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Notice of Recording Expenses Extraordinary Losses Associated with Structural Reforms, Revision of Consolidated Financial Forecasts for the Fiscal Year Ended March 2025 and Addition of Dividend Policy (Stable Dividend)

Menicon Co., Ltd. (hereinafter, "the Company") announce that it expects to record extraordinary losses associated with structural reforms, including a review of our business portfolio aimed at improving future capital efficiency, in the year-end consolidated financial results for the fiscal year ended March 31, 2025 (April 1, 2024, to March 31, 2025). Accordingly, the Company revises our performance forecast for the fiscal year ended March 31, 2025.

Additionally, the Company hereby also announces that it has decided to revise its dividend policy at the Board of Directors meeting held on April 30, 2025. (addition of stable dividends)

1. Recording of extraordinary losses associated with structural reforms

(1) Impairment loss on lens care product manufacturing equipment

The Company is focusing on Orthokeratology-related businesses as one of the pillar of growth, and with a view to further expanding demand in China, it has been expanding production facilities for lens care products used in orthokeratology lenses since the fiscal year ended March 2022. However, the growth of the Orthokeratology-related market in China has stagnated due to a decline in consumer purchasing power accompanying the economic stagnation and the emergence of substitute products. In addition, the competitive environment for lens care products is particularly fierce, and for the fiscal year ended March 2025, the Company estimate 1% decrease in sales of orthokeratology lenses and 4% decrease in sales of lens care products in China. The Company has decided to record an impairment loss of approximately JPY 1.3 billion on the expanded production facilities for lens care products due to the uncertain outlook for short-term growth.

In the Orthokeratology-related business in China, the Company will strive to improve sales and profitability by restructuring its business operations. In addition, as demand for Orthokeratology-related products is expected to continue to grow due to the global increase in the myopia population, the Company will focus on global expansion mainly Asia, including China.

(2) Recording expenses related to the withdrawal from some businesses in the Healthcare and Life Care Business

The Company has been working on new businesses as part of Healthcare and Life Care Business, aiming to create a second pillar of business following Vision Care Business. However, the Company has reviewed its business portfolio from the perspectives of growth, profitability, and efficiency. As a result, the Company has decided that it will be difficult to improve the profitability of animal symbiosis business and some businesses related to QOL supplements in the healthcare field, and has withdrawn from these business as of the fiscal year ended March 2025. The costs associated with these withdrawals, estimated at approximately JPY 100 million, are expected to be recorded as extraordinary losses in the consolidated financial results for the fiscal year ended March 2025.

Going forward, the Company will continue to review our business portfolio with the aim of improving future capital profitability, while strategically investing human resources in the creation of new businesses that could become its second pillar and investing in growth fields to achieve its Medium-term Management Plan.

(3) Organizational restructuring expenses for improving business efficiency at European subsidiaries

The Company has been expanding and strengthening its European business with a focus on expanding sales of daily disposable contact lenses and monthly replacement contact lenses through the establishment of long-term partnerships with major retail chains. In March 2024, the Company established Menicon SC GmbH with the aim of reducing costs and improving service levels across our entire European logistics network. In anticipation of further mid- to long-term demand growth, the Company has decided to reorganize certain functions, including production and logistics operations previously across multiple European subsidiaries, to establish an efficient supply chain structure capable of handling increased product volumes and inventory levels. As part of this initiative, the Company is integrating contact lens production functions, etc., the Company expects to record a total of approximately JPY 400 million in extraordinary losses, including special retirement benefits for employees and impairment losses on some facilities, in the consolidated financial results for the fiscal year ended March 2025.

Going forward, the Company will continue to proceed business efficiency improvements through organizational restructuring after the fiscal year ending March 2026. While the Company anticipates an increase in temporary structural reform costs, it expects to achieve improved profitability in the future through reduced fixed costs. The costs and effects for the fiscal year ending March 2026 will be reflected in the performance forecast to be announced on May 14, 2025.

Please note that due to the recording of temporary extraordinary losses, the Company has revised its consolidated financial forecast for the fiscal year ended March 2025 as follows. However, the Company believe that these revisions will contribute to improving capital efficiency in the future, and therefore, the Company has not changed the targets set in our Medium-term Management Plan for the fiscal year ending March 2027, which include consolidated sales exceeding JPY 140 billion, an operating profit margin of 12%, and a return on equity (ROE) of 12%. The Company will continue to provide appropriate explanations regarding the progress of the Medium-term Management Plan as necessary.

2. Revision of Consolidated Financial Forecasts for the Fiscal Year Ended March 2025

(1) Revision of Consolidated Financial Forecasts for the Fiscal Year Ended March 2025

(April 1, 2024 to March 31, 2025)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(Yen)
Previous forecast (A)	122,700	10,000	9,500	7,000	91.83
Revised forecast (B)	121,400	10,100	9,600	5,500	72.43
Difference (B-A)	(1,300)	100	100	(1,500)	—
Percentage change (%)	(1.1%)	1.0%	1.1%	(21.4%)	—
(Reference) Results of the previous year (Fiscal year ended March 31, 2024)	116,192	8,951	8,225	4,538	59.65

(2) Reasons for the revision

As mentioned above, the Company has reduced the net income attributable to parent company shareholders from the previous forecast in anticipation of extraordinary losses associated with structural reforms.

3. Addition of Dividend Policy (Stable Dividend)

(1) Addition of dividend policy (stable dividend)

The Company consider the continuous return of profits to our shareholders to be one of the most important objectives of our management.

With regard to the distribution of surplus earnings, the Company has adopted a policy of paying dividends in a manner that is consistent with our goal of achieving a dividend payout ratio of approximately 30% as a guideline for stable dividends, while taking into consideration the overall performance for the current fiscal year, future business development, and the need to strengthen our financial position through the accumulation of internal reserves.

The Company has decided to add a stable dividend policy (maintaining or increasing the dividend amount) to the above policy, which will be applied from the fiscal year ended March 2025. Please note that there will be no change in the dividend forecast for the fiscal year ended March 2025 as a result of this policy change.

(2) Reasons for the change

Achieving our Medium-term Management Plan requires expanding production capacity for daily disposable contact lenses, and the Company believes that investing funds in production equipment will lead to increased corporate value. Therefore, in the Medium-term Management Plan, the Company has designated the fiscal years ending March 2025 and March 2026 as “Investment phase.” On the other hand, during the “Investment phase,” achieving both stable and continuous growth in operating income and returning profits to shareholders remains an important management objective. Therefore, to clarify this stance and further enhance transparency regarding future dividend levels, the Company has decided to introduce a stable dividend policy.

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