

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	23,287	1,733	1,589	1,072	61.68	18.00	-
FY03/2020	YoY	4.8%	21.9%	16.4%	(41.3%)	-	-
FY03/2021CoE	YoY	(10.8%)	(21.6%)	(20.1%)	52.1%	-	-
Consolidated Q1 to Q3 (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY03/2020	19,602	1,921	1,814	1,188	-	-	-
Q1 to Q3 FY03/2021	17,748	1,697	1,790	1,146	-	-	-
Q1 to Q3 FY03/2021	YoY	(9.5%)	(11.7%)	(1.4%)	(3.6%)	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (10 February 2021)

V-shaped Recovery in Sales Overseas


On 9 February 2021, SHOFU, developing, manufacturing and selling dental materials & equipment, released its Q1 to Q3 FY03/2021 results. It has been revealed that full-year operating profit assumed in Company forecasts (announced on 28 October 2020) was almost achieved. It appears that this is due mainly to V-shaped recovery in sales overseas. The impacts stemming from COVID-19 has reduced access to dental care, while sales activities have been consistently restricted, according to the Company. Nevertheless, sales overseas in Q3 (October to December) have increased over the same period of the previous year. In response to the impacts stemming from COVID-19, sales overseas were forced to plummet in Q1 (April to June), but it was followed by a recovery in Q2 (July to September), up to almost as high as the level of the same period of the previous year and then by a further recovery in Q3 (October to December). In H2, Company forecasts have assumed a major adjustment for sales in the United States and Europe where the number of infected people has surged, which proved unfounded as far as we could see. The impacts stemming from COVID-19 are uncertain for the future, but it appears that the Company's measures to promote sales overseas have been successful.

For information: [SHOFU \(7979\) As It Should \(21 December 2020\)](#)

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

2.0 Company Profile

Comprehensive Manufacturer of Dental Materials & Equipment

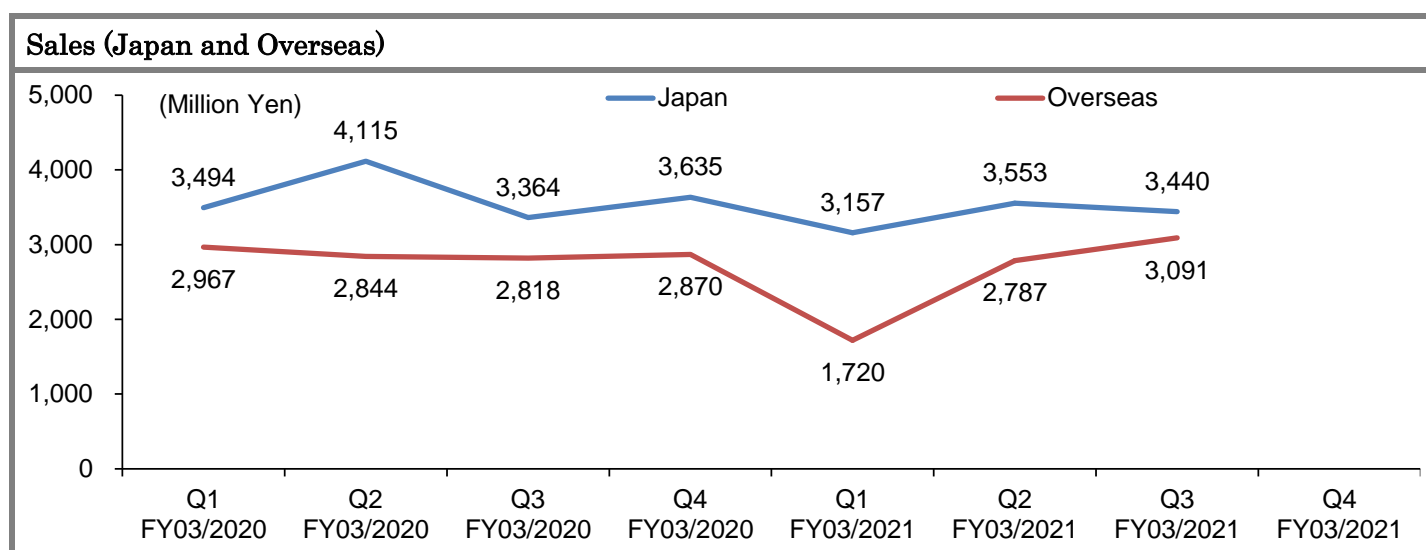
Company Name	SHOFU INC. Website IR Information Share Price (Japanese)	
Established	15 May 1922	
Listing	25 July 1963: Tokyo Stock Exchange 1st section (ticker: 7979)	
Capital	¥5,968m (as of the end of December 2020)	
No. of Shares	17,894,089 shares, including 132,542 treasury shares (as of the end of Dec. 2020)	
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 	
Business Segments	I . Dental-related Business II . Nail-related Business III. Other Business	
Top Management	Representative Director, President & CEO: Noriyuki Negoro	
Shareholders	Mitsui Chemicals 20.15%, Bank of Kyoto 4.01%, Custody Bank of Japan, T. 3.84% (as of the end of September 2020, but for treasury shares)	
Head Office	Higashiyama-ku Kyoto-city, JAPAN	
No. of Employees	Consolidated: 1,198, Parent: 468 (as of the end of December 2020)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY03/2021

In Q1 to Q3 FY03/2021, sales came in at ¥17,748m (down 9.5% YoY), operating profit ¥1,697m (down 11.7%), recurring profit ¥1,790m (down 1.4%) and profit attributable to owners of parent ¥1,146m (down 3.6%), while operating profit margin 9.6% (down 0.2% points). Meanwhile, the Company saw extraordinary loss of ¥101m from fraud of remittance at a subsidiary overseas. At the same time, however, the Company also saw subsidy income related to COVID-19 of ¥175m and forex gain of ¥45m (versus forex loss of ¥71m during the same period of the previous year) at the non-operating level. In light of all those issues, it should be the case that loss unexpected has been roughly offset by gain unexpected in terms of the impacts to profit attributable to owners of parent.



Source: Company Data, WRJ Calculation

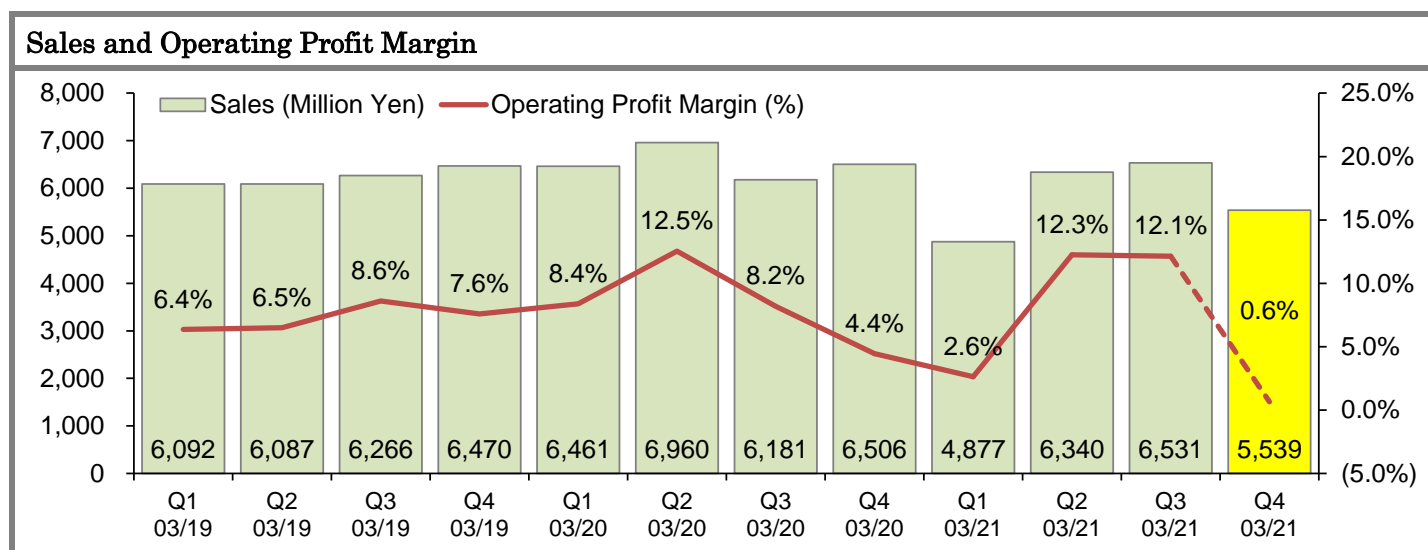
By region, sales in Japan came in at ¥10,150m (down 7.5%) and sales overseas ¥7,598m (down 12.0% or down 10.7% on a local currencies basis). Even when excluding the impacts of yen's appreciation, sales overseas declined more than those of Japan for the period of Q1 to Q3. However, sales overseas have been seen a recovery after having had plummeted in Q1 (April to June) for Q2 (July to September) and Q3 (October to December), suggesting that the Company has been successful in capturing a rebound in demand overseas.

For earnings as a whole for the Company, gross profit came in at ¥9,806m (down 12.2%) and SG&A expenses ¥8,109m (down 12.4%), implying gross profit margin of 55.3% (down 1.8% points) and sales to SG&A expenses ratio of 45.7% (down 1.5% points). Gross profit margin declined due to a difficulty of recovering fixed costs in line with decline in capacity utilization at factories accompanying declining sales. On top of this, the Company saw marginally decreased exposure to sales overseas which are said to carry gross profit margin rather higher. Meanwhile, SG&A expenses declined in line with decreases of advertising expenses and travel expenses.

The above-mentioned trends of earnings as a whole for the Company are basically attributable to those of Dental-related Business where it develops, manufactures and sells dental materials & equipment. Sales came in at ¥16,005m (down 10.0%), operating profit ¥1,531m (down 16.6%) and operating profit margin 9.6% (down 0.8% points), having accounted for 90.2% of sales as a whole for the Company and 90.5% of operating profit. The Company saw business performance overseas as have been discussed, while faring relatively well in Japan despite the impacts stemming from COVID-19. The Company suggests that new products to have had been launched by the end of FY03/2020 are nicely contributing to sales, e.g., digital oral imaging device EYE Special C-IV and resin material for dental cutting processing SHOFU BLOCK HC SUPER HARD. With respect to so-called CAD/CAM-related materials, including the latter, it appears that sales have increased by 25% or more over the same period of the previous year.

FY03/2021 Company Forecasts

FY03/2021 Company forecasts (announced on 28 October 2020) have remained unchanged, going for prospective sales of ¥23,287m (down 10.8% YoY), operating profit of ¥1,733m (down 21.6%), recurring profit of ¥1,589m (down 20.1%) and profit attributable to owners of parent of ¥1,072m (up 52.1%), while operating profit margin of 7.4% (down 1.0% point). At the same time, Company forecasts have remained unchanged for prospective annual dividend, going for ¥18.00 per share, implying payout ratio of 29.2%.



Source: Company Data, WRJ Calculation

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	11,217	17,748	-	-	(1,854)
Cost of Sales	2,813	5,830	8,427	11,423	2,187	5,023	7,941	-	-	(486)
Gross Profit	3,647	7,590	11,174	14,685	2,690	6,193	9,806	-	-	(1,368)
SG&A Expenses	3,105	6,174	9,253	12,474	2,561	5,287	8,109	-	-	(1,144)
Operating Profit	542	1,415	1,921	2,210	128	905	1,697	-	-	(224)
Non Operating Balance	(42)	(173)	(107)	(222)	(48)	(14)	93	-	-	+200
Recurring Profit	500	1,242	1,814	1,988	80	891	1,790	-	-	(24)
Extraordinary Balance	-	-	-	(804)	-	-	(101)	-	-	(101)
Profit before Income Taxes	500	1,242	1,814	1,184	80	891	1,689	-	-	(125)
Total Income Taxes	253	445	615	460	136	309	524	-	-	(91)
NP Belonging to Non-Controlling SHs	-	8	10	18	2	12	18	-	-	+8
Profit Attributable to Owners of Parent	247	788	1,188	704	(58)	568	1,146	-	-	(42)
Sales YoY	+6.1%	+10.2%	+6.3%	+4.8%	(24.5%)	(16.4%)	(9.5%)	-	-	-
Operating Profit YoY	+39.6%	+80.4%	+45.2%	+21.9%	(76.2%)	(36.0%)	(11.7%)	-	-	-
Recurring Profit YoY	+20.6%	+58.8%	+42.8%	+16.4%	(83.9%)	(28.2%)	(1.4%)	-	-	-
Profit Attributable to Owners of Parent YoY	(5.8%)	+44.3%	+33.1%	(41.3%)	-	(27.8%)	(3.6%)	-	-	-
Gross Profit Margin	56.4%	56.6%	57.0%	56.2%	55.2%	55.2%	55.3%	-	-	(1.8%)
Sales to SG&A Expenses Ratio	48.1%	46.0%	47.2%	47.8%	52.5%	47.1%	45.7%	-	-	(1.5%)
Operating Profit Margin	8.4%	10.5%	9.8%	8.5%	2.6%	8.1%	9.6%	-	-	(0.2%)
Recurring Profit Margin	7.7%	9.3%	9.3%	7.6%	1.6%	7.9%	10.1%	-	-	+0.8%
Profit Attributable to Owners of Parent Margin	3.8%	5.9%	6.1%	2.7%	(1.2%)	5.1%	6.5%	-	-	+0.4%
Total Income Taxes/Profit before Income Taxes	50.6%	35.8%	33.9%	38.9%	170.0%	34.7%	31.0%	-	-	(2.9%)
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	-	-	+350
Cost of Sales	2,813	3,017	2,597	2,996	2,187	2,836	2,918	-	-	+321
Gross Profit	3,647	3,943	3,584	3,511	2,690	3,503	3,613	-	-	+29
SG&A Expenses	3,105	3,069	3,079	3,221	2,561	2,726	2,822	-	-	(257)
Operating Profit	542	873	506	289	128	777	792	-	-	+286
Non Operating Balance	(42)	(131)	66	(115)	(48)	34	107	-	-	+41
Recurring Profit	500	742	572	174	80	811	899	-	-	+327
Extraordinary Balance	-	-	-	(804)	-	-	(101)	-	-	(101)
Profit before Income Taxes	500	742	572	(630)	80	811	798	-	-	+226
Total Income Taxes	253	192	170	(155)	136	173	215	-	-	+45
NP Belonging to Non-Controlling SHs	-	8	2	8	2	10	6	-	-	+4
Profit Attributable to Owners of Parent	247	541	400	(484)	(58)	626	578	-	-	+178
Sales YoY	+6.1%	+14.3%	(1.4%)	+0.6%	(24.5%)	(8.9%)	+5.7%	-	-	-
Operating Profit YoY	+39.6%	+120.5%	(6.1%)	(41.1%)	(76.2%)	(11.0%)	+56.5%	-	-	-
Recurring Profit YoY	+20.6%	+102.2%	+17.2%	(60.4%)	(83.9%)	+9.3%	+57.2%	-	-	-
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%	-	-	(2.7%)
Sales to SG&A Expenses Ratio	48.1%	44.1%	49.8%	49.5%	52.5%	43.0%	43.2%	-	-	(6.6%)
Operating Profit Margin	8.4%	12.5%	8.2%	4.4%	2.6%	12.3%	12.1%	-	-	+3.9%
Recurring Profit Margin	7.7%	10.7%	9.3%	2.7%	1.6%	12.8%	13.8%	-	-	+4.5%
Profit Attributable to Owners of Parent Margin	3.8%	7.8%	6.5%	(7.4%)	(1.2%)	9.9%	8.9%	-	-	+2.4%
Total Income Taxes/Profit before Income Taxes	50.6%	25.9%	29.7%	24.6%	170.0%	21.3%	26.9%	-	-	(2.8%)

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	-	(1,778)	
Nail-related Business	595	1,209	1,752	2,355	517	1,136	1,686	-	(66)	
Other Business	20	42	66	87	19	38	56	-	(10)	
Sales	6,461	13,421	19,602	26,108	4,877	11,217	17,748	-	(1,854)	
Dental-related Business	521	1,330	1,835	2,083	82	793	1,531	-	(304)	
Nail-related Business	17	77	70	107	42	108	160	-	+90	
Other Business	2	5	10	13	2	1	0	-	(9)	
Segment Profit	541	1,412	1,916	2,204	127	902	1,692	-	(224)	
Intersegment Transactions	1	3	4	6	1	2	4	-	0	
Operating Profit	542	1,415	1,921	2,210	128	905	1,697	-	(224)	
Dental-related Business	8.9%	10.9%	10.3%	8.8%	1.9%	7.9%	9.6%	-	(0.8%)	
Nail-related Business	2.9%	6.4%	4.0%	4.5%	8.1%	9.5%	9.5%	-	+5.5%	
Other Business	10.0%	11.9%	15.2%	14.9%	10.5%	2.6%	1.6%	-	(13.5%)	
Operating Profit Margin	8.4%	10.5%	9.8%	8.5%	2.6%	8.1%	9.6%	-	(0.2%)	

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	-	+348	
Nail-related Business	595	614	543	603	517	619	550	-	+7	
Other Business	20	22	24	21	19	19	18	-	(6)	
Sales	6,461	6,960	6,181	6,506	4,877	6,340	6,531	-	+350	
Dental-related Business	521	809	505	248	82	711	738	-	+233	
Nail-related Business	17	60	(7)	37	42	66	52	-	+59	
Other Business	2	3	5	3	2	(1)	(0)	-	(5)	
Segment Profit	541	871	504	288	127	775	790	-	+286	
Intersegment Transactions	1	2	1	2	1	1	2	-	1	
Operating Profit	542	873	506	289	128	777	792	-	+286	
Dental-related Business	8.9%	12.8%	9.0%	4.2%	1.9%	12.5%	12.4%	-	+3.4%	
Nail-related Business	2.9%	9.8%	(1.3%)	6.1%	8.1%	10.7%	9.5%	-	+10.7%	
Other Business	10.0%	13.6%	20.8%	14.3%	10.5%	(5.3%)	(0.6%)	-	(21.4%)	
Operating Profit Margin	8.4%	12.5%	8.2%	4.4%	2.6%	12.3%	12.1%	-	+3.9%	

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	-	-	+1,552
Accounts Receivables	3,304	3,731	3,050	3,187	2,716	3,071	2,840	-	-	(210)
Inventory	6,565	6,602	7,183	6,730	7,394	7,195	7,190	-	-	+7
Other	442	517	590	637	705	521	600	-	-	+10
Current Assets	15,450	15,545	15,339	15,416	15,972	16,222	16,698	-	-	+1,359
Tangible Assets	7,175	7,190	7,642	7,689	7,726	7,753	7,914	-	-	+272
Intangible Assets	1,185	1,124	1,128	310	301	372	376	-	-	(752)
Investments and Other Assets	6,547	6,970	7,884	6,417	9,607	10,204	10,154	-	-	+2,270
Fixed Assets	14,908	15,285	16,655	14,417	17,635	18,330	18,444	-	-	+1,789
Total Assets	30,359	30,831	31,995	29,834	33,607	34,553	35,143	-	-	+3,148
Accounts Payables	770	780	808	831	584	580	799	-	-	(9)
Short Term Debt	1,144	1,143	1,388	558	457	413	415	-	-	(973)
Other	2,464	2,193	1,950	2,291	2,523	2,354	2,279	-	-	+329
Current Liabilities	4,378	4,116	4,146	3,680	3,564	3,347	3,493	-	-	(653)
Long Term Debt	244	236	245	678	1,659	1,590	1,520	-	-	+1,275
Other	1,677	1,791	2,059	1,538	1,629	1,798	1,876	-	-	(183)
Fixed Liabilities	1,921	2,027	2,304	2,216	3,288	3,388	3,396	-	-	+1,092
Total Liabilities	6,300	6,144	6,451	5,897	6,853	6,735	6,889	-	-	+438
Shareholders' Equity	21,369	21,958	22,208	21,715	24,390	25,073	25,509	-	-	+3,301
Other	2,689	2,729	3,335	2,221	2,364	2,744	2,745	-	-	(590)
Net Assets	24,058	24,687	25,543	23,936	26,754	27,817	28,254	-	-	+2,711
Total Liabilities & Net Assets	30,359	30,831	31,995	29,834	33,607	34,553	35,143	-	-	+3,148
Equity Capital	23,928	24,548	25,402	23,786	26,600	27,658	28,089	-	-	+2,687
Interest Bearing Debt	1,388	1,379	1,633	1,236	2,116	2,003	1,935	-	-	+302
Net Debt	(3,751)	(3,316)	(2,883)	(3,626)	(3,041)	(3,432)	(4,133)	-	-	(1,250)
Equity Ratio	78.8%	79.6%	79.4%	79.7%	79.2%	80.0%	79.9%	-	-	-
Net Debt Equity Ratio	(15.7%)	(13.5%)	(11.3%)	(15.2%)	(11.4%)	(12.4%)	(14.7%)	-	-	-
ROE (12 months)	5.0%	5.9%	6.1%	2.9%	1.6%	1.9%	2.5%	-	-	-
ROA (12 months)	5.9%	7.0%	7.3%	6.6%	4.9%	5.0%	5.9%	-	-	-
Days for Inventory Turnover	212	199	252	204	308	231	224	-	-	-
Quick Ratio	193%	205%	182%	219%	221%	254%	255%	-	-	-
Current Ratio	353%	378%	370%	419%	448%	485%	478%	-	-	-

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	-	800	-	-	-	-
Investing Cash Flow	-	(677)	-	(1,768)	-	(3,540)	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(328)	-	174	-	(2,740)	-	-	-	-
Financing Cash Flow	-	148	-	(224)	-	3,359	-	-	-	-

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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