

SHORT COMMENT

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Menicon Co., Ltd.

7780

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FISCO Ltd. Analyst HIROKI Akiyama



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Accelerating Global Expansion via Proprietary Subscription Model and 1DAY/Orthokeratology Strategy

Menicon Co., Ltd. <7780> is the first company in Japan to successfully commercialize corneal contact lenses and has led the industry for many years as a "pioneer of contact lenses." Currently, under the slogan "New Visual Joy to the World," the company is accelerating its global expansion. The Vision Care business, centered on contact lenses and lens care products, accounts for approximately 90% of its operations, with the Healthcare and Life Care businesses comprising the remainder. Within Vision Care, the company focuses on daily disposable (1DAY) lenses and orthokeratology-related lenses as key drivers. Domestically, it possesses a stable revenue base through its membership service, "Mels Plan." Overseas, Menicon is expanding transactions with major mass retail chains in Europe and North America and is actively developing its presence in China and other Asian countries, with sales now extending to over 80 countries.

1. Competitive Advantages

The company's strengths are threefold. First is its unique membership model, "Mels Plan." This fixed-fee subscription service allows users to replace contact lenses according to their eye condition without worrying about individual costs. With over 1.3 million members, it serves as a stable revenue source that underpins the domestic business. Second is its global customer base. In addition to securing a certain level of recognition and high market share overseas for hard contact lenses, global demand is expanding for silicone hydrogel 1DAY lenses and orthokeratology lenses, which have been shown in research to suppress the progression of myopia when used by children. Third is its strong R&D and production capabilities. Annual R&D expenses amount to 5.8 billion yen, with 662 patents held, and the company has established a global supply system utilizing manufacturing bases both in Japan and abroad.

2. Recent Business Performance

In the most recent financial results for the second quarter of the fiscal year ending March 2026 (interim period), net sales were 61,480 million yen (up 1.5% year-on-year), and operating profit was 5,168 million yen (down 5.8% year-on-year). Increased production of silicone hydrogel 1DAY lenses contributed to expanded domestic product sales and sales to mass retail chains in Europe and North America. However, operating profit decreased due to depreciation costs associated with the Malaysia plant and intensified competition in orthokeratology-related businesses in China. Nevertheless, the company has maintained its full-year forecast of 125,000 million yen in net sales (up 2.9% year-on-year) and 10,200 million yen in operating profit (up 1.5% year-on-year) by expanding

supply through OEM production of silicone hydrogel 1DAY lenses and implementing price revisions in response to soaring prices. Underlying demand remains solid against the backdrop of a booming nearsighted population.

3. Future Growth Strategy

Regarding future growth prospects, the company has set forth two axes based on its medium-term management plan, "Vision 2030": (1) Promotion of the 1DAY strategy and (2) Strengthening of orthokeratology-related operations. Since demand for highly oxygen-permeable silicone hydrogel materials for 1DAY products is high and inquiries are strong both domestically and internationally, the company aims to further expand its global share by strengthening its supply system—such as through the expansion of the Malaysia plant—to increase sales to major mass retailers in Europe and the US. In orthokeratology, the company expects to maintain its share in China and expand demand primarily in Asia, including Japan, by meeting diverse customer needs with a lineup of products possessing distinct characteristics. Furthermore, it is strengthening collaboration with the medical sector through partnerships with major eye hospitals in India and the provision of the myopia management app "Myolog" in Japan. Particularly in Asia, where the population of myopic children is expected to increase significantly, the company is proactively building a system to capture this demand. Meanwhile, in the Healthcare and Life Care businesses, while expanding into new areas such as Femtech, veterinary medicine, and environment-related fields, the company is reviewing its business portfolio from the perspectives of growth and efficiency, aiming to create businesses that will become a second pillar.

4. Shareholder Returns

Regarding shareholder returns, the company has adopted a progressive dividend policy starting from the fiscal year ending March 2026, planning an annual dividend of 28 yen. This confirms a stance of prioritizing stable dividends while continuing growth investments backed by financial soundness. Additionally, a share buyback of approximately 2.4 billion yen was executed in the first quarter. Although the PBR (Price Book-value Ratio) has moved from around 1x to near 1.3x due to the share buyback and the announcement of the FY2025 Q2 results, there remains room for re-evaluation from an asset value perspective.

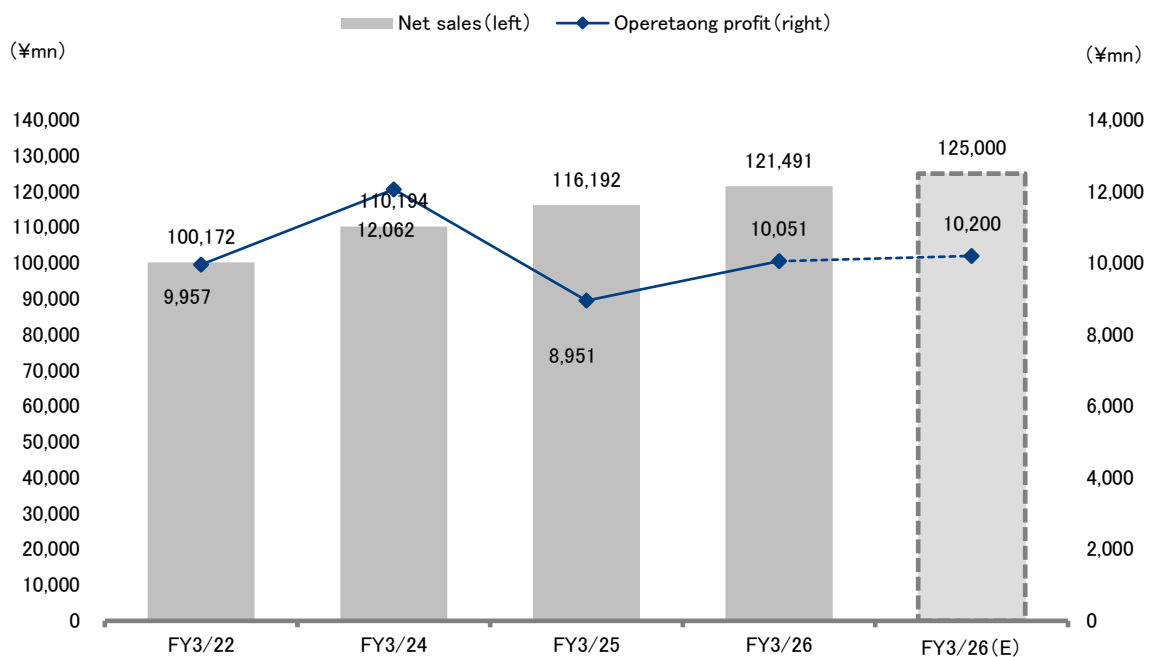
Key Points

Secures stable revenue through the domestic membership-based "Mels Plan." The company is accelerating growth by expanding into over 80 countries, centering on 1DAY and orthokeratology products, while strengthening development and production systems.

While interim profits declined due to upfront investments, the full-year forecast is maintained. The company is promoting "Vision 2030" to capture myopia demand by bolstering supply capacity through the expansion of the Malaysia plant.

Prioritizes shareholder returns, including progressive dividends and share buybacks. With a strengthened supply foundation, further earnings growth and corporate value enhancement are expected from the next fiscal year onward.

Results trends



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■ For inquiries, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5574-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp