

SHOFU (7979)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2019		24,915	1,814	1,709	1,201	75.54	23.00	1,524.92
FY03/2020		26,108	2,210	1,988	704	44.24	26.00	1,491.81
FY03/2021CoE		22,838	1,378	1,179	771	44.57	18.00	-
FY03/2020	YoY	4.8%	21.9%	16.4%	(41.3%)	-	-	-
FY03/2021CoE	YoY	(12.5%)	(37.6%)	(40.7%)	9.5%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2020		13,421	1,415	1,242	788	-	-	-
Q3 to Q4 FY03/2020		12,687	795	746	(84)	-	-	-
Q1 to Q2 FY03/2021CoE		10,473	315	245	51	-	-	-
Q3 to Q4 FY03/2021CoE		12,365	1,063	934	720	-	-	-
Q1 to Q2 FY03/2021CoE	YoY	(22.0%)	(77.7%)	(80.2%)	(93.4%)	-	-	-
Q3 to Q4 FY03/2021CoE	YoY	(2.5%)	33.7%	25.2%	-	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY03/2020		6,461	542	500	247	-	-	-
Q1 FY03/2021		4,877	128	80	(58)	-	-	-
Q1 FY03/2021	YoY	(24.5%)	(76.2%)	(83.9%)	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (6 August 2020)

Effects on New Products

On 4 August 2020, SHOFU, developing, manufacturing and selling dental materials & equipment, released its Q1 FY03/2021 results. At the same time, FY03/2021 Company forecasts, which had been undecided, have been disclosed, revealing that operating profit margin is expected to improve significantly in H2. The strong performance of CAD/CAM-related materials in Q1 is expected to persist in Q2 and thereafter, which is implied as one of the positive factors. With respect to CAD/CAM-related materials, it appears that the Company is conspicuously successful in launching new products coping with market demand. At the stage when FY03/2020 results were announced (14 May 2020), it was difficult to reasonably calculate prospective performance due to uncertainty about the expansion of COVID-19 and its impacts. However, the Company has formulated and just disclosed Company forecasts, assuming that COVID-19 expansion will not worsen more than it is now and the situations will gradually recover, but that a certain level of impacts will remain until the end of FY03/2021, while taking into account the Q1 results. It has been also newly disclosed that the Company plans to pay dividend of ¥18.00 per share, implying payout ratio of 40.4%, in FY03/2021.

For information: [SHOFU \(7979\) Digitalization \(12 June 2020\)](#)

IR Representative: Miyuki Motoda, Corporate Planning Department (ir@shofu.co.jp)

2.0 Company Profile

Comprehensive Manufacturer of Dental Materials & Equipment

Company Name	SHOFU INC. Website IR Information Share Price (Japanese)
Established	15 May 1922
Listing	25 July 1963: Tokyo Stock Exchange 1st section (ticker: 7979)
Capital	¥5,968m (as of the end of June 2020)
No. of Shares	17,894,089 shares, including 169,070 treasury shares (as of the end of June 2020)
Main Features	<ul style="list-style-type: none"> ● The leader of artificial teeth and abrasives in Japan ● Focus on promotions of sales overseas where huge room to cultivate remaining ● Also developing, manufacturing and selling nail salon materials
Business Segments	I . Dental-related Business II . Nail-related Business III. Other Business
Top Management	Representative Director, President & CEO: Noriyuki Negoro
Shareholders	Mitsui Chemicals 11.28%, Bank of Kyoto 4.46%, Japan Trustee Services, T. 4.20% (as of the end of March 2020, but for treasury shares) / Mitsui Chemicals held 20.20% (but for treasury shares) as of 30 June 2020 as a result of third-party allocation of shares on 15 June 2020, with which the Company issued 1,780,000 new shares to have been all allocated to Mitsui Chemicals.
Headquarters	Higashiyama-ku, Kyoto-city, JAPAN
No. of Employees	Consolidated:1,204, Parent: 468 (as of the end of June 2020)

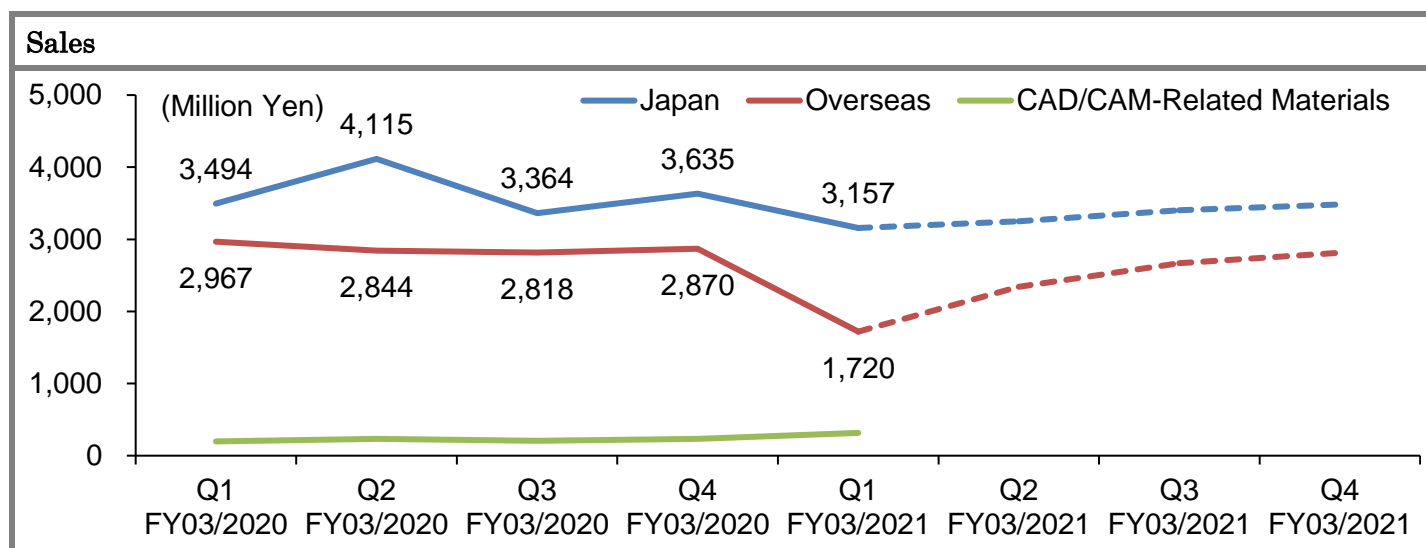


Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY03/2021 Results

In Q1 FY03/2021, sales came in at ¥4,877m (down 24.5% YoY), operating profit ¥128m (down 76.2%), recurring profit ¥80m (down 83.9%) and profit attributable to owners of parent minus ¥58m (versus ¥247m during the same period of the previous year), while operating profit margin 2.6% (down 5.8% points). By region, sales in Japan came in at ¥3,157m (down 9.6%) and sales overseas ¥1,720m (down 42.0%).



Source: Company Data, WRJ Calculation

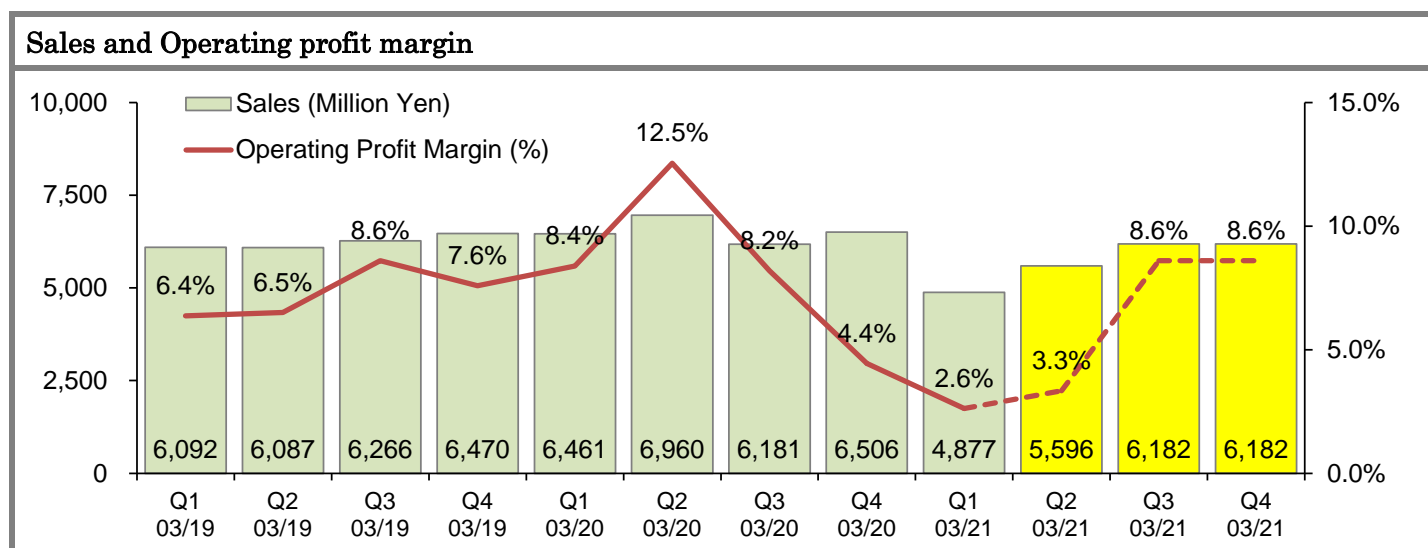
In Japan, the impacts stemming from COVID-19 reduced the opportunities of receiving dental care, having restricted the Company's sales activities at the same time. However, for CAD/CAM-related materials, sales increased some 60% over the same period of the previous year, having accounted for some 10% of sales in Japan. Given this as one of the factors, sales of dental materials declined by only 2% or so over the same period of the previous year, having resulted in increased sales composition ratio out of sales as a whole for Japan on the expense of equipment. The Company suggests that this has led to improvement in sales mix. While all of the mainstay dental materials, such as artificial teeth and abrasives, are the Company's own products, equipment has exposure to merchandises to stock and sell to a large extent.

FY03/2021 Company forecasts assume that sales in Japan are to decline by 9.0% over the previous year. With respect to equipment, it appears that sales are to come down sharply, given a factor that a pickup in demand prior to introduction of consumption tax hike (Q2 FY03/2020) is not to reappear. Meanwhile, with respect to dental materials, the Company suggests that sales are likely to edge up.

The situations overseas are severer in terms of the impacts stemming from COVID-19, having resulted in a massive decline in sales almost everywhere, i.e., sales in North America & Latin America came down by 65.4% over the same period of the previous year, sales in Europe by 28.5%, sales in China by 57.4% and sales in Asia & Oceania but for China by 10.9%. Meanwhile, FY03/2021 Company forecasts appear to assume a recovery in sales overseas in Q2 over Q1 and thereafter. For example, in China, which is the source of COVID-19, the pandemic occurred early and it appears that the recovery of economic activity, etc. have occurred ahead of other countries. As far as we could see, Company forecasts assume the same to take place for other countries in series.

FY03/2021 Company Forecasts

FY03/2021 Company forecasts are going for prospective sales of ¥22,838m (down 12.5% YoY), operating profit of ¥1,378m (down 37.6%), recurring profit of ¥1,179m (down 40.7%) and profit attributable to owners of parent of ¥771m (up 9.5%), while operating profit margin of 6.0% (down 2.4% points). At the same time, Company forecasts are going for prospective annual dividend of ¥18.00 per share, implying payout ratio of 40.4%.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2021: half-year Company forecasts, pro rata)

Company forecasts assume sales are to recover in Q2 over Q1 and then further in H2, which is to bring some benefits to improve operating profit margin. On top of this, it appears that a recovery of operating profit margin will be driven also by improved sales mix. Sales overseas, exclusively comprising the Company's own products and thus carrying gross profit margin higher than sales in Japan (including those of equipment) in the first place, are expected to see gradually increased sales composition ratio. Meanwhile, sales of dental materials, including those of CAD/CAM-related materials, are to see increased sales composition ratio in Japan. All in all, sales mix is expected to improve.

4.0 Financial Statements

Income Statement (Cumulative/Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021		
Sales	6,461	13,421	19,602	26,108	4,877	-	-	-	-	(1,584)
Cost of Sales	2,813	5,830	8,427	11,423	2,187	-	-	-	-	(626)
Gross Profit	3,647	7,590	11,174	14,685	2,690	-	-	-	-	(957)
SG&A Expenses	3,105	6,174	9,253	12,474	2,561	-	-	-	-	(544)
Operating Profit	542	1,415	1,921	2,210	128	-	-	-	-	(414)
Non Operating Balance	(42)	(173)	(107)	(222)	(48)	-	-	-	-	(6)
Recurring Profit	500	1,242	1,814	1,988	80	-	-	-	-	(420)
Extraordinary Balance	-	-	-	(804)	-	-	-	-	-	-
Profit before Income Taxes	500	1,242	1,814	1,184	80	-	-	-	-	(420)
Total Income Taxes	253	445	615	460	136	-	-	-	-	(117)
NP Belonging to Non-Controlling SHs	-	8	10	18	2	-	-	-	-	+2
Profit Attributable to Owners of Parent	247	788	1,188	704	(58)	-	-	-	-	(305)
Sales YoY	+6.1%	+10.2%	+6.3%	+4.8%	(24.5%)	-	-	-	-	-
Operating Profit YoY	+39.6%	+80.4%	+45.2%	+21.9%	(76.2%)	-	-	-	-	-
Recurring Profit YoY	+20.6%	+58.8%	+42.8%	+16.4%	(83.9%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(5.8%)	+44.3%	+33.1%	(41.3%)	-	-	-	-	-	-
Gross Profit Margin	56.4%	56.6%	57.0%	56.2%	55.2%	-	-	-	-	(1.3%)
Sales to SG&A Expenses Ratio	48.1%	46.0%	47.2%	47.8%	52.5%	-	-	-	-	+4.5%
Operating Profit Margin	8.4%	10.5%	9.8%	8.5%	2.6%	-	-	-	-	(5.8%)
Recurring Profit Margin	7.7%	9.3%	9.3%	7.6%	1.6%	-	-	-	-	(6.1%)
Profit Attributable to Owners of Parent Margin	3.8%	5.9%	6.1%	2.7%	(1.2%)	-	-	-	-	(5.0%)
Total Income Taxes/Profit before Income Taxes	50.6%	35.8%	33.9%	38.9%	170.0%	-	-	-	-	+119.4%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021		
Sales	6,461	6,960	6,181	6,506	4,877	-	-	-	-	(1,584)
Cost of Sales	2,813	3,017	2,597	2,996	2,187	-	-	-	-	(626)
Gross Profit	3,647	3,943	3,584	3,511	2,690	-	-	-	-	(957)
SG&A Expenses	3,105	3,069	3,079	3,221	2,561	-	-	-	-	(544)
Operating Profit	542	873	506	289	128	-	-	-	-	(414)
Non Operating Balance	(42)	(131)	66	(115)	(48)	-	-	-	-	(6)
Recurring Profit	500	742	572	174	80	-	-	-	-	(420)
Extraordinary Balance	-	-	-	(804)	-	-	-	-	-	-
Profit before Income Taxes	500	742	572	(630)	80	-	-	-	-	(420)
Total Income Taxes	253	192	170	(155)	136	-	-	-	-	(117)
NP Belonging to Non-Controlling SHs	-	8	2	8	2	-	-	-	-	+2
Profit Attributable to Owners of Parent	247	541	400	(484)	(58)	-	-	-	-	(305)
Sales YoY	+6.1%	+14.3%	(1.4%)	+0.6%	(24.5%)	-	-	-	-	-
Operating Profit YoY	+39.6%	+120.5%	(6.1%)	(41.1%)	(76.2%)	-	-	-	-	-
Recurring Profit YoY	+20.6%	+102.2%	+17.2%	(60.4%)	(83.9%)	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	(5.8%)	+90.5%	+15.6%	-	-	-	-	-	-	-
Gross Profit Margin	56.4%	56.7%	58.0%	54.0%	55.2%	-	-	-	-	(1.3%)
Sales to SG&A Expenses Ratio	48.1%	44.1%	49.8%	49.5%	52.5%	-	-	-	-	+4.5%
Operating Profit Margin	8.4%	12.5%	8.2%	4.4%	2.6%	-	-	-	-	(5.8%)
Recurring Profit Margin	7.7%	10.7%	9.3%	2.7%	1.6%	-	-	-	-	(6.1%)
Profit Attributable to Owners of Parent Margin	3.8%	7.8%	6.5%	(7.4%)	(1.2%)	-	-	-	-	(5.0%)
Total Income Taxes/Profit before Income Taxes	50.6%	25.9%	29.7%	24.6%	170.0%	-	-	-	-	+119.4%

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative/Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020	Q1 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021		
Dental-related Business	5,846	12,168	17,783	23,665	4,341	-	-	-	-	(1,505)
Nail-related Business	595	1,209	1,752	2,355	517	-	-	-	-	(78)
Other Business	20	42	66	87	19	-	-	-	-	(1)
Sales	6,461	13,421	19,602	26,108	4,877	-	-	-	-	(1,584)
Dental-related Business	521	1,330	1,835	2,083	82	-	-	-	-	(439)
Nail-related Business	17	77	70	107	42	-	-	-	-	+25
Other Business	2	5	10	13	2	-	-	-	-	0
Segment profit	541	1,412	1,916	2,204	127	-	-	-	-	(414)
Intersegment transactions	1	3	4	6	1	-	-	-	-	0
Operating Profit	542	1,415	1,921	2,210	128	-	-	-	-	(414)
Dental-related Business	8.9%	10.9%	10.3%	8.8%	1.9%	-	-	-	-	(7.0%)
Nail-related Business	2.9%	6.4%	4.0%	4.5%	8.1%	-	-	-	-	+5.3%
Other Business	10.0%	11.9%	15.2%	14.9%	10.5%	-	-	-	-	+0.5%
Operating Profit Margin	8.4%	10.5%	9.8%	8.5%	2.6%	-	-	-	-	(5.8%)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020	Q1 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021		
Dental-related Business	5,846	6,322	5,615	5,882	4,341	-	-	-	-	(1,505)
Nail-related Business	595	614	543	603	517	-	-	-	-	(78)
Other Business	20	22	24	21	19	-	-	-	-	(1)
Sales	6,461	6,960	6,181	6,506	4,877	-	-	-	-	(1,584)
Dental-related Business	521	809	505	248	82	-	-	-	-	(439)
Nail-related Business	17	60	(7)	37	42	-	-	-	-	+25
Other Business	2	3	5	3	2	-	-	-	-	0
Segment profit	541	871	504	288	127	-	-	-	-	(414)
Intersegment transactions	1	2	1	2	1	-	-	-	-	0
Operating Profit	542	873	506	289	128	-	-	-	-	(414)
Dental-related Business	8.9%	12.8%	9.0%	4.2%	1.9%	-	-	-	-	(7.0%)
Nail-related Business	2.9%	9.8%	(1.3%)	6.1%	8.1%	-	-	-	-	+5.3%
Other Business	10.0%	13.6%	20.8%	14.3%	10.5%	-	-	-	-	+0.5%
Operating Profit Margin	8.4%	12.5%	8.2%	4.4%	2.6%	-	-	-	-	(5.8%)

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020	Q1 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021		
Cash and Deposit	5,139	4,695	4,516	4,862	5,157	-	-	-	-	+18
Accounts Receivables	3,304	3,731	3,050	3,187	2,716	-	-	-	-	(588)
Inventory	6,565	6,602	7,183	6,730	7,394	-	-	-	-	+829
Other	442	517	590	637	705	-	-	-	-	+263
Current Assets	15,450	15,545	15,339	15,416	15,972	-	-	-	-	+522
Tangible Assets	7,175	7,190	7,642	7,689	7,726	-	-	-	-	+551
Intangible Assets	1,185	1,124	1,128	310	301	-	-	-	-	(884)
Investments and Other Assets	6,547	6,970	7,884	6,417	9,607	-	-	-	-	+3,060
Fixed Assets	14,908	15,285	16,655	14,417	17,635	-	-	-	-	+2,727
Total Assets	30,359	30,831	31,995	29,834	33,607	-	-	-	-	+3,248
Accounts Payables	770	780	808	831	584	-	-	-	-	(186)
Short Term Debt	1,144	1,143	1,388	558	457	-	-	-	-	(687)
Other	2,464	2,193	1,950	2,291	2,523	-	-	-	-	+59
Current Liabilities	4,378	4,116	4,146	3,680	3,564	-	-	-	-	(814)
Long Term Debt	244	236	245	678	1,659	-	-	-	-	+1,415
Other	1,677	1,791	2,059	1,538	1,629	-	-	-	-	(48)
Fixed Liabilities	1,921	2,027	2,304	2,216	3,288	-	-	-	-	+1,367
Total Liabilities	6,300	6,144	6,451	5,897	6,853	-	-	-	-	+553
Shareholders' Equity	21,369	21,958	22,208	21,715	24,390	-	-	-	-	+3,021
Other	2,689	2,729	3,335	2,221	2,364	-	-	-	-	(325)
Net Assets	24,058	24,687	25,543	23,936	26,754	-	-	-	-	+2,696
Total Liabilities & Net Assets	30,359	30,831	31,995	29,834	33,607	-	-	-	-	+3,248
Equity Capital	23,928	24,548	25,402	23,786	26,600	-	-	-	-	+2,672
Interest Bearing Debt	1,388	1,379	1,633	1,236	2,116	-	-	-	-	+728
Net Debt	(3,751)	(3,316)	(2,883)	(3,626)	(3,041)	-	-	-	-	+710
Equity Ratio	78.8%	79.6%	79.4%	79.7%	79.2%	-	-	-	-	-
Net Debt Equity Ratio	(15.7%)	(13.5%)	(11.3%)	(15.2%)	(11.4%)	-	-	-	-	-
ROE (12 months)	5.0%	5.9%	6.1%	2.9%	1.6%	-	-	-	-	-
ROA (12 months)	5.9%	7.0%	7.3%	6.6%	4.9%	-	-	-	-	-
Days for Inventory Turnover	212	199	252	204	308	-	-	-	-	-
Quick Ratio	193%	205%	182%	219%	221%	-	-	-	-	-
Current Ratio	353%	378%	370%	419%	448%	-	-	-	-	-

Source: Company Data, WRJ Calculation

7

Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020	Q1 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021		
Operating Cash Flow	-	349	-	1,942	-	-	-	-	-	-
Investing Cash Flow	-	(677)	-	(1,768)	-	-	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(328)	-	174	-	-	-	-	-	-
Financing Cash Flow	-	148	-	(224)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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