sales to China through domestic agencies, which is included in the sales of Japan on Segment information.

[Other Businesses]

The Veterinary Medical Business conducted by Meni-one Co., Ltd. focused on developing products and released “Iris Vet light,” an eye examination device, and “Clear View 2,” a fundus camera. Sales of the Environmental and Bioscience Business grew, driven by robust sales of decomposition agents for rice straw, etc. and sales of “resQ Deomaster,” a deodorant for livestock odors that was fully launched during the fiscal year under review. In the Life Science Business, sales were buoyant for “Luna rhythm lactoferrin,” a dietary supplement to support conception, and other products. Sales from the e-commerce business grew with a wider variety of dietary supplements to support a better life. Sales of the sperm sorting device "MIGLIS" also increased significantly from the previous fiscal year.

Such initiatives resulted in the Group’s consolidated business results for the fiscal year under review as follows. Net sales increased by 2.0% year on year to ¥86,209 million and gross profit increased by 1.3% year on year to ¥45,817 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 15.3% year on year to ¥8,106 million and ordinary profit increased by 27.4% year on year to ¥8,348 million, as a result of the Group’s success in making more effective use of selling, general and administrative expenses relative to the previous fiscal year.

Regarding extraordinary income and losses, extraordinary income of ¥543 million was recorded, mainly owing to the posting of the gain on step acquisitions of shares in Itabashi Trading Co., Ltd., which became a wholly-owned subsidiary in January 2021. Extraordinary losses of ¥537 million were recorded due to factors such as impairment loss posted by Menicon Limited (UK) and W.I. System Co., Ltd., which both experienced a decline in net sales due to the impact of COVID-19.

As a result, profit before income taxes increased by 33.3% year on year to ¥8,353 million and profit attributable to owners of parent increased by 46.6% year on year to ¥5,952 million.

Business results by segment are as follows.

1) Contact Lens-related Business

Sales of the contact lens-related business were ¥84,529 million, an increase of 2.0% year on year. Segment profit was ¥12,609 million, an increase of 8.6% year on year.

Sales of the contact lens-related business increased by ¥1,624 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 ¥1,044 million and ¥1,937 million, respectively. MELS Plan memberships increased year on year to reach 1.34 million. The increase in overseas lens care product sales is attributable to reflection of the performance of SOLEKO S.p.A. (Italy), and the increase in the sales of lens care products for orthokeratology lenses in China as its market continues to grow. Meanwhile, negative factors inhibiting year-on-year sales growth mainly consisted of a ¥1,293 million decrease in net sales of contact lens products due to COVID-19.

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

2) Other Businesses

Sales of the other businesses were ¥1,680 million, an increase of 4.1% year on year, as sales were robust for dietary supplements to support conception and dietary supplements to support a better life in the life science field. However, segment loss was ¥524 million, compared with a segment loss of ¥494 million for the previous fiscal year, reflecting the upfront expenditure of costs for future business expansion.

(2) Overview of Financial Position for the Fiscal Year Under Review

(Assets)

Total assets at the end of the fiscal year under review were ¥126,731 million, having increased by ¥39,444 million from the end of the previous fiscal year. Current assets increased by ¥28,485 million to ¥70,207 million mainly owing to an increase in cash and deposits due to the issuance of convertible bond-type bonds with share acquisition rights and the execution of borrowings. Non-current assets increased by ¥10,959 million to ¥56,523 million, primarily due to capital investment in production lines to manufacture 1DAY contact lenses at the Kakamigahara Factory.

(Liabilities and net assets)

Liabilities increased by ¥31,980 million from the end of the previous fiscal year to ¥65,745 million at the end of the fiscal year under review mainly as a result of an increase in convertible bond-type bonds with share acquisition rights and an increase in borrowings. Net assets increased by ¥7,464 million from the end of the previous fiscal year to ¥60,985 million due to the recording of profit attributable to owners of parent.

As a result, the capital adequacy ratio was 46.7%.

(3) Overview of Cash Flows for the Fiscal Year Under Review

Cash and cash equivalents at the end of the fiscal year under review were ¥41,120 million, having increased by ¥24,329 million or 144.9% from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥10,628 million, compared with net cash by operating activities amounting to ¥8,712 million for the previous fiscal year, mainly due to increases to ¥8,353 million of profit before income taxes and ¥5,286 million of depreciation.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥15,629 million, compared with net cash used in investing activities amounting to ¥7,656 million for the previous fiscal year, mainly due to the increase in purchase of property by expanding manufacturing facilities at Kakamigahara Factory and Seki Factory, and the acquisition of the shares of Hamano Contact Co., Ltd. and Itabashi Trading Co., Ltd.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥28,913 million, compared with net cash used in financing activities amounting to ¥3,438 million in the same period of the previous year, mainly due to the issuance of convertible bond-type bonds with share acquisition rights and the execution of long-term borrowings.

(4) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Under Review and for the Next Fiscal Year

Our basic policy is to pay dividends once a year as a year-end dividend. Based on the policy of maintaining stable dividend payments, we intend to pay an ordinary dividend of ¥30 per share for the fiscal year under review, which is an increase of ¥2 from the previous fiscal year. In addition to this, a commemorative dividend of ¥5 per share will be paid to mark the 70th anniversary of the Company's founding. Therefore, the year-end dividend for the fiscal year under review will be ¥35. For the next fiscal year, we plan to pay an ordinary dividend of ¥35.

(5) Outlook

Due to the impact of the COVID-19 pandemic, the future outlook is uncertain. Depending on the infection situation, there is a risk of a further decline in both domestic and global economies, and this unpredictable situation is expected to continue. Under such circumstances, we designed "VISION 2030", which slogan is "New Vision of Miru for the World", as our medium-term goal. We will promote the expansion of the healthcare business such as the supplement sales and the life care business such as the pet life support and environmental business in addition to further business expansion in the vision care field centered on contact lenses and care products for contact lenses. In this medium-term management plan, we have set a target of net sales of ¥140 billion, an operating profit margin of 12%, and a return on equity of 10% in the fiscal year ending March 31, 2026. To achieve this goal, we will launch efforts in increasing overseas net sales, MELS Plan memberships, and sales of daily disposable contact lenses. In overseas markets, demand for orthokeratology lenses, which are to be worn while sleeping and are effective for correcting vision, is robust in China. For the reason, we will continue capital investment to expand our production capacity for orthokeratology lenses and associated care products, as well as activities to increase sales of our products. In regard to the MELS Plan as our key business, a continued increase in membership is expected because we will focus on expanding the product lineup for disposable contact lenses, strengthening sales channels, and accelerating sales promotion. Recognizing the continued growth of global demand for disposable contact lenses, especially daily disposable contact lenses, we aim to increase net sales through investments in disposable contact lenses in areas such as augmenting production capacity, strengthening sales locations in Japan and overseas.

Based on the above, our outlook for the next fiscal year is ¥99,200 million in net sales, ¥9,000 million in operating profit, ¥8,800 million in ordinary profit, and ¥5,700 million in profit attributable to owners of parent. These forecasts for business results have been calculated based on information currently available to our company and certain assumptions that we have deemed reasonable. The impact of a state of emergency, which has been declared by the Japanese government as one of the countermeasures against COVID-19 since April 2021, have not been taken into account. Business activities and actual results may be affected by COVID-19 and other various factors in the future.

2. Basic Approach for Selection of Accounting Standards

The Group applies the Japanese Accounting Standards.

The Group intends to examine whether to adopt the International Financial Reporting Standards (IFRS) in light of the impact of the issue of the withdrawal of the U.K. from the European Union, global business development and domestic and overseas trends.

3.Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of March 31,2021
Assets		
Current assets		
Cash and deposits	17,327	41,455
Notes and accounts receivable - trade	9,733	10,735
Merchandise and finished goods	9,798	11,624
Work in process	905	1,271
Raw materials and supplies	2,226	2,605
Other	1,878	2,694
Allowance for doubtful accounts	(148)	(178)
Total current assets	41,722	70,207
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,895	22,682
Accumulated depreciation	(10,204)	(11,007)
Buildings and structures, net	10,690	11,674
Machinery, equipment and vehicles	22,447	23,881
Accumulated depreciation	(14,798)	(16,538)
Machinery, equipment and vehicles, net	7,649	7,343
Tools, furniture and fixtures	7,911	8,750
Accumulated depreciation	(6,559)	(7,200)
Tools, furniture and fixtures, net	1,352	1,549
Land	4,926	4,956
Leased assets	849	2,172
Accumulated depreciation	(726)	(292)
Leased assets, net	122	1,879
Right of use assets	4,782	5,709
Accumulated depreciation	(644)	(1,406)
Right of use assets, net	4,137	4,303
Construction in progress	5,793	7,584
Other	-	10
Accumulated depreciation	-	-
Other, net	-	10
Total property, plant and equipment	34,672	39,301
Intangible assets		
Goodwill	2,437	4,878
Patent right	975	730
Other	3,651	6,595
Total intangible assets	7,064	12,204
Investments and other assets		
Investment securities	505	452
Long-term loans receivable	48	42
Deferred tax assets	1,254	2,063
Other	2,033	2,471
Allowance for doubtful accounts	(15)	(11)
Total investments and other assets	3,826	5,017
Total non-current assets	45,564	56,523
Total assets	87,286	126,731

(Million yen)

	As of March 31,2020	As of March 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,373	4,205
Short-term borrowings	77	258
Current portion of bonds payable	1,465	1,029
Current portion of long-term borrowings	1,798	1,583
Lease obligations	720	2,096
Accounts payable - other	4,583	5,167
Income taxes payable	1,398	1,856
Provision for bonuses	1,598	1,914
Provision for point card certificates	67	15
Other	5,669	4,401
Total current liabilities	21,751	22,530
Non-current liabilities		
Bonds payable	4,082	3,053
Convertible-bond-type bonds with share acquisition rights	-	22,868
Long-term borrowings	1,692	8,278
Lease obligations	3,594	6,139
Long-term accounts payable - other	1,485	1,438
Retirement benefit liability	622	752
Deferred tax liabilities	339	450
Asset retirement obligations	105	104
Other	93	129
Total non-current liabilities	12,014	43,215
Total liabilities	33,765	65,745
Net assets		
Shareholders' equity		
Share capital	5,396	5,414
Deposits for subscriptions of shares	1	-
Capital surplus	6,658	6,640
Retained earnings	42,764	47,660
Treasury shares	(441)	(442)
Total shareholders' equity	54,378	59,273
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20	87
Foreign currency translation adjustment	(1,020)	(217)
Total accumulated other comprehensive income	(999)	(129)
Share acquisition rights	88	1,790
Non-controlling interests	53	49
Total net assets	53,520	60,985
Total liabilities and net assets	87,286	126,731

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Net sales	84,519	86,209
Cost of sales	39,291	40,392
Gross profit	45,227	45,817
Selling, general and administrative expenses	38,194	37,710
Operating profit	7,033	8,106
Non-operating income		
Interest income	4	4
Dividend income	10	10
Fair value adjustment of contingent consideration	-	36
Subsidy income	107	380
Other	285	267
Total non-operating income	408	700
Non-operating expenses		
Interest expenses	188	229
Bond issuance costs	23	49
Share of loss of entities accounted for using equity method	300	39
Fair value adjustment of contingent consideration	164	-
Loss on cancellation of contracts	96	-
Other	112	139
Total non-operating expenses	887	458
Ordinary profit	6,554	8,348
Extraordinary income		
Gain on sale of non-current assets	25	2
Subsidy income	15	10
Gain on step acquisitions	52	481
Other	-	49
Total extraordinary income	94	543
Extraordinary losses		
Loss on sale of non-current assets	64	5
Loss on retirement of non-current assets	179	146
Impairment losses	113	340
Other	26	45
Total extraordinary losses	383	537
Profit before income taxes	6,265	8,353
Income taxes - current	2,370	2,535
Income taxes - deferred	(168)	(134)
Total income taxes	2,201	2,400
Profit	4,063	5,953
Profit attributable to non-controlling interests	2	1
Profit attributable to owners of parent	4,060	5,952

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Profit	4,063	5,953
Other comprehensive income		
Valuation difference on available-for-sale securities	(25)	67
Foreign currency translation adjustment	(204)	791
Share of other comprehensive income of entities accounted for using equity method	(30)	11
Total other comprehensive income	(260)	870
Comprehensive income	3,802	6,823
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,800	6,822
Comprehensive income attributable to non-controlling interests	1	1

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31,2020

(Million yen)

	Shareholders' equity					
	Share capital	Deposits for subscriptions of shares	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,379	-	2,553	39,690	(2,414)	43,208
Changes during period						
Issuance of new shares	2,016		2,016			4,032
Increase (decrease) in deposit for subscriptions to shares		1				1
Dividends of surplus				(986)		(986)
Profit attributable to owners of parent				4,060		4,060
Purchase of treasury shares					(0)	(0)
Disposal of treasury shares			2,088		1,973	4,061
Change in ownership interest of parent due to transactions with non-controlling interests						-
Net changes in items other than shareholders' equity						
Total changes during period	2,016	1	4,104	3,074	1,972	11,169
Balance at end of period	5,396	1	6,658	42,764	(441)	54,378

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	46	(786)	(739)	38	42	42,549
Changes during period						
Issuance of new shares						4,032
Increase (decrease) in deposit for subscriptions to shares						1
Dividends of surplus						(986)
Profit attributable to owners of parent						4,060
Purchase of treasury shares						(0)
Disposal of treasury shares						4,061
Change in ownership interest of parent due to transactions with non-controlling interests						-
Net changes in items other than shareholders' equity	(26)	(234)	(260)	50	10	(198)
Total changes during period	(26)	(234)	(260)	50	10	10,971
Balance at end of period	20	(1,020)	(999)	88	53	53,520

For the fiscal year ended March 31,2021

(Million yen)

	Shareholders' equity					
	Share capital	Deposits for subscriptions of shares	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,396	1	6,658	42,764	(441)	54,378
Changes during period						
Issuance of new shares	18		18			37
Increase (decrease) in deposit for subscriptions to shares		(1)				(1)
Dividends of surplus				(1,056)		(1,056)
Profit attributable to owners of parent				5,952		5,952
Purchase of treasury shares					(0)	(0)
Disposal of treasury shares						-
Change in ownership interest of parent due to transactions with non-controlling interests			(36)			(36)
Net changes in items other than shareholders' equity						
Total changes during period	18	(1)	(17)	4,895	(0)	4,895
Balance at end of period	5,414	-	6,640	47,660	(442)	59,273

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	20	(1,020)	(999)	88	53	53,520
Changes during period						
Issuance of new shares						37
Increase (decrease) in deposit for subscriptions to shares						(1)
Dividends of surplus						(1,056)
Profit attributable to owners of parent						5,952
Purchase of treasury shares						(0)
Disposal of treasury shares						-
Change in ownership interest of parent due to transactions with non-controlling interests						(36)
Net changes in items other than shareholders' equity	67	803	870	1,701	(3)	2,569
Total changes during period	67	803	870	1,701	(3)	7,464
Balance at end of period	87	(217)	(129)	1,790	49	60,985

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31,2020	For the fiscal year ended March 31,2021
Cash flows from operating activities		
Profit before income taxes	6,265	8,353
Depreciation	4,486	5,286
Impairment losses	113	340
Amortization of goodwill	935	742
Loss on retirement of non-current assets	179	146
Gain on step acquisitions	(52)	(481)
Subsidy income	(15)	(10)
Interest and dividend income	(14)	(15)
Interest expenses	188	229
Foreign exchange losses (gains)	72	(92)
Decrease (increase) in trade receivables	(98)	(412)
Decrease (increase) in inventories	(548)	(1,166)
Increase (decrease) in trade payables	(409)	(485)
Increase (decrease) in provision for bonuses	11	133
Other, net	306	609
Subtotal	11,419	13,177
Interest and dividends received	17	15
Interest paid	(117)	(145)
Income taxes paid	(2,623)	(2,428)
Subsidies received	15	10
Net cash provided by (used in) operating activities	8,712	10,628
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	279	500
Purchase of intangible assets	(885)	(1,684)
Purchase of property, plant and equipment	(5,592)	(10,191)
Proceeds from sale of property, plant and equipment	246	35
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,625)	(4,041)
Other, net	(79)	(248)
Net cash provided by (used in) investing activities	(7,656)	(15,629)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(14)	19
Proceeds from long-term borrowings	7	8,000
Repayments of long-term borrowings	(1,989)	(1,802)
Proceeds from issuance of bonds	1,976	-
Redemption of bonds	(1,765)	(1,465)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	-	24,445
Repayments of lease obligations	(745)	(1,146)
Proceeds from sale and leaseback transactions	-	1,927
Dividends paid	(986)	(1,055)
Proceeds from sale of treasury shares	25	-
Other, net	51	(7)
Net cash provided by (used in) financing activities	(3,438)	28,913
Effect of exchange rate change on cash and cash equivalents	(111)	416
Net increase (decrease) in cash and cash equivalents	(2,494)	24,329
Cash and cash equivalents at beginning of period	19,286	16,791
Cash and cash equivalents at end of period	16,791	41,120

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Additional information)

[Accounting estimate for the impact of the spread of COVID-19 infection]

The COVID-19 pandemic has impacted seriously on social economic activities and also affected our business activities.

At this point, it is difficult to predict the timing of convergence accurately and the extent of its impact. So we make accounting estimates for impairment of fixed assets, etc., based on the assumption that the impact of the COVID-19 pandemic will continue for a certain period of the next consolidated fiscal year.

As a result of reviewing the judgment due to future changes in the situation such as delay in convergence time, it may affect the financial position, operating results and cash flows situation after the next consolidated fiscal year, since the impact of the COVID-19 is highly uncertain

(Segment information)

[Segment Information]

1. Overview of reportable segments

Reportable segments of the Group are components of the Group for which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding allocation of resources and in assessing performance.

Considering the similarity of products and services and the materiality, the Contact Lens-related Business is determined to be the reportable segment of the Group.

The Contact Lens-related Business carries out production and sales of contact lenses, lens care products, and products related thereto.

2. Calculation method for net sales, profit (loss), assets, liabilities and other items by reportable segment

The method of accounting treatment for the reportable business segment is the same as that adopted for preparation of consolidated financial statements.

Profit of the reportable segment is on an operating profit basis.

Inter-segment profit and transfers are based on market prices.

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment

Fiscal year from April 1, 2019 to March 31, 2020

(Million yen)

	Reportable segment	Other (Note)	Total
	Contact Lens-related Business		
Net sales			
Net sales to external customers	82,904	1,614	84,519
Inter-segment net sales or transfers	—	—	—
Total	82,904	1,614	84,519
Segment profit (loss)	11,606	(494)	11,112
Segment assets	73,631	1,454	75,086
Other items			
Depreciation	4,295	19	4,315
Increase in property, plant and equipment and intangible assets	9,629	37	9,667

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

Fiscal year under review (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment	Other (Note)	Total
	Contact Lens-related Business		
Net sales			
Net sales to external customers	84,529	1,680	86,209
Inter-segment net sales or transfers	—	—	—
Total	84,529	1,680	86,209
Segment profit (loss)	12,609	(524)	12,085
Segment assets	91,517	3,070	94,588
Other items			
Depreciation	5,102	22	5,125
Increase in property, plant and equipment and intangible assets	12,433	38	12,472

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

4. Differences between the total amount of the reportable segment and the amount stated in consolidated financial statements, and major breakdown of such differences (Reconciliation)

(Million yen)

Net sales	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Reportable segment total	82,904	84,529
Net sales of “Other”	1,614	1,680
Elimination of inter-segment transactions	—	—
Net sales stated in consolidated financial statements	84,519	86,209

(Million yen)

Profit	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Reportable segment total	11,606	12,609
Profit of “Other”	(494)	(524)
Corporate expenses (Note)	(4,078)	(3,978)
Operating profit stated in consolidated financial statements	7,033	8,106

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

(Million yen)

Assets	As of March 31, 2020	As of March 31, 2021
Reportable segment total	73,631	91,517
Assets of "Other"	1,454	3,070
Corporate assets (Note)	12,200	32,142
Assets stated in consolidated financial statements	87,286	126,731

(Note) Corporate assets are mainly cash and deposits of the head office and the head office building, which are not attributable to the reportable segment.

(Million yen)

Other items	Reportable segment total		Other		Adjustment		Amounts stated in consolidated financial statements	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Depreciation	4,295	5,102	19	22	171	160	4,486	5,286
Increase in property, plant and equipment and intangible assets	9,629	12,433	37	38	324	254	9,991	12,726

(Note) Adjustment of the increase in property, plant and equipment and intangible assets corresponds to capital investment for the equipment of head office.

[Related Information]

Fiscal year from April 1, 2019 to March 31, 2020

1. Information by product/service

(Million yen)

	Contact lens / care products	MELS Plan	Other	Total
Net sales to external customers	39,555	42,806	2,157	84,519

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

2. Geographical information

(1) Net sales

(Million yen)

Japan	Europe	North America	Asia	Other	Total
74,828	6,615	1,231	1,481	362	84,519

(Note) Net sales are classified according to countries or regions based on the locations of customers.

(2) Property, plant and equipment

(Million yen)

Japan	Europe	North America	Asia	Other	Total
26,449	3,917	30	4,273	1	34,672

(Note) Property, plant and equipment are classified according to countries or regions based on the locations of property, plant and equipment.

3. Information by major customer

This information is not stated because, of net sales to external customers, no customer represents 10% or more of net sales stated in the consolidated statements of income.

Fiscal year under review (from April 1, 2020 to March 31, 2021)

1. Information by product/service

(Million yen)

	Contact lens / care products	MELS Plan	Other	Total
Net sales to external customers	40,181	43,850	2,177	86,209

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

2. Geographical information

(1) Net sales

(Million yen)

Japan	Europe	North America	Asia	Other	Total
76,073	8,177	744	748	466	86,209

(Note) Net sales are classified according to countries or regions based on the locations of customers.

(2) Property, plant and equipment

(Million yen)

Japan	Europe	North America	Asia	Other	Total
29,843	4,708	—	4,732	16	39,301

(Note) Property, plant and equipment are classified according to countries or regions based on the locations of property, plant and equipment.

3. Information by major customer

This information is not stated because, of net sales to external customers, no customer represents 10% or more of net sales stated in the consolidated statements of income.

[Information on impairment loss of non-current assets by reportable segment]

Fiscal year from April 1, 2019 to March 31, 2020

(Million yen)

	Reportable segment	Other (Note)	Corporate/elimination	Total
	Contact Lens-related Business			
Impairment loss	113	—	—	113

(Note) The amount of “Other” concerns new businesses.

Fiscal year under review (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment	Other (Note)	Corporate/elimination	Total
	Contact Lens-related Business			
Impairment loss	340	—	—	340

(Note) The amount of “Other” concerns new businesses.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Fiscal year from April 1, 2019 to March 31, 2020

(Million yen)

	Reportable segment	Other (Note)	Corporate/elimination	Total
	Contact Lens-related Business			
Amortization	935	—	—	935
Unamortized balance	2,437	—	—	2,437

(Note) The amount of “Other” concerns new businesses.

Fiscal year under review (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment	Other (Note)	Corporate/elimination	Total
	Contact Lens-related Business			
Amortization	742	—	—	742
Unamortized balance	4,878	—	—	4,878

(Note) The amount of “Other” concerns new businesses.

[Information on gain on bargain purchase by reportable segment]

Fiscal year from April 1, 2019 to March 31, 2020

Not applicable.

Fiscal year under review (from April 1, 2020 to March 31, 2021)

Not applicable.

(Per share information)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Fiscal year under review (from April 1, 2020 to March 31, 2021)
Net assets per share	Yen 1,414.80	Yen 1,565.10
Basic earnings per share	112.25	157.67
Diluted earnings per share	106.95	154.46

(Note) 1. The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Fiscal year under review (from April 1, 2020 to March 31, 2021)
(1) Basic earnings per share		
Profit attributable to owners of parent (Million yen)	4,060	5,952
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent pertaining to shares of common stock (Million yen)	4,060	5,952
Average number of shares of common stock (shares)	36,178,168	37,750,801
(2) Diluted earnings per share		
Adjusted profit attributable to owners of parent (Million yen)	3	4
Increase in the number of shares of common stock (shares)	1,825,550	811,902
[Convertible bond-type bonds with share acquisition rights (shares)]	[1,480,515]	[527,738]
[Share acquisition rights (shares)]	[345,035]	[284,164]
Summary of Residual securities not included in the calculation of diluted earnings per share because of no dilutive effect	—	—

2. The basis for calculation of net assets per share is as follows.

	Previous fiscal year (as of March 31, 2020)	Fiscal year under review (as of March 31, 2021)
Total net assets (Million yen)	53,520	60,985
Amount to be deducted from total net assets (Million yen)	143	1,840
[Share acquisition rights (Million yen)]	[88]	[1,790]
[Non-controlling interests (Million yen)]	[53]	[49]
Net assets pertaining to shares of common stock at end of period (Million yen)	53,377	59,144
Number of shares of common stock at end of period used for calculation of net assets per share (shares)	37,728,108	37,789,568

(Significant subsequent events)

Not applicable.