



Corporate Principles
Contributing to society by providing superior visual correction.

Management Principles

Values	Mission	Vision
<p>Values</p> <p>Creation Originality Challenge</p> <p>To take up the bold challenge of accomplishing what no one else has, by creating new values from nothing.</p>	<p>The enterprise we want to be</p> <p>To use our technology and human resources developed through contact lenses to continue to provide the world with products and services needed by society as a creative specialist company.</p>	<p>The dream that we want to achieve</p> <p>To be number one, a paramount enterprise respected and loved by all stakeholders.</p>

Our Mission to Stakeholders

To End Users	As a pioneering company, to utilize our superior technology to provide the joy of sight and living to our customers, thereby improving their satisfaction; to be regarded by end users as a company they want to continue to use in the future.
To Industry Participants	To boost satisfaction among outside researchers, clients, business partners, and other collaborators by contributing proactively to the growth of the industry as a corporate leader, and to be regarded by all other members of the industry as a partner with which they want to continue to do business in the future.
To Our Employees	To heighten employee satisfaction by providing a rewarding work environment that permits self-actualization as a company respectful of individuals, and to be regarded by all employees as an enterprise where they want to continue working as family .
To Our Shareholders	To increase shareholder satisfaction through an unwavering spirit of legal compliance and robust corporate performance as a company respectful of morality, and be regarded by all shareholders as an enterprise they want to back as supporters in the future.
To Society	To show respect to all living things and the environment and to all cultures and histories as a global citizen, to enhance satisfaction among all members of society, and to be an enterprise regarded as a good neighbor by all living things.

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Vision 2030

New Vision of 'Miru' for the World

"Miru (=feel)" is about having fun and pleasure through the five senses and being empathetic.

The Menicon Group continues to propose "Miru" that matches various situations and life stages to realize a fulfilling and happy life.

In addition to the vision care business centered on contact lenses and lens care products, we will boldly take on challenges in the areas of healthcare (Medicine/Health) and life care (Living/Culture/Environment).

Through corporate activities that care about the global social contribution and the environment, we will continue to maintain our importance worldwide.

We will introduce new "Miru" to the world so that everyone can feel happy and fulfilled.

Editorial Policy

This report provides an overview of the company's management and strategy, and reports on creation of mid-to-long term value, process that implements sustainable growth, as well as financial and non-financial information etc., in order to provide stakeholders with a deeper understanding of Menicon. This report does not cover the latest information and more detailed information on individual activities can be found on our website.

Scope Period

FY2021 (April 1, 2021 to March 31, 2022) Includes some reports outside the scope period.

Subject Organization

The description in this report is classified according to the following criteria.

- Company: Menicon Co., Ltd. (non-consolidated)
- Group: Menicon Co., Ltd. and its subsidiaries in Japan and overseas (consolidated)

Issued Date

October 2022 (Last report published on September 2021/Next report scheduled for September 2023)

Referenced Guidelines

- IFRS Foundation "International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry "Guidance on Integrated Disclosure and Dialogue for Value Co-Creation"
- GRI "GRI Sustainability Reporting Standards 2016/2018/2020"
- TCFD "Proposal by Task Force on Climate-related Financial Disclosures Final Report"

Information Disclosure System

Financial Information	Non-Financial Information
Integration Report	
<ul style="list-style-type: none"> Annual Securities Report Summary of Accounts Presentation Materials 	<ul style="list-style-type: none"> Sustainability Report Corporate Governance Report Menicon's commitment to the SDGs
<p>IR site https://www.menicon.com/corporate/ir/</p>	<p>Sustainability Site https://www.menicon.com/corporate/aboutus/sdg/</p>
<p>Corporate site https://www.menicon.com/corporate/</p>	

Special notes on the outlook

This report contains information on Menicon's current plans, earnings forecast and strategies, which are predicted at the time of disclosure and involve risks and uncertainties. Please do not rely solely on these predictions as the results may differ from the actual results.

Top Message



We will achieve global corporate growth through "local production for local consumption," by basing our business activities on "End User First."

Directors
President and CEO

田中英成

Performance review for FY2021 and outlook for FY2022

In FY2021, the current business environment was unstable, not only because of the continued COVID-19 pandemic, but also because of the rising prices of raw materials and fuel. However, as a result, sales and profits increased significantly, mainly due to a significant increase in sales in the overseas business, partly as a result of M&A activities. The target of "JPY 100 billion in sales" set in the previous "Vision 2020" medium-term management plan was also achieved in FY2021, although it was delayed by one year due to COVID-19.

In the Group's mainstay vision care business, there was a steady recovery in demand for contact lenses and lens care products due to the COVID-19 pandemic. In addition, the acquisition of China-based Itabashi Trading as a wholly-owned subsidiary in January 2021 contributed to the build-up of overseas sales, particularly in Asia, while sales of orthokeratology lenses, which improve myopia vision by correcting the shape of the cornea while the wearer is asleep, continued to be strong in the Chinese market. Meanwhile, in the healthcare and life care business, the addition of Itabashi Trading's food business resulted in a significant increase in sales.

In FY2022, we anticipate an increase in logistics costs due to

soaring fuel costs, making it even more difficult to make a profit, and the future remains uncertain. However, precisely because our group is promoting global business expansion, that it can aim for further evolution and growth by adopting the concept of 'local production for local consumption', whereby overseas manufacturing sites procure and produce raw materials for products in each country and deliver the products to end users through local sales channels. In addition to reducing the time and costs of imports and exports, the company also believes that, from an environmental point of view, it can reduce CO₂ emissions from transport.

Business activities in pursuit of End User First

The eyes are irreplaceable organs and it is not acceptable for any products, especially contact lenses, to harm them. Shareholders First is the standard under capitalism, but if we are asked who we must think of first as we continue our business, I would like to say that it is our customers first, followed by our shareholders and investors. We believe that we can become a company that primarily enjoys the support of the customers who use our products and, as a result, the support of our shareholders. Looking back from when I joined the company in 1987 to

the present day, there have been plenty of periods of difficult performance. In particular, it is no exaggeration to say that the years leading up to my appointment as president in 2000 were, in a sense, extremely challenging. At the time, in the state of the contact lens market it was commonplace for discount shops to sell lenses at low prices and our company, which sold directly to retailers, always suffered from poor sales. As an ophthalmologist myself, I have seen people who used discounted lenses, and the surface of their eyes tended to be scratched up and the lenses were white with protein stains. We noticed that discount shops did not provide the correct lens handling instructions. It was concerning that this could lead to distrust of contact lenses, and the industry as a whole, so we felt that something had to be done. I took over as President at this juncture and focused first and foremost, more than ever, on putting the health of our customers' eyes first and creating an environment in which they could feel safe using our lenses. This laid the foundations for the Group's business today, including the launch of MELS Plan, contact lens flat-rate membership system that embodies the End User First approach. The idea of putting "End User First" which prioritizes the customer, has always been important to us since our founding, but it was precisely during this period of hardship that this idea had the greatest impact on the direction of our corporate activities.

Promotion of "Vision2030"

A new medium-term management plan, "Vision 2030", was launched in FY2021 under the slogan "New Vision of 'Miru' for the World." "Miru" means sharing in joy and pleasure through the five senses. Also, as a derivative of "Miru," I would like to value the personal satisfaction and fulfillment of "showing" and "being seen." To achieve this, the slogan aims to further expand the Group's business domain beyond just satisfying people's "vision" needs in the vision care field, to also satisfying their "five senses."

In the medium-term management plan, the quantitative targets for FY 2025 are sales of JPY 130 billion for the vision care business and JPY 10 billion for the healthcare and life care business. The vision care business will focus on three key areas: increasing overseas sales, further expanding MELS Plan and increasing sales of daily disposable lenses (1DAY). In our overseas operations we have decided to create a new manufacturing base in Malaysia in order to steadily evolve into a global company. In the future, the company will work to expand sales of 1DAY, orthokeratology lenses and lens care products in overseas markets in order to achieve its stated target of 35% of overseas sales. In addition, we will incorporate the concept of "local production for local consumption" into our overseas bases, and build a system that can respond flexibly within our own supply chain even if one of the plants in one of the other countries becomes unable to produce. In turn, this will help to avoid operating risks from the perspective of business continuity planning (BCP).

Having reached a cumulative 1.34 million members in FY2020, MELS Plan will continue to expand its product line-up, including bifocal and circle lenses, strengthen its sales network and actively promote its products in order to reach a cumulative membership of 1.5 million by the end of FY2025. M&As leading to the

strengthening of domestic sales channels will also continue to be pursued with companies that are expected to be good matches. In addition, in order to increase the proportion of 1DAY as a growth driver in the sales composition of the vision care business, the company will work on acquiring more MELS Plan members in Japan and users in major mass retail chains in other countries. In FY2021, the healthcare and life care business, which has made great strides, will not only expand its existing business areas, but also work on growing the food business of Itabashi Trading to become one of the pillars of this business in the future.

For increasing the value of sustainability management

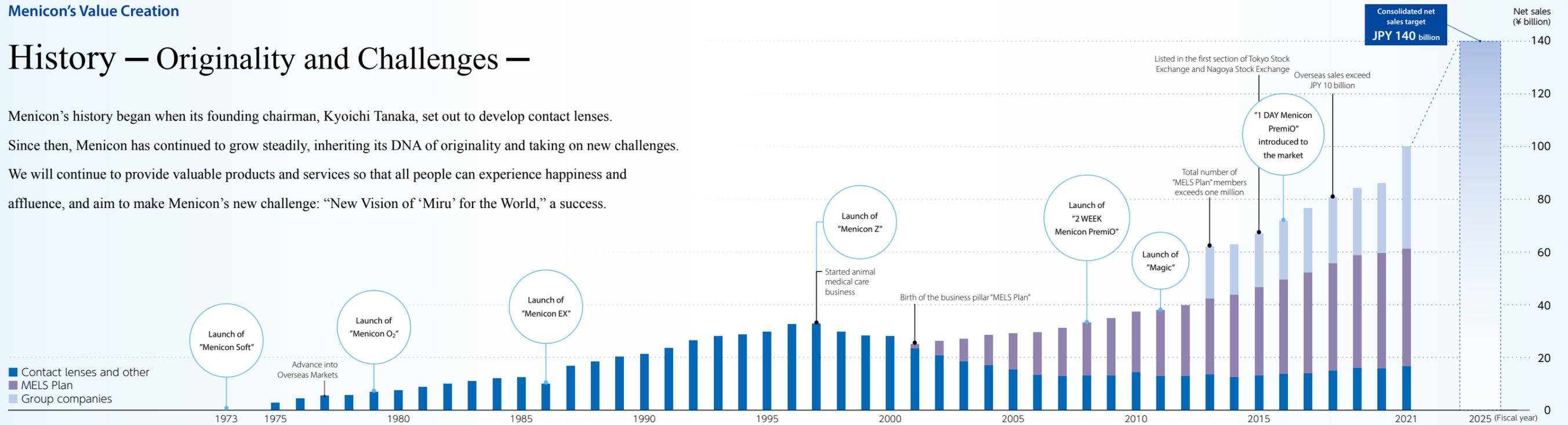
In our recently published medium-term management plan, we have defined our ideal state as, "Through our global social contribution and environmentally friendly corporate activities, we will continue to be seen as a company that people around the world need."

In April 2022 we revised the existing "CSR Policy" to the "Sustainability Policy" and changed the name of the "CSR Committee" to the "Sustainability Committee," aiming to further enhance our sustainability activities. We have put in place a management system that proactively discusses sustainability issues. The Sustainability Committee discusses responses to climate change issues and is working to strengthen responses and disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition, we are deepening our discussions on policies and responses to our key issues and will continue to promote sustainable management with the Sustainability Committee playing a central role.

With regard to ensuring diversity in management positions, particularly with regard to the advancement of women, fair personnel evaluations and fair opportunities for promotion and advancement have been achieved to date. We will continue to work on improving our internal environment in line with our human resources development policy to ensure diversity. The Group will continue to contribute to the realization of a sustainable society by promoting initiatives to solve sustainability issues. At the same time, the Group will also continue to provide products and services that benefit society by utilizing the technology and know-how it has developed in contact lenses.

History — Originality and Challenges —

Menicon's history began when its founding chairman, Kyoichi Tanaka, set out to develop contact lenses. Since then, Menicon has continued to grow steadily, inheriting its DNA of originality and taking on new challenges. We will continue to provide valuable products and services so that all people can experience happiness and affluence, and aim to make Menicon's new challenge: "New Vision of 'Miru' for the World," a success.



	1950- Source of originality and taking on new challenges	1970- Evolving as a contact lens maker	2000- Establishment of the Menicon brand globally	2020- New Vision of 'Miru' for the World,	
Business Development	<p>1951 Menicon's founder Kyoichi Tanaka developed Japan's first corneal contact lens</p>  <p>1952 Founding of the Japan Contact Lens Research Institute</p> <p>1957 Established Japan Contact Lens Co., Predecessor of Menicon</p> <p>1967 "Menicon" registered as a trademark</p> 	<p>1977 Overseas Menicon SAS founded in France [Menicon SAS]</p> <p>1982 Establishment of Menicon Co., Ltd.</p> <p>1984 Seki Plant established in Gifu Prefecture as the main plant</p>  <p>1988 Overseas Menicon GmbH founded in Germany [Menicon GmbH]</p> <p>1992 Overseas A lens care product plant established in France [Menicon Pharma SAS]</p> <p>1995 The R&D Center established in Aichi Prefecture</p>	<p>2001 Overseas Menicon España S.L. founded in Spain [Menicon Iberia S.L.]</p> <p>Overseas Menicon America, Inc. founded in the U.S.A. [Menicon America, Inc.]</p> <p>2002 Technology development center Menicon Techno Station established in Gifu Prefecture</p> <p>2003 A subsidiary operating veterinary medical business founded in Aichi Prefecture [Meni-one Co., Ltd.]</p> <p>2005 Overseas Menicon Singapore Sales Pte. Ltd. founded in Singapore [Menicon Singapore Sales Pte. Ltd.]</p> 	<p>2006 Overseas Acquired shares of contact lens manufacturer in Netherlands [Menicon B.V.]</p>  <p>2009 Overseas Acquired shares of contact lens manufacturer in the UK [Menicon Limited]</p> <p>2010 Acquired shares of contact lens care product manufacturer in Aichi Prefecture [Menicon Nect Co., Ltd.]</p> <p>2012 Acquired shares of contact lens retail outlet in Tokyo [W.I. System Co., Ltd.]</p> <p>2014 Overseas Menicon Korea Co., Ltd. founded in Korea [Menicon Korea Co., Ltd.]</p>	<p>2015 Menicon newly listed in the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange</p> <p>Kakamigahara Plant established in Gifu Prefecture as a manufacturing plant for daily disposable contact lenses</p> <p>Acquired shares of contact lens retail outlet in Tokyo [Fuji contact Co., Ltd.]</p> <p>2016 Acquired shares of contact lens manufacturer in Aichi Prefecture [Alpha Corporation]</p> <p>Acquired shares of contact lens retail outlet in Fukuoka Prefecture [AIP Co., Ltd.]</p> <p>2019 Overseas Acquired shares of contact lens manufacturer in Italy [SOLEKO S.p.A.]</p> 
	Products for Sale	<p>1953 Launch of the first commercialized product, "M.T. Contact Lenses"</p> 	<p>1973 Launch of Japan's first soft contact lens, "Menicon Soft"</p> <p>1979 Launch of Japan's first oxygen-permeable hard contact lens, "Menicon O2"</p> <p>1986 Launch of "Menicon EX", the world's first hard contact lens that can be worn for seven consecutive days</p> <p>1997 "Menicon Z" Hard contact lens introduced to the market</p> <p>Launch of "Meni-One" Lens, an intraocular lens for dogs</p>	<p>2001 Launch of MELS Plan member-only system</p>  <p>2005 Launch of Menicon's first daily disposable soft contact lenses "Menicon 1DAY"</p> <p>2008 Launch of Two-week replacement silicone hydrogel contact lenses "2 WEEK Menicon PremiO"</p>	<p>2011 Thin 1 mm package daily disposable "Magic" contact lenses introduced to the market</p> <p>2013 Number of MELS Plan members reached one million</p> <p>2014 "2 WEEK Menicon Rei" Circle lenses introduced to the market</p> 
				<p>2020 Overseas Acquired additional shares of contact lens manufacturer in China and made it a wholly-owned subsidiary [Wenzhou FocuSee Vision Care Technologies Co., Ltd.]</p> <p>Acquired shares of contact lens retail outlet in Osaka Prefecture [Hamano Contact Co., Ltd.]</p> <p>2021 Overseas Acquired shares of import/export company with sales channels primarily in China [Itabashi Trading Co., Ltd.]</p> <p>70th anniversary of Menicon's founding</p>  <p>2020 "1 DAY FRUTTIE" Daily disposable circle lenses introduced to the market</p>  <p>2021 "1 DAY Menicon Rei" Daily disposable circle lenses introduced to the market</p> <p>2022 Launch of "1Day Menicon Premio Multifocal" daily disposable bifocals Contact lenses</p> 	

Contributing to society by providing superior visual correction.

Value Creation Process

Vision 2030

New Vision of 'Miru' for the World

Medium-term Management Plan

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Input Output

Business activities

Integrated system

Development capabilities P.19-20

Vision Care Business P.15-16

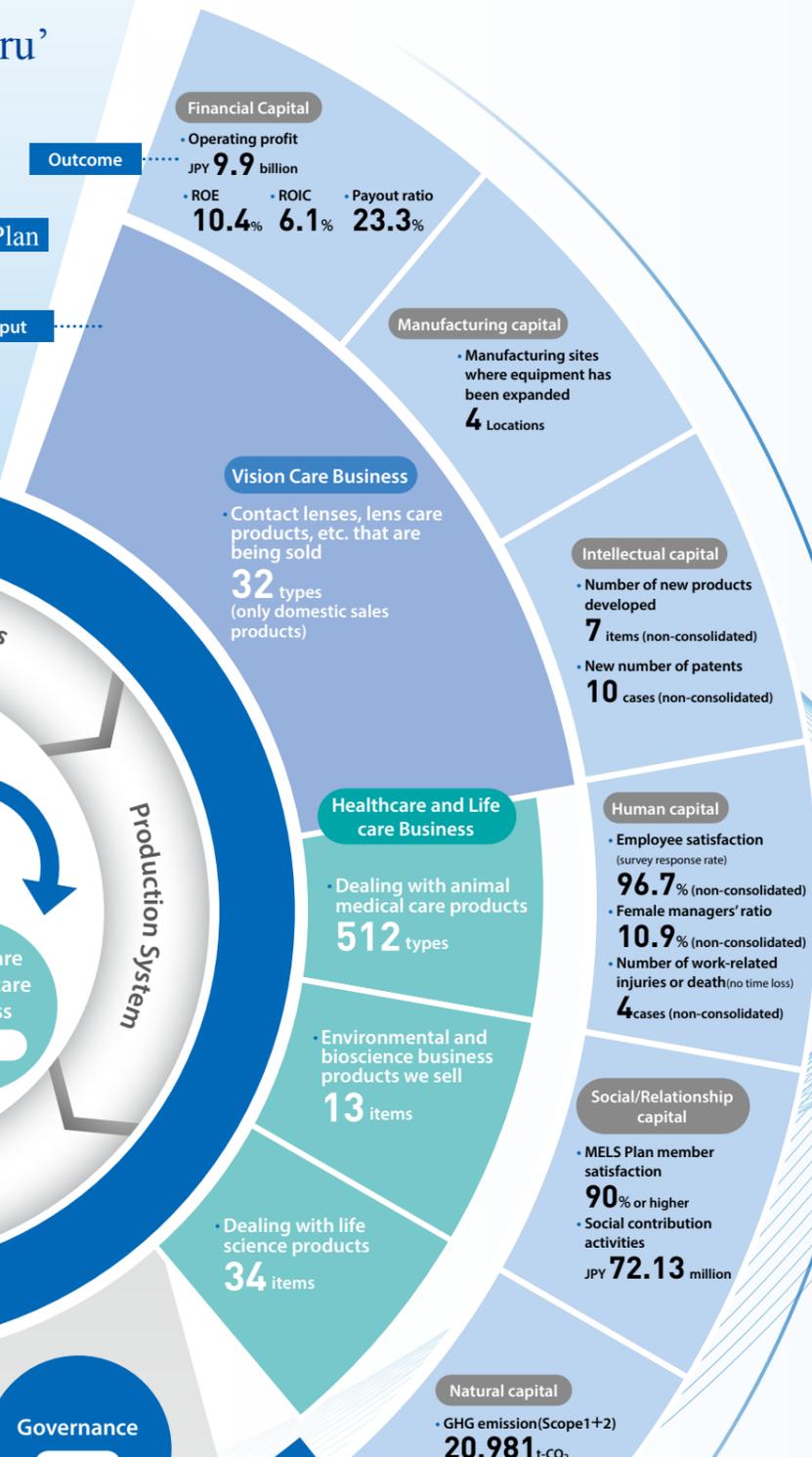
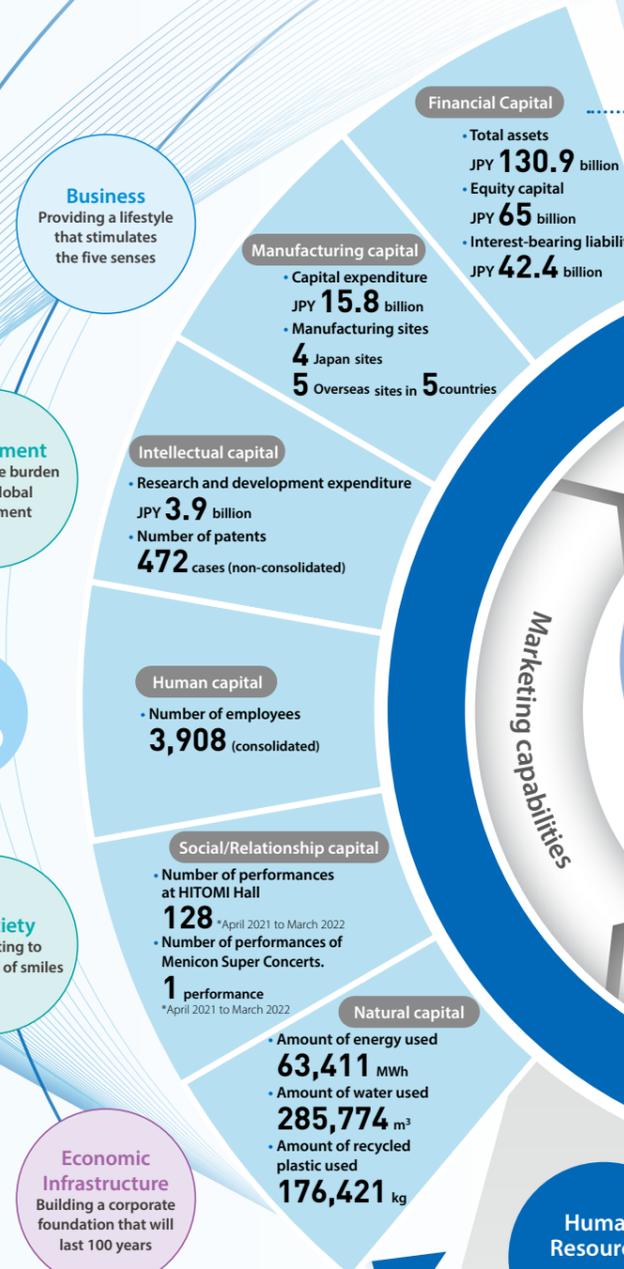
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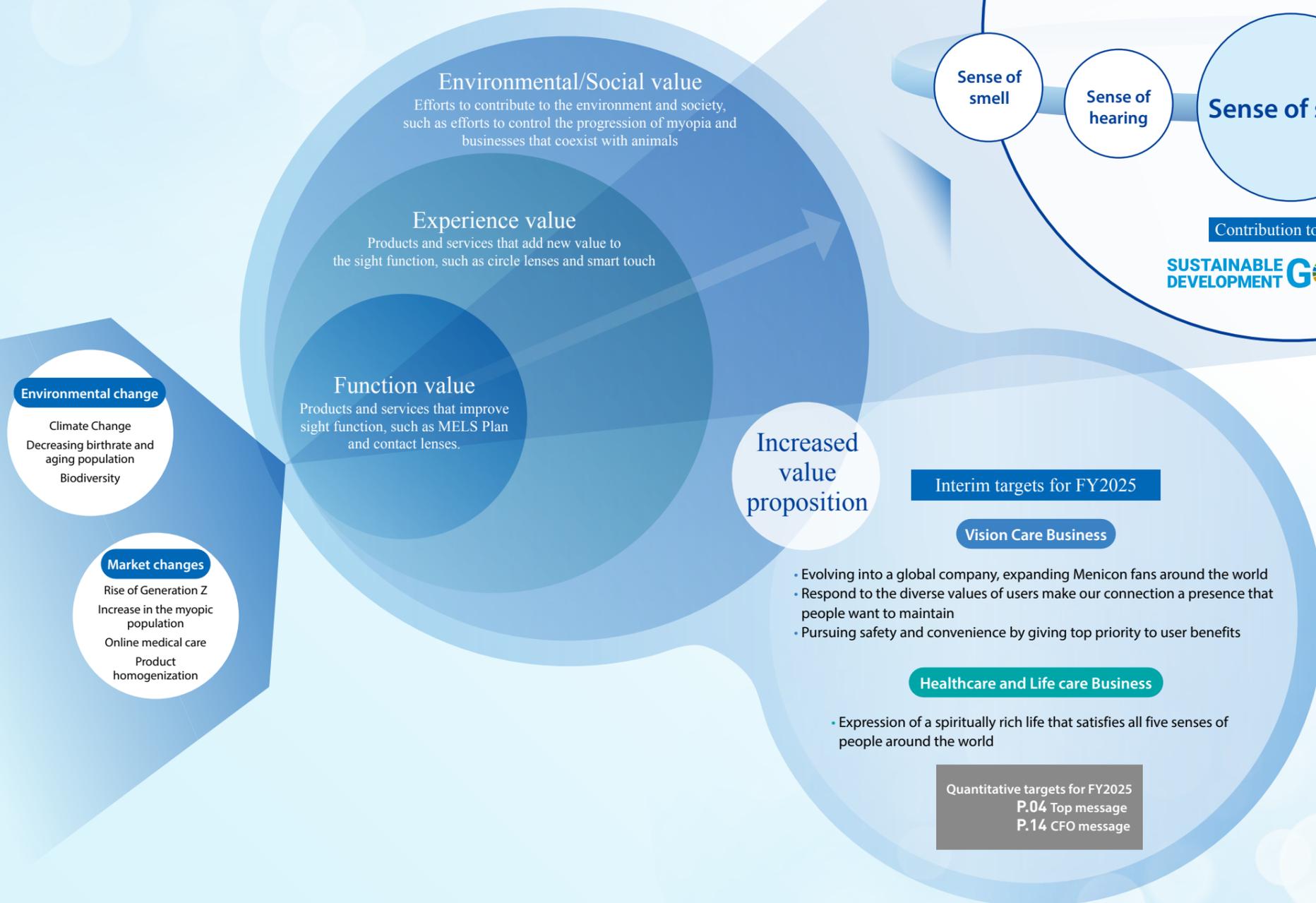
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Mid-to-Long Term Vision

In 2021, the 70th anniversary of our founding, the Group formulated its Vision 2030 medium-term management plan. Under the slogan "New vision of 'Miru' for the world," Vision 2030 aims to further grow the vision care business, which provides vision-related products and services, and expands the healthcare and life care business, which satisfies the five senses of sight, hearing, smell, taste and touch, thereby increasing corporate value while simultaneously improving the economic value of the Group and the value it provides to customers. We will continue to create value for each of our businesses and contribute to the SDGs, with the aim to "realize a healthy and spiritually rich society."



SDG Initiatives

We are working on SDGs through our business activities, focusing on a sustainable society.

The plastic problem that only a contact lens manufacturer can address

Reduction and recycling of plastics

Contributing to resource recycling and regional revitalization by recycling what would otherwise be discarded as waste, into valuable resources

Conversion of grape pomace into animal feed

See Sustainability Report 2022 for detailed initiatives
[Sustainability/CSR https://www.menicon.co.jp/company/csr/](https://www.menicon.co.jp/company/csr/) (in Japanese only)

Financial & Non-Financial Highlights

Financial Highlights

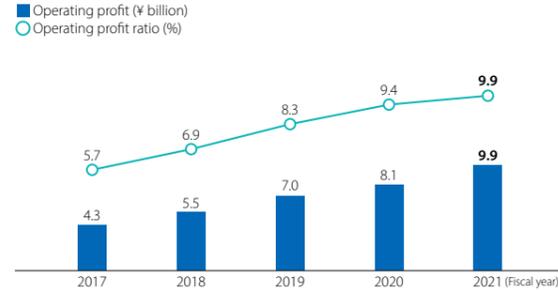
(Consolidated Numerical Values)

Net sales **JPY 100.1 billion** Overseas sales ratio **25.7%**



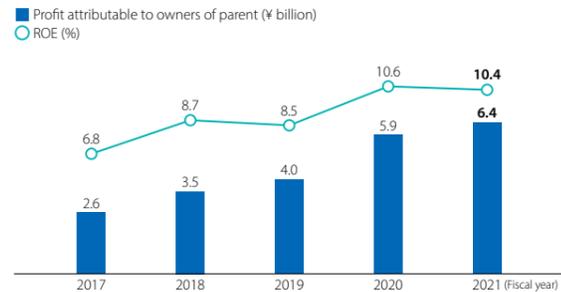
The full-year effect of Itabashi Trading and Hamano Contact, which became wholly owned subsidiaries in FY2020, contributed to a 16.2% increase in sales in FY2021 compared with the previous year.
*Until FY2020, overseas sales include major exports to China through domestic distributors in the calculation of the overseas sales ratio.

Operating profit **JPY 9.9 billion** Operating profit ratio **9.9%**



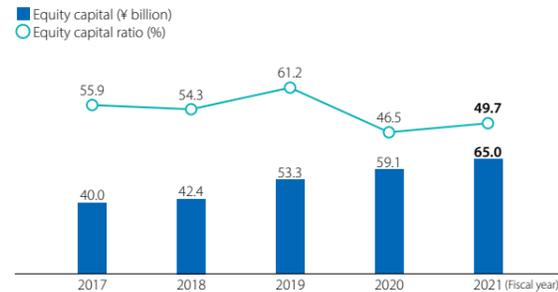
The full-year effect of Itabashi Trading and Hamano Contact, which became wholly owned subsidiaries in FY2020, contributed to a 22.8% increase in operating profit in FY2021 compared with the previous year and an operating profit ratio of 9.9%, up 0.5 percentage points from the previous year.

Profit attributable to owners of parent **JPY 6.4 billion** ROE **10.4%**



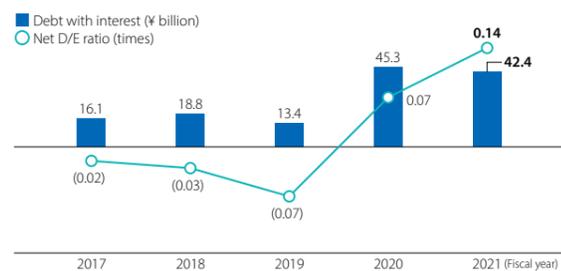
Net income attributable to owners of parent in FY2021 also increased by 8.9% year-on-year in line with the increase in sales and operating income. ROE was largely unchanged as shareholders' equity increased due to higher current net income attributable to shareholders of the parent company.

Equity capital **JPY 65 billion** Equity capital ratio **49.7%**



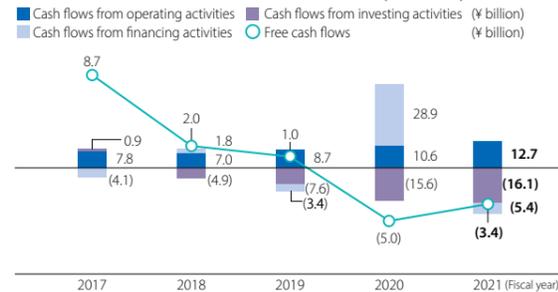
Despite the payment of dividends and an increase in treasury stock, the amount of equity capital at the end of FY2021 increased by JPY 5.9 billion compared to the end of the previous year due to an increase in retained earnings. As a result, the equity capital ratio rose by 3.2 percentage points year-on-year to 49.7%.

Debt with interest/Net D/E ratio **JPY 42.4 billion** Net D/E ratio **0.14 times**



The net D/E ratio at the end of FY2021 was 0.14, which was 0.07 points higher than at the end of the previous year, due to a decrease in interest-bearing debt as a result of bond redemptions and repayment of loans and an increase in equity capital, while cash and deposits decreased due to the acquisition of tangible fixed assets for capital investment.

Cash flow **Free cash flow JPY (3.4) billion**

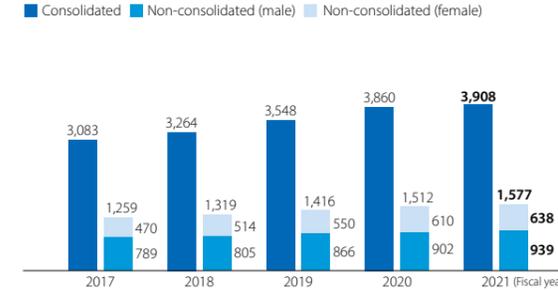


For FY2021, although cash flow from operating activities increased by JPY 2 billion, cash flow from investing activities for the acquisition of property, plant and equipment for capital investment increased by JPY 500 million, resulting in a negative free cash flow of JPY 3.4 billion.

Non-Financial Highlights

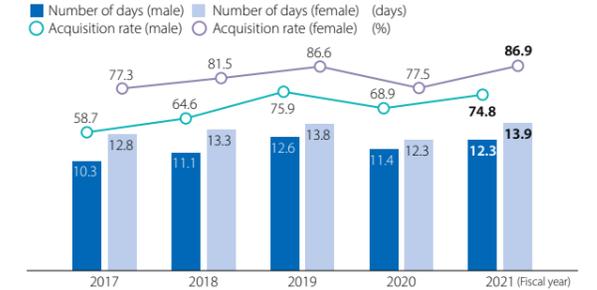
(Number of employees and GHG emissions are consolidated figures, all other figures are non-consolidated)

Number of employees **Consolidated 3,908**



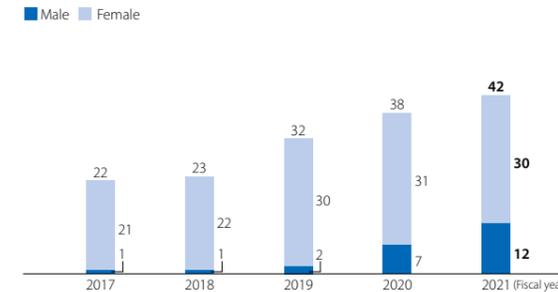
The number of employees, both consolidated and non-consolidated, has increased in line with the increase in the number of Group companies and the scale of operations. Based on the belief that the achievement of "Vision 2030" requires the active participation of diverse human resources, we will strive to ensure diversity, including gender diversity.

Average number of days taken/Annual leave time taken **12.9 days** Acquisition rate **79.6%**



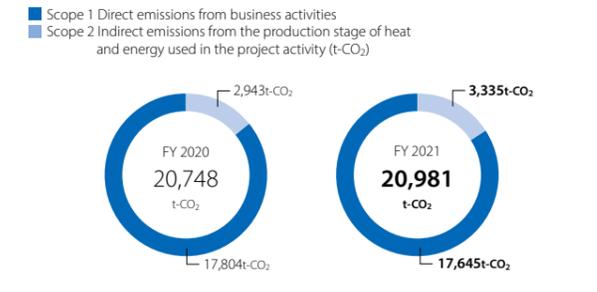
Since FY 2019, employees who are entitled to at least 10 days of annual paid leave per year have been required to take at least five days per year. Since then, the acquisition rate and average number of days taken has been on an upward trend (in FY2020, the number of days taken decreased compared to the previous year due to the reduction in outings caused by COVID-19 pandemic).

Number of employees taking childcare leave **42**



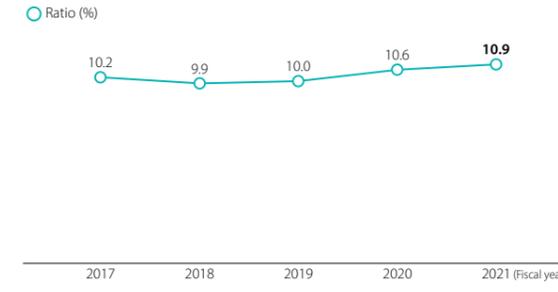
The number of male employees taking childcare leave has also increased, partly due to the introduction of a "childcare support period," during which the company provides support to those taking childcare leave for part of the period. In FY2021, the number of male employees taking such leave increased significantly, partly due to the large number of employees who fell into this category.

Amount of GHG emissions (Scope 1 + 2) **20,981 t-CO₂**



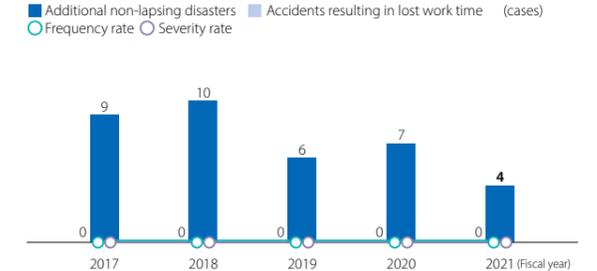
The Group's greenhouse gas (GHG) emissions (Scope 1 + 2) have been calculated since 2020. In FY2021, there was a slight increase compared to FY2020. The increase is due to an increase in Scope 1, which is mainly due to higher energy use due to increased production volumes and production lines at the Group's manufacturing plants.

Ratio of women in managerial positions **10.9%**



In appointing core personnel, the company selects, suitable candidates in terms of ability and motivation, in a transparent and fair manner, irrespective of gender, nationality and work experience. We will continue to strive to ensure greater diversity than at present by appointing core personnel regardless of gender, nationality and work experience.

Occurrence of occupational accidents **4 cases** Frequency rate **0** Severity rate **0**



In FY2021, only four workplace accidents occurred total, and no serious workplace accidents occurred. We will continue to operate a health and safety management system at each site and hold "health and safety committees" at each site, while sharing and discussing issues related to occupational health and safety, leading to continuous improvements.

CFO Message



Under the "Vision 2030" medium-term management plan, the company plans to expand its business in both the continued development of the vision care business, particularly contact lenses, and the healthcare and life care business. The company is required to improve profitability by investing management resources in a concentrated and efficient manner in the growth areas of each business sector. To achieve this, the company will implement investments for business expansion and raise funds for investments in an appropriate manner, while taking into account its sound financial position, in order to sustainably increase its corporate value.

Executive Officer and CFO of Corporate Management Headquarters
Motonari Watanabe

FY2021 Performance Highlights (Consolidated)

For FY2021, although the impact of the new coronavirus infection remained, the market as a whole showed signs of picking up and the Group was able to expand its business. In the vision care business, domestic sales for the MELS Plan were solid, mainly due to an increase in the membership share of daily disposable contact lenses (1DAY) in the MELS Plan. In addition, overseas sales increased, especially in the Asian region, due to the effects of Itabashi Trading, which joined the group and became a wholly owned subsidiary in FY2020. In the healthcare and life care business, the newly added food business developed by Itabashi Trading resulted in a significant increase in net sales. As a result, net sales increased to JPY 100.1 billion (+16.2% year-on-year) and operating profit to JPY 9.9 billion (+22.8% year-on-year). The operating profit ratio and ROE were 9.9% and 10.4% respectively.

Net sales	Year-on-year
JPY 100.1 billion	+16.2%
Operating profit	Year-on-year
JPY 9.9 billion	+22.8%
Operating profit ratio	Year-on-year
9.9%	+0.5 points
ROE	Year-on-year
10.4%	(0.2) points

Concept of Financial Security

Financial security is measured by the equity capital ratio and net D/E ratio, taking into account the balance between equity and debt. At the end of FY2021, the equity capital ratio increased by 3.2 percentage points year-on-year to 49.7%, mainly due to an increase in retained earnings. In addition, the net D/E ratio increased by 0.07 percentage points to 0.14 compared to the previous year due to a decrease in cash and cash equivalents resulting from capital expenditure. Going forward the Group will continue to ensure a sound financial position by maintaining the

capital adequacy ratio and net D/E ratio at appropriate levels in light of its business strategy.

Equity capital ratio	Year-on-year
49.7%	+3.2 points
Net D/E ratio	Year-on-year
0.14 times	+0.07 points

Investment in growth areas

As a milestone in the "Vision 2030" medium-term management plan, the quantitative targets for FY2025 are sales of JPY 140 billion, operating profit ratio of 12% and ROE of 10%. Further expansion of the vision care business, particularly in contact lenses and lens care products, is necessary to achieve the target. The growth drivers will be 1DAY and orthokeratology lenses, so planned capital investment will be made in these areas. Investments in 1DAY include the expansion of facilities to strengthen the production system at the Kakamigahara Plant, where "1DAY Menicon Premio" is produced. In addition, it has been decided to establish a plant in Malaysia as a new manufacturing base for 1DAY, with construction commencing in August 2022 and operations scheduled to start in 2025.

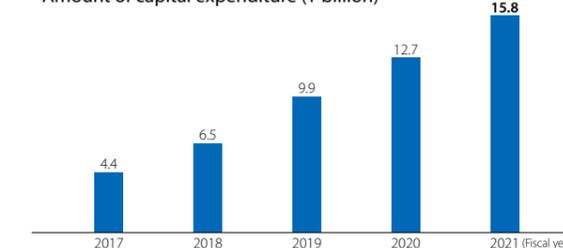
Orthokeratology lenses are currently manufactured at the Ina plant (Alpha Corporation). Future investments include the establishment of a new base plant in China to meet the increasing demand of the Chinese market. In order to increase overall production, preparations are underway with the aim of starting mass production in 2024. In addition, lens care products, which is essential for the use of orthokeratology

lenses, is currently being manufactured at the Gujo Plant (Menicon Nect) and is being expanded. These investments resulted in capital expenditure of JPY 15.8 billion in FY2021. In order to continue to invest in equipment, capital expenditure is planned to be made every year for the next three years at the same scale as in FY 2021.

Quantitative targets for FY2025

Net sales	Operating profit ratio	ROE
JPY 140 billion	12%	10%

Amount of capital expenditure (¥ billion)



Shareholder Returns Policy

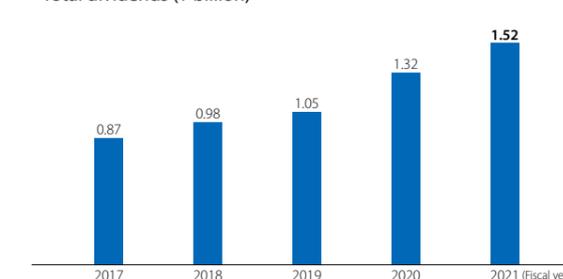
One of the most important management objectives of the Group is to continuously return profits to shareholders. The policy regarding the payment of dividends from retained earnings is to take into account the results of the current financial year and the need to increase retained earnings for future business development and strengthening of the financial structure in a comprehensive manner, and to implement them in an appropriate manner.

In line with these policies, the dividend based on actual results for FY 2021 was set at JPY 20 per share. On October 1, 2021, the Company executed a 2-for-1 ordinary dividend stock split. As a result, the above year-end dividend would be JPY 40 per share in terms of the dividend per share before the stock split, an increase of JPY 5 compared to the previous year.

	FY2017	FY2018	FY2019	FY2020	FY2021
Dividend per share*	JPY 12.5	JPY 14.0	JPY 14.0	JPY 17.5	JPY 20
				Ordinary dividend JPY 15.0	
				Commemorative dividend JPY 2.5	
Dividend payout ratio	33.0%	27.6%	24.9%	22.2%	23.3%

*Calculated assuming a stock split at the beginning of FY2017

Total dividends (¥ billion)



Vision Care Business



By introducing new products and services that are supported by customers, the Group aims to increase the number of loyal users of the Group's products, expand the number of MELS Plan members and maximize the value of the business.

Executive Officer of Japan Sales Management Headquarters
Koki Shinoda



Over the past five years, international sales in the vision care business have grown almost three-fold. Overseas markets are expanding, particularly in Asia, against a backdrop of economic growth, and will continue to grow based on our unique product range and regional partnerships.

Executive Officer of International Business Headquarters
Hideki Koga

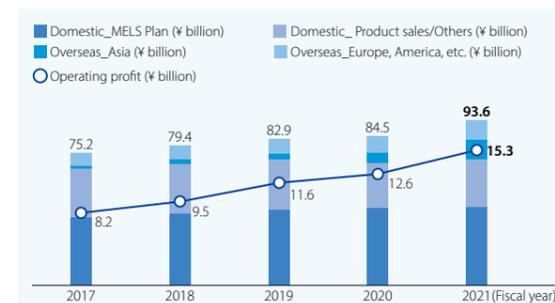
*Starting with the first quarter of the 65th fiscal year, the contact lens-related business was renamed as the vision care business, the domestic contact lens business as the domestic vision care business and the overseas contact lens business as the overseas vision care business.

FY2021 Performance Highlights (Consolidated)

Japan: The number of MELS Plan members was 1.34 million, the same as at the end of the previous year, but sales grew due to a higher proportion of members with daily disposable contact lenses (1DAY). In product sales and others, sales grew in line with the market recovery, mainly due to increased sales of 1DAY. As a result, overall domestic sales amounted to JPY 71.4 billion (+2.9% over the previous year).

Overseas: Some regions were unstable due to the COVID-19 pandemic, but the company pursued a fast and appropriate growth strategy in each region. In China, sales in Asia almost doubled year-on-year to JPY 11.5 billion, thanks to the booming orthokeratology lens market and the effect of Itabashi Trading, which became a wholly owned subsidiary, joining the Group. As a result of the market recovery and steady expansion in Europe and the USA, particularly for disposable contact lenses, overall overseas sales amounted to JPY 22.2 billion (+46.9% compared to the previous year).

Net sales	Net sales (Japan)	Net sales (Overseas)	Operating profit
JPY 93.6 billion	JPY 71.4 billion	JPY 22.2 billion	JPY 15.3 billion
Year-on-year +10.8%	Year-on-year +2.9%	Year-on-year +46.9%	Year-on-year +21.7%



Risks and Opportunities

Japan

▶ Risks

- Future market contraction due to population decline
- Increased demand for sales without an ophthalmologist visit

▶ Opportunity

- Increase in number of contact lens wearers due to increased demand for colored and bifocal contact lenses
- Expanding sales opportunities through web-based sales

Overseas

▶ Risks

- Increase in competition from foreign competitors
- Concerns over amount of supply to meet demand and supply chain

▶ Opportunity

- Global myopia population growth and increased demand (worldwide)
- Widespread use of contact lenses associated with economic growth in emerging countries

Business Strategy based on Medium-term Management Plan (Vision 2030)

▶ Important Measures

- 1 Continue to build a system for orthokeratology lenses
- 2 Strengthening domestic sales channels in the MELS Plan
- 3 Expansion of 1DAY lens sales regions and product lineup

Japan: As a target for FY2025, the MELS Plan has 1.5 million members. To achieve this target, we will expand the number of members by expanding our product line-up and strengthening our network of Group dealers and MELS Plan-affiliated facilities. In addition, in order to ensure that a wide range of generations continue to use MELS Plan, we will provide bifocal contact lenses for people in their 40s who are beginning to feel the early symptoms of presbyopia or who are concerned with presbyopia. We will create an environment that provides a safe eye life for younger people whose vision has been deteriorating recently due to the spread of digital media.

Overseas: Our target overseas sales ratio for FY2025 is 35%. In

order to achieve this target, we will develop a strategy to support the market environments in Europe, North America, and Asiatic regions centered around China. In China, where the demand for orthokeratology lenses is rapidly growing due to increased awareness of controlling the progression of myopia, we will work with the group companies to vertically strengthen our business base and accelerate growth through processes such as maintaining a supply network including local production, introducing flexible products, and expanding markets. We will continue to work for sales promotion through stronger coordination with local partners in Europe and North America, where our unique disposable contact lenses are very popular.

Initiatives and Results in FY 2021

Japan: We have newly introduced the daily disposable circle lenses "1DAY Menicon Rei" and the daily disposable bifocal contact lenses "1DAY Menicon PremiO Multifocal" in the MELS Plan as an expansion of our product lineup, and we have created an environment where they can continue to be used by people of all ages. In terms of promotional measures, we named our bifocal contact lens series "Lactive" and started promotional development with Sho Sakurai as the new character in our commercials. As the age at which early symptoms of presbyopia start to appear has shown a reducing trend due to the popularization of smartphones and other factors, we used promotions to revitalize the market for bifocal lenses by having people experiencing early symptoms of presbyopia use them. As a measure to strengthen customer communication, we launched ClickMiru, an online sales system for contact lenses based on doctor's instructions. This is a convenient system that promotes the use of lenses based on doctor's instructions, and is a service that allows customers to continue using the product more comfortably.

Overseas: In Asia, mainly in China, the demand for high-quality orthokeratology lenses and lens care products that leverage the brand power of Japanese-made products remained strong. In addition, the group joining of Itabashi Trading Co., Ltd. in FY 2020 led to approximately double the sales growth compared to the previous fiscal year. In Europe, despite the impact of the COVID-19 infection on business activities, we started new transactions with mass marketers in Germany, the Netherlands and the United Kingdom through the development of new major mass marketing channels and the strengthening of the relations with them. We were able to achieve a sales growth of 10.7% year-on-year through an increased number of transactions, especially of disposable contact lenses. In North America, sales recovered by 51.3% year-on-year due to the recovery of economic activity, sales promotion of 1DAY to major mass retailers, and increased sales of lens care products centered on Internet sales.

Healthcare and Life Care Business



In the medium-term management plan "Vision 2030," we aim to develop businesses related to the five senses and promote the provision of products and services that make people feel happy and rich. In order to create businesses that will become our second and third pillars, in addition to the existing environment-based business, veterinary medicine business, and life support business, we will take on challenges in new domains such as the food business and the animal symbiosis business. In order to achieve sales of JPY 10 billion in the healthcare and life care business in FY2025, we will promote business expansion and profit reformation based on the perspectives of growth potential, originality, and social contribution.

Executive Officer of Miru Mirai Headquarters
Wataru Ito

FY2021 Performance Highlights (Consolidated)

While the effects of the COVID-19 pandemic still remain, the performance progressed favorably and we were able to achieve sales of 288.8% year-on-year, exceeding what we had in the plan. Due to the group joining of Itabashi Trading Co., Ltd., that became a wholly-owned subsidiary in FY 2020, the sales of food business were JPY 4.45 billion and each existing business also saw a growth in sales. In the environmental and bioscience business, products such as the composting promotion system "resQ" drove overseas sales, and in the life support business, healthcare supplements and fertility supplements mainly contributed to sales growth. The veterinary medicine business struggled due to the reduced opportunities for face-to-face business negotiations due to the COVID-19 pandemic, but the sales plan for medical equipment succeeded, leading to sales growth. We have faced an operating loss due to additional investment in business expansion processes such as investment in new businesses and development of new clients. We will work towards realizing early monetization.



Risks and Opportunities

Risks

- Rise in purchase prices due to occurrence of natural disasters or climate change, and sharp rise in transportation costs due to high crude oil prices
- Loss of sales opportunities and reduced economic activities in sales areas due to self-restraint or restrictions due to the spread of COVID-19, postponement or cancellation of academic conferences, exhibitions, and product seminars

Opportunity

- Increased demand for materials that contribute to agricultural and environmental conservation due to increased environmental awareness
- Infertility treatment started to be covered by insurance, and expanded to a wide range of people.
- Increased sales opportunities due to the diversity of food culture and the expansion of Japanese food overseas
- Increased demand for net sales of products for pets during COVID-19 pandemic

Business Strategy based on Medium-term Management Plan (Vision 2030)

Important Measures

- 1 Environmental and Bioscience Business**: Expanding the business field using the know-how cultivated in the existing businesses
- 2 Life Support Business**: Aim to improve profitability by cultivating new business partners in the food business and adding femcare products and products related to the five senses to the lineup of medical and health-related products.
- 3 Veterinary Medicine and Animal Symbiosis Business**: In Japan, we will take on new challenges in fields other than ophthalmology, and overseas, and we will aim to achieve better services for the animal symbiosis business, which we plan to expand through our local subsidiaries in China

The healthcare and life care business includes the environmental and bioscience business that aims to achieve environmental conservation, the life support business including the food business, and the veterinary medicine and animal symbiosis business to support the lives of pets. With these businesses, we aim for sales of JPY 10 billion in FY 2025.

The main products of the environmental and bioscience business are "Aguri Kakumei," a rice straw decomposing agent that utilizes our technology, and "resQ" a composting promotion system. While there are large business opportunities related to the environment, and we are largely affected by external environmental factors such as various regulations and natural disasters, we will expand the sales of existing products as well as promote the development and sales of related products that make use of the know-how we have cultivated so far.

In the life support business, which handles motile sperm sorting equipment and supplements that support fertility, we will work

to raise awareness of related products, as fertility treatment is expected to spread. In addition, we aim to expand sales channels in China for cell-stretching devices, which serve as laboratory equipment. In the case of supplements, we will conduct sales promotion activities to increase sales, and in the future, we will also challenge the entire life care (food, culture, lifestyle) field and strengthen the development and search for unique products and services. At the same time, we will work to improve the profit structure and increase efficiency. Since the food business in particular dominates sales of the healthcare and life care business in the medium-term management plan, we believe that it is essential to expand sales and increase profitability by seeking new business partners.

Meni-One, which handles the veterinary medicine business, will focus on the ophthalmology field in Japan and the life science field, mainly supplement sales, and overseas, will work to expand the business of the local subsidiaries in China established in FY2020.

Initiatives and Results in FY 2021

The composting promotion system "resQ" in the environmental and bioscience business has only been sold in Japan so far, but we were able to expand sales channels in East Asia through steady business activities. "Aguri Kakumei," a rice-straw decomposing agent, was affected by the voluntary suspension of sales activities due to natural disasters and the COVID-19 pandemic, but we worked on activities for future sales expansion such as expanding sales fields and conducting tests for product differentiation. In the life support business, we launched three new products, including the Meni-Sapuri series of health care supplements. Sales were strong, mainly on the Internet, and sales of supplements led to a boost in earnings. In addition, the sales of domestic laboratory equipment progressed favorably. The Itabashi Trading Group, which became a wholly owned

subsidiary in FY2020, has been in the food business since its inception and has made a significant contribution to the healthcare and life care business. It is mainly involved in export of fresh fish, mainly to Southeast Asia, export of Japanese rice to China, and import and sales of dried fish, and has been expanding its overseas client base.

In the veterinary medicine and animal symbiosis business, we started a service called "&D (And D)" in FY 2021, that contributes to resolving social issues through services supporting a fulfilling lifestyle with your dogs. At Meni-one, we have rebranded animal supplements, which are the focus of our veterinary medicine business, that clearly set out a stance that is close to the sentiments of veterinarians and pet owners.

Research and Development/ Quality Assurance/Production Logistics Service



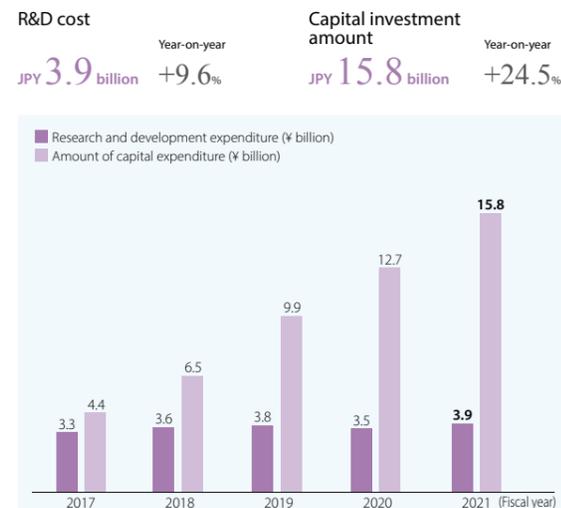
Starting with the development of the first corneal contact lenses in Japan, we have developed and introduced unique products that have never been seen before. Our expertise with regard to contact lenses and our integrated research and development system covering everything from material development to manufacturing method development support this. The Production Dept. and the Logistics Dept. belong to the same business division, enabling smooth collaboration to achieve efficient manufacturing and inventory management. In addition, we are working towards properly operating our quality management system in order to provide end-users with products that they can comfortably use.

Executive Officer of Manufacturing and R&D Headquarters
Koji Kawaura

FY2021 Performance Highlights (Consolidated)

In January 2022, we launched a daily disposable bifocal contact lenses (1DAY) made of silicone hydro-gel material, and we have almost completed the product portfolio for eyesight correction. As the next challenge, we are promoting research and development that contributes to the suppression of the progression of myopia, something for which need is an increasing in recent years.

In terms of manufacturing, we have decided to build a manufacturing plant for 1DAY in Malaysia in order to achieve the sales composition ratio and the overseas sales ratio for 1DAY set in our medium-term management plan. We plan to invest approximately JPY 17.7 billion for building construction costs over the next few years, including FY2021. In addition, in order to meet the strong demand for orthokeratology lens-related products, which are driving our overseas business, we are constructing an orthokeratology lens manufacturing plant in China and reinforcing our lens care products manufacturing equipment at our existing plant in Japan. This resulted in capital expenditure of JPY 15.8 billion in FY2021.



Risks and Opportunities

► Risks

- Inability to obtain research results corresponding to investment
- Impact on production activities due to the occurrence of natural disasters such as earthquakes, fires, and storm and flood damage
- Payment of damages and loss of social trust due to product defects

► Opportunities

- Growing demand for orthokeratology lenses
- Enhancing the ability to respond to market changes by building new plants with capability to expand
- Strengthening relationships with business partners by strengthening the global logistics network and the management system

Structure and Strategy

R&D

■ Structure

There are three main research and development functions, consisting of product development for conducting research on materials such as contact lens materials and on designs, clinical research for clinical evaluation of eye safety and product efficacy, and research on production technologies that enable mass production of high-quality products. By coordinating these functions closely and in an interactive manner, we are continuing to create new value that is unique to Menicon.

■ Intellectual Property Management

Intellectual property plays an important role in the Group's business development. Specialized departments plan and execute intellectual property strategies such as preventing infringement of other companies' patents and acquiring and transferring licenses by acquiring, maintaining, and utilizing our own intellectual property rights and studying other companies' intellectual property rights. The Group will continue to appropriately protect and manage its intellectual property.

Quality Assurance

■ Structure

With an aim to ensure quality and increase customer satisfaction, we have established a "Safety Philosophy Charter" and we have acquired the ISO/EN ISO13485 standard, that addresses the quality management of medical equipment at not only the headquarters, but also our subsidiaries that have manufacturing units.

To ensure the appropriateness and effectiveness of our quality management system, the management conducts a semiannual review to assess the products continuously and to evaluate the need for any changes to the quality management system, making continuing efforts to improve our quality management system. Also, we conduct regular in-house training for those engaged in tasks related to post-marketing safety control to ensure the safety of our products on an ongoing basis.

Manufacturing and Logistics

■ Manufacturing Structure

The main manufacturing plants are: the Singapore plant (Menicon Singapore) and the Kakamigahara plant that manufacture 1DAY, the Seki plant that handles the production of conventional hard and soft contact lenses and regular replacement contact lenses, the Ina plant (Alpha Corporation) that produces orthokeratology lenses, and the Gujo plant (Menicon Nect) that produces lens care products. We are working to strengthen our production system by adding production lines and increasing floor space in response to anticipated demand in the future. In particular, since the number of users of 1DAY is increasing both in Japan and overseas, we will establish a 1DAY plant in Menicon Malaysia and aim to further expand sales in the 1DAY market, which is positioned as a growth field in the global market.

■ Logistics Structure

At the Logistics Center (Nagoya City), which is the main distribution base in Japan, we have introduced an automatic packaging line for post-mailing in anticipation of an increase in BtoC distribution. This has led to twice the productivity of the packaging process, as well as improved shipping processing power, reduction of manpower and cost reduction. In BtoB distribution, we use appropriately sized packing materials and paper cushioning materials according to the order volume, and are working to reduce the waste generated after delivery and curtail the use of plastics with consideration to environment. We are planning to establish new domestic distribution bases to address large distribution volumes. We will automate and digitize the warehousing processes at the new bases to support further market expansion. Overseas, we are proceeding with construction plans for our largest new plant (Malaysia), which also has logistics functions. In response to the needs of the expanding 1DAY lens market, we will create an efficient and stable supply of products.

Sustainability Management

Menicon Group's Sustainability

The spread of COVID-19 has had a tremendous impact on our lives, and the infection rate and each country's response to it is changing by the hour, so we have recognized the need for timely and appropriate judgment and actions in each situation. We need to be sensitively alert not only about the novel coronavirus, but also about various other changes in global trends. We cannot avoid change, as the changes in various regulations, the rapid development of digital technologies, and the emergence of social and environmental scale on a global scale are accelerating the changes in our business environment.

Under such circumstances, it is our duty as a company to contribute to global challenges such as sustainability, health management, and DX (digital transformation). In particular, the SDGs, which indicate the "ideal state" of the world up to 2030, do not predict the future as an extension of "what we can do now," but work backward from the future "ideal state" to get an idea about "what we should do now," and in order to gain the trust of our customers and other stakeholders, it is important to switch over from a business-oriented approach. In order to contribute to the achievement of the SDGs through our business, and aim to achieve a sustainable society, we will grasp the significance of this initiative, and of our current situation and issues, and we will promote business and solve social issues at the same time.

Sustainability Activity Policy

Our Vision
To achieve a healthy and spiritually rich society

Sustainability Policy

The Menicon Group's Mission is to continue to provide the world with products and services required by society. Harmony with the global environment and society is essential for achieving this mission over the long term. The Menicon Group plans to create new value in response to global environmental and social issues, and contribute to the development of society through the business.

1. We aim to achieve a sustainable society by harmonizing people, society, and the global environment, and providing products and services that are useful to society.
2. We shall consider all living beings and the global environment, and act proactively to protect and preserve them.
3. We will respect the culture and history of each country and region, and contribute to the development of a rich life and society.
4. We will respect the individuality of our employees and work to cultivate human resources by developing a working environment that allows them to achieve self-actualization.
5. We will comply with social rules such as domestic and international laws and regulations, constantly improve its corporate ethics, and carry out sustainable business activities.
6. By communicating broadly and deeply with stakeholders, we aim to be a company that is loved by society.



Sustainability Promotion System

The Sustainability Committee, which has the central function of promoting sustainability of the Group, is composed of all executive officers and heads of related departments, holds regular meetings (four times a year) to consider the progress of important issues, matters to be considered by each subcommittee, and future directions. The committee regularly shares the progress of sustainability activities with the Board of Directors to put it to use in management.

Sustainability Promotion System Chart



Important Issues

We reviewed the important issues in FY 2022 in order to use our technology and human resources developed through contact lenses to continue and provide the world with products and services needed by society. Based on new important issues, we aim to achieve a healthy and spiritually rich society with a system centered on the Sustainability Committee.

New Important Issues

To achieve a healthy and spiritually rich society

Business (Financial and manufacturing capital)
Providing a lifestyle that stimulates the senses
Environment/society (Natural and social capital)
Reducing the burden on the global environment
Contributing to a happy society
Economic infrastructure (Human/intellectual/social capital)
Building a corporate infrastructure that will last 100 years

Appropriate Information Disclosure and Communication (Engagement)

At Menicon, we aim to disclose fair, timely and appropriate information in order for shareholders to remain long-standing supporters. Moreover, we actively engage in communication aimed at reflecting the views of stakeholders including the shareholders, investors and customers, and conducting better corporate activities.

Information Disclosure/Communication	Stakeholders	Issues
General meeting of shareholders	Shareholders/Investors	The convocation notice was sent early and posted on the company's official website. We also allow exercising of voting rights via the Internet and participation in an Electronic Voting Platform
Financial results briefing session	Institutional investors	Holding financial results briefing session twice a year
IR event	Individual investors	Sharing the messages from the President and CEO through participation in briefing sessions for individual investors and media appearances.
Customer satisfaction survey	Customer	Conducting surveys on products and services for MELS Plan members

Corporate Governance

Basic Policies Concerning Corporate Governance

One of our basic policies is to carry out our corporate activities with the aim of being a company that is respected and loved by all stakeholders, including shareholders, investors, customers and employees. To achieve that, earning the trust of stakeholders, and proper, highly transparent and sound corporate management are ranked as important issues, and we are working to realize good corporate governance.

Basic Policies Concerning Corporate Governance

(Preface) Our aim is to create the best corporate governance in order to achieve sustainable growth, increase our long term corporate value, and contribute to all our stakeholders, and therefore, we have established these basic policies based on the board of directors' vote. If we revise these basic policies in the future, we will announce the details in a timely and appropriate manner.

Basic Policies Concerning Corporate Governance (Full Document)

<https://www.menicon.co.jp/company/images/ir/governance/governance.pdf> (in Japanese only)

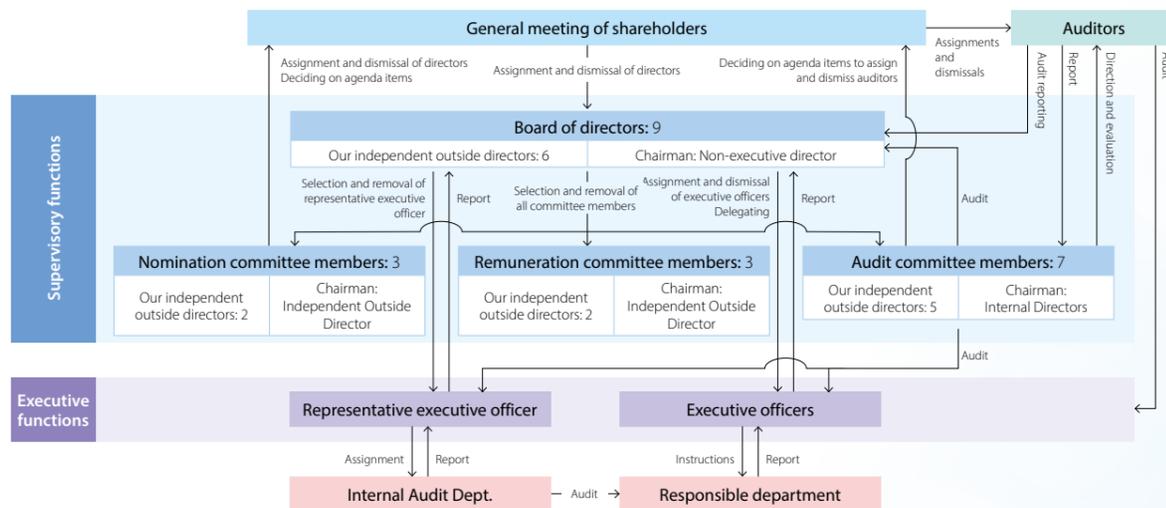
Summary of Corporate Governance System

Our management and execution system consists of nine directors (including six outside directors) and seven executive officers (including one concurrent director) (as of June 24, 2022). Outside directors supervise and provide advice for the management performed by executive officers, from an objective, big-picture point of view that aims to enhance the corporate value of the company. The supervision structure for business execution and management is such that the Board of Directors, which is composed of the directors elected in the general meeting of shareholders, supervises the major decision-making process of the company and the execution of professional duties of the executive officers oversees the management, and the executive officers appointed by the Board of Directors are able to execute business in a prompt and efficient manner by strengthening the authority for each process. To ensure independence, the members of each committee (Nomination Committee, Remuneration Committee, Audit Committee) are selected by the Board of Directors, and the majority of the members are outside directors. In addition, no executive officer, operating officer, employee, or executive director of the Company or any of its subsidiaries may concurrently serve on the Nomination Committee and Remuneration Committee, and on the Audit Committee or as a director executing the processes of the Company or any of its subsidiaries.

Corporate Governance Report

<https://contents.xj-storage.jp/xcontents/AS08353/172d0512/7842/4e23/9109/7c8997b977bb1/140120210831492500.pdf> (in Japanese only)

Corporate Governance System Diagram (As of June 24, 2022)



Nomination Committee

The Nomination Committee is responsible for (1) Determination of proposals for assignment and dismissal of directors to be submitted to the general meeting of shareholders, (2) Formulating proposals for assignment and dismissal of executive officers and referring them to the Board of Directors, and (3) Determining basic policies necessary for the execution of professional duties, and establishing, revising and abolishing operating rules and procedures. The Committee meeting was held eight times in FY2021.

Remuneration Committee

The Remuneration Committee (1) Determines the details such as individual remuneration for directors and executive officers, (2) Determines basic policies necessary for the execution of professional duties, and establishes, revises, and abolishes operating rules and procedures. The Committee meeting was held four times in FY2021.

Details of officers' remuneration (Annual securities report)

<https://contents.xj-storage.jp/xcontents/AS08353/ca63b34c/16f2/40b3/96d-b/33ab6af26476/S1000BSY.pdf> (in Japanese only)

Audit Committee

The Audit Committee is responsible for (1) Matters related to basic audit policies, implementation plans, and audit methods; (2) Audits of the legality and validity of the execution of the professional duties of directors and executive officers, and (3) Formulation of proposals regarding the appointment and dismissal of accounting auditors, as well as the non-reappointment of accounting auditors to be submitted to the general meeting of shareholders. The Committee meeting was held 13 times in FY2021.

Director Training

We provide outside directors with opportunities to deepen their understanding, such as by sharing information about the issues unique to our company at meetings of the board of directors, and by holding briefing sessions to understand the actual state of the Group. We held three study sessions for directors and executive officers in FY 2021. In addition, new information on laws, regulations and governance was shared with directors and executive officers as appropriate, and external seminars on selected themes were introduced.

Evaluation of the effectiveness of the board of directors

We get each director to perform a self-evaluation every year and based on that, we evaluate the effectiveness of the board of directors and each committee. In FY2021, we again examined each director regarding the overall effectiveness of the board of directors. As a result of the analysis and evaluation, improvements were seen in the issues in question and the board of directors was given an assessment that it is generally operating in an effective manner. As a future challenge, we will continue with our efforts to further ensure the effectiveness of the board of directors by making it possible for directors to obtain information early and in other ways for correct managerial judgment.

Effectiveness Evaluation Overview

Subjects and respondents	All 10 of the directors responded
Survey method	Annual survey in the form of questionnaire with 34 questions based on a 5-point scale and comments
Analysis and evaluation	The results of the questionnaire (average score) were generally positive, and as a result of the discussions at the board of directors meeting, the board of directors was judged to be generally operating in an effective manner, concluding that the effectiveness of the board of directors was ensured. In the meantime we have discussed the comments made by the directors on each item and recognized that there are issues that need to be addressed on an ongoing basis.
Main evaluation items	Composition and operation of the board of directors, roles and composition of important committees, provision of information to outside directors, relationship with investors and shareholders, status of improvement from the previous fiscal year, degree of contribution, overall evaluation

Issues and Policies

Issues	Policies
Enhancing information sharing among outside directors and conducting lively discussions	<ul style="list-style-type: none"> Creating opportunities to deepen communication and mutual understanding with executive officers Holding meetings with outside directors on an ongoing basis
Strengthening the governance of group companies	<ul style="list-style-type: none"> Building a monitoring model for the mid-to-long term management plan Information sharing and discussions on successor development policies and succession plans
Enhancing discussions at the board of directors' meetings	<ul style="list-style-type: none"> Conducting training on legal reforms, governance and compliance Implementing discussions on sustainability initiatives and dissemination

Director Introduction

Directors



Hidenari Tanaka

President and CEO
 1987: Joined the company
 1994: Appointed as Company Director
 1999: Appointed as Executive Vice President
 2000: Appointed as President and CEO
 2010: Appointed as Director And Representative Executive Officer (Present post)
 Appointed as CEO (Present post)



Yoshiyuki Takino

Directors
 1984: Joined the company
 2016: Appointed as Executive Officer and Director of Corporate Administration Office
 2017: Appointed as Executive Officer and Director of Corporate Administration Office at the Corporate Management
 2018: Appointed as Company Director (Present post)



Hisashi Moriyama

Directors
 1988: Joined the company
 2016: Appointed as Executive Officer and Director of Japan Sales Division 1
 2018: Appointed as Executive Officer and Deputy Director of Japan Sales Management
 2021: Appointed as Company Director (Present post)



Yoshimi Horinishi

Independent Outside Director
 2000: Registered as lawyer, joined the Nagoya Bar Association
 2004: Joined the Asahikawa Bar Association
 2007: Rejoined the Aichi Prefecture Bar Association (Former Nagoya Bar Association)
 2014: Nagoya City Construction Dispute Arbitration Committee Member
 Nagoya Summary Court Civil Conciliator
 2016: Appointed as Company Director (Present post)



Shingo Watanabe

Independent Outside Director
 1980: Joined Deloitte, Haskins & Sells Accounting Firm
 1984: Registered as Certified Public Accountant
 1987: Appointed at Ernst & Young Düsseldorf Office
 1990: Appointed at Ernst & Young Zurich Office
 1995: Appointed at Ernst & Young London Office
 1998: Appointed at ShinNihon LLC (Now Ernst & Young ShinNihon LLC) Nagoya Office
 2017: Established an Office as Certified Public Accountant
 2018: Appointed as Company Director (Present post)



Yoza Miyake

Independent Outside Director
 1968: Joined the Nagoya University Ophthalmology Department
 1982: Appointed as Head of Ophthalmology Department at Social Insurance Chukyo Hospital
 1997: Appointed as Professor in Ophthalmology Department at Medical Faculty in Nagoya University
 2005: Appointed as Professor Emeritus at Nagoya University
 Head of National Sensory Organ Center
 2007: Appointed as Professor at Faculty of Health and Welfare at Aichi Shukutoku University
 2010: Appointed as Board Chairman at Aichi Medical University
 2019: Appointed as Company Director (Present post)



Ryutaro Honda

Independent Outside Director
 1970: Joined FM Aichi Broadcasting
 1996: Appointed as Chairman and CEO of FM Aichi Broadcasting
 1998: Appointed as Managing Director of FM Aichi Broadcasting
 2004: Appointed as President and CEO of FM Aichi Broadcasting
 2009: Appointed as President and CEO of Central Japan Multimedia Broadcasting
 2017: Appointed as Chairman of Board of Directors of FM Aichi Broadcasting
 2019: Appointed as Company Director (Present post)



Katsuhiko Yanagawa

Independent Outside Director
 1979: Joined Fuji Xerox Co., Ltd.
 2005: Appointed as Vice President of Marketing (Shanghai) at Fuji Xerox China
 2006: Appointed as Representative Director and President (Taipei) of Fuji Xerox Taiwan
 2007: Appointed as Executive Officer, Fuji Xerox Asia Pacific General Manager of Sales (Singapore)
 2008: Appointed as President & CEO of Fuji Xerox Asia Pacific (Singapore)
 2009: Appointed as Director and Managing Executive Officer of Asia and China Business at Fuji Xerox
 2012: Appointed as Director and Managing Executive Officer of Asia and China Business and Manager of Headquarters at Fuji Xerox
 2014: Appointed as Director and Managing Executive Officer and Manager of Headquarters at Fuji Xerox
 2021: Appointed as Company Director (Present post)



Kazushige Takehana

Independent Outside Director
 1980: Appointed as Assistant at Rakuno Gakuen University
 2000: Appointed as Professor at Rakuno Gakuen University
 Appointed as Director of The Japanese Association of Veterinary Anatomists
 2009: Appointed as Head of Hokkaido Branch of The Japanese Society of Microscopy
 2015: Appointed as Executive Director of Japanese Association of Private Veterinary Medical Schools
 Director of Rakuno Gakuen (President of Rakuno Gakuen University)
 2021: Appointed as Company Director (Present post)

Executive officers

Motonari Watanabe

1997: Joined the company
 2017: Appointed as Executive Officer and Director of Corporate Strategies & Planning Office
 2018: Appointed as Executive Officer and Director of Corporate Strategies & Planning
 Chief Financial Officer (CFO) (Present post)
 2019: Appointed as Executive Officer and Director of Corporate Management Head Office (Present post)

Toshikazu Miura

1984: Joined the company
 2017: Appointed as Executive Officer and Director of Manufacturing & Logistics Division
 2019: Appointed as Executive Officer and Director of Operational Support Office at the Corporate Management Head Office (Present post)

Koji Kawaura

1992: Joined the company
 2010: Appointed as President of Menicon Singapore Pte. Ltd.
 2013: Appointed as Executive Officer and Director of Office of Area & Products Marketing Strategy
 2015: Appointed as Executive Officer and Director of Global Marketing Office
 2016: Appointed as Executive Officer and Director of R&D Division
 2017: Appointed as Executive Officer and Director of Manufacturing and R&D (Present post)

Hiroki Shinoda

1986: Joined the company
 2013: Appointed as Executive Officer and Director of Japan Sales Division
 2015: Appointed as Executive Officer and Director of Japan Sales Division 2
 2018: Appointed as Executive Officer and Director of Japan Sales Management (Present post)

Hideki Koga

1993: Joined the company
 2016: Appointed as Executive Officer and Director of Overseas Division
 2017: Appointed as Executive Officer and Director of Overseas Business (Present post)

Wataru Ito

1983: Joined the company
 2016: Appointed as Executive Officer and Director of Domestic Marketing Strategy Office
 2018: Appointed as Executive Officer and Director of New Business
 2022: Appointed as Executive Officer and Director of Miru Mirai Head Office (Present post)

Composition of directors and auditors in each meeting/committee (as of June 24, 2022)

Chairpersons/Committee Chairpersons Attendance rate for FY2021 inside ()

Executive name	Sex	Position	Business execution	Tenure	Overall management	Global experience	Marketing operations	R&D	Law	Finance and accounting	Academic	Board of Directors	Nomination committee	Remuneration committee	Audit committee
Hidenari Tanaka	Male	Directors	○	12 years	○							○ (100%)			
Yoshiyuki Takino	Male	Directors		4 years	○			○		○		⊙ (100%)	○ (100%)		○ (100%)
Hisashi Moriyama	Male	Directors		1 year	○		○					○ (100%)		○ (100%)	⊙ (100%)
Yoshimi Horinishi	Female	Outside Director (Independent)		6 years					○			○ (100%)		⊙ (100%)	○ (100%)
Shingo Watanabe	Male	Outside Director (Independent)		4 years		○				○		○ (100%)			○ (100%)
Yoza Miyake	Male	Outside Director (Independent)		3 years							○	○ (100%)			○ (100%)
Ryutaro Honda	Male	Outside Director (Independent)		3 years	○							○ (100%)	⊙ (100%)	○ (100%)	
Katsuhiko Yanagawa	Male	Outside Director (Independent)		1 year	○	○						○ (100%)	○ (100%)		○ (100%)
Kazushige Takehana	Male	Outside Director (Independent)		1 year				○			○	○ (100%)			○ (100%)

Details of reasons for assignment (Convocation notice)

<https://contents.xj-storage.jp/xcontents/AS08353/8697233c/2d69/4b31/b83e/b8bb52b6c216/140120220526559666.pdf> (in Japanese only)

Risk Management

Basic approach to risk management

The Menicon Group has established a risk management system and procedures and ensures their operation in order to avoid or reduce losses, etc., preserve company assets, ensure the safety of stakeholders and ensure the stable continuation of the business.

Risk Management Structure

The Company has established a Sustainability Committee (formerly CSR Committee), with the President and CEO responsible for risk management, to promote risk management company-wide, to share information necessary for risk management etc. The committee analyzes the possible risks and preemptively takes necessary measures to avoid, reduce, transfer, or accept the risk. Regulations stipulate and implement measures to be taken in the event of accidents and other incidents, reporting after handling, reporting routes in the event of life-threatening emergencies, handling complaints, and complying with the Pharmaceuticals and Medical Devices Act and other relevant laws and regulations. In addition, the Quality Assurance and Safety Management Committee, the PLD Committee, the Personal Information Protection Committee and the Menicon Fair Trade Management Committee have been established to manage risks in various areas. Procedures have also been established for any risks that arise to avoid or reduce losses, etc. in four steps: (1) risk identification, (2) risk response planning, (3) progress reporting and (4) improvement.

Risk management procedures



BCP Initiatives

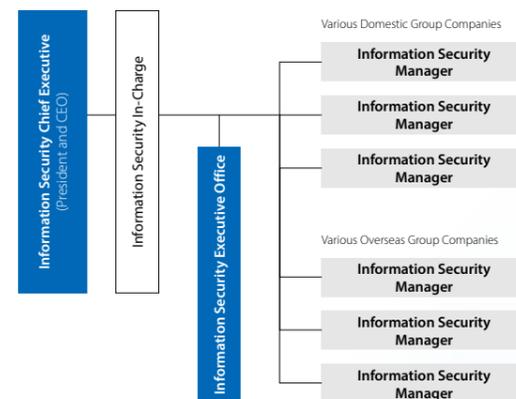
The Group has a Business Continuity Plan (BCP) in place to ensure that important operations are not interrupted due to large-scale disasters. We were able to carry out production, distribution, and sales operations without delay by taking measures as needed to maintain the health of our employees and to continue business in response to the spread of COVID-19.

Information Security

In order to reduce the risk of information leakage due to unauthorized access from the outside sources, computer virus infection, etc., the Group has established the Menicon Group Information Security Policy.

[Menicon Group Information Security Policy](https://www.menicon.com/corporate/aboutus/policy)
<https://www.menicon.com/corporate/aboutus/policy>

Information Security Management Structure



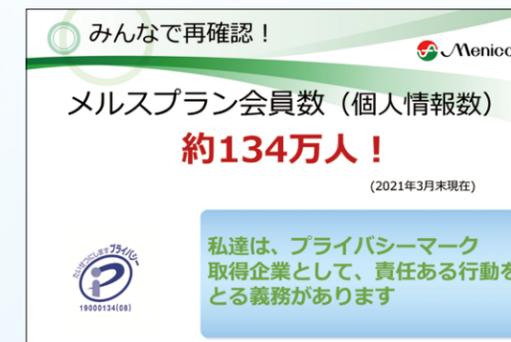
Privacy Policy

With the progress of the advanced information society, the importance of information is increasing more and more. In particular, personal information is important for our company as well as our customers, and should be handled appropriately. We have established a "Privacy Policy" with the concept that it is our social responsibility and a basic business activity to appropriately use and protect the personal information obtained from our customers and any person related to the Company.

[Privacy Policy](https://www.menicon.co.jp/company/hogo/)
<https://www.menicon.co.jp/company/hogo/> (in Japanese only)

Initiatives to Protect Personal Information

We take the utmost care to protect personal information, and in order to ensure that our services can be used with peace of mind, we have established the "Personal Information Protection Policy," obtained the "Privacy Mark" and provide regular training for all our employees. In addition to complying with the GDPR (EU General Data Protection Regulation), we have also established the "Menicon Group Personal Data Protection Regulations" to ensure that our subsidiaries have the same level of personal data protection as we do.



From the in-house personal information protection training text

Compliance

Basic Compliance Policy

The Menicon Group complies with all social rules, including domestic and foreign laws and regulations, and makes constant efforts to improve its corporate ethics to conduct business activities that enable sustainable growth. The Basic Compliance Policy has been established to serve as guidelines.

[Basic Compliance Policy](https://www.menicon.com/corporate/aboutus/policy)
<https://www.menicon.com/corporate/aboutus/policy>

Compliance System

In April 2006, the Company established a CSR Committee (currently Sustainability Committee) to promote CSR activities and strengthen internal control functions. The committee strives to reduce various business risks by developing internal controls, managing risks affecting group management, and establishing a compliance system from the perspectives of legal compliance and corporate ethics. In addition, the Company strives to maintain and improve compliance within the Group by posting an electronic version of the Compliance Guide, produced independently for the Company and its domestic subsidiaries, on the intranet, and by preparing compliance regulations for overseas subsidiaries.

Implementation of Internal Control Systems and Processes

We have established and are internally operating the systems and processes necessary to properly and efficiently conduct our business, based on the recognition that those should be actively utilized to ensure business continuity. All officers and employees of the Company shall autonomously establish and operate the promotion systems necessary to achieve the objectives of compliance with laws and ethics, ensuring the effectiveness and efficiency of business, preserving assets, and ensuring the reliability of financial reporting, and shall strive to improve the effectiveness of the system by conducting periodic evaluations and improvements.

Compliance

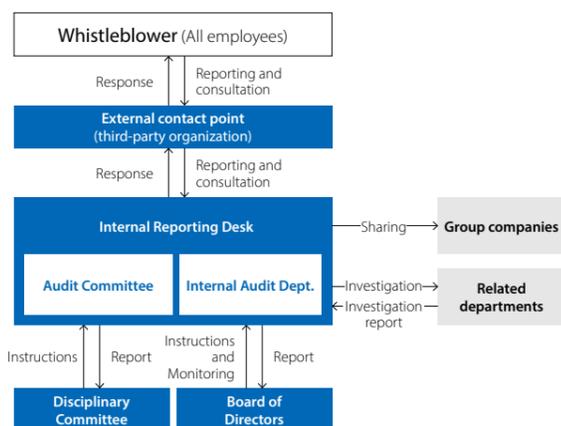
Whistleblowing System

We have introduced an whistleblowing system for the purpose of prevention, early detection, and correction of misconduct by our employees and officers, and have set up a "Menicon Group Whistleblowing Hotline" outside the company (a specialized third-party organization). In order to protect whistleblowers, we have established internal regulations that allows anonymous reporting to ensure that whistleblowers will not be adversely affected because of their reporting.

The Company conducts factual investigations in a fair, impartial and sincere manner, while giving due consideration to the protection of whistleblowers and confidentiality. If the results of the investigation confirm that misconduct has occurred, the matter is handled appropriately in accordance with the employment regulations.

Subject	All employees, including overseas employees (full-time employees, temporary workers, part-time workers, etc.)
Reporting and Consultation	Matters that may violate the Basic Compliance Policy (fraud, anti-competitive behavior, corruption/bribery, harassment, employment environment, etc.)
Method of Consultation	Telephone, web, sealed envelope
Language	Japanese, English, Chinese, Dutch, Spanish, French, German, Italian
Office Hours	24 hours (except telephone) Phone: Office hours 12:00 PM to 9:00 PM (Monday to Friday) 9:00 AM to 5:00 PM (Saturdays, Sundays and holidays)

Menicon Group Internal Reporting Hotline



Actual number of whistleblower cases (Unit: Cases)

		FY 2019	FY 2020	FY 2021
Non-consolidated	Reporting and consultation	25	20	32
	Of which, reports that had a significant impact on management	0	0	0

Prevention of Corruption and Bribery

In order to conduct fair and transparent corporate activities in accordance with the "Basic Compliance Policy," the Menicon Group prohibits all suppliers, including civil servants and officers and employees of government-affiliated organizations, from any conduct that could be suspected of corruption or bribery, and strives to build highly transparent relationships with them. In FY2021, there were no cases of suspected corruption or bribery, and no employees were disciplined, penalized, or fined for corruption or bribery.

Political Donations

When making donations to political parties or politicians, the Company ensures proper management in accordance with the Public Offices Election Law, the Political Funds Control Law, and other related laws and regulations, and prohibits donations to specific political organizations or parties in amounts exceeding those permitted by law.

Total amount of political donations (Unit: ¥10 thousand)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Non-consolidated	0	0	0	0	0

To Society

Respect for Human Rights

As stated in the Group's Sustainability Policy, "We will comply with social rules, including domestic and international laws and regulations, constantly improve our corporate ethics and conduct sustainable business activities," the Group conducts its business activities in accordance with international standards in regard to human rights. The company intends to further strengthen its commitment to human rights in the future in order to keep pace with the recent changes in the global situation regarding business and human rights.

International norms etc. that Menicon supports and respects

- "International Bill of Human Rights" (United Nations)
- "ILO Declaration on Fundamental Principles and Rights at Work" (International Labor Organization (ILO))
- "Guiding Principles on Business and Human Rights" (United Nations)
- "10 Principles of the United Nations Global Compact" (United Nations Global Compact)
- "Charter of Corporate Behavior" (Japan Business Federation)

Training on Human Rights

To spread awareness of human rights, regular training sessions are held across the Group to encourage employees to understand the concept of respect for human rights and to incorporate it in their own actions.

Human rights training conducted in FY2021

Subject	Theme	Participation rate (%)
All employees	Compliance education (Harassment)	100%
New managers	New manager training (Harassment)	100%
New employees	New employee training (Harassment)	100%
Applicants	Career design training	100%

Initiatives to Respect Human Rights

The Group's efforts to respect human rights include requesting suppliers to give due consideration to human rights in accordance with the "Menicon Group CSR

Procurement Standards", identifying suppliers with high human rights risks, utilizing an internal whistleblowing system for human rights, and displaying anti-harassment posters at each business location to spread awareness. Going forward, to further address human rights issues, the Sustainability Committee will take the lead in formulating a human rights policy, developing a system, reviewing the CSR procurement standards and conducting human rights due diligence.

Diversity

In order to create a comfortable working environment for all employees, we have implemented a flextime system, newly established telework rules, office design that facilitates communication, a shorter working hour system for childcare that exceeds the standard established by the Child Care and Family Care Leave Act, and have taken measures on the number of days available for nursing care leave and family care leave.

We are also developing a support system to match the diversified lifestyles of employees. We have introduced a limited work area system that allows employees to work in a limited work area, and a career return system that allows employees to rejoin the Company under certain conditions if they are forced to resign due to family reasons.

We are promoting systematic employment of people with disabilities to support their participation in society through work, and are working to create a workplace environment in which they can demonstrate their abilities to the fullest. As of June 1, 2021, our employment rate of persons with disabilities is 2.23%.

Initiatives at the Seki Plant

The percentage of female employees is higher than at other business sites, and women play an active role. In 2018, we established a working group to promote women's activities and have been working to create an environment where both men and women can and want to continue working. We have created manuals to facilitate access to internal systems that can be utilized during the child-rearing period and held life career training sessions for households raising children, and many female employees have returned to work after taking childcare leave following the birth of their children.

To Society

Human Resource Development

Basic Approach to Human Resource Development

Based on the belief that the growth of each employee is the growth of the company, we have established a capability development system and continuously support our employees so that they can embody our management philosophy of "Creation," "Originality," and "Challenge." At the same time, we are improving the workplace environment to create creative work styles that enable everyone to play an active role. By enhancing our skill development system and improving the workplace environment, we will also increase the company's competitiveness.

Human Resource Development System

The skills development system offers four programs to our employees: Training by job rank, Education for selected groups, and Support for personal development led by the Human Resources Dept., as well as department-specific training conducted by each business unit and department. In FY2021, the total annual training hours were 12,370 hours, and the average total training hours per employee of the Company were 8.6 hours and the training investment was JPY 17,266.

Capability Development System



Training by department

Support for the acquisition of knowledge and skills necessary by department and by job category

Capability Development System Structure

Program	Contents	FY 2021 Number of participants
Training by job rank (Subject employees)	Systematic acquisition of the abilities required by the Company, depending on the years of employment and job ranks, regardless of job category.	146
Training for selected groups (Open application program)	Systematic development of human resources who can take charge of future management and promote global expansion	119
Support for personal development (all employees)	Support for learning according to the interests of each employee, such as language, culture and education, through the provision of financial aid	188

Various educational systems [Advisor Qualification System]

Since 2002, we have introduced our own contact lens advisor qualification system, "PAL*1." We are striving to develop human resources with the following three skills: (1) the ability to correctly and reliably communicate the quality of products to customers, (2) the ability to handle high value-added products, and (3) the ability to utilize acquired knowledge and skills. In 2016, we introduced BAL*2, a qualification system for non-academic fields, such as the history and culture of manufacturing. Together with PAL, we aim to foster a "true evangelist of safety philosophy."

*1 Abbreviation for Menicon Products Adviser License System
*2 Abbreviation for Menicon Brand Adviser License System

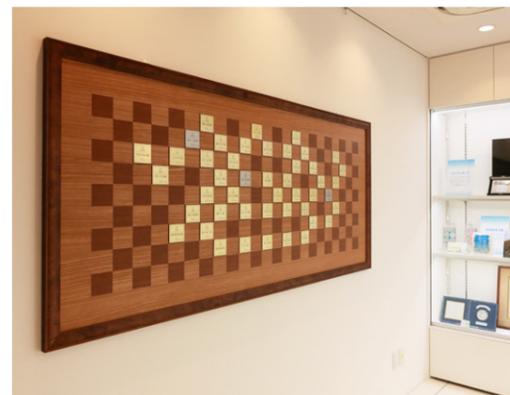


Plate engraved with the names of those who have passed the certification

[Menicon Business College]

The Menicon Group offers the Menicon Business College (MBC) to nurture the next generation of leaders. MBC courses are held for one year, and participants are recruited from within the Group every year and selected through examinations. The curriculum for the first term (April to September) is designed in such a way that students can acquire a wide range of knowledge and skills. In addition to lectures on management in general, the program includes lectures by division heads and group work to cultivate practical skills, as well as lectures by outside instructors to deepen their knowledge of the outside world. The lectures are open to the public so that employees other than students can attend, and several lectures are held during the second semester (October to March).

The second semester focuses on completing a final thesis that will serve as a proposal for Menicon in the future. In addition, the program includes lectures by President Tanaka, events such as a tour of the Menicon Nect Gujo Plant and the Nagoya Logistics Center, and a calligraphy class, all of which are designed to make up a fruitful six months in preparation for graduation in March. In addition to passing the final thesis, students are also required to obtain a TOEIC score of 600, a level 3 bookkeeping certificate, and a level 3 salesperson qualification as graduation requirements.



State of MBC class

[Menicon Academy]

We have developed the Menicon Academy to provide healthcare professionals with useful information for medical care and support for staff development. In order to create a facility where patients can be treated with peace of mind, we hold training sessions to deepen knowledge about contact lenses, which are highly controlled medical devices, as well as regular training and study sessions to improve

the hospitality skills for attending patients. In addition to conventional group training, we also offer on-demand delivery and online events regardless of location or time.

Improvement of research and development environment

Approximately 25 years have passed since the establishment of our general research institute. Each floor has been completely redesigned in order to achieve sustainable innovation while responding to changes in the environment. Under the concept of the renovation of "Switch" - "Switch on" - "Switch flexibly," we created a space where ideas can be switched according to the phase of research and work, and realized an "exciting" space for imagining a new future.

Through this renovation, we aim to establish a state-of-the-art R&D system from both the soft aspects of how researchers work and the hard aspects of laboratories and facilities, and aim to further improve the creativity of researchers and speed up the development, with the aim of developing products full of new value.

Employee training in the Research and Development Department

In the R&D department, we focus on developing human resources who can make use of their knowledge not only in their field of responsibility, but also in a wide range of other fields, so that human resources with a variety of experience can play an active role.

After a six-week training program for new employees organized by the Human Resources Dept., new employees undergo another two-week training program in which they learn the roles of each department from the person in charge in order to acquire the minimum knowledge required for research and development. Through this training, employees not only learn the roles of each department, but also learn the actual duties they will be performing at their assigned sites to ensure a smooth transition into their work.

After being assigned to a new department, the staff members take a basic R&D course to foster the basic knowledge necessary for the development of contact lenses and their introduction to the market.

This course enables researchers to learn about the overall picture of contact lens development while gaining a more detailed understanding of the work of not only the department to which they are assigned, but of the R&D department as a whole. Furthermore, we are building a system that enables job rotation, leading to an interest in other fields of work.

To Society

Comfortable Work Environment

Creating a smart and creative work style

As a work style to practice the company's management principles of "Creation," "Originality," and "Challenge," Menicon works to realize a smarter and more creative work style under the slogan "Smart Creation." As part of this initiative, we renovated the headquarters and R&D Center, and rearranged the floor layout of our operation hubs and plants based on the operations and functions. The office adopted the free address system to create a space with stimulated active communications beyond departments and to generate more creative ideas and new values. We also revised the layout of experimental equipment and zoning in the laboratories at the R&D Center to improve safety and efficiency, and to facilitate the transmittance of technologies and know-how by creating an open environment.

Menicon Declaration on Health Management

As a company that respects people, we aim to enhance employee satisfaction by creating a rewarding work environment that enables employees to achieve their own goals. We consider the mental and physical health of our employees and aim to be a company where all employees want to continue working as a "family."

Certified as a Health and Productivity Management Organization 2022

With the President and Representative Executive Officer in charge of health management, we have set "Smart Creation" as the slogan for work style reform, and worked to improve work productivity and satisfaction through the development of a workplace environment that promotes employees' mental and physical health and communication, and have been certified as an "2022 Health and Productivity Management Organization."



Supply Chain Management

In order for the Menicon Group to continuously provide products and services that are valuable to the society and earn its trust, it is a prerequisite that social and environmental considerations are also taken into account in our extensive supply chain, including raw material and equipment manufacturers. Based on the "Menicon Group Procurement and Purchasing Policy," we request our suppliers to cooperate with the "Menicon Group CSR Procurement Standards" and work to achieve a sustainable society throughout the supply chain.

Menicon Group Procurement Purchasing Policy

Based on mutual relationships with our business partners, we provide fair opportunities for all companies in Japan and overseas, conduct fair evaluations and procure superior parts and materials that meet our company's requirements. Through sustainable procurement and purchasing activities, we will contribute to society, comply with laws and regulations, and conduct transactions in consideration of the global environment.

Menicon Group CSR Procurement Standards

[Overview of items]

- Raising awareness and disclosing information on CSR
- Providing safe products and services
- Respect for human rights and job satisfaction
- External activities of industry groups, etc.
- Strengthening compliance and risk management
- Efficient use of energy and resources in an environmentally responsible manner
- Protection of personal and confidential information

Collaboration with suppliers

In order for us to constantly improve the quality of our products and continue to provide our customers with a stable supply, it is essential to have a trusted relationship with our suppliers. We have been holding the "MenioClub" since FY 2013 to promote understanding of our purchasing policies and initiatives among our major suppliers.

Environment

Creating sustainable value in the environmental field

In order to create sustainable value in the environmental field, our group aims to contribute to solving social issues under the Menicon Environmental Declaration.

Menicon Declaration on Environment

Our activities at Menicon are based on the wish for "Bright Eyes Forever" and looking to the future of the earth, we want to be "A global company that is kind to people, animals, and the environment." And we dream that the technology and wisdom we have developed can give back to all of the earth, and the entire group will take up the challenge.

Environmental Management

Our environmental management system is led by the Sustainability Committee, chaired by the President and Representative Executive Officer, and plays a central role in promoting environmental initiatives and reporting them to the Board of Directors. Important risks and issues are brought to the Board of Directors for discussion and improvement through the Executive Committee.

Waste reduction

We recognize that plastics used in our manufacturing processes are high-quality resources. Even after use, we avoid disposing of them as much as possible and use them effectively inside and outside the plant.

[Seki and Kakamigahara Plants]

Plastic used at our plants is utilized as raw materials for various plastic products through a recycling company (Chubu Clean System).

[Singapore Factory]

Approximately 40% of plastic after use is reused as raw material in secondary packaging, and all secondary packaging for the daily disposable contact lenses "Magic" is produced by reusing the plastic used in the manufacturing process. The plastic that cannot be reused is handed over to a recycling company.

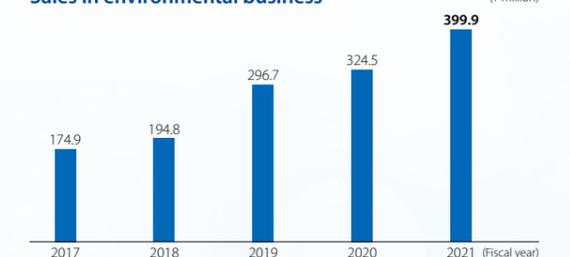
Water Resources

Water is an important resource for contact lenses, as water is used to wash hands before putting on and taking off contact lenses, and hard contact lenses and periodic replacement type soft contact lenses need to be cleaned with lens care products (solution) after use. The Kakamigahara Plant, established in 2015, has adopted a pure water device system that can save 50% more water compared to the conventional system. At the Seki Plant, we are working to make effective use of water resources by utilizing some of the water discharged during the production process of soft contact lenses, as waste water for toilets in the plant.

Environmentally friendly products (expansion of environmental business)

In addition to reducing and reusing the amount of plastic used for containers and packaging, the Group is focusing on developing environmentally friendly products and promoting environmental and bioscience businesses. In the environmental and bioscience business, we use enzymes and technologies produced by a new species of bacteria discovered during the lens care products development process in products that solve various environmental issues. Sales in the environmental and bioscience business is expected to grow significantly in FY2021, increasing 2.3 times compared to FY2017.

Sales in environmental business



Initiatives for SDGs - Environment

<https://www.menicon.co.jp/company/csr/sdgs/environment/> (in Japanese only)

Environment

Climate Change

Support for the TCFD Recommendations

The Menicon Group considers climate change to be an important issue. Since 2021, we have conducted the Scenarios Analysis to improve our resilience against climate change over a mid-to-long term period. In April 2022, we established an organization to discuss and review sustainability issues, including climate change, in greater depth, and in July we announced our support for the TCFD Recommendations. In the future, we will expand our initiatives in line with TCFD framework, continue to strengthen our resilience, and enhance disclosure of climate-related financial information.

Governance

The Menicon Group discusses issues related to climate change at the Sustainability Committee and determines the basic action policies. The Sustainability Committee is led by our President and CEO, and consists of all our executive officers, internal directors, and heads of related departments. They are scheduled to meet more than four times a year. We have also set up a subcommittee on climate change issues which collects information from each department and review the contents to be discussed by the Sustainability Committee, such as evaluating risks and opportunities related to climate change and initiatives to address issues, as necessary. Among the content discussed in the Sustainability Committee, measures and policies that will have impacts on management will be approved by the Executive Committee and Board of Directors. Other matters which were discussed are also regularly reported to the Board of Directors. Sustainability management is promoted under the supervision of the Board of Directors, the supervision of the Board of Directors.

the governance structure



Strategy

Evaluating Risks and Opportunities

Regarding the impact of climate change on business and strategy, the Menicon Group has identified key risks and opportunities by referring to IPCC scenarios RCP2.6 (2°C scenario), RCP8.5 (4°C scenario), and the IEA sustainable development scenario (less than 2°C scenario). The time line is classified into short-term (present to 2025), medium-term (2026 to 2030), and long term (2031 onwards).

Risks that may have impacts on finance and business strategy

Risk type	Risk factor	Indicator	Time line	Measures to be adopted		
Transition	Rising carbon tax	• Increase in costs due to higher raw material prices and electricity charges for manufacturing and sales	Expense	Medium	• Introduce renewable energy by installing solar panels • Make the factories and offices energy efficient	
	Tightening regulations to reduce CO₂ emissions	• Increase in costs due to the purchase of renewable electricity • Investment to introduce renewable energy power generation equipment and highly efficient production equipment	Expense	Medium	• Promote the development of product specifications and manufacturing processes that enable reduction of resource use	
	Tightening regulations on the use of recycled plastics	• The ratio of recycled plastic in packaging materials is set, and the sales of non-conforming products is restricted	Revenue	Short	• Promote the development of product specifications and manufacturing processes to encourage the use of recycled plastics	
Market	Changes in consumer behavior	• Consumers adopt an environmentally friendly consumption behavior	Revenue	Short	• Implement business activities that consider the environmental burden (from raw material procurement to consumption and disposal)	
Physical	Acute	Occurrence of huge natural disaster	• Damage to the factory causing disruption of operation and logistics network make providing products and services difficult, which lead to decrease in sales	Revenue	Long	• Regularly review the Business Continuity Plan (BCP) and use it appropriately • Diversify raw material suppliers and decentralize production facilities
	Chronic	Water shortage caused by drought	• Production does not go as planned and sales decrease due to water shortages in the area of the production base	Revenue	Medium	• Introduce equipment that is capable of saving water
		Deterioration of water quality due to increased rainfall	• Increased water usage costs	Expense	Long	• Promote the development of product specifications and manufacturing processes that lead to using less water resources
		Increase in average temperature	• Increase in costs required for temperature control in production, storage, and transportation	Expense	Medium	• Devising ways to improve the thermal efficiency of our buildings • Establishment of an operation system that allows business to continue even when the temperature rises

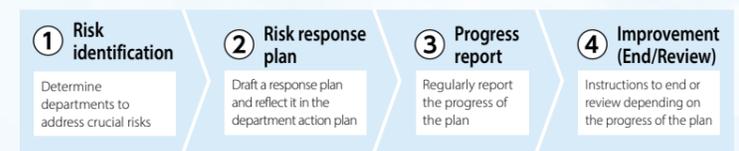
Opportunities that may have a significant impact on finance and business strategy

Opportunity type	Opportunity factor	Indicator	Time line	Measures to be adopted	
Resource efficiency	Efficient use of resources	• Reduce costs by implementing product specifications and manufacturing processes that enable the reduction of resources used	Expense	Medium	• Promote the development of environmentally friendly product specifications and manufacturing processes
Energy source	Install renewable energy power generation equipment	• Less affected by the increase in electricity cost and power shortages	Expense	Medium	• Promote the consideration of introducing renewable energy power generation equipment
	Increase in the number of people who have myopia due to increased indoor activities (4°C scenario)	• Increased demand for contact lenses	Revenue	Medium	• Implement sales promotion activities • Appropriately predict demand and build a manufacturing system accordingly
Products and services	Shift to environmentally friendly products	• By providing environment-friendly products and services, we can expand our sales to include customers who are highly environmentally conscious and bring in new customers	Revenue	Short	• Promote the development of environmentally friendly product specifications and manufacturing processes and provide information to customers
	Popularity of products and businesses that reduce the environmental impact	• Increase in sales due to the spread and expansion of products and businesses that reduce the environmental impact	Revenue	Short	• Promote activities to popularize products and services that reduce the environmental impact
Resilience	Decrease in crop production efficiency due to rising average temperature (4°C scenario)	• Increased demand for products and services that improve crop productivity	Revenue	Medium	• Promote the development of products and services that contribute to improving productivity
	Climate change risk evaluation and measures	• Avoid risks beforehand and enable stable business continuity	Revenue/Expense	Short	• Improve risk evaluation accuracy

Risk Management

Regarding risk management, the Menicon Group has established a risk management system and procedures to avoid or reduce losses, protect company assets, ensure security for stakeholders, and strive for business continuity. Climate-related risks will also be managed and monitored in the overall risk management process.

Risk Management Procedure



(1) Risk identification

The Sustainability Department collects information on the company's response to internal and external environmental changes from each department more than once a year. The department then sorts out the identified risks, and the committee chairman determines the important risks after deliberation by the Sustainability Committee.

(2) Risk response plan

The Risk Response Department drafts a response plan.

(3) Progress report

The Risk Response Department regularly reports on the progress of the plan at the Sustainability Committee meeting or other meeting.

(4) Review

The Sustainability Committee instructs the plan to be reviewed as necessary depending on the progress of the response plan.

(5) Risk monitoring

Each department monitors the identified risks and reports any changes to the Sustainability Department.

Indicators and Targets

As an indicator, the Menicon Group has started calculating its Scope 1 + 2 Greenhouse Gas (GHG) emissions since FY2020, and is currently in the process of calculating emissions for the upstream and downstream parts of the supply chain (Scope 3). We plan to discuss our GHG reduction targets in the scope of 1,2 and 3 soon after the calculation of Scope 3 emission is finished.

GHG Emissions

	FY2020 Results	FY2021 Results
Scope1+2	20,748 t-CO ₂	20,981 t-CO ₂
Scope1	2,943 t-CO ₂	3,335 t-CO ₂
Scope2	17,804 t-CO ₂	17,645 t-CO ₂

*Limited to Menicon Co., Ltd. and group companies

Other Indicators and Targets

Menicon Co., Ltd. has a target to reduce the average energy intensity by 1% or more each year over five fiscal years. (Energy intensity: Production quantity or total floor area)

Consolidated Financial Data

	<Fiscal year>	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Business Performance	Net Sales (¥ million)	62,209	63,131	67,332	72,052	76,672	80,898	84,519	86,209	100,172
	Cost Ratio (%)	43.2	44.5	44.6	46.1	46.3	47.1	46.5	46.9	47.2
	SG&A to Sales Ratio (%)	53.1	51.0	50.3	48.5	48.0	46.0	45.2	43.7	42.8
	Operating Profit (¥ million)	2,294	2,863	3,457	3,910	4,394	5,571	7,033	8,106	9,957
	Operating Profit Ratio (%)	3.7	4.5	5.1	5.4	5.7	6.9	8.3	9.4	9.9
	EBITDA*1 (¥ million)	6,065	7,097	7,822	8,614	9,559	10,236	12,592	14,475	17,266
	Profit Attributable to Owners of Parent (¥ million)	1,010	1,431	2,224	2,543	2,657	3,576	4,060	5,952	6,481
	Capital Investment (¥ million)	4,958	4,780	2,256	4,729	4,474	6,560	9,991	12,726	15,838
	Depreciation Allowance (¥ million)	2,770	3,186	3,349	3,635	3,966	3,656	4,486	5,286	6,394
	Research and Development Expenses (¥ million)	2,811	2,755	3,459	3,497	3,398	3,656	3,813	3,598	3,942
Financial Conditions (fiscal year-end)	Total Assets (¥ million)	67,414	67,609	68,901	72,336	71,706	78,275	87,286	127,153	130,978
	Current Assets (¥ million)	26,898	26,853	31,345	33,382	38,117	42,584	41,722	70,207	64,188
	Fixed Assets (¥ million)	40,516	40,756	37,556	38,953	33,588	35,690	45,564	56,946	66,790
	Debt with Interest (¥ million)	19,681	19,984	16,634	19,787	16,185	18,873	13,429	45,307	42,439
	Net Assets (¥ million)	33,148	33,872	38,439	37,681	40,121	42,549	53,520	60,985	67,045
	Shareholders' Equity (¥ million)	33,247	34,189	39,043	38,405	40,467	43,208	54,378	59,273	63,684
Management Indicators	Equity Capital Ratio (%)	49.0	50.0	55.8	52.0	55.9	54.3	61.2	46.5	49.7
	Net D/E Ratio (times)	0.34	0.33	0.11	0.19	(0.02)	(0.03)	(0.07)	0.07	0.14
	ROE (%)	3.1	4.3	6.2	6.7	6.8	8.7	8.5	10.6	10.4
	ROA (%)	1.5	2.1	3.3	3.6	3.7	4.8	4.9	5.6	4.9
	DOE (%)	1.5	1.5	1.4	1.8	2.3	2.4	2.1	2.3	2.4
Stock-Related Information*2	Basic Earnings per Share (¥)	15.47	21.90	31.26	35.88	37.84	50.82	56.12	78.84	85.72
	Net Assets per Share (¥)	505.44	517.04	524.59	536.01	569.31	602.73	707.40	782.55	859.03
	Total Dividends (¥100 million)	400	490	540	660	870	980	1,050	1,320	1,520
	Dividend per Share (¥)	7.5	7.5	7.5	9.5	12.5	14.0	14.0	17.5	20.0
	End of Period Share Price*3 (¥)	-	-	945.0	852.5	1,322.0	1,597.5	2,412.5	3,265.0	2,937.0
	Total Shareholder Return*4 (%)	-	-	-	91.2	142.2	172.9	260.6	352.6	320.1
	Payout Ratio (%)	48.5	34.3	24.0	26.5	33.0	27.6	24.9	22.2	23.3
Cash Flows	Cash Flows from Operating Activities (¥ million)	1,116	4,233	7,859	5,197	7,857	7,023	8,712	10,628	12,719
	Cash Flows from Investing Activities (¥ million)	(3,380)	(3,525)	(3,293)	(6,065)	900	(4,951)	(7,656)	(15,629)	(16,149)
	Cash Flows from Financing Activities (¥ million)	3,029	(422)	(851)	(271)	(4,196)	1,825	(3,438)	28,913	(5,402)
	Free Cash Flows (¥ million)	(2,264)	707	4,566	(868)	8,757	2,071	1,055	(5,000)	(3,429)
Employees	Employees (Consolidated)	2,452	2,580	2,710	2,971	3,083	3,264	3,548	3,860	3,908

*The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the fiscal year ended March 2019 and the management indicators for the fiscal year ended March 2018 have been retrospectively reflected the application of the aforementioned standard, etc.

*The provisional accounting treatment for business combinations was finalized in FY2021, and the figures for FY2020 reflect the details of the finalization of the provisional accounting treatment.

*1 EBITDA is calculated from operating profit, depreciation allowance, amortization of intangible assets, amortization of consolidation adjustments and amortization of deferred assets, etc.

*2 The Company conducted a 2-for-1 stock split of common shares on January 1, 2018 and October 1, 2021. Share-related information is calculated on the assumption that such stock splits were conducted at the beginning of FY 2013.

*3 The Company has been listed on the First Section of the Tokyo Stock Exchange since June 25, 2015, and nothing is applicable on stock prices prior to that date.

*4 Total shareholder returns and comparative indicators for FY 2013, 2014 and 2015 are not stated as the Company was listed on the First Section of the Tokyo Stock Exchange on June 25, 2015. Gross shareholder returns and comparative indicators for FY 2016 and beyond are calculated based on FY 2015.

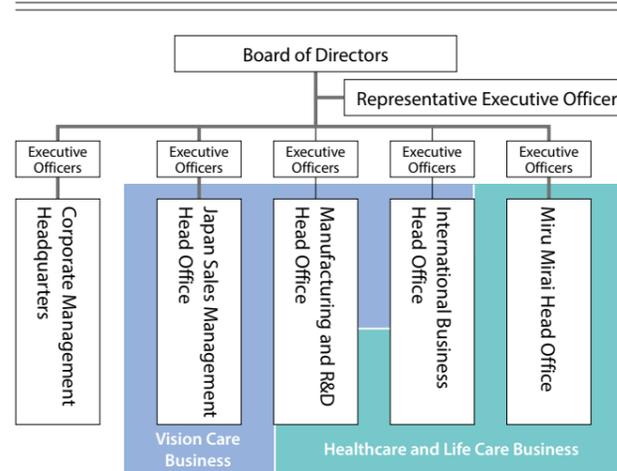
Corporate & Stock Information

Corporate Information (As of March 31, 2022)

Corporate Profile

Company name	Menicon Co., Ltd.
Representative's name	Hidenari Tanaka, President and CEO
Headquarters	3-21-19, Aoi, Naka-ku, Nagoya, 460-0006 Japan
Phone	(+81)-52-935-1515
Initiation	February 1951
Established	July 1957
Capital	JPY 5.462 billion
Employees	3,908 (consolidated), 1,577 (non-consolidated)
Description of Business	Contact lenses, Lens care products, etc.
Customers	Hospitals, ophthalmological clinics, contact lens vendors, optical shops and pharmaceutical wholesalers throughout Japan, and overseas sales companies (exporting to more than 80 countries around the world).
Banking partners	MUFG Bank, Mizuho Bank, Resona Bank, the Shizuoka Bank and others
Website	https://www.menicon.co.jp (Japanese website) https://www.menicon.com (Global website)

Organization Chart



Business Locations and Subsidiaries

Number of domestic bases	Research laboratories and plants: 5 Customer centers: 3 Sales offices: 17	Logistics centers: 5 Training centers: 5 Direct sales stores: 55
Subsidiaries	Domestic: 11 Overseas: 22	
Business Locations and Subsidiaries Details	https://www.menicon.com/corporate/menicon-worldwide/	

Global Network



Stock Information (As of March 31, 2022)

Shareholder Circumstances

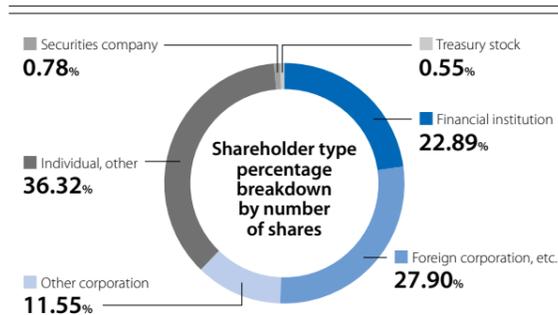
Total number of authorized shares	124,368,000 shares
Total number of outstanding shares	76,421,288 shares
Number of shareholders	8,889
Total number of voting rights	759,906 units
Shareholder registry administrator	1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Stock exchange listings	Tokyo Stock Exchange and Nagoya Stock Exchange
Stock code	7780

Major shareholders

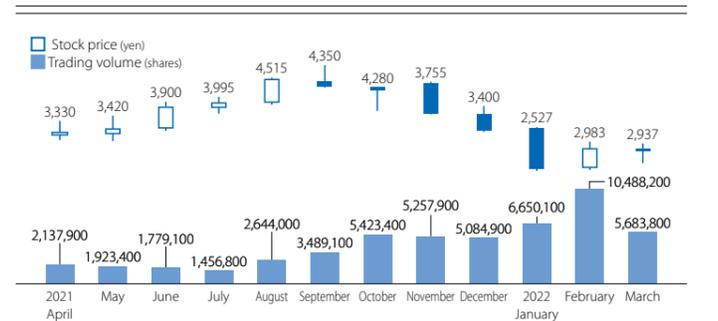
	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,648	12.69
Toyotomi Co., Ltd.	3,964	5.21
Mami Co., Ltd.	3,258	4.28
Custody Bank of Japan, Ltd. (Trust Account)	2,997	3.94
Kazuko Tsukamoto	2,720	3.57
GOLDMAN SACHS & CO. REG	2,392	3.14
BNYM AS AGT/CLTS 10 PERCENT	2,235	2.94
Menicon Employee Shareholder Association	1,808	2.37
Hidenari Tanaka	1,640	2.15
SSBTC CLIENT OMNIBUS ACCOUNT	1,532	2.01

*Shareholding ratio is calculated excluding treasury stock. Treasury stock does not include the Company's shares held by The Custody Bank, Ltd. (Trust Account) as trust assets under the "Share Benefit Trust (Employee Stock Ownership Plan Disposal Type)" plan.

Shareholder Type Percentage Breakdown by Number of Shares



Stock Prices Chart



*On October 1, 2021, the Company conducted a 2-for-1 stock split of its common stock. Share price and trading volume are calculated based on the assumption that the stock split was executed on April 1, 2021.