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Consolidated Financial Results for the Year Ended March 31, 2020 [Japanese GAAP]

May 28, 2020

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

URL: <https://www.menicon.co.jp>

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CEO

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Scheduled date of Annual General Meeting of Shareholders: June 24, 2020

Scheduled date of commencing dividend payments: June 25, 2020

Scheduled date of filing annual securities report: June 25, 2020

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 01, 2019 to March 31, 2020)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2020	84,519	4.5	7,033	26.2	6,554	16.1	4,060	13.5
March 31, 2019	80,898	5.5	5,571	26.8	5,645	26.6	3,576	34.6

(Note) Comprehensive income: Fiscal year ended March 31, 2020: ¥ 3,802 million [16.7%]
Fiscal year ended March 31, 2019: ¥ 3,258 million [7.3%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2020	112.25	106.95	8.5	7.9	8.3
March 31, 2019	101.63	94.30	8.7	7.5	6.9

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2020: ¥ (300) million
Fiscal year ended March 31, 2019: ¥ (27) million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	87,286	53,520	61.2	1,414.80
March 31, 2019	78,275	42,549	54.3	1,205.46

(Reference) Equity: As of March 31, 2020: ¥ 53,378 million
As of March 31, 2019: ¥ 42,468 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2020	8,712	(7,656)	(3,438)	16,791
March 31, 2019	7,023	(4,951)	1,825	19,286

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2019	-	0.00	-	28.00	28.00	986	27.6	2.4
March 31, 2020	-	0.00	-	28.00	28.00	1,056	24.9	2.1
Fiscal year ending March 31, 2021 (Forecast)	-	-	-	-	-		-	

(Note) Forecast of the dividends for the fiscal year ending March 31, 2021 is undetermined due to the difficulty of forecasting consolidated business results for the fiscal year ending March 31, 2021 at this time.

The forecast of the dividends will be disclosed once the forecast of the consolidated business results becomes possible to make calculations.

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

Forecast of consolidated business results for the fiscal year ending March 31, 2021 is undetermined due to the difficulty of reasonably forecasting it for the impact of the spread of the COVID-19 at this time.

The forecast of the consolidated business results will be disclosed immediately once it becomes possible to make calculations.

* Notes:

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

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(Note) For further information, please refer to “3. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Changes in accounting policies)” on Page 13 of the appendix.

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

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

March 31, 2020:	38,015,944 shares
March 31, 2019:	36,804,000 shares

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

March 31, 2020:	287,836 shares
March 31, 2019:	1,573,484 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2020:	36,178,168 shares
Fiscal Year ended March 31, 2019:	35,193,755 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 01, 2019 to March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2020	58,999	5.7	5,386	18.9	5,292	16.2	3,294	2.4
March 31, 2019	55,814	6.6	4,532	23.0	4,554	13.2	3,217	113.8

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2020	91.07	86.79
March 31, 2019	91.41	84.82

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2020	80,882	54,224	66.9	1,434.85
March 31, 2019	75,749	43,811	57.8	1,242.46

(Reference) Equity: As of March 31, 2020: ¥ 54,135 million
As of March 31, 2019: ¥ 43,772 million

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

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

- Forecast of consolidated business results for the fiscal year ending March 31, 2021 is undetermined due to the difficulty of reasonably forecasting it for the impact of the spread of the COVID-19 at this time. The forecast of the consolidated business results will be disclosed immediately once it becomes possible to make calculations. For the forecast of consolidated business results assumptions and our response, please refer to “1. Overview of Business Results (5) Outlook” on Page 5 of the appendix.

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1. Overview of Business Results

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

(Business results for the fiscal year under review)

Regarding the world economy during the fiscal year ended March 31, 2020, further uncertainty persisted, due to political and diplomatic factors such as the continuation of the trade friction between the U.S. and China as well as the issue of the U.K.'s withdrawal from the European Union, and the impact of the COVID-19 outbreak. Regarding the domestic economy, uncertainty about the future continued with many uncertain factors that need to be watched closely, including the COVID-19 outbreak, the impact of a series of natural disasters and the effects of the consumption tax hike.

In these circumstances, in the contact lens market, disposable contact lenses, principally daily disposable contact lenses, are the driving forces of the market overseas. In particular, the sales of silicone hydrogel contact lens products, which have high oxygen permeability, are growing. Furthermore, in the domestic market, demand for circle lenses, which are intended to make your eyes appear larger, and multifocal contact lenses is rising.

Performances in individual businesses are as follows.

[Domestic Contact Lens Business]

We endeavored to expand the product lineup for daily disposable contact lenses, for which demand in the market is increasing from the generation who are first-time contact lens users, and multifocal contact lenses that target the generation with presbyopia, implementing initiatives to increase the number of users centering on the Menicon Eye Life Support (MELS) Plan.

Regarding the product strategy, we released a 90-piece pack for “Magic,” daily disposable contact lenses for myopia and “Magic toric,” a daily disposable contact lens for astigmatism, which come in “SMART TOUCH,” a package that allows users to take out the lenses without touching the inner surface of them. Compared to the Company’s existing products (Menicon 1DAY), the amount of plastic waste in the primary packaging of products in the Magic series has been reduced by about 80%. The plastic case that forms the secondary packaging is 100% composed of reused waste materials generated in manufacturing. This is the result that we made efforts to provide an environmentally friendly product that suits customers’ lifestyles.

Furthermore, in the “Four Seasons” series, which is the world’s first practical application of non-hydrous lens mold production, the multifocal “Four Seasons bifocal” was added as a product exclusively for the MELS Plan. It gained popularity among customers aged 40 and above and contributed to increased sales and an increase in MELS Plan memberships.

Our own retail shops and the Group’s retail companies are promoting the brand “Miru,” as a sales network that provides consistent services, under the slogan of “being particular about ‘seeing (miru)’”. Regarding measures to strengthen channels, we launched “Will you get a new look by Miru? Campaign” in order to strengthen the brand. As promotional measures, we worked on advertising activities such as broadcasting TV commercials primarily on “MELS Plan,” and “Miru”, and on sales promotion activities such as running the 1day admission campaign.

Under this structure, MELS Plan memberships reached 1.33 million as of March 31, 2020. We will strive to further expand the business in the future.

[Overseas Contact Lens Business]

We worked on acquiring sales and manufacturing locations in promising markets through M&A, building a sales network for our business in China, promoting the market penetration of our own-brand disposable contact lenses for the overseas market “Miru,” and introducing “Menicon Bloom,” a system for suppressing the progression of myopia.

In Europe, we made FINEKO S.p.A. Group a wholly-owned subsidiary. The Group includes SOLEKO S.p.A. that manufactures and sells contact lenses and care products in Italy, whose contact lens market is the second-largest in the region. We are strengthening sales in the market of disposable contact lenses, which constitute a growth field, focusing on private-brand products of major retail chains. We acquired the CE marking certification for “Menicon Bloom Night,” orthokeratology lenses suppressing the progression of myopia. In addition, we released “Menicon Bloom Day,” a daily disposable contact lens.

In Asia, sales of orthokeratology lenses and contact lenses care products remained robust in China. In line with the expansion of the Chinese market, we strove to strengthen our sales network with major hospital groups and influential university hospitals, and we will continue to promote sales and marketing activities going forward. We launched “Miru 1day UpSide” in Singapore, which has been extremely well received by the market. In Southeast Asia, we have promoted export of our products from our group company to neighboring countries.

In North America, we worked to strengthen sales promotion activities for the “Miru 1month Menicon” series to further strengthen sales of disposable contact lenses, and began supplying daily disposable contact lenses as private-brand products of major retail chains. In addition, we acquired the certification from the U.S. FDA (Food and Drug Administration) for “Menicon Z Night,” orthokeratology lenses, in order to take the initiative in the issue associated with the increase of myopia population.

[Other Businesses]

The Veterinary Medical Business conducted by Meni-one Co., Ltd. focused on developing products and grew buoyantly. We launched “Meni-one X,” intraocular lens, in the medical equipment business field, and “Vegetable support Doctor plus Glutamine & Oligo,” in the supplement business field. We also began offering “Fundus AI,” a canine ophthalmic medical care support service for veterinarians, which uses artificial intelligence. In the Environmental and Bioscience Business, sales of decomposition agents for rice straw etc. were robust. In the Life Science Business, we worked to expand sales of the “Pregna” series, supplements that support fertility treatment, “Luna rhythm lactoferrin” and “Meni supple” series with the supplements developed under the concept of supporting life.

As a result of these initiatives, net sales for the fiscal year ended March 31, 2020 increased by 4.5% year on year to ¥84,519 million, reflecting growth in the member of the MELS Plan, and sales of contact lenses and care products. Operating profit increased by 26.2% year on year to ¥7,033 million, because the ratio of cost of sales to net sales and the ratio of selling, general and administrative expenses to net sales decreased from the level of the previous fiscal year. Ordinary profit increased by 16.1% year on year to ¥6,554 million, due to the recording of share of loss of entities accounted for using equity method as non-operating expenses.

Regarding extraordinary income and losses, extraordinary income of ¥94 million was recorded, owing to the sales of property, plant and equipment. Extraordinary losses of ¥383 million were recorded due to factors including loss on retirement of business assets.

As a result, profit before income taxes increased by 9.4% year on year to ¥6,265 million and profit attributable to owners of parent increased by 13.5% year on year to ¥4,060 million.

(Business results by segment)

1) Contact Lens-related Business

Sales of the contact lens-related business were ¥82,904 million, an increase of 4.4% year on year. Segment profit was ¥11,606 million, an increase of 21.0% year on year.

Sales of the contact lens-related business increased by ¥3,488 million year on year. It is primarily due to an increase in MELS Plan membership, sales of new products, and an increase in export to China. Sales of MELS Plan increased by ¥2,190 million year on year to ¥42,806 million. This is due to increases the membership reached 1.33 million as of March 31, 2020, and the number of membership of high-priced products such as daily disposable contact lenses including “Magic series,” that newly added “Magic toric”. As for export to China, sales of orthokeratology lenses and contact lens care products continued to be buoyant.

Segment profit increased year on year as sales did, which is attributable to the efforts to curbed manufacturing cost and enhance the efficiency of the advertising expenses and sales promotion expenses.

2) Other

Sales of the other businesses were ¥1,614 million, an increase of 8.9% year on year, as sales of “resQ45,” an eco-friendly composting accelerator by the Company’s Environmental and Bioscience Business were robust. Segment loss was ¥494 million, compared with a segment loss of ¥343 million for the previous fiscal year, reflecting an increase in expenses.

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

(Assets)

Total assets at the end of the fiscal year under review were ¥87,286 million, having increased by ¥9,011 million from the end of the previous fiscal year. Current assets decreased by ¥862 million to ¥41,722 million mainly due to an expenditure of costs related to the expansion of floor area and production facilities for the expansion of “1DAY Menicon PremiO” production capacity at the Kakamigahara Factory. Non-current assets increased by ¥9,873 million to ¥45,564 million, mainly as a result of increases of capital investment in Kagamigahara Factory and in right of use assets due to the application of IFRS 16 “Leases.”

(Liabilities and net assets)

Liabilities decreased by ¥1,959 million from the end of the previous fiscal year to ¥33,765 million at the end of the fiscal year under review mainly as a result of the exercise of the rights of convertible bond-type bonds with share acquisition rights, despite an increase in lease obligations due to the application of IFRS 16 “Leases.” Net assets increased by ¥10,971 million from the end of the previous fiscal year to ¥53,520 million mainly due to increases in share capital and capital surplus and a decrease in treasury shares, following the exercise of the rights of convertible bond-type bonds with share acquisition rights, and an increase in retained earnings resulting from the recording of profit attributable to owners of parent.

As a result, equity adequacy ratio was 61.2%.

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

Cash and cash equivalents at the end of the fiscal year under review were ¥16,791 million, having decreased by ¥2,494 million or 12.9% from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥8,712 million, compared with net cash by operating activities amounting to ¥7,023 million for the previous fiscal year, mainly due to increases in ¥6,265 million of profit before income taxes and ¥4,486 million of depreciation.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥7,656 million, compared with net cash provided by investing activities amounting to ¥4,951 million for the previous fiscal year, mainly due to increases in purchase of property, plant and equipment in construction in progress associated with the expansion of floor area and the increase of production lines at the Kakamigahara Factory and acquisition of property, plant and equipment by expanding production facilities for contact lens care products at our subsidiary, Menicon Nect Co., Ltd..

(Cash flows from financing activities)

Net cash provided by financing activities amounted to ¥3,438 million, compared with net cash used in financing activities amounting to ¥1,825 million in the same period of the previous year, mainly due to repayment of long-term borrowings and redemption of bonds payable.

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

The Company’s basic policy is to pay dividends once a year as a year-end dividend. Based on the policy of maintaining stable dividend payments, the Company intends to pay a cash dividend of ¥28 per share for the fiscal year under review.

Forecast of the dividends for the next fiscal year is undetermined due to the difficulty of forecasting consolidated business results for the next fiscal year at this time. The forecast of the dividends will be disclosed once the forecast of the consolidated business results becomes possible to make calculations.

(5) Outlook

Due to the impact of the COVID-19 outbreak, the future outlook is uncertain. Depending on when the COVID-19 situation can be controlled, there is a risk of a further decline in both domestic and global economies, and this unpredictable situation is expected to continue. Under such circumstances, we center our business efforts on the promotion of the MELS Plan, in order to ensure contact lenses, which are specially controlled medical devices, can be used safely and conveniently. The Company promotes the subscription-based delivery service of disposable contact lenses for MELS Plan members “MELS Delivery: mutan,” strive to increase sales of daily disposable contact lenses that come in “SMART TOUCH,” a package that allows users to take out the lenses without touching the inner surface of them and therefore is more hygienic, and conduct corporate activities that support customers’ lifestyles from the perspective of “End Users Come First.”

The status of the Company’s response to COVID-19 is as follows.

In Japan, as the Japanese government has declared a state of emergency in line with the COVID-19 outbreak, the Company has taken measures such as closing a portion of its shops and changing opening hours. It is predicted that consumers’ consumption scope and opportunities will shrink and demand will decrease to avoid going outdoors for prevention of infection spread. Regarding how MELS Plan members can receive their contact lenses, we are implementing our responses using partnering facilities such as contact lenses shops that have joined the MELS Plan and the Group’s retail shops. Overseas, although business activities in China are on a recovery track, business activities have been restricted due to the impact of lockdowns being implemented in regions such as Europe and the U.S.. Going forward, it is predicted that the recovery of sales will be affected by the regulations of each government.

In Manufacturing and Logistics, there have been some effects due to the implementation of measures to prevent the spread of COVID-19, but our operations are largely being conducted.

In general, all staff who carry out planning and management duties work from home. We have also implemented staggered working hours and work rotation schemes for those who have to work at the office, in order to prevent the spread of COVID-19.

In the contact lens market, demand for disposable contact lenses has heightened globally, centering around for daily disposable contact lenses. In China, demand for orthokeratology lenses, which are to be worn while sleeping and are effective for correcting vision, is robust. Accordingly, the Company is continuing investments that are necessary for business expansion in the medium to long term, including capital investment for productivity enhancement at the Kakamigahara Factory, which is the factory for manufacturing daily disposable contact lenses, and conducting activities to increase sales of the Company’s orthokeratology lens products.

At the moment, as we are unable to predict when the COVID-19 outbreak will be over, forecast of consolidated business results for the fiscal year ending March 31, 2021 is undetermined due to the difficulty of reasonably forecasting it. The forecast of the consolidated business results will be disclosed immediately once it becomes possible to make calculations.

2. Basic Approach for Selection of Accounting Standards

The Group applies the Japanese Accounting Standards.

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31,2019	As of March 31,2020
Assets		
Current assets		
Cash and deposits	20,084	17,327
Notes and accounts receivable - trade	8,857	9,733
Merchandise and finished goods	9,110	9,798
Work in process	771	905
Raw materials and supplies	2,076	2,226
Other	1,763	1,878
Allowance for doubtful accounts	(79)	(148)
Total current assets	42,584	41,722
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,070	20,895
Accumulated depreciation	(10,148)	(10,204)
Buildings and structures, net	8,921	10,690
Machinery, equipment and vehicles	19,374	22,447
Accumulated depreciation	(13,587)	(14,798)
Machinery, equipment and vehicles, net	5,786	7,649
Tools, furniture and fixtures	7,328	7,911
Accumulated depreciation	(5,892)	(6,559)
Tools, furniture and fixtures, net	1,435	1,352
Land	5,164	4,926
Leased assets	849	849
Accumulated depreciation	(699)	(726)
Leased assets, net	149	122
Right of use assets	-	4,782
Accumulated depreciation	-	(644)
Right of use assets, net	-	4,137
Construction in progress	3,989	5,793
Total property, plant and equipment	25,447	34,672
Intangible assets		
Goodwill	2,719	2,437
Patent right	1,219	975
Other	2,297	3,651
Total intangible assets	6,236	7,064
Investments and other assets		
Investment securities	908	505
Long-term loans receivable	55	48
Deferred tax assets	1,112	1,254
Other	1,942	2,033
Allowance for doubtful accounts	(12)	(15)
Total investments and other assets	4,006	3,826
Total non-current assets	35,690	45,564
Total assets	78,275	87,286

(Million yen)

	As of March 31,2019	As of March 31,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,471	4,373
Short-term borrowings	32	77
Current portion of bonds payable	1,765	1,465
Current portion of long-term borrowings	1,984	1,798
Lease obligations	30	720
Accounts payable - other	2,970	4,583
Income taxes payable	1,562	1,398
Provision for bonuses	1,592	1,598
Provision for point card certificates	105	67
Other	4,053	5,669
Total current liabilities	18,568	21,751
Non-current liabilities		
Bonds payable	3,547	4,082
Convertible bond-type bonds with share acquisition rights	8,000	-
Long-term borrowings	3,423	1,692
Lease obligations	90	3,594
Long-term accounts payable - other	1,425	1,485
Retirement benefit liability	331	622
Deferred tax liabilities	88	339
Asset retirement obligations	102	105
Other	147	93
Total non-current liabilities	17,156	12,014
Total liabilities	35,725	33,765
Net assets		
Shareholders' equity		
Share capital	3,379	5,396
Deposits for subscriptions to shares	-	1
Capital surplus	2,553	6,658
Retained earnings	39,690	42,764
Treasury shares	(2,414)	(441)
Total shareholders' equity	43,208	54,378
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46	20
Foreign currency translation adjustment	(786)	(1,020)
Total accumulated other comprehensive income	(739)	(999)
Share acquisition rights	38	88
Non-controlling interests	42	53
Total net assets	42,549	53,520
Total liabilities and net assets	78,275	87,286

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Net sales	80,898	84,519
Cost of sales	38,129	39,291
Gross profit	42,768	45,227
Selling, general and administrative expenses	37,196	38,194
Operating profit	5,571	7,033
Non-operating income		
Interest income	7	4
Dividend income	10	10
Fair value adjustment of contingent consideration	121	-
Subsidy income	49	107
Other	306	285
Total non-operating income	495	408
Non-operating expenses		
Interest expenses	174	188
Share of loss of entities accounted for using equity method	27	300
Fair value adjustment of contingent consideration	-	164
Loss on cancellation of contracts	-	96
Other	219	136
Total non-operating expenses	421	887
Ordinary profit	5,645	6,554
Extraordinary income		
Gain on sales of non-current assets	5	25
Subsidy income	86	15
Gain on sale of businesses	49	-
Gain on step acquisitions	-	52
Other	2	-
Total extraordinary income	144	94
Extraordinary losses		
Loss on sales of non-current assets	0	64
Loss on retirement of non-current assets	60	179
Impairment loss	-	113
Other	2	26
Total extraordinary losses	62	383
Profit before income taxes	5,727	6,265
Income taxes - current	2,302	2,370
Income taxes - deferred	(154)	(168)
Total income taxes	2,147	2,201
Profit	3,579	4,063
Profit attributable to non-controlling interests	2	2
Profit attributable to owners of parent	3,576	4,060

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Profit	3,579	4,063
Other comprehensive income		
Valuation difference on available-for-sale securities	(78)	(25)
Foreign currency translation adjustment	(224)	(204)
Share of other comprehensive income of entities accounted for using equity method	(18)	(30)
Total other comprehensive income	(321)	(260)
Comprehensive income	3,258	3,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,256	3,800
Comprehensive income attributable to non-controlling interests	2	1

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2019

(Million yen)

	Shareholders' equity					
	Share capital	Deposit for subscriptions to shares	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,379	-	2,553	37,037	(2,502)	40,467
Changes during period						
Issuance of new shares						-
Increase (decrease) in Deposit for subscriptions to shares						-
Dividends of surplus				(879)		(879)
Profit attributable to owners of parent				3,576		3,576
Purchase of treasury shares					(0)	(0)
Disposal of treasury shares				(44)	88	43
Net changes in items other than shareholders' equity						
Total changes during period	-	-	-	2,652	88	2,740
Balance at end of period	3,379	-	2,553	39,690	(2,414)	43,208

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	124	(543)	(418)	33	39	40,121
Changes during period						
Issuance of new shares						-
Increase (decrease) in Deposit for subscriptions to shares						-
Dividends of surplus						(879)
Profit attributable to owners of parent						3,576
Purchase of treasury shares						(0)
Disposal of treasury shares						43
Net changes in items other than shareholders' equity	(77)	(242)	(320)	4	2	(313)
Total changes during period	(77)	(242)	(320)	4	2	2,427
Balance at end of period	46	(786)	(739)	38	42	42,549

For the fiscal year ended March 31,2020

(Million yen)

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

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

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31,2019	For the fiscal year ended March 31,2020
Cash flows from operating activities		
Profit before income taxes	5,727	6,265
Depreciation	3,656	4,486
Impairment loss	-	113
Amortization of goodwill	984	935
Loss on retirement of non-current assets	60	179
Subsidy income	(86)	(15)
Interest and dividend income	(17)	(14)
Interest expenses	174	188
Foreign exchange losses (gains)	64	72
Share of loss (profit) of entities accounted for using equity method	27	300
Decrease (increase) in trade receivables	(760)	(98)
Decrease (increase) in inventories	(592)	(548)
Increase (decrease) in trade payables	236	(409)
Increase (decrease) in provision for bonuses	277	11
Other, net	(778)	(46)
Subtotal	8,973	11,419
Interest and dividends received	17	17
Interest paid	(89)	(117)
Income taxes paid	(1,964)	(2,623)
Subsidies received	86	15
Net cash provided by (used in) operating activities	7,023	8,712
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	639	279
Purchase of investment securities	(416)	(0)
Proceeds from sales of investment securities	16	-
Purchase of intangible assets	(563)	(885)
Purchase of property, plant and equipment	(4,639)	(5,592)
Proceeds from sales of property, plant and equipment	64	246
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,625)
Other, net	(54)	(78)
Net cash provided by (used in) investing activities	(4,951)	(7,656)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(471)	(14)
Proceeds from long-term borrowings	300	7
Repayments of long-term borrowings	(2,422)	(1,989)
Proceeds from issuance of bonds	-	1,976
Redemption of bonds	(2,636)	(1,765)
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	7,976	-
Repayments of lease obligations	(82)	(745)
Dividends paid	(878)	(986)
Proceeds from sales of treasury shares	38	25
Other, net	(0)	51
Net cash provided by (used in) financing activities	1,825	(3,438)
Effect of exchange rate change on cash and cash equivalents	(95)	(111)
Net increase (decrease) in cash and cash equivalents	3,801	(2,494)
Cash and cash equivalents at beginning of period	15,484	19,286
Cash and cash equivalents at end of period	19,286	16,791

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

Some overseas subsidiaries have applied IFRS 16 “Leases” from the beginning of the fiscal year under review. With this accounting change, in principle lessees recognize assets and liabilities with respect to all leases on the Balance Sheets. In applying this accounting standard, the Company has adopted a method regarded as a transitional measure, whereby the cumulative effect of the application of this standard is recognized as of the date of its application.

As a result of the application of this accounting standard, the Consolidated Balance Sheets for the period ended March 31, 2020 show increases of ¥4,137 million in right of use assets, net of property, plant and equipment, ¥17 million in other under intangible assets, ¥678 million in lease obligations under current liabilities, and ¥3,540 million in lease obligations under non-current liabilities. The impact on profit or loss for the fiscal year under review is immaterial.

(Segment information)

[Segment Information]

1. Overview of reportable segments

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

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

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

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

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

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

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

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

Fiscal year from April 1, 2018 to March 31, 2019

(Million yen)

	Reportable segment	Other (Note)	Total
	Contact Lens-related Business		
Net sales			
Net sales to external customers	79,416	1,482	80,898
Inter-segment net sales or transfers	—	0	0
Total	79,416	1,482	80,898
Segment profit (loss)	9,593	(343)	9,249
Segment assets	63,052	1,116	64,168
Other items			
Depreciation	3,461	20	3,482
Increase in property, plant and equipment and intangible assets	6,328	33	6,362

(Note) 1. “Other” is a business segment not included in the reportable segment and includes new businesses.

Fiscal year under review (from April 1, 2019 to March 31, 2020)

(Million yen)

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

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

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

(Million yen)

Net sales	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Reportable segment total	79,416	82,904
Net sales of “Other”	1,482	1,614
Elimination of inter-segment transactions	(0)	—
Net sales stated in consolidated financial statements	80,898	84,519

(Million yen)

Profit	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Reportable segment total	9,593	11,606
Profit of “Other”	(343)	(494)
Corporate expenses (Note)	(3,677)	(4,078)
Operating profit stated in consolidated financial statements	5,571	7,033

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

(Million yen)

Assets	As of March 31, 2019	As of March 31, 2020
Reportable segment total	63,052	73,631
Assets of “Other”	1,116	1,454
Corporate assets (Note)	14,106	12,200
Assets stated in consolidated financial statements	78,275	87,286

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

(Million yen)

Other items	Reportable segment total		Other		Adjustment		Amounts stated in consolidated financial statements	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2019
Depreciation	3,461	4,295	20	19	174	171	3,656	4,486
Increase in property, plant and equipment and intangible assets	6,328	9,629	33	37	198	324	6,560	9,991

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

[Related Information]

Fiscal year from April 1, 2018 to March 31, 2019

1. Information by product/service

(Million yen)

	Contact lens / care products	MELS Plan	Other	Total
Net sales to external customers	38,172	40,615	2,110	80,898

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

2. Geographical information

(1) Net sales

(Million yen)

Japan	Europe	North America	Asia	Other	Total
71,498	6,431	997	1,649	320	80,898

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

(2) Property, plant and equipment

(Million yen)

Japan	Europe	North America	Asia	Other	Total
21,738	2,364	39	1,304	0	25,447

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

3. Information by major customer

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

Fiscal year under review (from April 1, 2019 to March 31, 2020)

1. Information by product/service

(Million yen)

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

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

2. Geographical information

(1) Net sales

(Million yen)

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

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

(2) Property, plant and equipment

(Million yen)

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

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

3. Information by major customer

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

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

Fiscal year from April 1, 2018 to March 31, 2019

(Million yen)

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

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

Fiscal year under review (from April 1, 2019 to March 31, 2020)

(Million yen)

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

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

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

Fiscal year from April 1, 2018 to March 31, 2019

(Million yen)

	Reportable segment	Other (Note)	Corporate/elimination	Total
	Contact Lens-related Business			
Amortization	984	—	—	984
Unamortized balance	2,719	—	—	2,719

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

Fiscal year under review (from April 1, 2019 to March 31, 2020)

(Million yen)

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

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

[Information on gain on bargain purchase by reportable segment]

Fiscal year from April 1, 2018 to March 31, 2019

Not applicable.

Fiscal year under review (from April 1, 2019 to March 31, 2020)

Not applicable.

(Per share information)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Fiscal year under review (from April 1, 2019 to March 31, 2020)
Net assets per share	Yen 1,205.46	Yen 1,414.80
Basic earnings per share	101.63	112.25
Diluted earnings per share	94.30	106.95

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

	Previous fiscal year (from April 1, 2017 to March 31, 2018)	Fiscal year under review (from April 1, 2018 to March 31, 2019)
(1) Basic earnings per share		
Profit attributable to owners of parent (Million yen)	3,576	4,060
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent pertaining to shares of common stock (Million yen)	3,576	4,060
Average number of shares of common stock (shares)	35,193,755	36,178,168
(2) Diluted earnings per share		
Adjusted profit attributable to owners of parent (Million yen)	—	3
Increase in the number of shares of common stock (shares)	2,735,153	1,825,550
[Convertible bond-type bonds with share acquisition rights (shares)]	[2,377,320]	[1,480,515]
[Share acquisition rights (shares)]	[357,833]	[345,035]
Summary of Residual securities not included in the calculation of diluted earnings per share because of no dilutive effect	—	—

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

	Previous fiscal year (as of March 31, 2019)	Fiscal year under review (as of March 31, 2020)
Total net assets (Million yen)	42,549	53,520
Amount to be deducted from total net assets (Million yen)	80	143
[Share acquisition rights (Million yen)]	[38]	[88]
[Non-controlling interests (Million yen)]	[42]	[53]
Net assets pertaining to shares of common stock at end of period (Million yen)	42,468	53,377
Number of shares of common stock at end of period used for calculation of net assets per share (shares)	35,230,516	37,728,108

(Significant subsequent events)

(Borrowing of large funds)

(1) During an Executive Committee meeting held on March 24, 2020, the Company resolved to borrow funds.

The borrowing has been carried out as follows;

1. Use of proceeds: Working capital etc.
2. Lenders: MUFG Bank, Ltd., Mizuho Bank, Ltd. and others (Total 6 banks)
3. Borrowing amount: 8,000 million yen
4. Borrowing interest rate: The basic interest rate + spread
5. Loan execution date: April 1, 2020
6. Repayment deadline: June 30, 2020
7. Details of collateral assets and guarantees: None

(2) During an Executive Committee meeting held on April 21, 2020, the Company resolved to borrow funds.

The borrowing has been carried out as follows;

1. Use of proceeds: Capital investment and working capital etc.
2. Lenders: Mizuho Bank, Ltd. and others (Total 6 banks)
3. Borrowing amount: 6,000 million yen
4. Borrowing interest rate: It is determined with due consideration for market interest rate.
5. Loan execution date: May 22, 2020
6. Repayment deadline: From April 30, 2020 to April 30, 2027
7. Details of collateral assets and guarantees: None