



Menicon Annual Report

2018

-Integrated Report-



Hidenari Tanaka
President and CEO

Menicon continues to grow as a company appreciated not only in Japan but also in the world with “End User First” in mind

Business performance of the 61st fiscal year reflecting the fruit of our business strategy

I would like to express my sincere appreciation for your continued support on a daily basis. Menicon conducts business activities under its corporate slogan, “Contributing to society by providing superior visual correction”, and with the concept “End User First” in mind. Our priority is to protect the health of the eye of all contact lens users. The global economy in the previous term was solid in the United States and Europe, while the economy has been on a recovery track in China and other emerging countries. On the other hand, the domestic economy has shown a moderate recovery trend thanks to continued improvement of income and employment situations as well as the effect of various policies. In the contact lens market, disposable lenses and color contact lenses have led the growth in Japan. Moreover, the demand for disposable contact lenses has been increasing in overseas markets, particularly, in the United States. In China, the demand for orthokeratology lenses which have an effect of correcting myopia when used during sleep and for contact lens care products has been increasing. Business performance of Menicon Group has been solid due to the

factors mentioned above. The consolidated net sales for the fiscal year ended March 2018 marked a record high of 76.6 billion yen, which was an increase of 6.4% over the previous term. The consolidated operating profit marked 4.3 billion yen, which was an increase of 12.4% over the previous year, while the profit attributable to owners of parent was 2.6 billion yen, an increase of 4.5% over the previous term.

The most important factor for this increase in both sales and profit is increasing the number of MELS Plan members who use daily disposable lenses and 2-week replacement lenses. Sales promotion with a focus on MELS Plan was effective. As a result, the number of members increased about 50,000 from the end of previous fiscal year and now totals to 1.27 million (as of the end of March 2018).

Aiming at achieving the goals for the 62nd fiscal year in view of further growth

We will continue to focus on the increase in sales of daily disposable contact lenses in this fiscal year. We will implement promotion activities

for disseminating SMART TOUCH which appeals the packaging function of “1day Menicon PremiO” and “Magic”. SMART TOUCH is a unique concept of Menicon describing our contact lenses which can be wore easily and cleanly without touching their inner surface.



We will intend to increase a market share of daily disposable contact lenses by promoting this characteristic which is appealing not only in Japan but also in the world. We have already launched such type of contact lenses in overseas markets such as Europe, North America and China. It is required to manufacture more products in the future. Menicon is planning to enhance its production capacity during this term by expanding the Kakamigahara Factory where “1day Menicon PremiO” is manufactured and by adding new production lines. It can be said that the global strategy of Menicon to convert the “safety of eyes” into a global standard will be a new axis for this term. The utilization of human resources is an important factor for continued business growth. In terms of working-style reform, we would like to build a company where all employees can enjoy working. Under its slogan “Smart Creation”, Menicon has taken measures such as the introduction of free-address office so that employees communicate actively. We aim to provide our employees with a working environment and an organization where they can come up with innovative ideas and develop new values on a daily basis.



We will be committed to providing better products and services with a view to become the Number One and Only One company appreciated by all stakeholders. We would like to ask for your continued support.

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Menicon headquarters

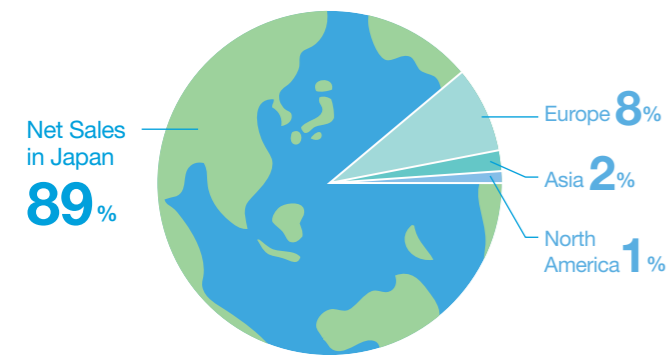
Our Business in Numbers

Data on Social Activities

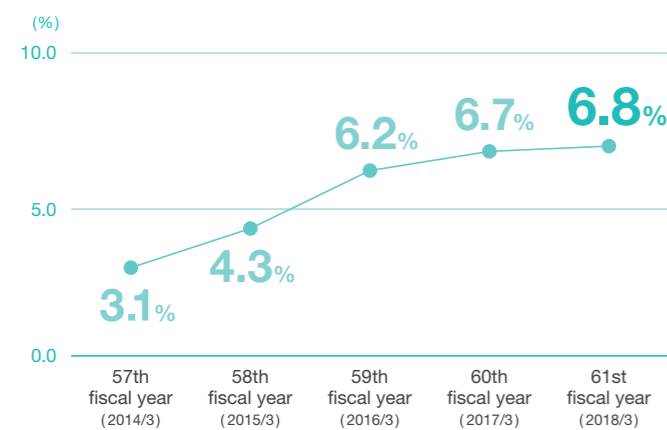
Consolidated Net Sales



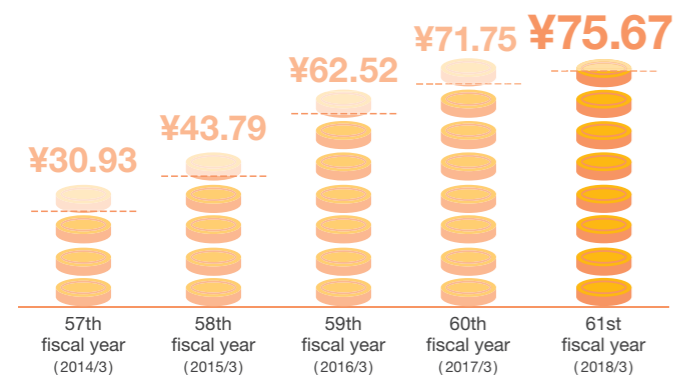
Net Sales by Region



ROE (Return on Equity)

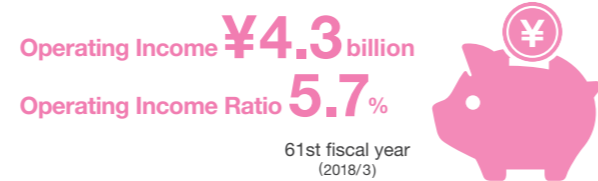


EPS (Earning per Share)

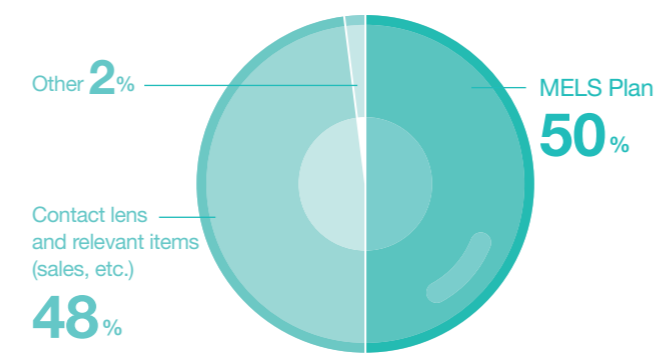


The Company conducted a 2-for-1 stock split on January 1, 2018. EPS are calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 2014.

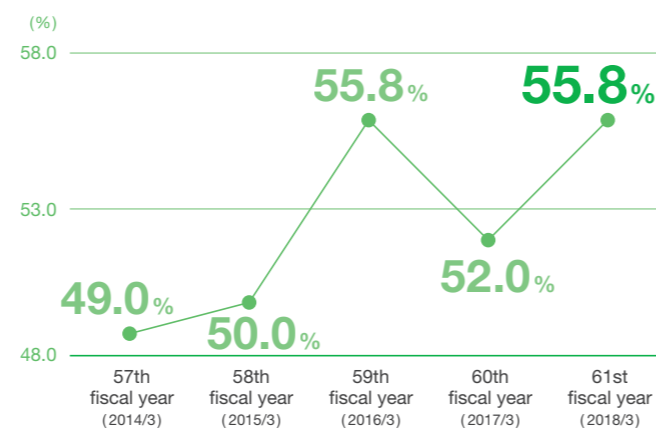
Operating Income / Operating Income Ratio



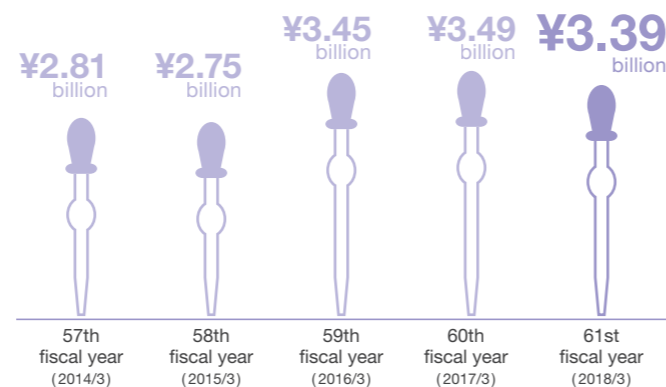
Net Sales by Segment



Equity Capital Ratio



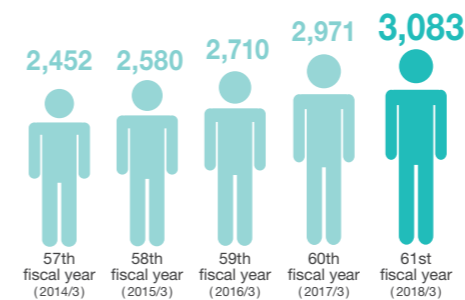
Research and Development Expenditure



ESG

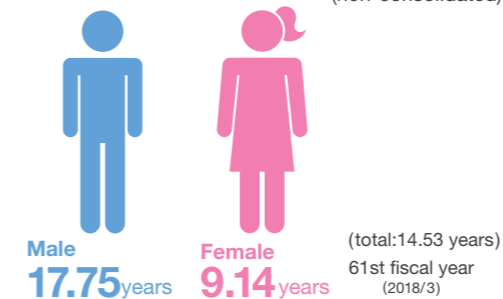
Data on Our Employees

Number of Employed (consolidated)

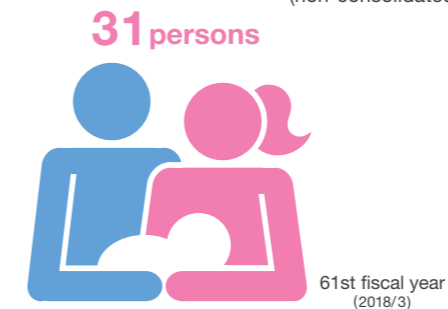


The numbers do not include Directors, Corporate Officers, Advisers, temporary staff, part-timers, and casual staff.

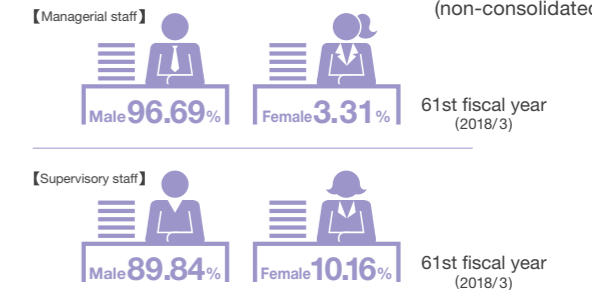
Average Number of Years of Employment (non-consolidated)



Number of Employees Who Took Childcare Leave (non-consolidated)

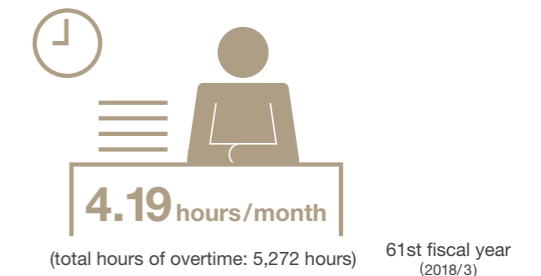


Composition Ratio of Managerial and Supervisory Staff (non-consolidated)



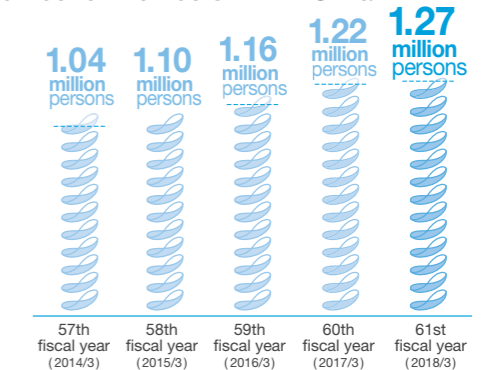
We aim to increase the ratio of female managerial staff to four percent or more, and 20 percent or more females in supervisory staff, by April 1, 2020.

Average Hours of Overtime (non-consolidated)



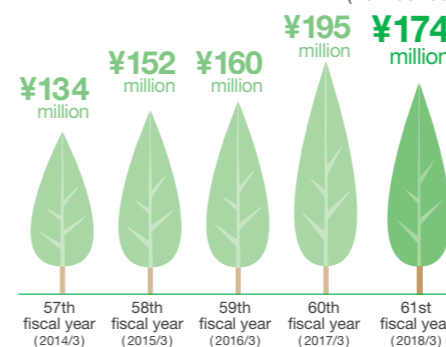
Data on End-users

Number of Members in MELs Plan

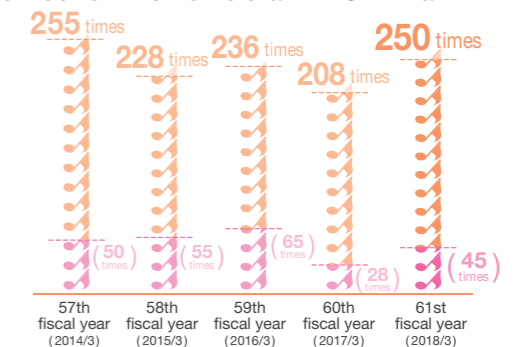


Data on Society

Sales in Environmental Business (non-consolidated)



Number of Events held at HITOMI Hall



The number in the brackets indicates those of events planned by our company.

FINANCIAL AND NON-FINANCIAL TRENDS

Menicon Co. Ltd., and Consolidated Subsidiaries
Fiscal Years ended March 31

	57th fiscal year (2014/3)	58th fiscal year (2015/3)	59th fiscal year (2016/3)	60th fiscal year (2017/3)	61st fiscal year (2018/3)
Business Performance					
Net Sales (¥ million)	62,209	63,131	67,332	72,052	76,672
Cost of Sales (¥ million)	26,856	28,073	30,012	33,192	35,478
Selling, General and Administrative Expenses (¥ million)	33,058	32,194	33,862	34,949	36,800
Operating profit (¥ million)	2,294	2,863	3,457	3,910	4,394
Profit Attributable to Owners of Parent (¥ million)	1,010	1,431	2,224	2,543	2,657
Capital investment (¥ million)	4,958	4,780	2,256	4,729	4,474
Depreciation Allowance (¥ million)	2,770	3,186	3,349	3,635	3,966
Research and Development Expenses (¥ million)	2,811	2,755	3,459	3,497	3,398
Financial Conditions					
Total Assets (¥ million)	67,414	67,609	68,901	72,336	71,736
Debt with Interest (¥ million)	19,681	19,984	16,634	19,787	16,185
Net Assets (¥ million)	33,148	33,872	38,439	37,681	40,121
Shareholders' Equity (¥ million)	33,247	34,189	39,043	38,405	40,467
Cash Flows					
Cash Flows from Operating Activities (¥ million)	1,116	4,233	7,859	5,197	7,857
Cash Flows from Investing Activities (¥ million)	(3,380)	(3,525)	(3,293)	(6,065)	900
Free Cash Flows (¥ million)	(2,264)	707	4,566	(868)	8,757
Cash Flows from Financing Activities (¥ million)	3,029	(422)	(851)	(271)	(4,196)
Net Cash Flows (¥ million)	764	285	3,714	(1,139)	4,561
Profits					
Operating Profit Ratio (%)	3.7	4.5	5.1	5.4	5.7
Return on Equity (%)	3.1	4.3	6.2	6.7	6.8
Basic earnings per share (¥)	30.93	43.79	62.52	71.75	75.67
Employees					
Number of Employed (Consolidated) (Person)	2,452	2,580	2,710	2,971	3,083
Number of Employed (Non-consolidated) (Person)	1,089	1,116	1,153	1,208	1,259
Average Age (Non-consolidated) (Years)	-	39.02	39.05	39.08	39.11
Average Length of Service (Non-consolidated) (years)	-	14.33	14.64	14.49	14.53
Average annual salary (Non-consolidated) (¥ thousand)	-	6,221	5,875	5,939	5,756

The Company conducted a 2-for-1 stock split on January 1, 2018. Basic earnings per share are calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 2014.

The Will to Forge its Own Path and Be a Pioneer Is in Menicon's DNA.

As a pioneer in contact lenses and lens care products, Menicon has insisted on its own distinctive concept of safety in all processes from material development to design development, manufacturing, distribution, sales and sales to the end user. Always working to improve its technology and quality assurance system, we have made one industry-leading achievement after another.

1950~1969»

Starting from Zero to Take on New Challenges

Menicon began when founder Kyoichi Tanaka developed Japan's first corneal contact lens in 1951. Tanaka, who was working at an optical shop, happened to hear about contact lenses from the wife of a U.S. Army officer. However, she did not show any actual contact lenses to him. Tanaka resolved to create a practical contact lens, and after much study and research, he succeeded. In 1957 he established Nippon Contact Lens Co., Ltd., the predecessor to Menicon.



Kyoichi Tanaka when he worked at an optical shop and the wife of a U.S. Army officer. The MT contact lens (first successful product)

1970~1989»

Realizing More Originality

Based on its experience of finally arriving at and achieving practical application of a rigid contact lens with almost the same shape as today's rigid contacts entirely on its own, one thing Menicon values is avoiding imitation. By continuing to do all its own original research — designing methods of combining and polymerizing materials, designing products and manufacturing methods and assembling its own manufacturing facilities — Menicon developed Japan's first oxygen permeable rigid contact lens and established a new automated production factory, among other achievements.



Some notes on research activities Menicon Seki Factory

1990~1999»

Toward the Highest Quality

In 1995, Menicon founded the R&D Center as a base for conducting its research and development. To come up with the next generation of contact lenses and lens care products, specialists in various fields conducted research. In the entire process from material development to design development, manufacturing, distribution, sales and end-user sales, Menicon strengthened its insistence on its own original concept of safety, always worked to improve its technology and worked to better its quality assurance system.



Menicon R&D Center Menicon Z

2000~2009»

Bringing Innovation to the World

In 2001, Menicon introduced MELS Plan, the industry's first fixed-charge membership plan, to provide full support to our customers so that they can use our contact lenses worry-free. To bring high-quality, safe contact lenses to the people of the world, the company established outposts in various countries and is manufacturing and selling contact lenses rooted in ophthalmological medical care everywhere.



Office building of NKL Contactlinsen B.V. (Netherlands) Menicon Singapore Pte. Ltd.

2010~2014»

Vow to Become a Global Company

As a pioneer in contact lenses and lens care products, Menicon is always leading the industry. While working for the continual growth of its business, the company put to work the technologies and people it had fostered through contact lenses to roll out veterinary ophthalmology, environmental-biotechnology and life sciences businesses. With the wish to "To be a global enterprise that is friendly to people, animals and the environment" Menicon began working to create new value.



Physical examinations for assistance dogs "Agri Kakumei" Series

2015~

To the Soaring Future

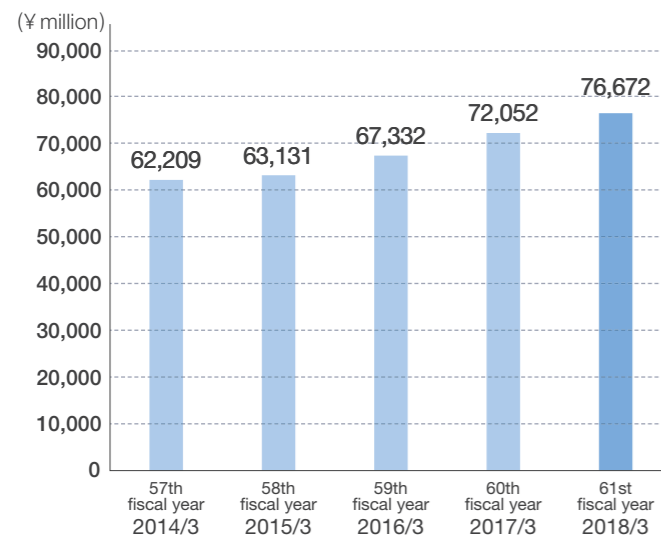
On June 25, 2015, Menicon was newly listed in the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange. With the money raised with its listings, it is investing in the construction of a new factory to produce daily disposable contact lenses. Menicon aims to continue providing the world with products useful to society and to be a company respected and loved by everyone.



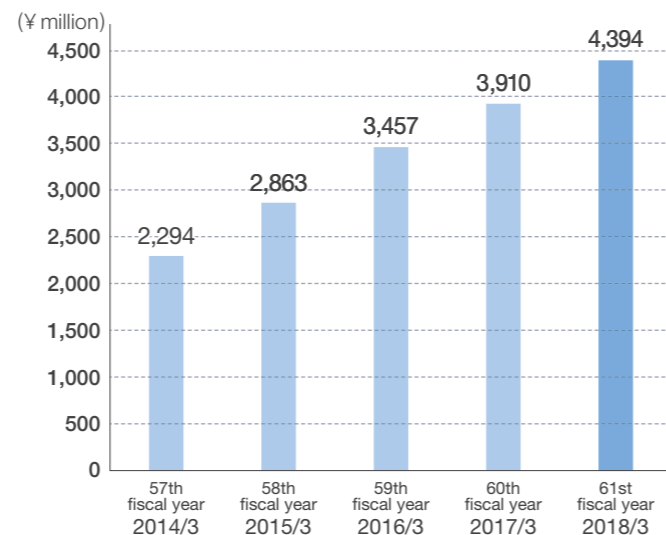
June 25, 2015 — Tokyo Stock Exchange Menicon Kakamigahara Factory

Financial Highlights (Consolidated Basis)

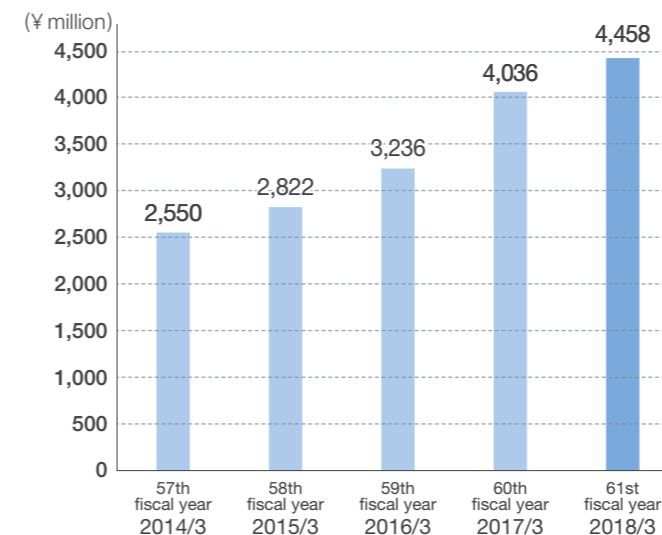
Net Sales



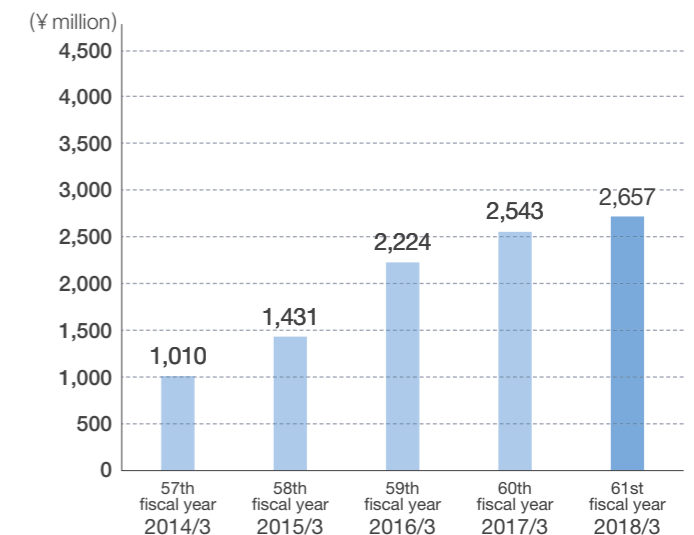
Operating Income



Ordinary Income



Profit Attributable to Owners of Parent



Policy on Quality

We attempt to increase the satisfaction level of our customers by providing joy of visibility and enjoyable life using our splendid technologies.

Through our activities of research and development, production, marketing, business operations, and sales, we continue providing the world with products and services that are useful for society by effectively utilizing resources such as technologies and personnel that we have gained through the marketing of contact lenses. We also attempt to create new values by working on new businesses, to which technologies are effectively applied. We promise to focus on our businesses to be respected and loved by all our stakeholders.



Production Capital

- Production hubs
- Japan **4**
- Overseas **7**

Human Capital

- Number of employed
- 2,488** persons in Japan
- 595** persons overseas

Intellectual Capital

- Research Facilities
- Japan **6**
- Overseas **4**

Financial Capital

- Capital (Net Assets)
- ¥40.1** billion

Research and Development

- Material research
- Technology research
- Clinical research

New Businesses ▶ P.14

- Veterinary Medicine Business
- Environmental and Bioscience Business
- Life Sciences Business

Marketing

Business Operations

- Domestic operation hubs
- Domestic hubs: **15**
- Overseas operation hubs
- Local subsidiaries in overseas: **11**
- Sales areas: over **80**
- Facilities participating in MELS
- 1,692** shops

Production



Menicon Kakamigahara Factory



Menicon Seki Factory

Sales

- Domestic shops
- Direct shops: **48** shops
- Group Companies
- Ace Contact **78** shops
- Fuji Contact **13** shops
- City Contact **18** shops
- Total shops in Japan: **157**

Output

Outcomes of our business process

Products ▶ P.11



MELS Plan ▶ P.12

- Number of Members
- 1.27 million** persons

Finance

- Operating cash flow
- ¥7.8** billion

Customers

Enrichment of our customer services



Miru+

Industry staff

Activities within the Japan Contact Lens Association

Our employees

- Improvement of the satisfactory level of our employees
- Average age of our employees (non-consolidated) **39.11** years old
- Average years of employment (non-consolidated) **14.53** years

Shareholders

- Return to shareholders
- Dividend per share / Payout ratio **¥25 / 33.0%**
- Opportunities for interactions such as company information meetings

Society

Contribution activities to society, etc.



Menicon Cup

Corporate Slogan

Contributing to society by providing superior visual correction.

Vision 2020

What Our Corporate Group Should Look Like in 2020

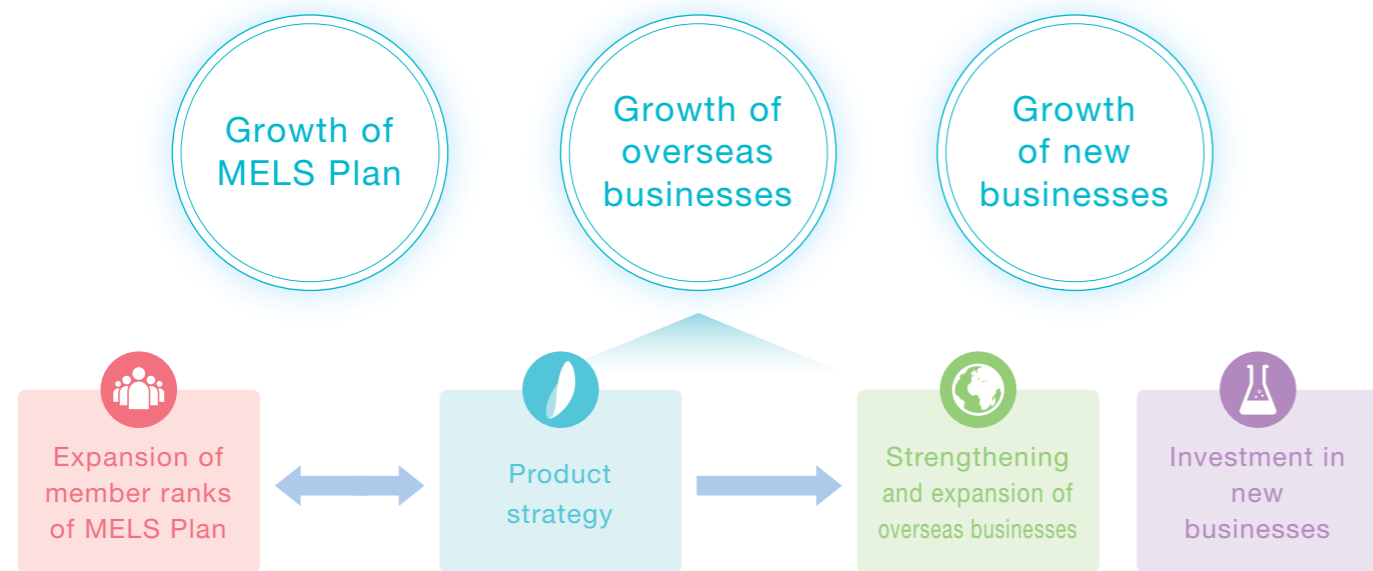
By building and maintaining a superior system and structure that includes everything from product development to customer service, we will provide products and services around the world in a way that others will be unable to match. We will win absolute trust and support from our customers.

With a flexible stance toward cooperation and competition with other people and companies in the same industry, we will protect the health of the end user by establishing a healthy global market and keeping it orderly.

Using technologies we fostered for contact lenses along with creative and original techniques, we will enter new businesses outside the field of ophthalmology and offer new products and services for life and the environment.

Achievement of Our Medium-term Business plan Vision 2020

Toward Achievement of Sales of 100 billion yen and an Operating Profit Margin of 10 percent



Menicon Product Lineup



Understanding MELS Plan

Menicon Eye Life Support Plan

MELS Plan is an entirely new service system that allows customers to continuously use Menicon's high-quality contact lenses in their best condition. It gives top priority to the health of the customers' eyes. MELS Plan is a service in which rather than purchasing Menicon contact lenses, you use them for a fixed monthly fee. We started this service with our wish to protect the all-important health of our customers' eyes.

So that customers can always use our contact lenses worry free, we also provide complete support. If trouble should ever occur, replacement products are available so that customers can always use our contact lenses in good condition.

If a contact no longer matches a customer's needs because of changes in vision or lifestyle, he can change the refraction or type at any time. This allows customers to choose the contact lens that best suits them without worrying about price.

The plan has the advantage that because customers are committed, stores selling Menicon products can specialize in customer service.

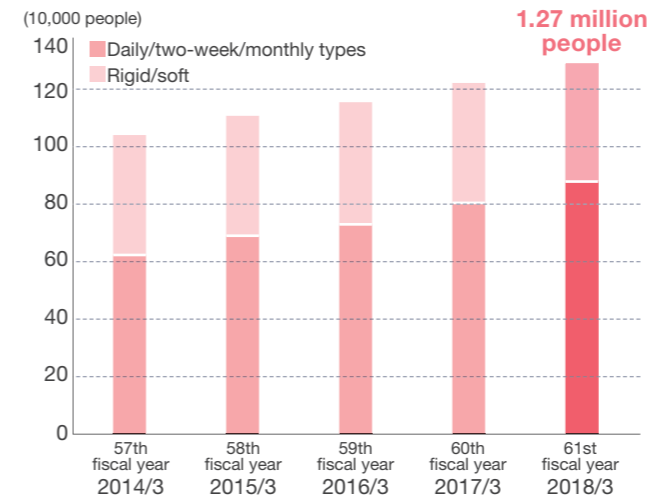
Customers and Menicon enter into a direct contract, customers pay Menicon a monthly fee and they receive their products. Stores provide service to customers and receive a sales commission from Menicon.

The plan is supported by many customers, and the number of members and sales are increasing year by year. As of the end of March 2018, 1.27 million customers had joined.

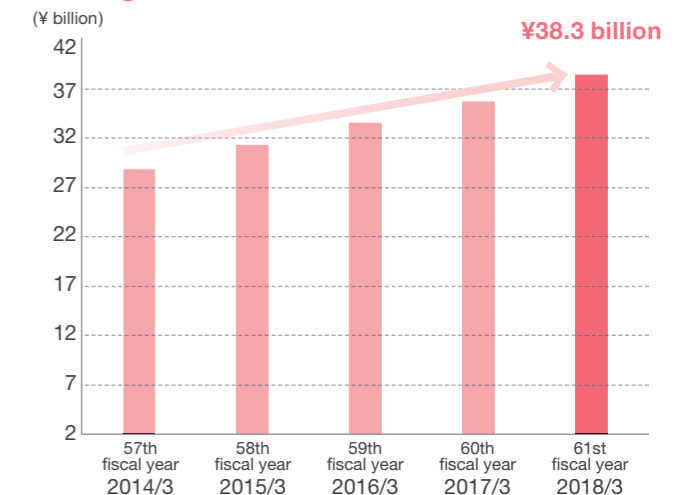
MELS Plan Virtuous Circle



Changes in the Total Number of Members in MELS Plan



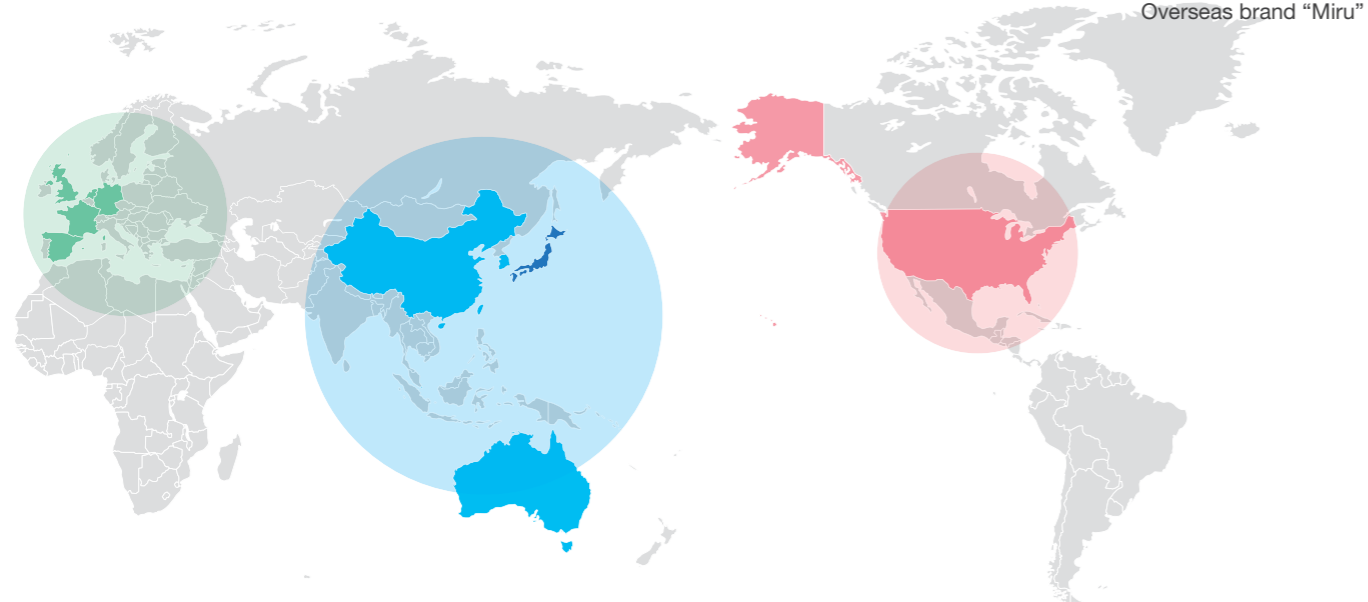
Changes in MELS Plan Sales



Expansion of Our Overseas Business



Overseas brand "Miru"



- [Europe]**
- Trust gained through our history with hard contact lenses
 - Expanding sales of specialty and order-made contact lenses
 - Expanding sales of daily disposable and 1month with volume retailers

- [Asia]**
- Expanding sales of specialty contact lenses, with a focus on orthokeratology in China
 - Expanding sales of daily disposable and hard contact lenses
 - Expanding sales to Southeast Asia

- [North America]**
- Sales expansion of 1DAY with volume retailers
 - Launch of Miru 1month Menicon

Overseas sales result was 8.5 billion yen in the fiscal year ended March 2018, making the overseas sales ratio 11 percent of our overall total. In order to grow further in overseas business, we have divided our business into three areas: Europe, Asia and North America, and will conduct business strategies that suit each country in consideration of different cultures, business customs, and legal regulations in each county.

In Europe, we have several decades of history with hard contact lenses. With the trust we have developed during this period, we aim to expand sales and profits with orthokeratology lenses and order-made lenses. We will also expand our share of the disposable contact lens market by promoting sales of "Miru 1day Menicon Flat Pack" and "Miru 1month Menicon" at volume retail shops through our newly established sales network.

In China, we will strengthen cooperation with distributors in order to focus on sales of specialty contact lenses, primarily for orthokeratology. Along with that, we will aim to boost sales of disposable contact lenses and hard contact lenses as well as lens care products. We are also promoting the expansion of sales to Southeast Asia.

In North America, Menicon enhanced its line of daily disposable contact lenses including "Miru 1day Menicon Flat Pack". Moreover, the launch of "Miru 1month Menicon" will contribute to the increase in sales in the disposable contact lens market. We will put our overseas operation on the track to growth by expanding the share in the quite large US market.

Moreover, we will carefully observe the movement of the market in developing countries including Southeast Asia and Central and South America, and nurture the markets over the long term through the development of human network and sales routes.



Orthokeratology lens (αOrtho-K)

Development of new businesses

- [Veterinary medical equipment Business]**
- Intraocular lenses for animals
 - Contact lenses for treatment of animals
 - Veterinary medical equipment
 - Supplements for animals

- [Environmental and Bioscience Business]**
- Agriculture
 - Animal husbandry
 - Animal feed

- [Life Science Business]**
- Products for assisted reproductive technologies
 - Fertility supplements
 - Supplements for QOL improvement
 - Physics and chemistry products for research activities



These new businesses have been derived from R&D activities on contact lenses and lens care products.

Meni-one Co., Ltd, one of our subsidiaries, implements the Veterinary medical equipment Business that handles intraocular lenses for animals by using technologies we have obtained through the ophthalmological field for humans. We implement veterinary ophthalmic treatments including contact lenses for treatment, ophthalmic examination equipment, supplements, etc.

In the Environmental and Bioscience Business, we provide decomposition agents for rice straw, composting accelerators, etc. using plant fiber-decomposing enzymes, which were discovered in the process of developing lens care products. Through these products, we support the environmental burden reduction as well as the businesses of agriculture and livestock.

In the Life Science Business, we market supplements for eyes and body as well as support the medical field of assisted reproduction. Our other activities include Menicon Nect Co., Ltd. providing a new eye lifestyle for people of today, who tend to overstrain their eyes. The company has launched "LUTEIN&ME Decaf Drip Coffee" in addition to "LUTEIN&ME Drip Coffee" which contains lutein*.

We continue developing new businesses using our technologies as we are determined to provide our customers with the joy of sight and the joy of living.

* Lutein is an antioxidant component that removes active oxygen, the reduction of which is thought to be the cause of eye oxidation (ageing).

[COLUMN]

Health promotion business

Smoking and passive smoking impact eye health. We conduct various educational activities on anti-smoking including planning, production, operation and consultation of study meetings, lectures, etc. as we care for the health of our customers' eyes. We continue promoting the health of our customers.

Basic Philosophy on Corporate Governance

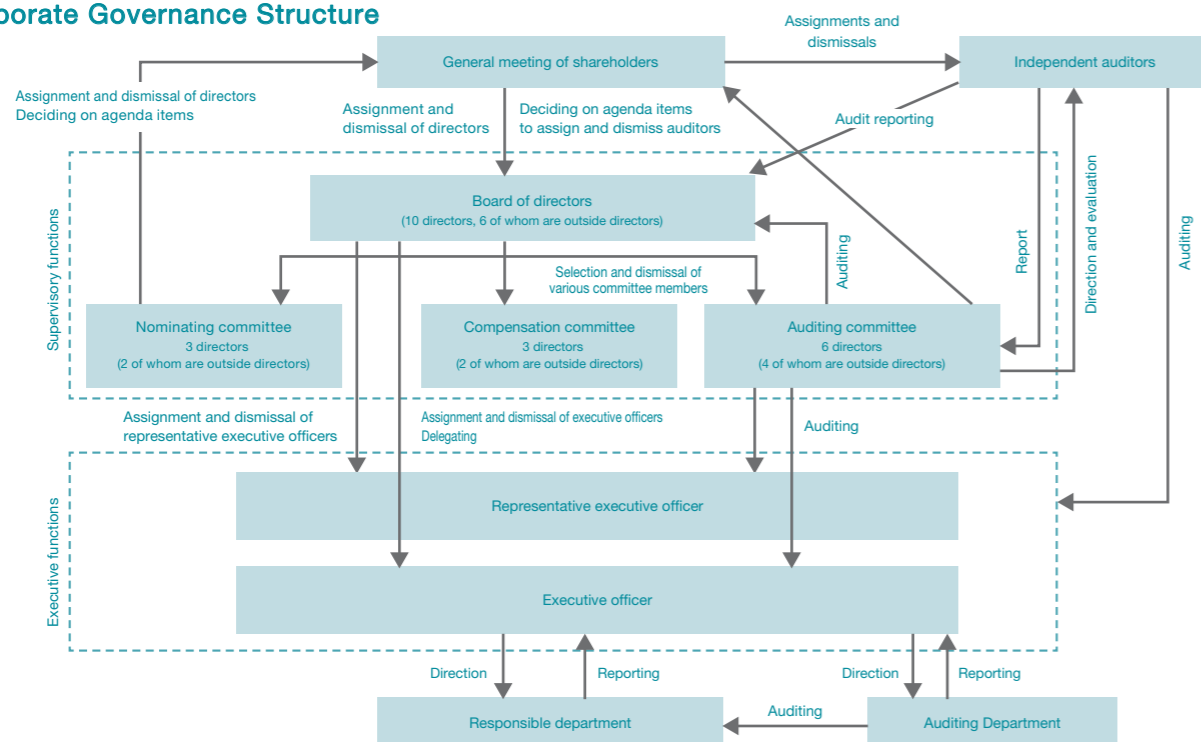
One of our basic policies is to carry out our corporate activities with the aim of being a company that is respected and loved by all stakeholders, including shareholders, investors, customers and employees. To achieve that, we have positioned earning the trust of stakeholders and sound corporate management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

Outline of Corporate Governance Structure

Menicon has a nominating committee, as required by corporate law, and the company's governance structure is made up of 10 directors (among whom six are outside directors) and 11 executive officers (including one who is also a director). Outside directors provide advice, to accompany the management and supervision performed by executive officers, from an objective, big-picture point of view that aims at increasing the value of the company. As a mechanism for the administration of business matters and the monitoring of management, the board of directors — composed of directors appointed at a general meeting of shareholders — makes important corporate decisions and supervises the executive officers. The board of directors also names executive officers. Through the authority of these executive officers that is strengthened with each matter placed under their charge, swift, effective execution of business is achieved.

The majority of directors on committees (the nominating committee, the compensation committee and the auditing committee) are outside directors. As for the roles of each committee, the nominating committee decides the director candidates to submit at the next general meeting of shareholders, the auditing committee inspects the compliance and suitability of the performance of their duties of the directors and executive officers and determines a plan for appointing independent auditors, and the compensation committee is responsible for deciding compensation plans and amounts for directors and executive officers. Regarding matters important to the administration of business matters (excluding matters decided by the board of directors), the performance review council and the executive committee — made up of all executive officers — deliberate and decide.

Corporate Governance Structure



Reasons for Adopting Our Corporate Governance Structure

In consideration of the need to realize rapid management decision making and strengthen administrative functions, Menicon designed its institutions to include a nominating committee and other committees, with a majority of the directors on each committee being outside directors.

Moreover, the auditing committee works with auditors to audit the

administration of business matters by executive officers.

Based on this philosophy, in order to realize the best possible corporate governance possible at Menicon, we have created and officially announced a "Basic Corporate Governance Policy," which has increased the practical effectiveness of our corporate governance.

“Corporate governance of Menicon”

External Director Yoshimi Horinishi



Current challenges of Menicon

Since disposable contact lenses are dominant in the contact lens market, the biggest challenge for us is the expansion of share in this field. As Representative Executive Officer Tanaka always says, it is necessary to make more efforts so that our concept of daily disposable contact lenses “SMART TOUCH” be widely accepted in the society and a global standard.

Globalized operations are a must as clarified in the medium-term management plan. Since the domestic market is somewhat mature, Menicon’s significant future growth depends on global operations.

Moreover, the growth of new business is another challenge.

As for the governance structure, there is relatively high awareness in the company, because Menicon is a company with a nominating committee, etc. If I evaluate how corporate governance is operated from the perspective of one director, I can say that it has been managed well so far. However, we need to continue to pay attention to our corporate governance.

My opinion on Menicon's advantages and characteristics conducive to future growth

Since Menicon is the first company in Japan that developed contact lenses and contributed to their diffusion, people have an impression that our priority is safety and security of eyes. Our posture of first thinking of the health of the eye of our customers has not changed from the foundation. This is a strong point of Menicon brand and I believe that the market also views us that way. We need to continue to appeal this strong point.

Evaluation of how the current board of directors is operated

I see that the information sharing system functions very well. We can be familiarized with questions made to executive officers before the board of directors is held, because materials are sent in advance and information is shared in meetings. Such thoughtful operation helps me as an outside director. The directors express many opinions and the operation of the board of directors is very active.

My role as an external director

When I think of expectations from stakeholders including shareholders, it is required for this company to be managed properly and legally. I am conscious about such expectations and trying to carry out my duties from the fair and just point of view. I believe that Menicon expects me to express deeper opinions on management from the fair perspective.

Moreover, I also believe that Menicon expects me to express opinions different from those of other directors based on the perspective of diversity. I’m not particularly conscious of the point of view of women. However, I know that I can express opinions on certain aspects, because I’m a woman. I’d like to pay attention to overall corporate management from such point of view.

[Risk management structure]

Menicon has put the CSR Committee in place for the purpose of promoting risk management in the whole company and sharing information required therefor. The person in charge of risk management is President. Each department conducts its risk assessment and takes measures for avoiding, reducing, transferring and accepting risks and other necessary measures in advance.

Moreover, Menicon has established how to respond to an accident and make a report on its handling, a reporting route of any emergency that affects human life, how to respond to claims and response in line with the Act on Pharmaceuticals and Medical Devices and other related laws and regulations. Menicon also counts on the Business Continuity Plan so that important operations are not interrupted when any natural disasters hits.

In addition to those measures, Menicon has established “Quality Assurance Safety Management Committee”, “PLD Committee”, “Personal Information Protection Committee”, “Menicon Fair Trade Management Committee” and “Ethics and Compliance Committee” for risk management in each field.

[Compliance structure]

Menicon has the following basic principles for compliance.

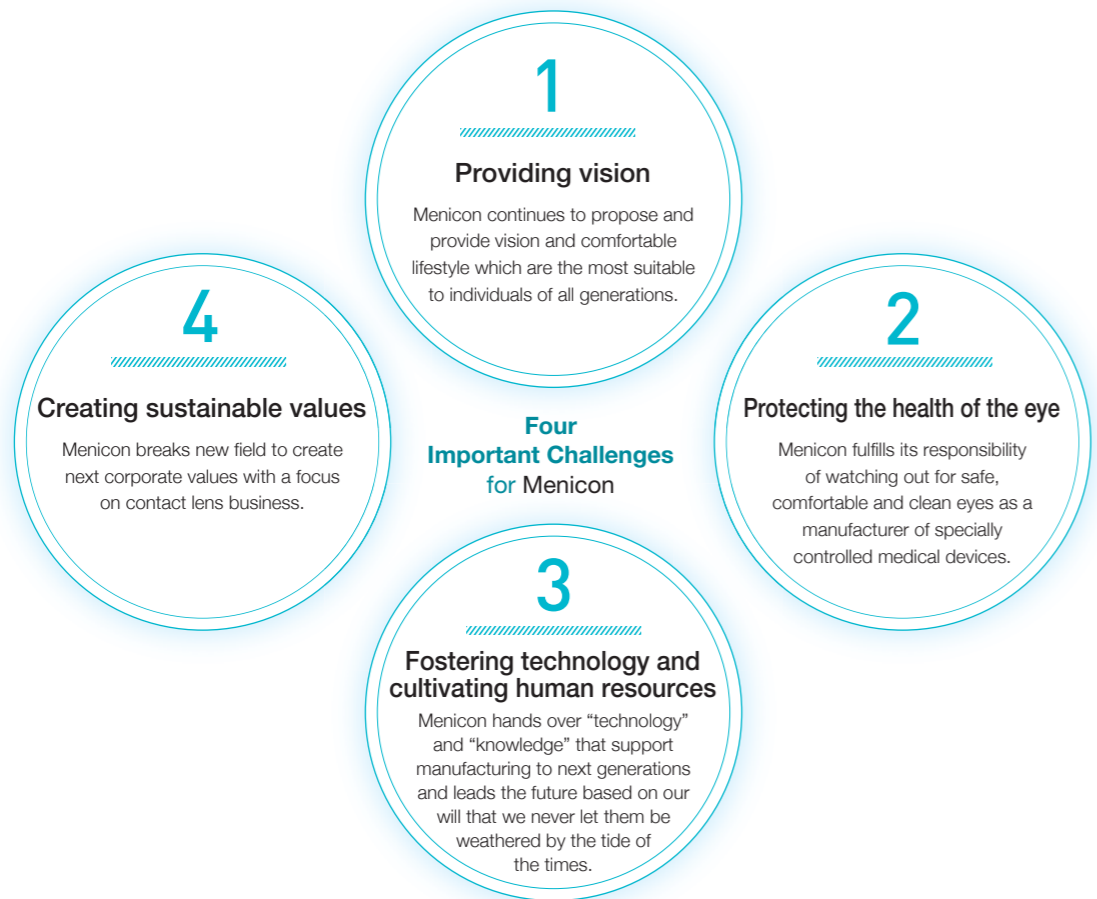
- ① Menicon shall regard practice of compliance (compliance with laws and regulations and the articles of incorporation) as one of important challenges for business.
- ② Menicon shall strongly recognize that thorough implementation of compliance among executives and employees is the foundation of corporate management. Therefore, we conduct fair, sound and transparent corporate activities.
- ③ In order to improve soundness and compliance of management, Menicon shall strive to maintain the corporate governance function and act in accordance with laws and regulations and the articles of incorporation.
- ④ Menicon shall comply with social rules such as laws and regulations and the articles of incorporation and raise awareness about corporate ethics at all times.
- ⑤ Menicon shall provide customers with the best products and services in consideration of compliance at all times with the aim of further improving customer satisfaction.
- ⑥ Menicon shall, in cases where any act violating laws and regulations or the articles of incorporation is committed, conduct a thorough investigation of the cause and take preventive measures.



FEATURE Menicon Standard

Our attitude and passion for always designing and opening up new paths

Our life is a series of ordinary events.
 One day starts with the sunshine from the rising Sun, then we exchange greetings at school or work.
 Such communications deepen and extend our ties with the society.
 Menicon is committed to eliminating inconvenience in daily life of our customers and providing superior visual correction. We keep a close eye on the “life of vision” of each customer.
 We call such attitude and passion as Menicon Standard.



Menicon Declaration on Environment

Nowadays, the contribution to sustainable development is considered as a social responsibility of companies. Menicon has developed products and provided services that result in customer satisfaction from its foundation under the philosophy that “Contributing to society by providing superior visual correction”.

It is our desire that Menicon’s activities result in “the forever-shining eyes” and “be a global company friendly to humans, animals and the environment” in view of the future of the earth. The whole Menicon group will continue to challenge itself, dreaming that technology and wisdom acquired by us can return to the whole earth.



Our hope behind the Menicon symbol

The Menicon symbol consists of red in the upper part and green in the bottom part. “Red” represents passion that turns the impossible into the possible, while “Green” represents technology focusing on safety. Actually, our company name “Menicon” includes the characters “eco”.

Menicon has developed materials for safe contact lenses that can permeate sufficient oxygen required for the cornea. In a forest, trees absorb CO₂ and generate oxygen by means of photosynthesis of light from the sun and chlorophyll. Red and green are integrated through oxygen.

Initiatives of Menicon based on the Declaration on Environment

- 1 We reduce environmental load through management efforts
- 2 We promote environmental friendliness in the environmental and bioscience business
- 3 We promote forest development for precious water and oxygen
- 4 We promote energy conservation by allowing our employees to wear cooler or warmer uniforms
- 5 We promote cleaner and healthier environment and society



FEATURE For smarter and more creative working style
1 Launch of Menicon's working style reform "Smart Creation*"

*Name of the Menicon's initiative for the shift to smarter and more creative working style and business in order to practice its corporate philosophy

Start of "Smart Creation" for practicing creative working style

Menicon launched its working style reform "Smart Creation" in order to practice its corporate philosophy "creation", "creativity" and "challenge". In September 2017, the main building of the head office (Naka Ward, Nagoya City) was renovated as a first step and free address system introduced. This is part of various

measures for spurring active communications among employees of different departments, generating more creative ideas and new values. We aim to provide a working environment friendly to our employees through implementing the working style reform "Smart Creation" project in each place of business.

【Renovation of the head office】

● **Communication space**

There are no fixed seats for the purpose of encouraging employees to work in different floors and at different desks every day so that communications are facilitated. Since desks are not equipped with plugs, in principle, employees need to go to a standing space if they need to connect their devices to plugs. This also helps them to reduce long-hour works on PC.



● **Standing space**

Menicon encourages its employees to have stand-up meetings to share ideas and reduce meeting time. This prevents employees from being seated for prolonged period taking their health into consideration and helps them to improve efficiency.



Meeting

PC work

In addition, there is a space where employee can concentrate on work and a refreshing space where employees can get refreshed. These spaces promote well-balanced working style and result in improved productivity.

Expansion of Smart Creation to the laboratory

In the next fiscal year, "Smart Creation" will be introduced to Menicon Research Laboratory (Kasugai City, Aichi Prefecture) where researchers engage in their work. We are planning to promote the use of ICT and improve work efficiency by introducing the free address system, so that exchange with other researchers becomes active and creative and innovative research outcomes can be obtained. We will strive to reflect such outcomes in manufacturing of products appreciated by everyone as a pioneering company of contact lenses.



FEATURE For the environment where humans and animals co-exist more closely
2 We support for the health of pets through veterinary ophthalmology and development of supplements for animals

Entry into veterinary medical equipment business and the birth of Meni-one

In 1997, Menicon entered into veterinary medical equipment business based on its technology developed in the ophthalmology field for humans and launched intraocular lenses for dogs. And, in 2002, Menicon launched contact lenses for treatment of dogs and cats.

Moreover, in the following year, Menicon established Meni-one Co.,Ltd. specialized in veterinary ophthalmology with the aim of speeding up business operations and product development and effectively responding to the needs of advancing veterinary medical equipment.

Expansion of supplement business

Although Meni-one used to focus on sales of intraocular lenses and ophthalmologic instruments at the beginning, it has expanded its lineup of ophthalmological supplements for dogs and cats such as Meni-Nyan Eye and Meni-One Eyecare from the launch of Meni-One Eye in 2004. Currently, Meni-One Eye (II) series include 5 products, while Meni-Nyan Eye series 4 products. Their sales have been steadily increasing.

W.I.System CO.,LTD, a Menicon group company, to expand its business other than ophthalmology. Then, it launched Pero-One for oral care and joint support supplements with the aim of placing more emphasis on animal health support.

The sales of supplements now account for approx. 35% of the total sales of Meni-One and this percentage is expected to grow, because new products will be launched one after another.

In 2016, Meni-One integrated the vegetable support business of



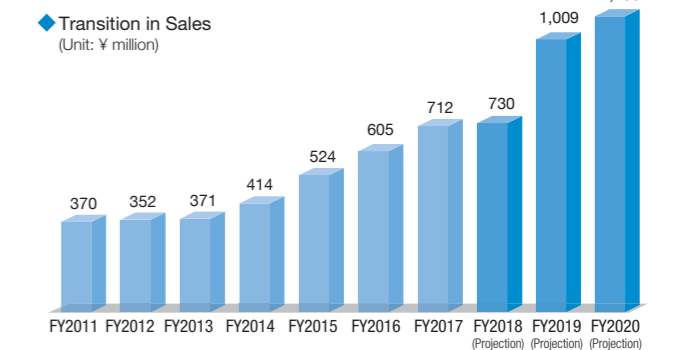
Overseas expansion

Meni-One used to import such products as intraocular lenses, silicon balls and ophthalmologic examination devices from overseas for sales. However, it started its business in China in 2011 on a fully-fledged basis and established a training center in Shanghai in cooperation with a local agency. This training center has contributed to the improvement of level of veterinarians in China through seminars and practice sessions. Since Meni-One started local manufacturing of supplements, its presence has increased more and more. In addition, Menicon has increased its agencies in Southeast Asia and the sales of products including supplements is increasing.



Excellent transition in sales

After its establishment, Meni-One has steadily increased the sales to 0.5 billion yen in FY2015, 0.6 billion yen in FY2016 and 0.7 billion yen in FY2017. Meni-One is expected to continue to increase its presence both in Japan and in overseas and grow as a company appreciated by veterinarians and the pet industry. We expect that the sales reach 1.1 billion yen in FY2020.



Revitalizing our business by providing superior visual correction

Deployment of common brand “Miru partner”

Menicon will deploy a common brand “Miru partner” of the retail outlets (Ace Contact, Fuji Contact and CityContact) of the Menicon group retailers (W.I.System CO., LTD., FujiContact Co.,Ltd., and AIP Co., Ltd.).



Currently, each of the retail outlets utilize their own logos and slogans familiarized with local customers. Therefore, they will be utilized continuously. On the other hand, “Miru partner” is a new common brand for the Menicon group retail outlets and its slogan is “passion for vision”. It will be promoted nationwide as a partner that provides services consistent with “Menicon Miru”, a brand of the Menicon’s directly-owned outlets. Menicon will propose products that help the vision of customers to be clear and comfortable in daily life by sharing knowledge and experiences of “Miru partner” based on the concepts of each of the retail outlets and providing contact lenses from a wide lineup of products including other brands in accordance with the needs of customers. Menicon’s 48 direct outlets and the group retail outlets, Ace Contact (78 stores), Fuji Contact (13 stores) and CityContact (18 stores), will work together to make “Miru partner” a strong brand so that existing and new customers can come and visit without stress (As for the number of stores, as of the end of March 2018).

Contact lens care products Apologies and notification of voluntary recall of some products

Since we found an abnormality in the production process of some contact lens care products manufactured by Menicon Nect Co., Ltd., a Menicon’s subsidiary, we voluntarily collected products whose serial numbers are subject to collection. Since these products passed tests of standards for approval (including sterilization tests) at the time of shipment, health injury is unlikely to occur. We have not received any report of health injury so far. However, we would like to apologize for any inconvenience this has caused for our customers and stakeholders. We will strive to strengthen quality management in the future (Date of the commencement of product collection: December 29, 2017).

Introduction of shareholder benefits plan

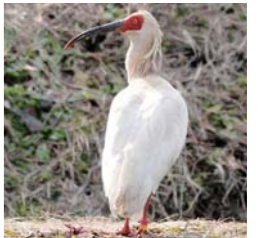
We introduced the shareholder benefits plan in order to help our shareholders to understand Menicon’s business and seek more support. Shareholders can select from options related to our products such as a gift certificate that can be used in Menicon group’s outlets, LaferriEye (supplement) and LUTEIN&ME Drip Coffee (coffee containing lutein), among others.

We also offer some options for fund-raising for tuki (ibis) protection and donations for animal protection in association with Menicon’s new business. We would like to maintain close communications with shareholders on a continuous basis by transmitting information on the shareholder benefits plan.

Fund-raising for ibis protection for Sado City and Niigata Prefecture

In August 2017, Menicon visited the Sado City Office and the Niigata Prefecture Office and contributed 200,000 yen for the “Sado City Toki Protection Fund” and 300,000 yen for the “Niigata Prefecture Toki Protection Fund”, respectively. The contributions came from some of the sales of “Agri Revolution (degradation-accelerating agent for rice straws)” series. In Sado City, rice cropping without pesticides has created an environment friendly to the growth of ibises. In July 2017, the Ministry of the Environment confirmed that 77 ibises left their nests in Sado City. This was a remarkable increase from the previous year (39) and marked the highest record since the start of their release into nature in 2008. The total number

of wild ibises in Sado City is assumed to be around 282. Menicon has contributed some of the sales of “Agri Revolution” series in Niigata Prefecture to the Toki Protection Fund from 2011. The contributions have been used for the protection and conservation activities of natural surroundings for ibises. Menicon supports for developing an environment where ibises can co-exist in the nature through environment-friendly product development.



The 23rd Menicon Cup 2017

The Menicon Cup is an all-star match of club youth soccer players of the junior high school level. It attracts more guests than other events as a soccer tournament for this generation and around 10,000 guests come to enjoy the game in recent years. Over 140 players who participated in the Menicon Cup play at a professional level in Japan and overseas. There is no doubt that this is a stepping stone to professional soccer players. The 23rd Menicon Cup 2017: Japan Club Youth Football Match (U-15) East vs West was held on September 10, 2017 at Paloma Mizuho Rugby Field in Nagoya City. Menicon continues to transmit “the beauty of vision” and provide support for young soccer players of next generation and for the dream of young boys and girls through the special sponsorship for this event.

At the same time, a fund-raising event was held for the purpose of delivering dream and hope to children struck by the Great East Japan Earthquake. The total amount of donations (36,250 yen) will be sent to the Koyo Soccer Stadium (Souma City, Fukushima Prefecture) in the form of “grass seeds” necessary for recovery and maintenance of the ground.



Menicon Super Concert 2017

Menicon hosts the Menicon Super Concert every year in order to give many people an opportunity to feel how marvelous our eyesight is. Guests are able to feel realistic sensation of the hall and dynamic movements of the conductor with their eyes. In 2017, “Menicon Super Concert 2017: Akira Miyagawa & Ensemble VEGA Special Concert” was held in Fukuoka. It was directed by Mr. Akira Miyagawa who was in charge of music of NHK’s serial TV drama “Hiyokko”. Menicon invited around 500 guests who are mainly contact lens users to the concert. An opera titled “Tomorrow’s eye: Another Future” was performed as a special digest version. Moreover, Mr. Miyagawa revealed some secrets about his work as a musician and presented more than 10 songs from his first opera “Tomorrow’s Eye” after the introduction of piano performance.

“Tomorrow’s eye” is the first opera written by Mr. Akira Miyagawa and performed in Tokyo (2013) and Nagoya (2015). It approaches the bottom of the heart of humans and transmits the essence of a productive life through looking for an answer to the question, “what does it mean to be able to view?” by revealing half of life of the man who created contact lenses.



Directors



Hidenari Tanaka

1987 Joined the company.
1994 Became a director.
1999 Became an executive vice-president.
2000 Became president and representative director.
2010 Became president & CEO. (present post)



Mamoru Fukimbara

1977 Joined the company.
2003 Became a company executive, production executive officer.
2006 Became management executive officer.
2010 Became director of the office of business management.
2013 Became overseas corporation general headquarters executive officer.
2015 Became a director. (present post)



Shizuya Yoneda

1976 Joined the company.
2009 Became a company executive, production executive officer.
2010 Became a production and physical distribution executive officer.
2011 Became a director of the global production and physical distribution strategy office.
2015 Became an executive officer for production and physical distribution.
2016 Became a director. (present post)



Yoshiyuki Takino

1984 Joined the company.
2016 Became an executive officer, director of the office of business management.
2017 Became a director of the office of business management, management control department
2018 Became a director. (present post)



Mondo Katayama

1968 Certified as an attorney.
1999 Became an auditor at Menicon.
2010 Became a director. (present post)
Important concurrent posts
Chief director, Takaoka Academy



Hiroshi Okada

1968 Began working at Brother Industries, Ltd.
2003 Became a professor, Nagoya City University Graduate School of Economics.
2005 Became a visiting professor, Jiangnan University, China.
2007 Became a professor, Department of Modern Management, Sugiyama Jogakuen University.
2009 Became principal of Ohzan Japanese Language School, Weifang, Shandong province, China.
2010 Became a director at Menicon. (present post)
Important concurrent posts
Professor, Tokyo University Graduate School of Social Welfare



Kazuhiro Takagi

1975 Became a certified tax accountant.
1977 Became a certified public accountant.
1979 Certified as a real estate appraiser.
Established Takagi CPA Office.
1991 Became a representative partner, Century Auditing Corporation (currently Ernst & Young ShinNihon LLC).
2010 Became a director at Menicon. (present post)



Yoshimi Horinishi

2000 Certified as an attorney.
Joined the Nagoya Bar Association.
2004 Joined the Asahikawa Bar Association.
2007 Rejoined the Nagoya Bar Association (Currently the Aichi Prefecture Bar Association).
2014 Became a member of the Nagoya Architectural Dispute Resolution Committee.
Became a Nagoya Summary Court civil mediation officer.
2016 Became a director at Menicon. (present post)



Hideshi Honda

1977 Joined Eisai Co., Ltd.
2003 Became an executive officer, senior director of the International business and development department, Eisai Co., Ltd.
2005 Became general manager of the consumer health product division, Eisai Co., Ltd.
2007 Became a managing executive officer, Eisai Co., Ltd., president, Eisai Japan.
2008 Became a senior managing executive officer, Eisai Co., Ltd., president, Eisai Japan.
2011 CEO, Eisai Co., Ltd., President, Eisai East Asia Region.
2013 CEO, Eisai Co., Ltd., President, Eisai Asia Region.
2017 Became a director at Menicon (present post)



Shingo Watanabe

1980 Started work in Deloitte, Haskins & Sells.
1984 Became a certified public accountant.
1987 Started work in Dusseldorf Office of Ernst & Young.
1990 Started work in Zurich Office of Ernst & Young.
1995 Started work in London Office of Ernst & Young.
1998 Started work in Nagoya Office of ShinNihon LLC (Currently Ernst & Young ShinNihon LLC).
2017 Opened Shingo Watanabe Certified Public Accountants Office. (present)
2018 Became a director. (present post)

Executive Officers



Akinori Oota

1980 Joined the company.
2013 Became an executive officer, director of the office of business management, CFO.
2016 Became director of the corporate strategy division.
2017 Became director of the management control department. (present post)



Motonari Watanabe

1997 Joined the company.
2017 Became an executive officer, director of the office of management strategy.
2018 Became a director of the strategy control department and CFO. (present post)



Akihisa Sugiyama

1985 Joined the company.
2005 Became a corporate officer, director of the development department.
2010 Became an executive officer, director of the development department.
2011 Became a director of the office of global R&D strategy, director of the development department.
2012 Became a director of the development department.
2015 Became a director of the R&D department.
2016 Became a director of the new business department.
2017 Became a director of the new business control department.
2018 Became a director of the management department. (present post)



Koji Kawaura

1992 Joined the company.
2013 Became an executive officer, director of the office of area & products marketing strategy.
2015 Became director of the office of brand strategy.
2016 Became director of the product development department.
2017 Became director of the production development control department. (present post)



Stephen Donald Newman

1997 Joined Igel CM Laboratory Pte. Ltd.
2007 Joined the company, became R&D vice president.
2010 Became CTO, Menicon Singapore Pte. Ltd.
2013 Became president, Menicon Singapore Pte. Ltd., and director of the office of area & products marketing strategy
2015 Became president, Menicon Singapore Pte. Ltd., and vice director of the office of brand strategy
2016 Became president, Menicon Singapore Pte. Ltd., and vice director of the product development department
2017 Became an executive officer, director of the product development department. (present post)



Toshikazu Miura

1984 Joined the company.
2017 Became an executive officer, director of production and physical distribution. (present post)



Hiroki Shinoda

1986 Joined the company.
2013 Became an executive officer, director of the domestic business department.
2015 Became a director of the 2nd domestic business department.
2018 Became a director of the domestic business control department. (present post)



Hisashi Moriyama

1988 Joined the company.
2016 Became an executive officer, director of the 1st domestic business department.
2018 Became a vice-director of the domestic business control department. (present post)



Hideki Koga

1993 Joined the company.
2016 Became an executive officer, director of the overseas department.
2017 Became director of the overseas control department. (present post)



Wataru Ito

1983 Joined the company.
2016 Became an executive officer, director of the office of domestic marketing strategy.
2018 Became a director of the new business control department. (present post)

As of March 31, 2018

Company name	Menicon Co., Ltd.
Representative's name	Hidenari Tanaka, president & CEO
Headquarters	3 Chome-21-19, Aoi, Naka-ku, Nagoya-shi, Aichi-ken, 460-0006, Japan
Phone	(+81)-52-935-1515
Initiation	February 1951
Established	July 1957
Capital	3.379 billion yen
Employees	3,083(consolidated) 1,259(non-consolidated)
Description of business	Contact lenses, lens care products, etc.
Number of offices	15 business offices, 48 stores, 6 laboratories and factories, 1 customer center and 4 distribution centers(non-consolidated)

Number of affiliated companies	7 in Japan, 15 overseas
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	The Bank of Tokyo-Mitsubishi UFJ, Mizuho Bank, Resona Bank, the Shizuoka Bank and others
Website	www.menicon.co.jp / www.menicon.com
Shareholder registry administrator	1 Chome-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Stock Exchange Listings	Tokyo, Nagoya
Stock Code	7780

Major Shareholders

Shareholder name	No. of shares held (thousand shares)
Toyotomi Co, Ltd.	1,982
The Master Trust Bank of Japan, Ltd.	1,886
Hidenari Tanaka	1,826
Menicon Employee Shareholder Association	1,616
Kazuko Tsukamoto	1,414

Shareholder name	No. of shares held (thousand shares)
Japan Trustee Services Bank, Ltd.	1,118
Mami Co., Ltd.	1,034
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	800
Yasunori Tanaka	682
Junko Tanaka	658

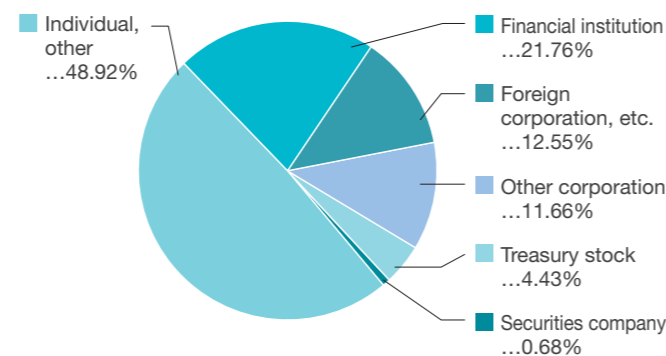
Menicon Co., Ltd. holds 1,631 thousand shares of treasury stock.
 Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. on April 1, 2018.

As of March 31, 2018

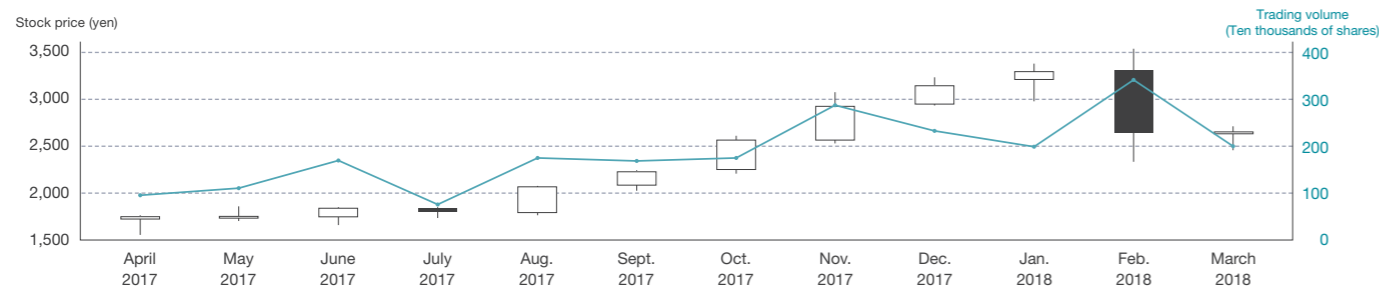
Shareholder Circumstances

Total number of authorized shares	62,184,000
Total number of outstanding shares	36,804,000
Number of shareholders	4,068
Total number of voting rights	351,709

Shareholder Type Percentage Breakdown by Number of Shares



Stock Prices and Trading Volume Chart



The Company conducted a 2-for-1 stock split on January 1, 2018. The stock price and trading volume are calculated, assuming that the stock split was conducted at the beginning of the fiscal year ended March 2018.

Menicon Nect Co., Ltd.

Miyuki Business Park, 390, Ichibagi-cho, Nishi-ku Nagoya 452-0805 Japan
 Tel: +81-52-325-7351
<http://www.meniconnect.co.jp>

Meni-one Co., Ltd.

Miyuki Business Park, 390, Ichibagi-cho, Nishi-ku Nagoya 452-0805 Japan
 Tel: +81-52-325-3823
<http://www.meniconnect.co.jp>

Fuji Contact Co., Ltd.

5th Floor, Ikebukuro Higashiguchi Building, 41-7, Higashi-Ikebukuro 1, Toshima-ku Tokyo 170-0013 Japan
 Tel: +81-3-5952-1081
<http://www.meniconnect.co.jp>

AIP Co., Ltd.

16-22, Meinhamaekiminami 3, Nishi-ku Fukuoka 819-0006 Japan
 Tel: +81-92-884-0780
<http://www.meniconnect.co.jp>

NKL Contactlenzen B.V.

Waanderweg 6, 7812 HZ Emmen, The Netherlands
 TEL: +31 (0)591 610 640
<http://www.contactlenzen.nl>

Menicon Pharma SAS

Boulevard Sebastien Brant, Parc d'Innovation, F-67400 Illkirch-Graffenstaden, France
 TEL: +33 (0)3 88 66 81 30

Menicon Limited

Gatelodge Close, Round Spinney, Northampton, NN3 8RJ UK
 TEL: +44 (0)1604 646216
<http://www.menicon.co.uk>

Menicon America, Inc.

76 Treble Cove Rd, Bldg #3, North Billerica, MA 01862, USA
 TEL: +1-781-609-2042
<http://www.meniconamerica.com>

Menicon Singapore Pte. Ltd.

8 International Business Park, Singapore 609925, Singapore
 TEL: +65-6411-4777

Menicon Australia Pty Ltd

3 Lloyd Street, St Marys, SA 5042, Australia
 TEL: +61-(0)8 8277 4545

First Glory Holdings Ltd.

Unit D, 15F, Prosperous Comm Bldg, 54-58 Jardine's Bazaar, Causeway Bay, Hong Kong

Menicon Business Assist Co., Ltd.

21-19, Aoi 3, Naka-ku, Nagoya 460-0006 Japan
 Tel: +81-52-979-3222
<http://www.menicon-ba.co.jp>

W.I. System CO., LTD.

5th Floor, Ikebukuro Aoyagi Building, 43-1, Ikebukuro 2, Toshima-ku, Tokyo 171-0014 Japan
 Tel: +81-3-5979-1140
<http://www.wis.co.jp>

Alpha Corporation

8-16, Izumi 1, Higashi-ku, Nagoya 461-0001 Japan
 Tel: +81-52-971-6000
<http://www.alphacl.co.jp/>

Menicon Holdings B.V.

Waanderweg 6, 7812 HZ Emmen, The Netherlands
 TEL: +31 (0)591 610 640

Menicon SAS

13 Rue de la Perdrix, CS 20061 Villepinte, 95926 Roissy Charles de Gaulle CEDEX, France
 TEL: +33 (0)1 85 73 13 11
<http://www.menicon.fr>

Menicon GmbH

Jakob-Latscha-Straße 3, 60314 Frankfurt am Main, Germany
 TEL: +49 (0)69-84 00 08 10
<http://www.menicon.de>

Menicon España S.L.

C/ Córcega N° 329, 5º 2ª, 08037 Barcelona, Spain
 TEL: +34 93 272 13 69
<http://www.menicon.es>

The Lagado Corporation

2890 South Tejon Street, Englewood, CO 80110, USA
 TEL: +1-303-789-0933
<http://www.lagadocorp.co/>

Menicon Singapore Sales Pte. Ltd.

8 International Business Park, Singapore 609925, Singapore
 TEL: +65-6411-4778

Menicon Korea Co., Ltd.

2-203, Ace high-end tower, 61, Digital-ro, 26-gil, Guro-dong, Guro-ku, Seoul, 08389, Korea
 TEL: +82-(0)2 718-5123
<http://www.menicon.co.kr/>

«Equity Method Affiliate»

Wenzhou FocuSee Vision Care Technologies Co., Ltd.

Wenzhou Medical College, 270 Xueyuan Road, Wenzhou, Zhejiang 325027, China
 TEL: +86-577-88-0688889



Menicon Co., Ltd.

21-19, Aoi 3 Naka-ku, Nagoya, 460-0006 JAPAN

Phone (+81)-52-935-1515

<http://menicon.co.jp>