

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		27,102	2,246	2,357	1,575	88.68	32.00	-
FY03/2021	YoY	(5.5%)	4.1%	26.9%	137.5%	-	-	-
FY03/2022CoE	YoY	9.8%	(2.3%)	(6.6%)	(5.9%)	-	-	-
Consolidated Quarter (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY03/2021		4,877	128	80	(58)	-	-	-
Q2 FY03/2021		6,340	777	811	626	-	-	-
Q3 FY03/2021		6,531	792	899	578	-	-	-
Q4 FY03/2021		6,932	603	733	528	-	-	-
Q1 FY03/2022		6,970	929	1,006	630	-	-	-
Q1 FY03/2022	YoY	42.9%	620.9%	-	-	-	-	-

Source: Company Data, WRJ Calculation (YoY chg in Q1 FY03/2022: after impacts from adoption of new accounting standard)

1.0 Results Update (5 August 2021)

Changeover for Sales Overseas

On 4 August 2021, SHOFU, developing, manufacturing and selling dental materials & equipment in Japan and overseas, released its Q1 FY03/2022 results. It has been revealed that sales overseas are recovering sharply, surpassing sales in Japan. Sales overseas came in at ¥3,678m (up 113.8% YoY), while sales in Japan ¥3,292m (up 4.3%). For sales overseas by region, it appears that those of Europe are contributing most significantly. According to the Company, the impacts stemming from COVID-19 are now “rather easing”, which is raised as the key factor for the strengths. Meanwhile, those of North & Latin Americas as well as of China are also recovering nicely due to the same background. In terms of changes over the same period of the previous, the Company sees rate of increase even higher than that of Europe for all those regions. That is to say, it appears that the Company is steadily capturing increased demand across the region overseas, implying a success for the Company’s primary measure to cultivate markets overseas having been implemented for some time, which will make it possible for the Company to capture future increase in demand overseas from a long-term perspective.

For your reference: [SHOFU \(7979\) Contributing to Dentistry around the World \(5 July 2020\)](#)

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2.0 Company Profile

Comprehensive Manufacturer of Dental Materials & Equipment

Company Name	SHOFU INC. Company 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 2021)	
No. of Shares	17,894,089 shares, including 132,642 treasury shares (as of the end of June 2021)	
Main Features	<ul style="list-style-type: none"> ● The leader of artificial teeth and abrasives in Japan ● Focus on sales promotion 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	
Representation	Representative Director, President & CEO: Noriyuki Negoro	
Shareholders	Mitsui Chemicals 20.15%, Custody Bank of Japan, T. 5.43%, Bank of Kyoto 4.01% (as of the end of March 2021, but for treasury shares)	
Head Office	Higashiyama-ku Kyoto-city, JAPAN	
No. of Personnel	Consolidated: 1,226, Parent: 480 (as of the end of June 2021)	

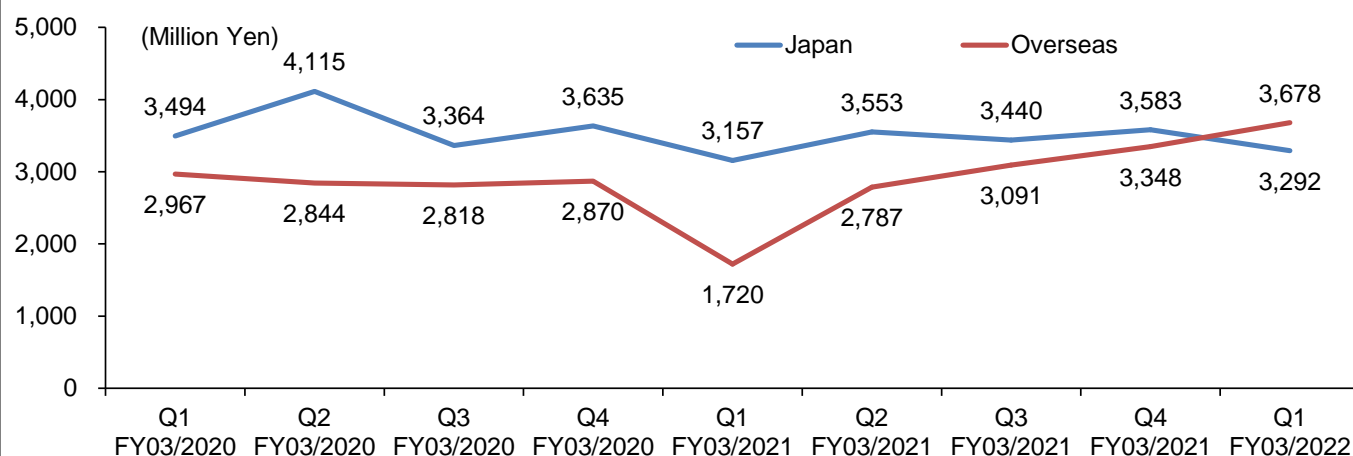
Source: Company Data

3.0 Recent Trading and Prospects

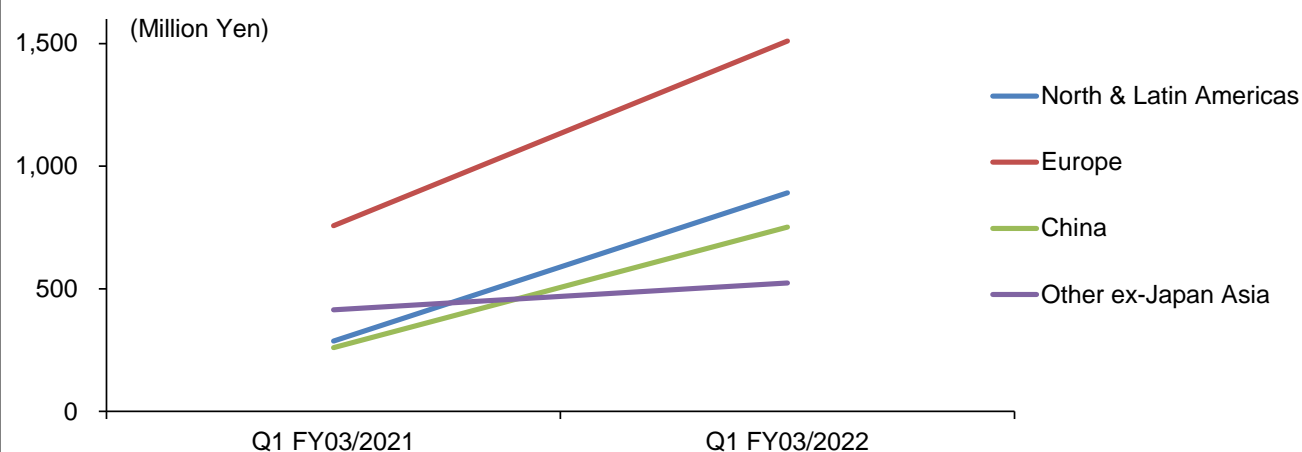
Q1 FY03/2022

In Q1 FY03/2022, sales came in at ¥6,970m (up 42.9% YoY), operating profit ¥929m (up 620.9%), recurring profit ¥1,006m (versus ¥80m during the same period of the previous year) and profit attributable to owners of parent ¥630m (minus ¥58m), while operating profit margin 13.3% (up 10.7% points). With respect to Accounting Standard for Revenue Recognition adopted since the beginning of the fiscal year, the Company suggests that the impacts are limited, i.e., down ¥46m for sales, down ¥41m for operating profit and down ¥2m for recurring profit.

Sales in Japan and Sales Overseas



Sales Overseas by Region



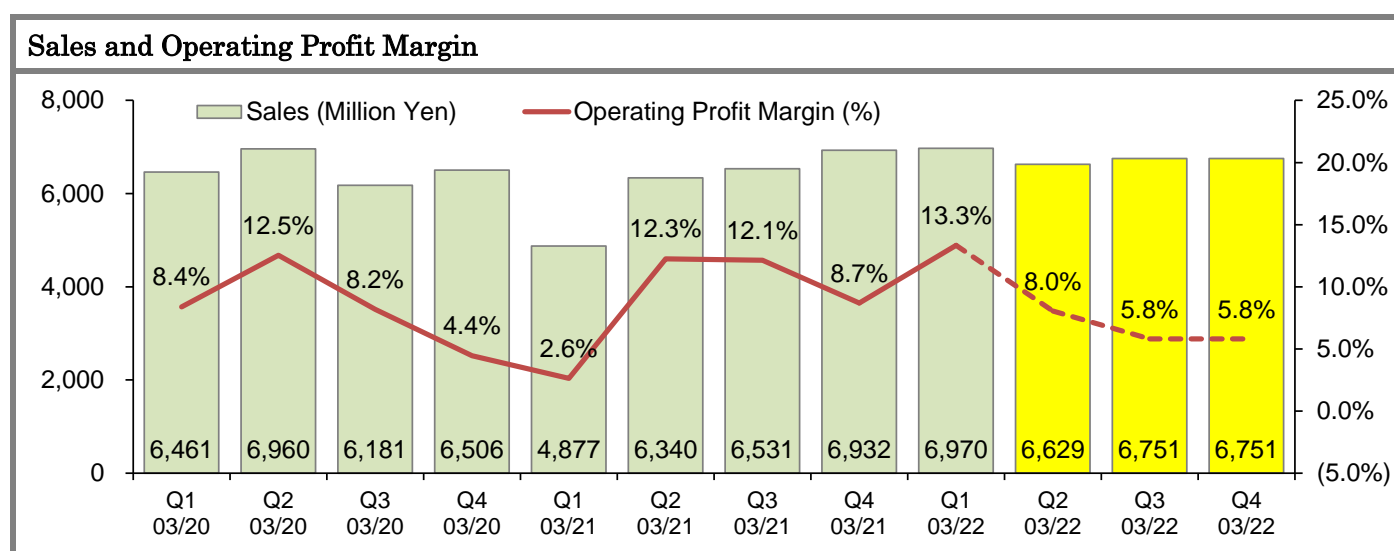
Source: Company Data, WRJ Calculation

By region, sales in Japan came in at ¥3,292m (up 4.3%) and sales overseas ¥3,678m (up 113.8%). In Japan, sales have increased over the same period of the previous year, due to strengths associated with new products launched recently, represented by "BeautiBond Xtreme" dentin adhesives and "SHOFU Block HC Hard II" resin materials for dental cutting work. Meanwhile, sales overseas on a local currencies basis have increased by 100.5% over the same period of the previous year. In other words, there is an aspect that yen's depreciation has accelerated the rate of increase in sales overseas in terms of yen. Still, the impacts could not be significant in that sales overseas on a local currencies basis have doubled.

Meanwhile, gross profit came in at ¥3,881m (up 44.3%) and SG&A expenses ¥2,952m (up 15.3%), implying gross profit margin of 55.7% (up 0.5% points) and sales to SG&A expenses ratio of 42.4% (down 10.2% points). SG&A expenses have increased significantly in line with gradual easing for constraints on sales promotion activities caused by the impacts stemming from COVID-19, which was far more than compensated for by effect from increased sales, having resulted in a surge at the operating level.

FY03/2022 Company Forecasts

FY03/2022 Company forecasts (announced on 28 July 2021) are going for prospective sales of ¥27,102m (up 9.8% YoY), operating profit of ¥2,246m (down 2.3%), recurring profit of ¥2,357m (down 6.6%) and profit attributable to owners of parent of ¥1,575m (down 5.9%), while operating profit margin of 8.3% (down 1.0% point). At the same time, 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 36.1%.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2022: H2 Company forecasts, pro rata)

But for prospective annual dividend remaining unchanged, initial Company forecasts (announced on 14 May 2021) have been upgraded, i.e., by ¥996m (3.8%) for sales and ¥447m (24.9%) for operating profit. The Company saw sales overseas for Q1 much better than initially expected, which is raised as the key factor for this upgrade, while it appears that Company forecasts after this are based on assumptions rather conservative for performance in Q2 and H2.

As is spotted by the Company, sales overseas are recovering given the impacts stemming from COVID-19 being “rather easing”. Still, the thing is that this may include a case driven by optimization of inventory levels in local distributors and others, according to the Company. In other words, there is a possibility that they used to keep the levels of inventory minimum prior to the impacts stemming from COVID-19 being “rather easing” and that demand is now recovering more than actual demand due to the optimization of inventory level (inventory accumulation) this time. As far as we could see, Company forecasts are based on assumptions rather conservative in light of this.

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.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Sales	4,877	11,217	17,748	24,680	6,970	-	-	-	-	+2,093
Cost of Sales	2,187	5,023	7,941	11,083	3,089	-	-	-	-	+902
Gross Profit	2,690	6,193	9,806	13,596	3,881	-	-	-	-	+1,191
SG&A Expenses	2,561	5,287	8,109	11,296	2,952	-	-	-	-	+391
Operating Profit	128	905	1,697	2,300	929	-	-	-	-	+801
Non Operating Balance	(48)	(14)	93	223	77	-	-	-	-	+125
Recurring Profit	80	891	1,790	2,523	1,006	-	-	-	-	+926
Extraordinary Balance	-	-	(101)	(153)	(41)	-	-	-	-	(41)
Profit before Income Taxes	80	891	1,689	2,370	965	-	-	-	-	+885
Total Income Taxes	136	309	524	672	330	-	-	-	-	+194
NP Belonging to Non-Controlling SHs	2	12	18	24	4	-	-	-	-	+2
Profit Attributable to Owners of Parent	(58)	568	1,146	1,674	630	-	-	-	-	+688
Sales YoY	(24.5%)	(16.4%)	(9.5%)	(5.5%)	+42.9%	-	-	-	-	-
Operating Profit YoY	(76.2%)	(36.0%)	(11.7%)	+4.1%	+620.9%	-	-	-	-	-
Recurring Profit YoY	(83.9%)	(28.2%)	(1.4%)	+26.9%	-	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	(27.8%)	(3.6%)	+137.5%	-	-	-	-	-	-
Gross Profit Margin	55.2%	55.2%	55.3%	55.1%	55.7%	-	-	-	-	+0.5%
Sales to SG&A Expenses Ratio	52.5%	47.1%	45.7%	45.8%	42.4%	-	-	-	-	(10.2%)
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	-	-	-	-	+10.7%
Recurring Profit Margin	1.6%	7.9%	10.1%	10.2%	14.4%	-	-	-	-	+12.8%
Profit Attributable to Owners of Parent Margin	(1.2%)	5.1%	6.5%	6.8%	9.0%	-	-	-	-	+10.2%
Total Income Taxes/Profit before Income Taxes	170.0%	34.7%	31.0%	28.4%	34.2%	-	-	-	-	(135.8%)
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.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Sales	4,877	6,340	6,531	6,932	6,970	-	-	-	-	+2,093
Cost of Sales	2,187	2,836	2,918	3,142	3,089	-	-	-	-	+902
Gross Profit	2,690	3,503	3,613	3,790	3,881	-	-	-	-	+1,191
SG&A Expenses	2,561	2,726	2,822	3,187	2,952	-	-	-	-	+391
Operating Profit	128	777	792	603	929	-	-	-	-	+801
Non Operating Balance	(48)	34	107	130	77	-	-	-	-	+125
Recurring Profit	80	811	899	733	1,006	-	-	-	-	+926
Extraordinary Balance	-	-	(101)	(52)	(41)	-	-	-	-	(41)
Profit before Income Taxes	80	811	798	681	965	-	-	-	-	+885
Total Income Taxes	136	173	215	148	330	-	-	-	-	+194
NP Belonging to Non-Controlling SHs	2	10	6	6	4	-	-	-	-	+2
Profit Attributable to Owners of Parent	(58)	626	578	528	630	-	-	-	-	+688
Sales YoY	(24.5%)	(8.9%)	+5.7%	+6.5%	+42.9%	-	-	-	-	-
Operating Profit YoY	(76.2%)	(11.0%)	+56.5%	+108.7%	+620.9%	-	-	-	-	-
Recurring Profit YoY	(83.9%)	+9.3%	+57.2%	+321.3%	-	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	+15.7%	+44.5%	-	-	-	-	-	-	-
Gross Profit Margin	55.2%	55.3%	55.3%	54.7%	55.7%	-	-	-	-	+0.5%
Sales to SG&A Expenses Ratio	52.5%	43.0%	43.2%	46.0%	42.4%	-	-	-	-	(10.2%)
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	-	-	-	-	+10.7%
Recurring Profit Margin	1.6%	12.8%	13.8%	10.6%	14.4%	-	-	-	-	+12.8%
Profit Attributable to Owners of Parent Margin	(1.2%)	9.9%	8.9%	7.6%	9.0%	-	-	-	-	+10.2%
Total Income Taxes/Profit before Income Taxes	170.0%	21.3%	26.9%	21.7%	34.2%	-	-	-	-	(135.8%)

Source: Company Data, WRJ Calculation (YoY chg in Q1 FY03/2022: after impacts from adoption of new accounting standard)

Segmented Information (Cumulative/Quarterly)

Segmented Information	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.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Dental-related Business	4,341	10,042	16,005	22,334	6,419	-	-	-		+2,078
Nail-related Business	517	1,136	1,686	2,268	528	-	-	-		+11
Other Business	19	38	56	76	23	-	-	-		+4
Sales	4,877	11,217	17,748	24,680	6,970	-	-	-		+2,093
Dental-related Business	82	793	1,531	2,091	887	-	-	-		+805
Nail-related Business	42	108	160	201	36	-	-	-		(6)
Other Business	2	1	0	2	-	-	-	-		(2)
Segment Profit	127	902	1,692	2,294	924	-	-	-		+797
Intersegment Transactions	1	2	4	5	4	-	-	-		0
Operating Profit	128	905	1,697	2,300	929	-	-	-		+801
Dental-related Business	1.9%	7.9%	9.6%	9.4%	13.8%	-	-	-		+11.9%
Nail-related Business	8.1%	9.5%	9.5%	8.9%	6.8%	-	-	-		(1.3%)
Other Business	10.5%	2.6%	1.6%	2.6%	0.0%	-	-	-		(10.5%)
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	-	-	-		+10.7%

Segmented Information	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.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Dental-related Business	4,341	5,701	5,963	6,329	6,419	-	-	-		+2,078
Nail-related Business	517	619	550	582	528	-	-	-		+11
Other Business	19	19	18	20	23	-	-	-		+4
Sales	4,877	6,340	6,531	6,932	6,970	-	-	-		+2,093
Dental-related Business	82	711	738	560	887	-	-	-		+805
Nail-related Business	42	66	52	41	36	-	-	-		(6)
Other Business	2	(1)	(0)	1	-	-	-	-		(2)
Segment Profit	127	775	790	602	924	-	-	-		+797
Intersegment Transactions	1	1	2	1	4	-	-	-		+3
Operating Profit	128	777	792	603	929	-	-	-		+801
Dental-related Business	1.9%	12.5%	12.4%	8.8%	13.8%	-	-	-		+11.9%
Nail-related Business	8.1%	10.7%	9.5%	7.0%	6.8%	-	-	-		(1.3%)
Other Business	10.5%	(5.3%)	(0.6%)	5.5%	0.0%	-	-	-		(10.5%)
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	-	-	-		+10.7%

Source: Company Data, WRJ Calculation (YoY chg in Q1 FY03/2022: after impacts from adoption of new accounting standard)

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 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021	Q1 03/2022	Q2 03/2022	Q3 03/2022	Q4 03/2022		
Cash and Deposit	5,157	5,435	6,068	6,943	7,191	-	-	-	-	+2,034
Accounts Receivables	2,716	3,071	2,840	3,205	3,273	-	-	-	-	+557
Inventory	7,394	7,195	7,190	7,077	7,255	-	-	-	-	(139)
Other	705	521	600	604	500	-	-	-	-	(205)
Current Assets	15,972	16,222	16,698	17,829	18,219	-	-	-	-	+2,247
Tangible Assets	7,726	7,753	7,914	8,008	8,189	-	-	-	-	+463
Intangible Assets	301	372	376	340	351	-	-	-	-	+50
Investments and Other Assets	9,607	10,204	10,154	11,635	11,450	-	-	-	-	+1,843
Fixed Assets	17,635	18,330	18,444	19,983	19,991	-	-	-	-	+2,356
Total Assets	33,607	34,553	35,143	37,813	38,210	-	-	-	-	+4,603
Accounts Payables	584	580	799	898	783	-	-	-	-	+199
Short Term Debt	457	413	415	682	950	-	-	-	-	+493
Other	2,523	2,354	2,279	2,632	2,899	-	-	-	-	+376
Current Liabilities	3,564	3,347	3,493	4,212	4,632	-	-	-	-	+1,068
Long Term Debt	1,659	1,590	1,520	1,190	850	-	-	-	-	(809)
Other	1,629	1,798	1,876	2,212	2,136	-	-	-	-	+507
Fixed Liabilities	3,288	3,388	3,396	3,402	2,986	-	-	-	-	(302)
Total Liabilities	6,853	6,735	6,889	7,614	7,619	-	-	-	-	+766
Shareholders' Equity	24,390	25,073	25,509	26,037	26,295	-	-	-	-	+1,905
Other	2,364	2,744	2,745	4,161	4,296	-	-	-	-	+1,932
Net Assets	26,754	27,817	28,254	30,198	30,591	-	-	-	-	+3,837
Total Liabilities & Net Assets	33,607	34,553	35,143	37,813	38,210	-	-	-	-	+4,603
Equity Capital	26,600	27,658	28,089	30,024	30,412	-	-	-	-	+3,812
Interest Bearing Debt	2,116	2,003	1,935	1,872	1,800	-	-	-	-	(316)
Net Debt	(3,041)	(3,432)	(4,133)	(5,071)	(5,391)	-	-	-	-	(2,350)
Equity Ratio	79.2%	80.0%	79.9%	79.4%	79.6%	-	-	-	-	-
Net Debt Equity Ratio	(11.4%)	(12.4%)	(14.7%)	(16.9%)	(17.7%)	-	-	-	-	-
ROE (12 months)	1.6%	1.9%	2.5%	6.2%	8.3%	-	-	-	-	-
ROA (12 months)	4.9%	5.0%	5.9%	7.5%	9.6%	-	-	-	-	-
Days for Inventory Turnover	308	231	224	205	214	-	-	-	-	-
Quick Ratio	221%	254%	255%	241%	226%	-	-	-	-	-
Current Ratio	448%	485%	478%	423%	393%	-	-	-	-	-

Source: Company Data, WRJ Calculation (YoY chg in Q1 FY03/2022: after impacts from adoption of new accounting standard)

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 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021	Q1 03/2022	Q1 to Q2 03/2022	Q1 to Q3 03/2022	Q1 to Q4 03/2022		
Operating Cash Flow	-	800	-	2,829	-	-	-	-	-	-
Investing Cash Flow	-	(3,540)	-	(4,081)	-	-	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(2,740)	-	(1,252)	-	-	-	-	-	-
Financing Cash Flow	-	3,359	-	3,023	-	-	-	-	-	-

Source: Company Data, WRJ Calculation (YoY chg in Q1 FY03/2022: after impacts from adoption of new accounting standard)

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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