

SHOFU (7979)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2020		26,108	2,210	1,988	704	44.24	26.00	1,491.81
FY03/2021		24,680	2,300	2,523	1,674	96.29	29.00	1,690.45
FY03/2022CoE		26,105	1,799	1,837	1,234	69.48	32.00	-
FY03/2021	YoY	(5.5%)	4.1%	26.9%	137.5%	-	-	-
FY03/2022CoE	YoY	5.8%	(21.8%)	(27.2%)	(26.3%)	-	-	-
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 FY03/2021		11,217	905	891	568	-	-	-
Q3 to Q4 FY03/2021		13,463	1,395	1,632	1,106	-	-	-
Q1 to Q2 FY03/2022CoE		12,807	695	698	370	-	-	-
Q3 to Q4 FY03/2022CoE		13,298	1,104	1,139	864	-	-	-
Q1 to Q2 FY03/2022CoE	YoY	14.2%	(23.2%)	(21.7%)	(34.9%)	-	-	-
Q3 to Q4 FY03/2022CoE	YoY	(1.2%)	(20.9%)	(30.2%)	(21.9%)	-	-	-

Source: Company Data, WRJ Calculation (Accounting Standard for Revenue Recognition to be adopted from FY03/2022, but simply compared with FY03/2021 actual results for "YoY" changes)

1.0 Results Update (18 May 2021)


Upfront Investment

On 14 May 2021, SHOFU, developing, manufacturing and selling dental materials & equipment in Japan and overseas, released its FY03/2021 results. It has been revealed that record high earnings were renewed, although sales were forced to decline following the impacts stemming from COVID-19. Meanwhile, for FY03/2022, the Company's policy to aggressively make upfront investment, such as for the commencement of operations at a manufacturing subsidiary in Vietnam (fall 2021) with the aim of expanding sales in China and other countries and it is clear that the increase in short-term expenses will be not insignificant. Furthermore, since Accounting Standard for Revenue Recognition is adopted from the beginning of the fiscal year, there is an aspect that sales and operating profit will shrink compared with the actual results prior to this. However, Fourth Midterm Management Plan (FY03/2022 to FY03/2024) announced on the same day assumes operating profit of ¥2,618m for FY03/2024, the final year of the plan and thus a further renewal in earnings is expected. We are to watch the Company's financial results briefing on the web, scheduled for Thursday, 27 May, which will be followed by our interview with management through the web-based conference, so that we should be able to update [SHOFU \(7979\) As It Should \(21 December 2020\)](#) and release anew.

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

2.0 Company Profile

Comprehensive Manufacturer of Dental Materials & Equipment

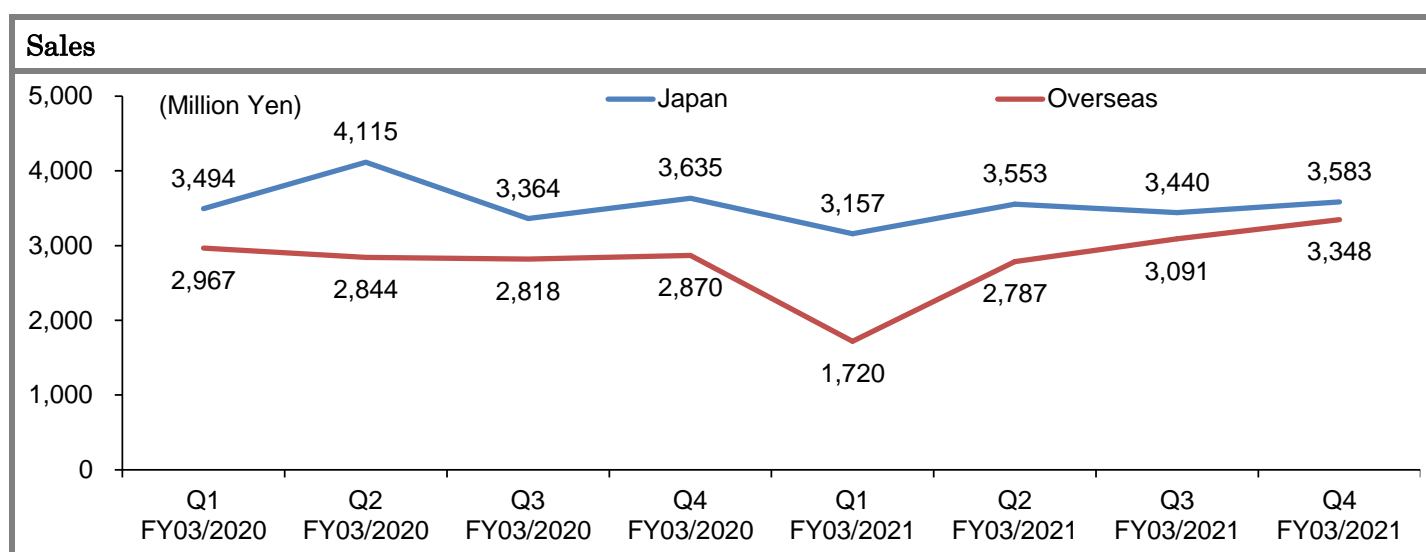
Company Name	SHOFU INC. Website IR Information Share Price (Japanese)	
Established	15 May 1922	
Listing	25 July 1963: Tokyo Stock Exchange 1st section (ticker: 7979)	
Capital	¥5,968m (as of the end of March 2021)	
No. of Shares	17,894,089 shares, including 132,642 treasury shares (as of the end of March 2021)	
Main Features	<ul style="list-style-type: none"> ● The leader of artificial teeth and abrasives in Japan ● Focus on sales promotions overseas where huge room to cultivate remaining ● Also developing, manufacturing and selling nail salon materials 	
Segments	I . Dental-related Business II . Nail-related Business III. Other Business	
Representative	Representative Director, President & CEO: Noriyuki Negoro	
Shareholders	Mitsui Chemicals 20.15%, Bank of Kyoto 4.01%, Custody Bank of Japan, T. 5.43% (as of the end of March 2021, but for treasury shares)	
Head Office	Higashiyama-ku Kyoto-city, JAPAN	
No. of Employees	Consolidated: 1,206, Parent: 468 (as of the end of March 2021)	

Source: Company Data

3.0 Recent Trading and Prospects

FY03/2021

In FY03/2021, sales came in at ¥24,680m (down 5.5% YoY), operating profit ¥2,300m (up 4.1%), recurring profit ¥2,523m (up 26.9%) and profit attributable to owners of parent ¥1,674m (up 137.5%), while operating profit margin 9.3% (up 0.9% points). At the same time, gross profit came in at ¥13,596m (down 7.4%) and SG&A expenses ¥11,296m (down 9.4%), implying gross profit margin of 55.1% (down 1.2% points) and sales to SG&A expenses ratio of 45.8% (down 2.0% points). In other words, there is a strong aspect that the decline in SG&A expenses has brought an increase in earnings for the Company. In particular, the decline in advertising and promotional expenses is said to have contributed.



Source: Company Data, WRJ Calculation

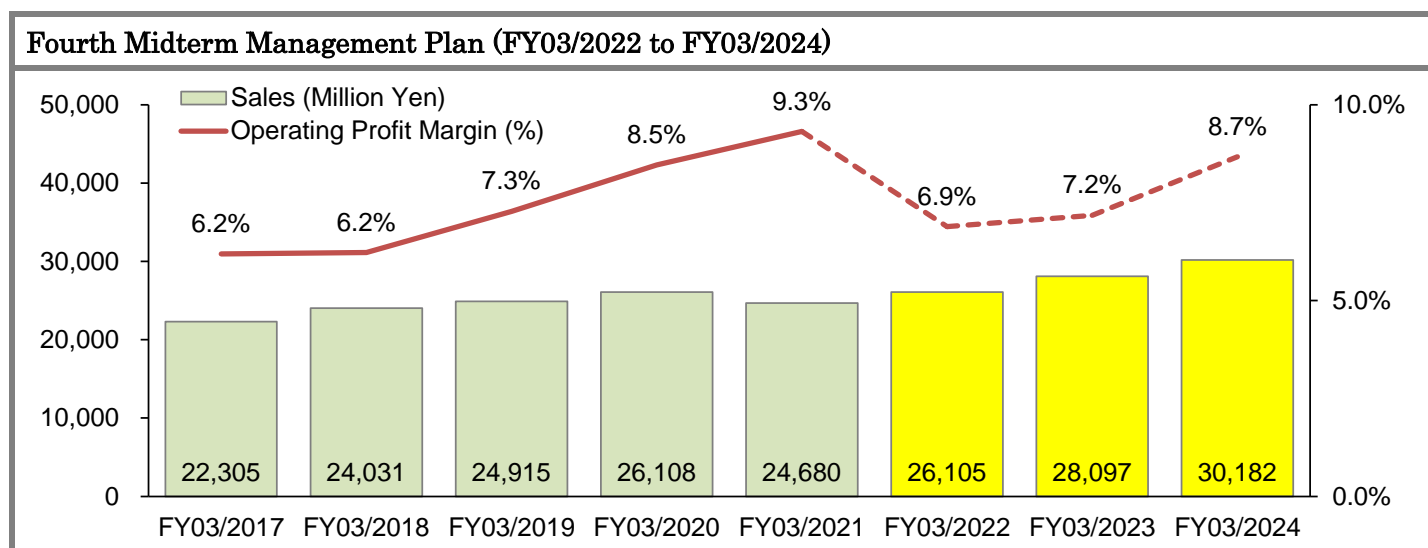
By region, sales in Japan came in at ¥13,733m (down 6.0%) and sales overseas ¥10,946m (down 4.8%: down 4.3% on a local currencies basis), comprising those of ¥2,500m (down 13.6%: down 11.1%) in North & Latin Americas, ¥4,237m (up 2.7%: up 0.7%) in Europe and ¥4,208m (down 6.0%: down 4.5%) in Asia, Oceania, etc. Meanwhile, the Company saw full-year sales on a local currency basis in China, included in those of Asia, Oceania, etc., increased over the previous year, while the Company suggests that it is currently seeing substantial increase over the same period of the previous year for sales in China.

In Japan, the impacts stemming from COVID-19 resulted in fewer opportunities for dental treatments and limited sales activities and the Company was forced to suffer from decreased sales in all product areas except Restorative Materials where sales increased, albeit only slightly. Meanwhile, the Company saw strengths in sales of digital oral imaging device EYE Special C-IV to have had been newly launched in the market in FY03/2020, while sales of CAD/CAM-related new products (materials, machinery, etc.) increased steadily, having accurately grasped the needs of the market. For materials, sales appear to have increased by more than 20%. Still, all those factors appear to have not been substantial enough to compensate for the impacts stemming from COVID-19.

Sales overseas have been recovering consistently, having had hit the bottom in Q1. However, in terms of trends throughout the fiscal year, the extent of the decline in sales in North & Latin Americas has been particularly large due to the impacts of lockdowns and the ban on going out. Meanwhile, sales in Europe saw a sharp rise in stocking and selling of masks, etc. due to the spread of COVID-19.

FY03/2022 Company Forecasts

When simply compared with the actual results of FY03/2021, FY03/2022 Company forecasts (announced on 14 May 2021) are going for prospective sales of ¥26,105m (up 5.8% YoY), operating profit of ¥1,799m (down 21.8%), recurring profit of ¥1,837m (down 27.2%) and profit attributable to owners of parent of ¥1,234m (down 26.3%), while operating profit margin of 6.9% (down 2.4% point). For FY03/2022, Accounting Standard for Revenue Recognition is adopted from the beginning of the fiscal year. If it were not to for this, Company forecasts would have been going for prospective sales of ¥26,278m (up 6.5%), operating profit of ¥1,960m (down 14.8%) and operating profit margin of 7.5% (down 1.9% points). That is to say, the adoption of this accounting standard reduces sales by ¥172m and operating profit by ¥161m. Meanwhile, recurring profit and profit attributable to owners of parent are immune to this.



Source: Company Data, WRJ Calculation

Meanwhile, Company forecasts are going for prospective annual dividend of ¥32.00 per share, comprising ordinary dividend of ¥30.00 and commemorative dividend of ¥2.00 for the 100th anniversary of the Company's foundation, implying payout ratio of 46.1% collectively and/or 43.2% exclusively for ordinary dividend. Meanwhile, when based on ordinary dividend and book value per share of ¥1,690.45 as of the end of FY03/2021, Company forecasts are going for prospective dividend on equity (DOE) of 1.8%. Previously, the Company had a target to see payout ratio at least 30%, while going for DOE of 1.7% as the target with the aim of returning profits to shareholders paying respect to capital efficiency, during the period of Fourth Midterm Management Plan. From a longer-term perspective, it has been clarified that the Company aims to achieve ROE of 8.0% or more and DOE of 2.5% or more.

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	03/2021	
Sales	6,461	13,421	19,602	26,108	4,877	11,217	17,748	24,680		(1,428)
Cost of Sales	2,813	5,830	8,427	11,423	2,187	5,023	7,941	11,083		(340)
Gross Profit	3,647	7,590	11,174	14,685	2,690	6,193	9,806	13,596		(1,089)
SG&A Expenses	3,105	6,174	9,253	12,474	2,561	5,287	8,109	11,296		(1,178)
Operating Profit	542	1,415	1,921	2,210	128	905	1,697	2,300		+90
Non Operating Balance	(42)	(173)	(107)	(222)	(48)	(14)	93	223		+445
Recurring Profit	500	1,242	1,814	1,988	80	891	1,790	2,523		+535
Extraordinary Balance	-	-	-	(804)	-	-	(101)	(153)		+651
Profit before Income Taxes	500	1,242	1,814	1,184	80	891	1,689	2,370		+1,186
Total Income Taxes	253	445	615	460	136	309	524	672		+212
NP Belonging to Non-Controlling SHs	-	8	10	18	2	12	18	24		+6
Profit Attributable to Owners of Parent	247	788	1,188	704	(58)	568	1,146	1,674		+970
Sales YoY	+6.1%	+10.2%	+6.3%	+4.8%	(24.5%)	(16.4%)	(9.5%)	(5.5%)		-
Operating Profit YoY	+39.6%	+80.4%	+45.2%	+21.9%	(76.2%)	(36.0%)	(11.7%)	+4.1%		-
Recurring Profit YoY	+20.6%	+58.8%	+42.8%	+16.4%	(83.9%)	(28.2%)	(1.4%)	+26.9%		-
Profit Attributable to Owners of Parent YoY	(5.8%)	+44.3%	+33.1%	(41.3%)	-	(27.8%)	(3.6%)	+137.8%		-
Gross Profit Margin	56.4%	56.6%	57.0%	56.2%	55.2%	55.2%	55.3%	55.1%		(1.2%)
Sales to SG&A Expenses Ratio	48.1%	46.0%	47.2%	47.8%	52.5%	47.1%	45.7%	45.8%		(2.0%)
Operating Profit Margin	8.4%	10.5%	9.8%	8.5%	2.6%	8.1%	9.6%	9.3%		+0.9%
Recurring Profit Margin	7.7%	9.3%	9.3%	7.6%	1.6%	7.9%	10.1%	10.2%		+2.6%
Profit Attributable to Owners of Parent Margin	3.8%	5.9%	6.1%	2.7%	(1.2%)	5.1%	6.5%	6.8%		+4.1%
Total Income Taxes/Profit before Income Taxes	50.6%	35.8%	33.9%	38.9%	170.0%	34.7%	31.0%	28.4%		(10.5%)
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	03/2021	
Sales	6,461	6,960	6,181	6,506	4,877	6,340	6,531	6,932		+426
Cost of Sales	2,813	3,017	2,597	2,996	2,187	2,836	2,918	3,142		+146
Gross Profit	3,647	3,943	3,584	3,511	2,690	3,503	3,613	3,790		+279
SG&A Expenses	3,105	3,069	3,079	3,221	2,561	2,726	2,822	3,187		(34)
Operating Profit	542	873	506	289	128	777	792	603		+314
Non Operating Balance	(42)	(131)	66	(115)	(48)	34	107	130		+245
Recurring Profit	500	742	572	174	80	811	899	733		+559
Extraordinary Balance	-	-	-	(804)	-	-	(101)	(52)		+752
Profit before Income Taxes	500	742	572	(630)	80	811	798	681		+1,311
Total Income Taxes	253	192	170	(155)	136	173	215	148		+303
NP Belonging to Non-Controlling SHs	-	8	2	8	2	10	6	6		(2)
Profit Attributable to Owners of Parent	247	541	400	(484)	(58)	626	578	528		+1,012
Sales YoY	+6.1%	+14.3%	(1.4%)	+0.6%	(24.5%)	(8.9%)	+5.7%	+6.5%		-
Operating Profit YoY	+39.6%	+120.5%	(6.1%)	(41.1%)	(76.2%)	(11.0%)	+56.5%	+108.7%		-
Recurring Profit YoY	+20.6%	+102.2%	+17.2%	(60.4%)	(83.9%)	+9.3%	+57.2%	+321.3%		-
Profit Attributable to Owners of Parent YoY	(5.8%)	+90.5%	+15.6%	-	-	+15.7%	+44.5%	-		-
Gross Profit Margin	56.4%	56.7%	58.0%	54.0%	55.2%	55.3%	55.3%	54.7%		+0.7%
Sales to SG&A Expenses Ratio	48.1%	44.1%	49.8%	49.5%	52.5%	43.0%	43.2%	46.0%		(3.5%)
Operating Profit Margin	8.4%	12.5%	8.2%	4.4%	2.6%	12.3%	12.1%	8.7%		+4.3%
Recurring Profit Margin	7.7%	10.7%	9.3%	2.7%	1.6%	12.8%	13.8%	10.6%		+7.9%
Profit Attributable to Owners of Parent Margin	3.8%	7.8%	6.5%	(7.4%)	(1.2%)	9.9%	8.9%	7.6%		+15.1%
Total Income Taxes/Profit before Income Taxes	50.6%	25.9%	29.7%	24.6%	170.0%	21.3%	26.9%	21.7%		(2.9%)

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	10,042	16,005	22,334	(1,331)	
Nail-related Business	595	1,209	1,752	2,355	517	1,136	1,686	2,268	(87)	
Other Business	20	42	66	87	19	38	56	76	(11)	
Sales	6,461	13,421	19,602	26,108	4,877	11,217	17,748	24,680	(1,428)	
Dental-related Business	521	1,330	1,835	2,083	82	793	1,531	2,091	+8	
Nail-related Business	17	77	70	107	42	108	160	201	+94	
Other Business	2	5	10	13	2	1	0	2	(11)	
Segment Profit	541	1,412	1,916	2,204	127	902	1,692	2,294	+90	
Intersegment Transactions	1	3	4	6	1	2	4	5	0	
Operating Profit	542	1,415	1,921	2,210	128	905	1,697	2,300	+90	
Dental-related Business	8.9%	10.9%	10.3%	8.8%	1.9%	7.9%	9.6%	9.4%	+0.6%	
Nail-related Business	2.9%	6.4%	4.0%	4.5%	8.1%	9.5%	9.5%	8.9%	+4.3%	
Other Business	10.0%	11.9%	15.2%	14.9%	10.5%	2.6%	1.6%	2.6%	(12.3%)	
Operating Profit Margin	8.4%	10.5%	9.8%	8.5%	2.6%	8.1%	9.6%	9.3%	+0.9%	

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	5,701	5,963	6,329	+447	
Nail-related Business	595	614	543	603	517	619	550	582	(21)	
Other Business	20	22	24	21	19	19	18	20	(1)	
Sales	6,461	6,960	6,181	6,506	4,877	6,340	6,531	6,932	+426	
Dental-related Business	521	809	505	248	82	711	738	560	+312	
Nail-related Business	17	60	(7)	37	42	66	52	41	+4	
Other Business	2	3	5	3	2	(1)	(0)	1	(1)	
Segment Profit	541	871	504	288	127	775	790	602	+314	
Intersegment Transactions	1	2	1	2	1	1	2	1	(1)	
Operating Profit	542	873	506	289	128	777	792	603	+314	
Dental-related Business	8.9%	12.8%	9.0%	4.2%	1.9%	12.5%	12.4%	8.8%	+4.6%	
Nail-related Business	2.9%	9.8%	(1.3%)	6.1%	8.1%	10.7%	9.5%	7.0%	+0.9%	
Other Business	10.0%	13.6%	20.8%	14.3%	10.5%	(5.3%)	(0.6%)	5.5%	(8.8%)	
Operating Profit Margin	8.4%	12.5%	8.2%	4.4%	2.6%	12.3%	12.1%	8.7%	+4.3%	

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	5,435	6,068	6,943	+2,081	
Accounts Receivables	3,304	3,731	3,050	3,187	2,716	3,071	2,840	3,205	+18	
Inventory	6,565	6,602	7,183	6,730	7,394	7,195	7,190	7,077	+347	
Other	442	517	590	637	705	521	600	604	(33)	
Current Assets	15,450	15,545	15,339	15,416	15,972	16,222	16,698	17,829	+2,413	
Tangible Assets	7,175	7,190	7,642	7,689	7,726	7,753	7,914	8,008	+319	
Intangible Assets	1,185	1,124	1,128	310	301	372	376	340	+30	
Investments and Other Assets	6,547	6,970	7,884	6,417	9,607	10,204	10,154	11,635	+5,218	
Fixed Assets	14,908	15,285	16,655	14,417	17,635	18,330	18,444	19,983	+5,566	
Total Assets	30,359	30,831	31,995	29,834	33,607	34,553	35,143	37,813	+7,979	
Accounts Payables	770	780	808	831	584	580	799	898	+67	
Short Term Debt	1,144	1,143	1,388	558	457	413	415	682	+124	
Other	2,464	2,193	1,950	2,291	2,523	2,354	2,279	2,632	+341	
Current Liabilities	4,378	4,116	4,146	3,680	3,564	3,347	3,493	4,212	+532	
Long Term Debt	244	236	245	678	1,659	1,590	1,520	1,190	+512	
Other	1,677	1,791	2,059	1,538	1,629	1,798	1,876	2,212	+674	
Fixed Liabilities	1,921	2,027	2,304	2,216	3,288	3,388	3,396	3,402	+1,186	
Total Liabilities	6,300	6,144	6,451	5,897	6,853	6,735	6,889	7,614	+1,717	
Shareholders' Equity	21,369	21,958	22,208	21,715	24,390	25,073	25,509	26,037	+4,322	
Other	2,689	2,729	3,335	2,221	2,364	2,744	2,745	4,161	+1,940	
Net Assets	24,058	24,687	25,543	23,936	26,754	27,817	28,254	30,198	+6,262	
Total Liabilities & Net Assets	30,359	30,831	31,995	29,834	33,607	34,553	35,143	37,813	+7,979	
Equity Capital	23,928	24,548	25,402	23,786	26,600	27,658	28,089	30,024	+6,238	
Interest Bearing Debt	1,388	1,379	1,633	1,236	2,116	2,003	1,935	1,872	+636	
Net Debt	(3,751)	(3,316)	(2,883)	(3,626)	(3,041)	(3,432)	(4,133)	(5,071)	(1,445)	
Equity Ratio	78.8%	79.6%	79.4%	79.7%	79.2%	80.0%	79.9%	79.4%	-	
Net Debt Equity Ratio	(15.7%)	(13.5%)	(11.3%)	(15.2%)	(11.4%)	(12.4%)	(14.7%)	(16.9%)	-	
ROE (12 months)	5.0%	5.9%	6.1%	2.9%	1.6%	1.9%	2.5%	6.2%	-	
ROA (12 months)	5.9%	7.0%	7.3%	6.6%	4.9%	5.0%	5.9%	7.5%	-	
Days for Inventory Turnover	212	199	252	204	308	231	224	205	-	
Quick Ratio	193%	205%	182%	219%	221%	254%	255%	241%	-	
Current Ratio	353%	378%	370%	419%	448%	485%	478%	423%	-	

Source: Company Data, WRJ Calculation

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	-	800	-	2,829	+887	
Investing Cash Flow	-	(677)	-	(1,768)	-	(3,540)	-	(4,081)	(2,313)	
Operating Cash Flow and Investing Cash Flow	-	(328)	-	174	-	(2,740)	-	(1,252)	(1,426)	
Financing Cash Flow	-	148	-	(224)	-	3,359	-	3,023	+3,247	

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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