

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		27,710	3,011	3,199	2,227	125.26	32.00	-
FY03/2021		YoY (5.5%)	4.1%	26.9%	137.5%	-	-	-
FY03/2022CoE		YoY 12.3%	30.9%	26.8%	33.0%	-	-	-
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 FY03/2022		13,867	2,000	2,130	1,506	-	-	-
Q3 to Q4 FY03/2022CoE		13,843	1,011	1,069	721	-	-	-
Q1 to Q2 FY03/2022		YoY 23.6%	120.9%	138.9%	164.9%	-	-	-
Q3 to Q4 FY03/2022CoE		YoY 2.8%	(27.5%)	(34.5%)	(34.8%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (21 December 2021)


Steadily Capturing

SHOFU, developing, manufacturing and selling dental materials & equipment in Japan and overseas, is seeing favorable performance. Having continuously focused on upgrading sales network and expanding product-supply system for own operations overseas, the Company is steadily capturing a recovery in demand overseas. In response to the impacts stemming from COVID-19, demand overseas had once plummeted temporarily, while the impacts have weakened even more than initially expected for Q1 to Q2 FY03/2022. On top of full-year Company forecasts for FY03/2022 having been upgraded in line with the results better than expected for Q1 to Q2, it appears that the Company has started to consider revising up Fourth Midterm Management Plan (FY03/2022 to FY03/2024). FY03/2022 Company forecasts (the same as assumptions of the first year in the midterm management plan) have been revised up by ¥1,605m (6.1%) in sales and ¥1,212m (67.4%) in operating profit, implying a trend far above initially expected for earnings, although being based on conservative assumptions. For example, it is believed that surging sales overseas for Q1 to Q2 were driven by a recovery in actual demand and inventory buildup at distributors, while the latest Company forecasts assume that the latter will not reappear for H2, reducing demand to a corresponding extent.

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. Company Website IR Information Share Price (Japanese)	
Established	15 May 1922	
Listing	29 March 2012: Tokyo Stock Exchange 1st section (ticker: 7979) 15 February 2007: Tokyo Stock Exchange 2nd section 9 November 1989: Osaka Stock Exchange 2nd section and Kyoto Stock Exchange 25 July 1963: OTC market of JSDA (Osaka)	
Capital	¥5,968m (as of the end of September 2021)	
No. of Shares	17,894,089 shares, including 105,013 treasury shares (as of the end of Sep. 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 20.12%, The Master Trust Bank of Japan, T. 6.46%, Custody Bank of Japan, T. 5.61% (as of the end of September 2021, but for treasury shares)	
Head Office	Higashiyama-ku, Kyoto-city, JAPAN	
No. of Personnel	Consolidated: 1,239, Parent: 478 (as of the end of September 2021)	

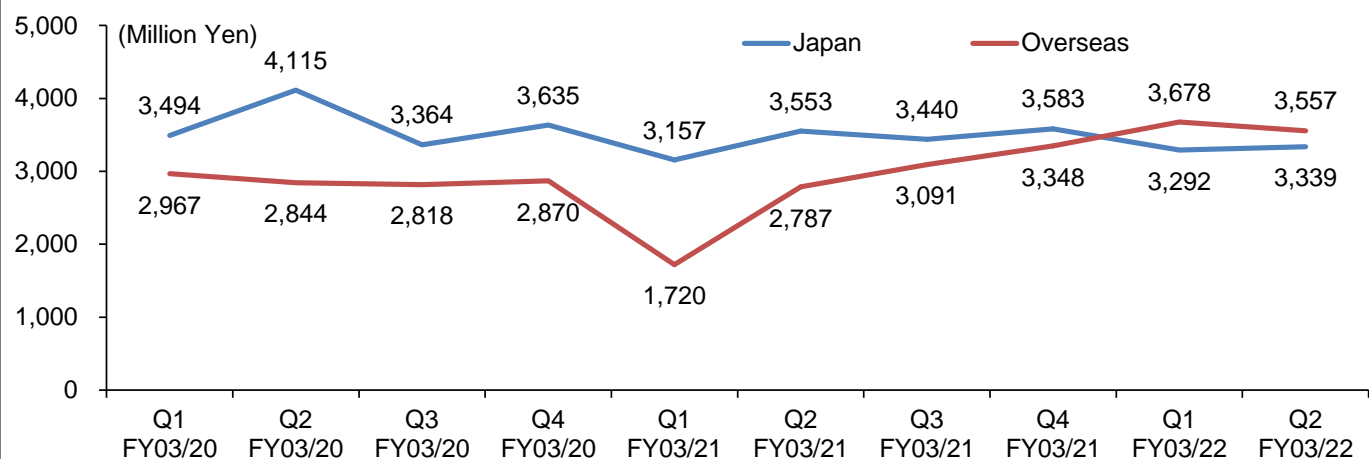
Source: Company Data

3.0 Recent Trading & Prospects

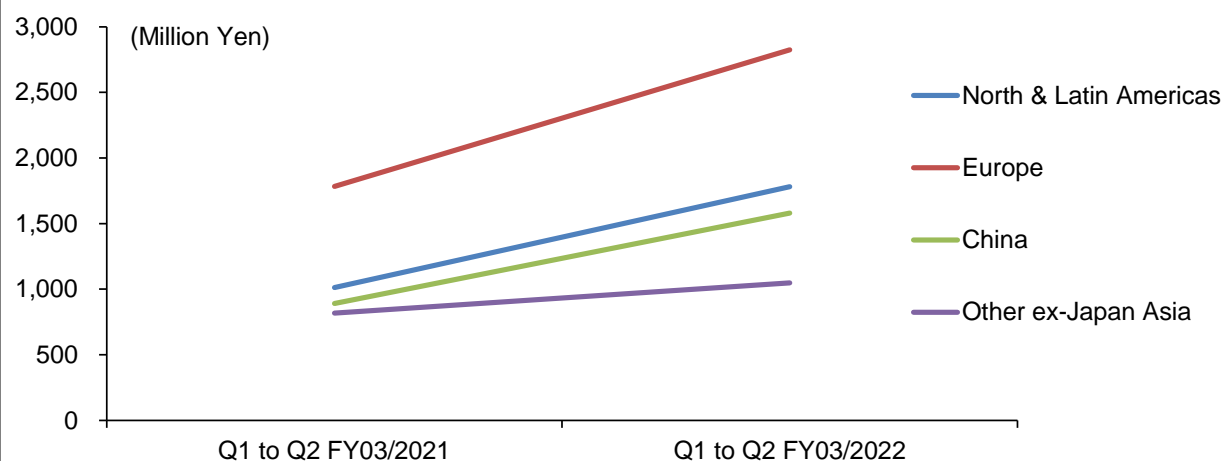
Q1 to Q2 FY03/2022

In Q1 to Q2 FY03/2022, sales came in at ¥13,867m (up 23.6% YoY), operating profit ¥2,000m (up 120.9%), recurring profit ¥2,130m (up 138.9%) and profit attributable to owners of parent ¥1,506m (up 164.9%), while operating profit margin 14.4% (up 6.4% points).

Sales (Japan and Overseas)



Sales Overseas (by region)



Source: Company Data, WRJ Calculation

Record High Earnings Renewed

As a result of surging sales and earnings over the same period of the previous year as above-mentioned, the Company saw record high sales and operating profit having been renewed for the period of Q1 to Q2, which was also applicable to recurring profit and profit attributable to owners of parent. By the way, the impacts of change in accounting standard (adopting Accounting Standard for Revenue Recognition from the beginning of the fiscal year) were minus ¥89m (0.6%) in sales and minus ¥75m (3.8%) in operating profit, while the impacts were almost nothing for recurring profit and profit attributable to owners of parent, according to the Company.

Japan and Overseas

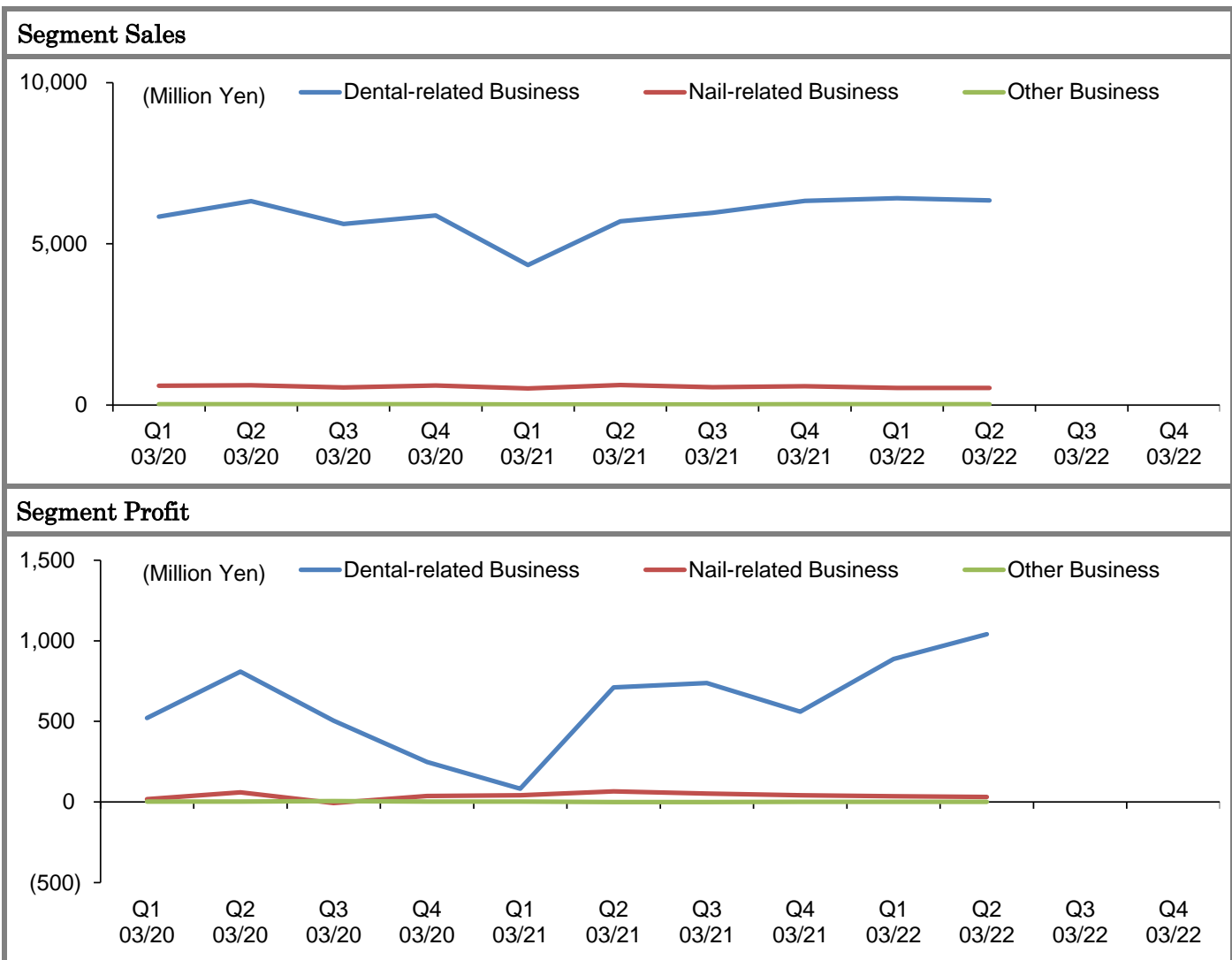
By region, sales in Japan came in at ¥6,631m (down 1.2%) and ¥7,235m (up 60.5%) for sales overseas. With respect to sales overseas, the Company saw some add-ons due to yen's depreciation, but the rate of increase on a local currencies basis is as large as 50.8%. Speaking of changes in sales overseas on a local currencies basis for each region, the Company saw increase of 46.0% in Europe, having driven sales overseas for the Company as a whole most significantly. In North & Latin Americas, the Company saw increase of 70.0%, implying that it saw cultivation of markets most rapid here. Further, in China, the Company saw increase of 64.2%, implying that the situation is almost as favorable as in North & Latin Americas. Lastly, the Company saw increase of 22.7% in Other ex-Japan Asia.

In Japan, sales on the Dental-related Business side came in at ¥5,942m (down 0.2%), ¥644m (down 10.2%) on the Nail-related Business and ¥44m (up 15.3%) on the Other Business (industrial abrasives). On the Dental-related Business side, the Company saw steady startup for sales of dental ivory adhesive "BeautiBond Xtreme", launched in the market after entering FY03/2022, while having seen continued strengths on sales of resin materials for dental cutting processing "SHOFU BLOCK HC HARD II", launched in the market for FY03/2021. Nevertheless, sales in Japan on the Dental-related Business side have failed to increase, given some negative impacts stemming from a suspension of stocking and selling of merchandises, such as imported dental ultrasonic therapy apparatus, etc. On the Nail-related Business side, sales are slowing for the mainstay gel nail products in response to demand from staying at home and spending, having peaked out.

For overseas, sales on the Dental-related Business side came in at ¥6,822m (up 66.9%) and ¥413m (down 1.1%) on the Nail-related Business side. On the Dental-related Business side, sales of existing products increased sharply mainly in North America, Europe and China as a result of the impacts stemming from COVID-19, having been gradually eased. In the first place, the Company has continuously focused on upgrading sales network and expanding product-supply system for own operations overseas, consistently capturing a recovery in demand overseas this time around.

According to the Company, surging sales were driven by a recovery in actual demand and inventory buildup at distributors, leading to a conservative stance with the Company for prospective demand in the near future. The Company directly sells to local distributors across the world and they used to keep the level of inventories held minimal due to the impacts stemming from COVID-19. Meanwhile, the Company sees a returning to appropriate level for this in response to a recovery in demand this time around, assuming that demand associated with the buildup is not to reappear for H2.

On the Nail-related Business side, meanwhile, the Company saw sales increased in the United States where it has succeeded in aggressive sales promotions through SNS, but it was more than offset by sales stagnated in Taiwan where the impacts stemming from COVID-19 have turned out to be substantial.

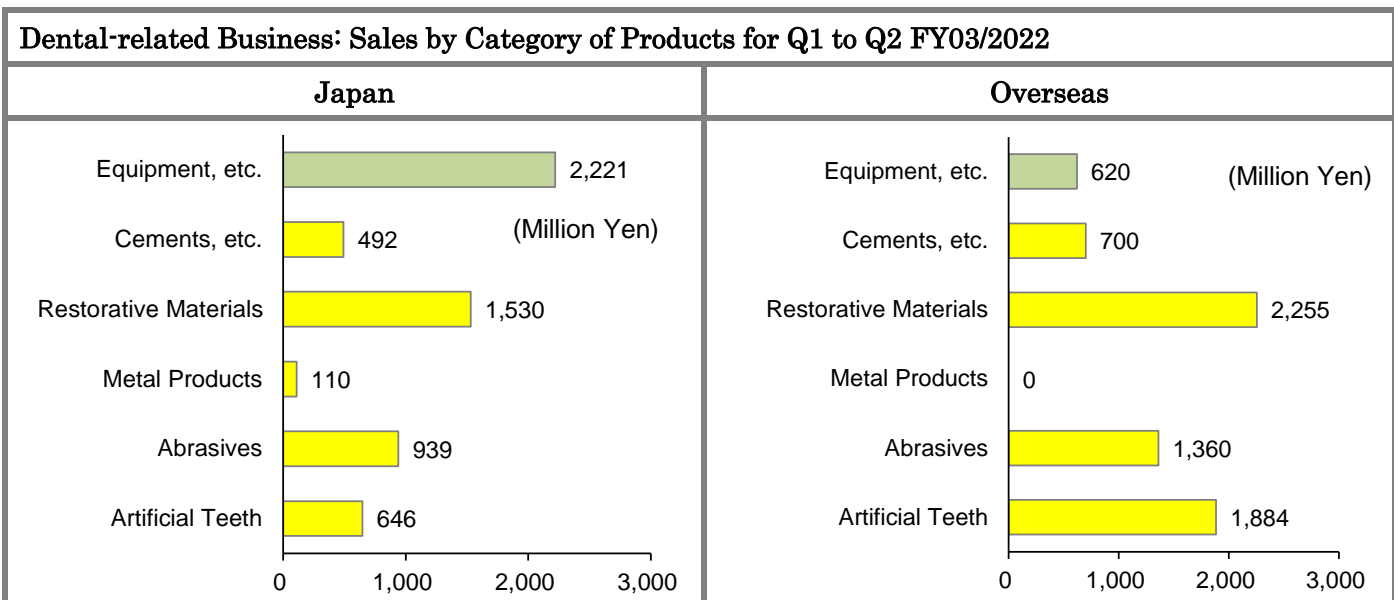


Source: Company Data, WRJ Calculation

Dental-related Business

By segment, Dental-related Business saw segment sales of ¥12,764m (up 27.1%), segment profit of ¥1,928m (up 143.2%) and segment profit margin of 15.1% (up 7.2%), having accounted for 92.0% of sales for the Company as a whole and 96.5% of segment profit (prior to elimination of inter-segment transactions). In other words, it should be the case that that the Company's performance as a whole hinges on that of the Dental-related Business side to a substantial extent.

Meanwhile, with respect to earnings for the Company as a whole, gross profit came in at ¥7,990m (up 29.0%) and SG&A expenses ¥5,989m (up 13.3%), implying gross profit margin of 57.6% (up 2.4% points) and sales to SG&A expenses ratio of 43.2% (down 3.9% points), having resulted in operating profit margin of 14.4% (up 6.4% points) as above-mentioned.



Source: Company Data, WRJ Calculation

Improved Sales Mix

For the Company as a whole, gross profit increased and gross profit margin improved, which is attributable to steadily increased sales accompanying improved sales mix on the Dental-related Business side. The Company suggests that sales overseas carry gross profit margin far higher than that of Japan in a respect that sales overseas principally comprise those of own products developed in-house, while sales for the Company as a whole increased due to those of overseas sharply increased on the Dental-related Business side as already mentioned. For sales of equipment, etc., mainly comprising those of stocking and selling of procured merchandises, the Company's exposure for sales is 37% in Japan versus 9% overseas, implying that sales overseas mainly comprise own products developed in-house, represented by restorative materials, abrasives and artificial teeth, where it is taken for granted to carry gross profit margin far higher than procured merchandises to be stocked and sold.

For the rise in SG&A expenses, the Company cites a reason that sales activities have been resumed in response to the impacts stemming from COVID-19 having gradually eased. However, the Company says that it suffered from ongoing postponement and/or cancellation of major exhibitions as well as that the implementation of measures to expand sales to dental professionals (dentists and/or dental technicians at dental technical factories), who are ultimate users, was delayed, having resulted in SG&A expenses rather smaller than initially expected. The Company says that this is creating a source of concerns as it means that the implementation of upfront investment with a view to expand sales in the future has been delayed. However, on the other hand, the Company says that it propelled sales activities on the web, having found that it can newly create access to latent customers which have not been spoken to, being one of the rare perceptions newly acquired amidst the ongoing COVID-19 situation.

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	Q1 to Q4	Net Chg.
(Million Yen)	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022	03/2022	Net Chg.
Sales	4,877	11,217	17,748	24,680	6,970	13,867	-	-	-	+2,650
Cost of Sales	2,187	5,023	7,941	11,083	3,089	5,877	-	-	-	+854
Gross Profit	2,690	6,193	9,806	13,596	3,881	7,990	-	-	-	+1,797
SG&A Expenses	2,561	5,287	8,109	11,296	2,952	5,989	-	-	-	+702
Operating Profit	128	905	1,697	2,300	929	2,000	-	-	-	+1,095
Non Operating Balance	(48)	(14)	93	223	77	130	-	-	-	+144
Recurring Profit	80	891	1,790	2,523	1,006	2,130	-	-	-	+1,239
Extraordinary Balance	-	-	(101)	(153)	(41)	(41)	-	-	-	(41)
Profit before Income Taxes	80	891	1,689	2,370	965	2,089	-	-	-	+1,198
Total Income Taxes	136	309	524	672	330	574	-	-	-	+265
NP Belonging to Non-Controlling SHs	2	12	18	24	4	8	-	-	-	(4)
Profit Attributable to Owners of Parent	(58)	568	1,146	1,674	630	1,506	-	-	-	+938
Sales YoY	(24.5%)	(16.4%)	(9.5%)	(5.5%)	+42.9%	+23.6%	-	-	-	-
Operating Profit YoY	(76.2%)	(36.0%)	(11.7%)	+4.1%	+620.9%	+120.9%	-	-	-	-
Recurring Profit YoY	(83.9%)	(28.2%)	(1.4%)	+26.9%	-	+138.9%	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	(27.8%)	(3.6%)	+137.5%	-	+164.9%	-	-	-	-
Gross Profit Margin	55.2%	55.2%	55.3%	55.1%	55.7%	57.6%	-	-	-	+2.4%
Sales to SG&A Expenses Ratio	52.5%	47.1%	45.7%	45.8%	42.4%	43.2%	-	-	-	(3.9%)
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	14.4%	-	-	-	+6.4%
Recurring Profit Margin	1.6%	7.9%	10.1%	10.2%	14.4%	15.4%	-	-	-	+7.4%
Profit Attributable to Owners of Parent Margin	(1.2%)	5.1%	6.5%	6.8%	9.0%	10.9%	-	-	-	+5.8%
Total Income Taxes / Profit before Income Taxes	170.0%	34.7%	31.0%	28.4%	34.2%	27.5%	-	-	-	(7.2%)

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	Q4	Net Chg.
(Million Yen)	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022	03/2022	Net Chg.
Sales	4,877	6,340	6,531	6,932	6,970	6,897	-	-	-	+557
Cost of Sales	2,187	2,836	2,918	3,142	3,089	2,788	-	-	-	(48)
Gross Profit	2,690	3,503	3,613	3,790	3,881	4,109	-	-	-	+606
SG&A Expenses	2,561	2,726	2,822	3,187	2,952	3,037	-	-	-	+311
Operating Profit	128	777	792	603	929	1,071	-	-	-	+294
Non Operating Balance	(48)	34	107	130	77	53	-	-	-	+19
Recurring Profit	80	811	899	733	1,006	1,124	-	-	-	+313
Extraordinary Balance	-	-	(101)	(52)	(41)	-	-	-	-	-
Profit before Income Taxes	80	811	798	681	965	1,124	-	-	-	+313
Total Income Taxes	136	173	215	148	330	244	-	-	-	+71
NP Belonging to Non-Controlling SHs	2	10	6	6	4	4	-	-	-	(6)
Profit Attributable to Owners of Parent	(58)	626	578	528	630	876	-	-	-	+250
Sales YoY	(24.5%)	(8.9%)	+5.7%	+6.5%	+42.9%	+8.8%	-	-	-	-
Operating Profit YoY	(76.2%)	(11.0%)	+56.5%	+108.7%	+620.9%	+37.8%	-	-	-	-
Recurring Profit YoY	(83.9%)	+9.3%	+57.2%	+321.3%	-	+38.6%	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	+15.7%	+44.5%	-	-	+39.9%	-	-	-	-
Gross Profit Margin	55.2%	55.3%	55.3%	54.7%	55.7%	59.6%	-	-	-	+4.3%
Sales to SG&A Expenses Ratio	52.5%	43.0%	43.2%	46.0%	42.4%	44.0%	-	-	-	+1.0%
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	15.5%	-	-	-	+3.3%
Recurring Profit Margin	1.6%	12.8%	13.8%	10.6%	14.4%	16.3%	-	-	-	+3.5%
Profit Attributable to Owners of Parent Margin	(1.2%)	9.9%	8.9%	7.6%	9.0%	12.7%	-	-	-	+2.8%
Total Income Taxes / Profit before Income Taxes	170.0%	21.3%	26.9%	21.7%	34.2%	21.7%	-	-	-	+0.4%

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 03/2021	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		
Dental-related Business	4,341	10,042	16,005	22,334	6,419	12,764	-	-	+2,722	
Nail-related Business	517	1,136	1,686	2,268	528	1,058	-	-	(78)	
Other Business	19	38	56	76	23	44	-	-	+6	
Sales	4,877	11,217	17,748	24,680	6,970	13,867	-	-	+2,650	
Dental-related Business	82	793	1,531	2,091	887	1,928	-	-	+1,135	
Nail-related Business	42	108	160	201	36	67	-	-	(41)	
Other Business	2	1	0	2	0	1	-	-	0	
Segment Profit	127	902	1,692	2,294	924	1,997	-	-	+1,095	
Intersegment Transactions	1	2	4	5	4	2	-	-	0	
Operating Profit	128	905	1,697	2,300	929	2,000	-	-	+1,095	
Dental-related Business	1.9%	7.9%	9.6%	9.4%	13.8%	15.1%	-	-	+7.2%	
Nail-related Business	8.1%	9.5%	9.5%	8.9%	6.8%	6.3%	-	-	(3.2%)	
Other Business	10.5%	2.6%	1.6%	2.6%	1.3%	2.3%	-	-	(0.4%)	
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	14.4%	-	-	+6.4%	

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 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021	Q1 03/2022	Q2 03/2022	Q3 03/2022	Q4 03/2022		
Dental-related Business	4,341	5,701	5,963	6,329	6,419	6,345	-	-	+644	
Nail-related Business	517	619	550	582	528	530	-	-	(89)	
Other Business	19	19	18	20	23	21	-	-	+2	
Sales	4,877	6,340	6,531	6,932	6,970	6,897	-	-	+557	
Dental-related Business	82	711	738	560	887	1,041	-	-	+330	
Nail-related Business	42	66	52	41	36	31	-	-	(35)	
Other Business	2	(1)	(0)	1	0	0	-	-	+1	
Segment Profit	127	775	790	602	924	1,072	-	-	+297	
Intersegment Transactions	1	1	2	1	4	(2)	-	-	(3)	
Operating Profit	128	777	792	603	929	1,070	-	-	+293	
Dental-related Business	1.9%	12.5%	12.4%	8.8%	13.8%	16.4%	-	-	+3.9%	
Nail-related Business	8.1%	10.7%	9.5%	7.0%	6.8%	5.8%	-	-	(4.8%)	
Other Business	10.5%	(5.3%)	(0.6%)	5.5%	1.3%	3.3%	-	-	+8.6%	
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	15.5%	-	-	+3.3%	

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 03/2021	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	7,349	-	-	+1,914	
Accounts Receivables	2,716	3,071	2,840	3,205	3,273	3,212	-	-	+141	
Inventory	7,394	7,195	7,190	7,077	7,255	7,469	-	-	+274	
Other	705	521	600	604	500	666	-	-	+145	
Current Assets	15,972	16,222	16,698	17,829	18,219	18,696	-	-	+2,474	
Tangible Assets	7,726	7,753	7,914	8,008	8,189	8,170	-	-	+417	
Intangible Assets	301	372	376	340	351	364	-	-	(8)	
Investments and Other Assets	9,607	10,204	10,154	11,635	11,450	11,561	-	-	+1,357	
Fixed Assets	17,635	18,330	18,444	19,983	19,991	20,096	-	-	+1,766	
Total Assets	33,607	34,553	35,143	37,813	38,210	38,792	-	-	+4,239	
Accounts Payables	584	580	799	898	783	686	-	-	+106	
Short Term Debt	457	413	415	682	950	844	-	-	+431	
Other	2,523	2,354	2,279	2,632	2,899	2,832	-	-	+478	
Current Liabilities	3,564	3,347	3,493	4,212	4,632	4,362	-	-	+1,015	
Long Term Debt	1,659	1,590	1,520	1,190	850	768	-	-	(822)	
Other	1,629	1,798	1,876	2,212	2,136	2,112	-	-	+314	
Fixed Liabilities	3,288	3,388	3,396	3,402	2,986	2,880	-	-	(508)	
Total Liabilities	6,853	6,735	6,889	7,614	7,619	7,242	-	-	+507	
Shareholders' Equity	24,390	25,073	25,509	26,037	26,295	27,227	-	-	+2,154	
Other	2,364	2,744	2,745	4,161	4,296	4,322	-	-	+1,578	
Net Assets	26,754	27,817	28,254	30,198	30,591	31,549	-	-	+3,732	
Total Liabilities & Net Assets	33,607	34,553	35,143	37,813	38,210	38,792	-	-	+4,239	
Equity Capital	26,600	27,658	28,089	30,024	30,412	31,385	-	-	+3,727	
Interest Bearing Debt	2,116	2,003	1,935	1,872	1,800	1,612	-	-	(391)	
Net Debt	(3,041)	(3,432)	(4,133)	(5,071)	(5,391)	(5,737)	-	-	(2,305)	
Equity Ratio	79.2%	80.0%	79.9%	79.4%	79.6%	80.9%	-	-	-	
Net Debt Equity Ratio	(11.4%)	(12.4%)	(14.7%)	(16.9%)	(17.7%)	(18.3%)	-	-	-	
ROE (12 months)	1.6%	1.9%	2.5%	6.2%	8.3%	8.8%	-	-	-	
ROA (12 months)	4.9%	5.0%	5.9%	7.5%	9.6%	10.3%	-	-	-	
Days for Inventory Turnover	308	231	224	205	214	244	-	-	-	
Quick Ratio	221%	254%	255%	241%	226%	242%	-	-	-	
Current Ratio	448%	485%	478%	423%	393%	429%	-	-	-	

Source: Company Data, WRJ Calculation

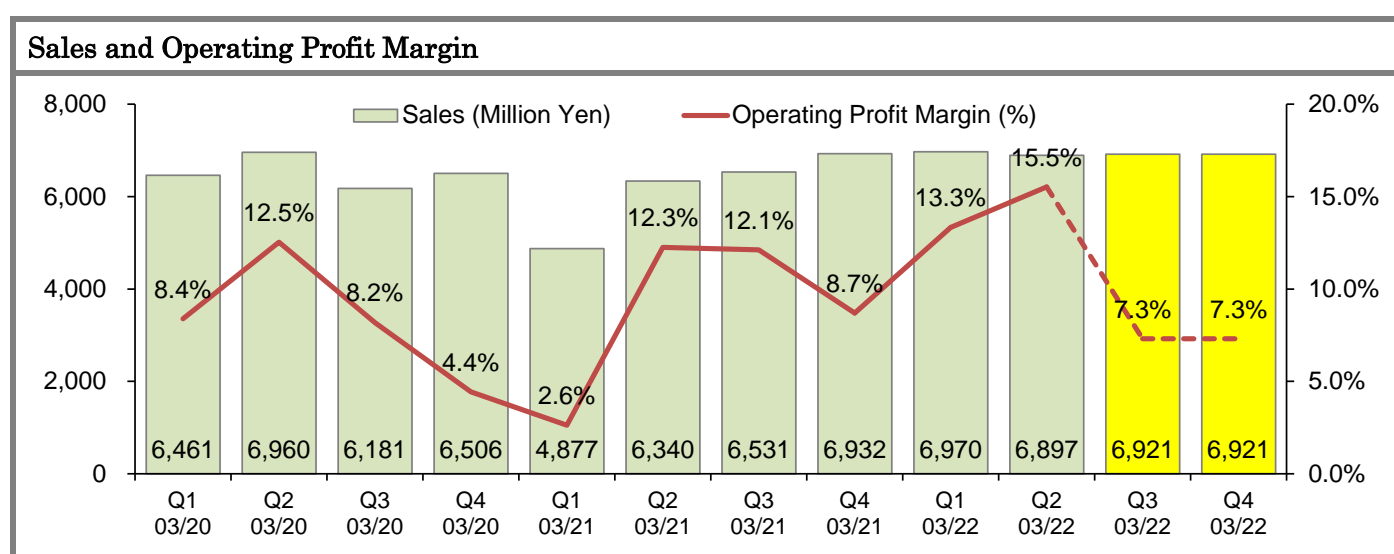
Cash Flow Statement (Cumulative)

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 03/2021	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	-	1,544	-	-	+744	
Investing Cash Flow	-	(3,540)	-	(4,081)	-	(648)	-	-	+2,892	
Operating Cash Flow and Investing Cash Flow	-	(2,740)	-	(1,252)	-	896	-	-	+3,636	
Financing Cash Flow	-	3,359	-	3,023	-	(678)	-	-	(4,037)	

Source: Company Data, WRJ Calculation

FY03/2022 Company Forecasts

FY03/2022 Company forecasts (announced on 26 October 2021) are going for prospective sales of ¥27,710m (up 12.3% YoY), operating profit of ¥3,011m (up 30.9%), recurring profit of ¥3,199m (up 26.8%) and profit attributable to owners of parent of ¥2,227m (up 33.0%), while operating profit margin of 10.9% (up 1.5% points). On top of this, Company forecasts are also going for prospective ROE of 7.2% (up 1.0% point). Elsewhere, 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 25.5%. By the way, the impacts of change in accounting standard (adopting Accounting Standard for Revenue Recognition from the beginning of the fiscal year) are assumed being minus ¥178m (0.6%) in sales and minus ¥151m (5.0%) in operating profit, while the impacts are assumed to be almost nothing for recurring profit and profit attributable to owners of parent, according to the Company.



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

Overshooting

Initial Company forecasts (announced on 14 May 2021) were exceeded for Q1 to Q2, by ¥1,059m (8.3%) in sales and ¥1,305m (187.7%) in operating profit, implying a major overshooting for earnings in particular. According to the Company, the impacts stemming from COVID-19 for Q1 to Q2 were rather smaller than initially expected for sales overseas, having resulted in sales for the Company as a whole larger during the same period. At the same time, the impacts stemming from COVID-19 restricted the Company's sales activities, which caused SG&A expenses to deviate downward from the baseline scenario, having resulted in a major overshooting for earnings.

Upward Revision

Meanwhile, full-year Company forecasts have been revised up due to the overshooting for Q1 to Q2, by ¥1,605m (6.1%) in prospective sales and ¥1,212m (67.4%) in operating profit, when compared with initial Company forecasts (announced on 14 May 2021) and thus prospective sales revised up by ¥545m (4.1%) but operating profit revised down by ¥93m (8.4%) for H2, consequently, implying prospective sales of ¥13,843m (up 2.8% YoY), operating profit of ¥1,011m (down 27.5%) and operating profit margin of 7.3% (down 3.1% points) during the same period, when simply based on the current full-year Company forecasts and the Q1 to Q2 results.

Assumptions of Company Forecasts

For prospective sales, full-year Company forecasts assume that the impacts stemming from COVID-19 will not worsen more than the current situation and that the market condition will gradually recover. By region, prospective sales in Japan are ¥13,519m (down 1.6%) and sales overseas ¥14,191m (up 29.6%). For prospective earnings for the Company as a whole, Company forecasts assume gross profit of ¥15,952m (up 17.3%) and SG&A expenses of ¥12,941m (up 14.6%), implying gross profit margin of 57.6% (up 2.5% points) and sales to SG&A expenses ratio of 46.7% (up 0.9% points). Meanwhile, Company forecasts assume add-ons of no less than ¥383m, stemming from yen's depreciation, at the operating level.

Forex Rate							
Forex Rate	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.Act FY	Cons.CoE FY	YoY
(Yen)	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
US Dollar	109.03	110.81	110.69	109.10	106.17	110.99	+4.82
Euro	119.37	129.45	128.43	121.14	123.73	130.46	+6.73
GBP	143.04	147.27	145.68	138.51	138.68	151.54	+12.86
Chinese Yuan	16.56	16.64	16.69	15.85	15.44	16.89	+1.45
US Dollar (YoY)	(9.3%)	+1.6%	(0.1%)	(1.4%)	(2.7%)	+4.5%	-
Euro (YoY)	(9.8%)	+8.4%	(0.8%)	(5.7%)	+2.1%	+5.4%	-
GBP (YoY)	(20.8%)	+3.0%	(1.1%)	(4.9%)	+0.1%	+9.3%	-
Chinese Yuan (YoY)	(13.8%)	+0.5%	+0.3%	(5.0%)	(2.6%)	+9.4%	-

Source: Company Data, WRJ Calculation

Meanwhile, it appears that the performance for the Company as a whole will hinge on that of the Dental-related Business side by segment as in the case of Q1 and Q2. With respect to improvement in gross profit margin for the Company as a whole, increased sales accompanying improved sales mix on the Dental-related Business side are likely to contribute as in the case of Q1 to Q2. For the background of increase in SG&A expenses, it is implied that the Company takes it a good opportunity to resume sales activities in earnest for restrictions on them due to the impacts stemming from COVID-19 being gradually eased. That is to say, Company forecasts are going for increase in personnel expenses, R&D expenses, etc. for the sake of enhancing sales for the future, while the increase will be accelerated with add-ons of initial costs on startup of utilization of new production facilities in Vietnam, according to the Company.

Dividend Policy

Speaking of dividend policy, it has been the case for a while that the Company is going for target to achieve payout ratio of 30% or more (with the lower end of ¥18.00 per share on a full-year basis), while the target has been achieved with no exceptions to date. Meanwhile, for the period of Fourth Midterm Management Plan (FY03/2022 to FY03/2024), including FY03/2022, the Company is going for another target of achieving dividend-on-equity (DOE) ratio of 1.7% with the aim of implementing shareholder returns that take equity efficiency into account at the same time. Furthermore, the Company is going for target of achieving dividend-on-equity (DOE) ratio of 2.5% or more from a longer-term perspective, while mentioning a condition to realize ROE of 8.0% or more for this target to be achieved. Fourth Midterm Management Plan assumes ROE of 4.1% for FY03/2022, 4.4% for FY03/2023 and 5.8% for FY03/2024. More importantly, however, the latest FY03/2022 Company forecasts are currently going for prospective ROE of 7.2%, as above-mentioned.

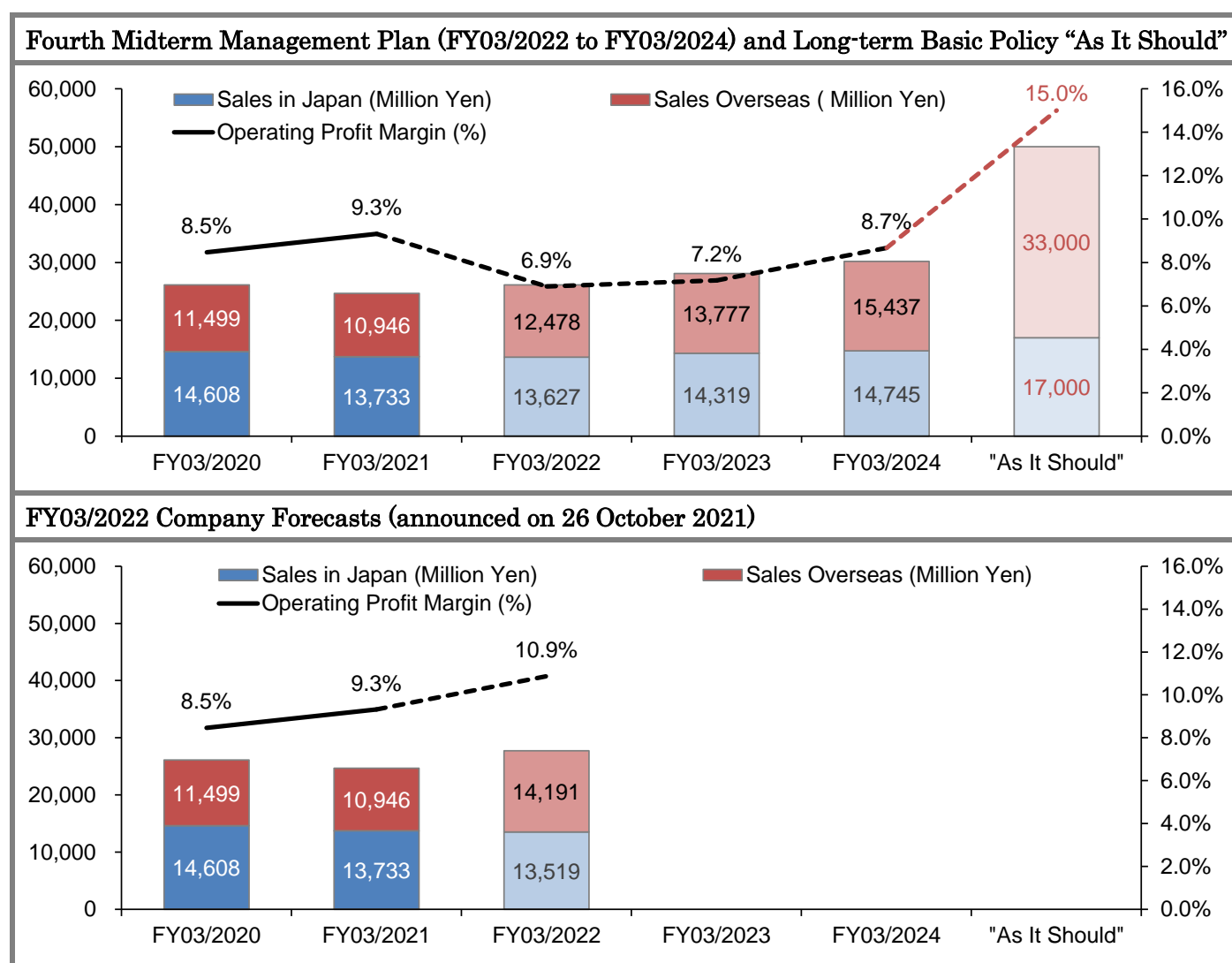
FY03/2022 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2022CoE	14-May-21	Q4 Results	26,105	1,799	1,837	1,234
FY03/2022CoE	28-Jul-21	Revision	27,102	2,246	2,357	1,575
		Amount of Gap	996	447	519	340
		Rate of Gap	3.8%	24.9%	28.3%	27.6%
FY03/2022CoE	4-Aug-21	Q1 Results	27,102	2,246	2,357	1,575
FY03/2022CoE	26-Oct-21	Revision	27,710	3,011	3,199	2,227
		Amount of Gap	608	764	841	652
		Rate of Gap	2.2%	34.0%	35.7%	41.4%
FY03/2022CoE	4-Nov-21	Q2 Results	27,710	3,011	3,199	2,227
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY03/2022CoE	14-May-21	Q4 Results	26,105	1,799	1,837	1,234
FY03/2022CoE	4-Nov-21	Q2 Results	27,710	3,011	3,199	2,227
		Amount of Gap	1,605	1,212	1,362	993
		Rate of Gap	6.1%	67.4%	74.1%	80.5%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY03/2022CoE	14-May-21	Q4 Results	12,807	695	698	370
Q1 to Q2 FY03/2022CoE	28-Jul-21	Revision	13,599	1,462	1,544	1,008
		Amount of Gap	791	767	845	638
		Rate of Gap	6.2%	110.3%	121.1%	172.4%
Q1 to Q2 FY03/2022CoE	4-Aug-21	Q1 Results	13,599	1,462	1,544	1,008
Q1 to Q2 FY03/2022CoE	26-Oct-21	Revision	13,867	2,000	2,130	1,506
		Amount of Gap	267	538	585	498
		Rate of Gap	2.0%	36.8%	37.9%	49.4%
Q1 to Q2 FY03/2022Act	4-Nov-21	Q2 Results	13,867	2,000	2,130	1,506
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Q1 to Q2 FY03/2022CoE	14-May-21	Q4 Results	12,807	695	698	370
Q1 to Q2 FY03/2022Act	4-Nov-21	Q2 Results	13,867	2,000	2,130	1,506
		Amount of Gap	1,060	1,305	1,432	1,136
		Rate of Gap	8.3%	187.8%	205.2%	307.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY03/2022CoE	14-May-21	Q4 Results	13,298	1,104	1,139	864
Q3 to Q4 FY03/2022CoE	28-Jul-21	Revision	13,503	784	813	567
		Amount of Gap	205	(320)	(326)	(297)
		Rate of Gap	1.5%	(29.0%)	(28.6%)	(34.4%)
Q3 to Q4 FY03/2022CoE	4-Aug-21	Q1 Results	13,503	784	813	567
Q3 to Q4 FY03/2022CoE	26-Oct-21	Revision	13,843	1,011	1,069	721
		Amount of Gap	340	227	256	154
		Rate of Gap	2.5%	29.0%	31.5%	27.2%
Q3 to Q4 FY03/2022CoE	4-Nov-21	Q2 Results	13,843	1,011	1,069	721
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
Q3 to Q4 FY03/2022CoE	14-May-21	Q4 Results	13,298	1,104	1,139	864
Q3 to Q4 FY03/2022CoE	4-Nov-21	Q2 Results	13,843	1,011	1,069	721
		Amount of Gap	545	(93)	(70)	(143)
		Rate of Gap	4.1%	(8.4%)	(6.1%)	(16.6%)

Source: Company Data, WRJ Calculation

Long-Term Prospects

With the long-term basic policy “As It Should”, the Company aims to expand its operations overseas by means of significantly shifting the allocation of management resources to overseas, while maintaining and/or expanding its operations in Japan. For the performance target, the Company is calling for prospective sales of ¥50,000m (¥17,000m in Japan and ¥33,000m overseas), operating profit of ¥7,500m and operating profit margin of 15.0% for the foreseeable future. The Company is to globalize all the divisions, operations (R&D, manufacture, sales promotions, etc.), personnel and ultimately management as a whole. Meanwhile, on 14 May 2021, the Company has announced Fourth Midterm Management Plan (FY03/2022 to FY03/2024), which is based on an idea of the long-term basic policy “As It Should” and appears to be equivalent to the process of achieving the above-mentioned performance target for the foreseeable future.



Source: Company Data, WRJ Calculation

Overshooting for the First Year

Meanwhile, as mentioned earlier, Company forecasts (announced on 26 October 2021) for FY03/2022, i.e., the first year of Fourth Midterm Management Plan (FY03/2022 to FY03/2024), has been revised up. In light of the fact that earnings are particularly running ahead to a significant extent, it appears that the Company has started to consider revising up Fourth Midterm Management Plan.

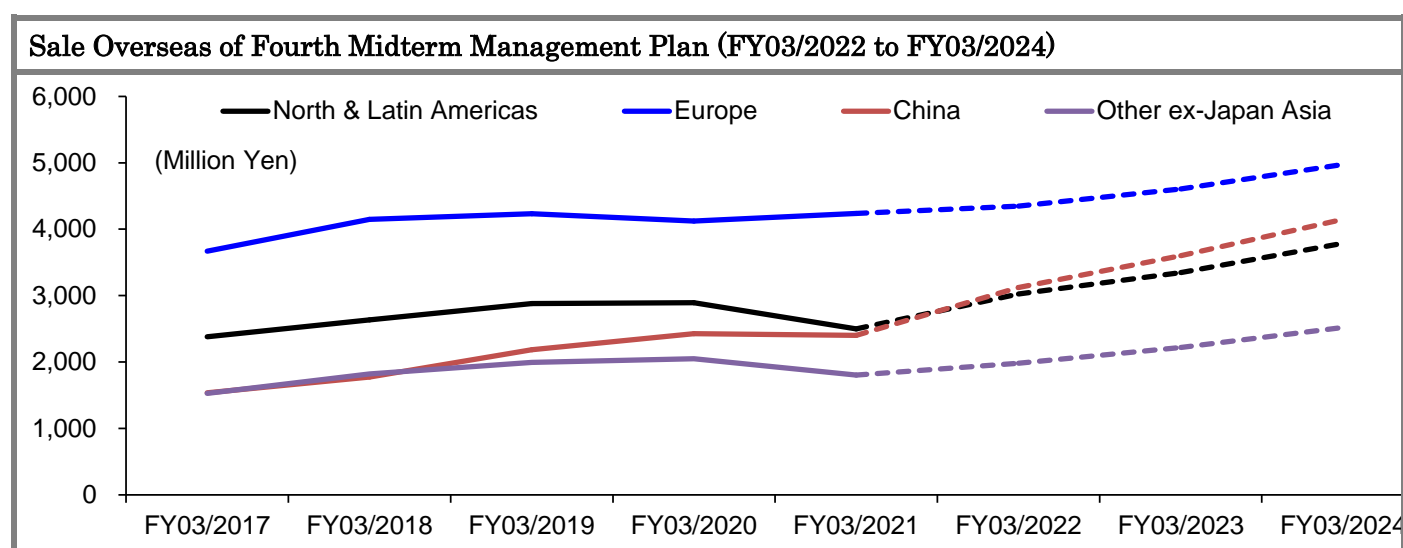
Market Outlook

According to the Company, the market for dental care in Japan will maintain a certain size for the future, but it is unlikely to grow significantly. The elderly population is increasing, but the current situation is that it does not necessarily lead to an expansion of the market for dental care. Meanwhile, the total population and caries are on a downward trend. However, going forward, demand related to periodontal diseases, aesthetics and prevention is expected to continue increasing. In other words, the Company expects a contribution from heightened awareness of oral hygiene.

Meanwhile, there is currently market overseas for dental care that is some 14 times the market in Japan. Moreover, the Company believes that this may reach 20 times or more even when differences in local price levels are considered at a stage that is more or less 10 years from now. In light of the prospects related to economic growth and improving living standards in emerging countries and other regions overseas, the market overseas for dental care is said to have the potential to show dramatic expansion for the future.

Contribution to Dentistry of the World through Innovative Business Activities

The Company, running its operations with the corporate philosophy of “Contribution to Dentistry of the World through Innovative Business Activities”, has revealed its above-mentioned awareness, while mentioning that the degree of contribution and presence of the Company on a global basis in the history leading up to the present situation has not yet reached an adequate level. For the Company, the scale of sales is positioned as a barometer of contribution, while what is cited as a standard for achieving an adequate presence is to be ranked within the 10th for market share on a global basis. For the sake of achieving this, the Company is now eager to achieve the target of performance in the long-term basic policy “As It Should”, which is expected to be a basis of realizing the level of contribution and presence of the Company to reach that of being envisioned in the corporate philosophy.



Source: Company Data, WRJ Calculation

Fourth Midterm Management Plan

Fourth Midterm Management Plan (FY03/2022 to FY03/2024) is calling for prospective sales of ¥30,182m, operating profit of ¥2,618m, operating profit margin of 8.7% for FY03/2024, the final year of the plan, as the performance target, while ROE of 5.8% at the same time. During the period, sales are to see CAGR of 6.9% and 4.4% for earnings, while 2.4% for sales in Japan versus 12.1% for sales overseas.

By means of running operations based on the long-term basic policy “As It Should”, it is anticipated that sales overseas will increase favorably. Sales in China are expected to drive sales overseas most significantly, which is followed by sales in North & Latin Americas, accounting for some 40% and some 30%, respectively, out of overall net increase in sales overseas during the period as far as we could see. From a long-term perspective, the Company aims at sales promotions across the region on a global basis, while it appears that the Company tends to focus on sales promotions in superpowers represented by China and the United States from a midterm or short-term perspective, where the Company sees high efficiency in sales promotions.

Meanwhile, in light of the achievement of operating profit margin of 9.3% in the results of FY03/2021, it is expected that the relatively low level of operating profit margin will continue during the period of Fourth Midterm Management Plan (FY03/2022 to FY03/2024). However, based on the background noted above, it has been disclosed to date that operating profit margin for FY03/2022 is now expected to exceed assumptions to a significant extent. Still, the performance target for FY03/2023 and FY03/2024 has remained unchanged, i.e., 7.2% and 8.7%, respectively, in terms of operating profit margin. At the same time, the plan assumes a strategic investment line for FY03/2023 and FY03/2024, equating to some 1% of sales for each, cutting back on prospective operating profit margin to a corresponding extent. A strategic investment line is nothing but buffer in expenses based on a conservative standpoint.

Priorities

For the sake of achieving the target performance of Fourth Midterm Management Plan (FY03/2022 to FY03/2024), the Company will make progress for priorities as follows. Meanwhile, the Company plans to take immediate steps to address all those priorities by promoting alliances with external entities, as found in that of capital and business (formed in May 2020) with Mitsui Chemicals, Inc. (the Company’s largest shareholder) and Sun Medical Company, Ltd or dental material manufacturer under its umbrella, while promoting M&A and building a group-governance structure at the same time.

On the R&D side, the Company will focus on development of new products that meet the demand and needs of each region overseas. In particular, it is said that the Company will strengthen its development aimed at middle layered products and high-volume ones in each region, which is expected to drive sales overseas from a long-term perspective. At the same time, the Company is also keen on development of products to create new markets in new domains, such as those of CAD/CAM-related and those of 3D printers.

On the manufacturing side, Company mentions that it will focus on startup of operations on a full-fledged basis in production facilities in Vietnam, established in April 2020, which is expected to contribute a lot to reallocation of production bases for the Company as a whole and expansion in manufacturing overseas for the future. At the initial stage, the Company plans to start up with the manufacture of abrasives for market overseas, mainly for China, while gradually increasing the number of items to manufacture, eventually fostering this into a key production base for the Company. It appears that a remarkable move to expand its manufacturing overseas is now taking place after a while since having consolidated Merz Dental GmbH (based in Germany) as subsidiary in April 2015.

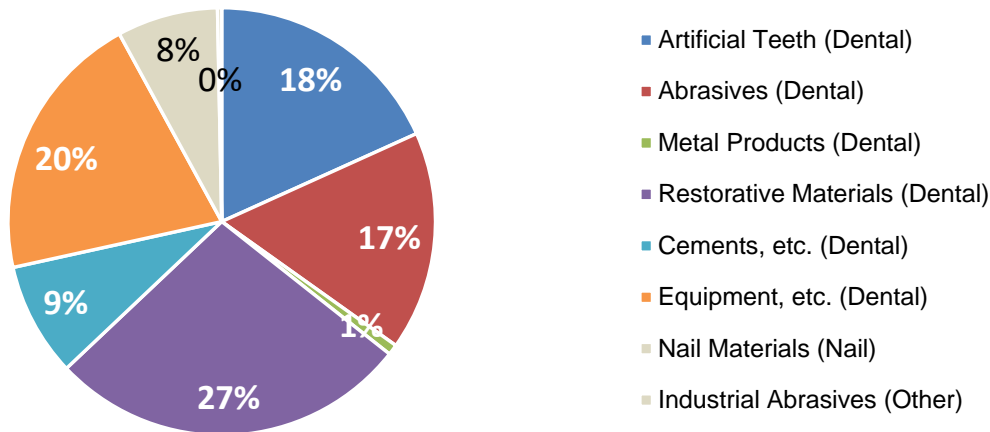
On the sales promotions side, the most important priority is placed on maintaining and strengthening continuous efforts to build a system in which the superiority of the Company's products is fully recognized by dental professionals (dentists and/or dental technicians at dental technical factories), who are ultimate customers, by actively engaging in MDR activities. MDR stands for Medical Dental Representative, while MDR activities represent those of fostering MDR who can explain the superiority of the Company's products from a specialist point of view and make them assume responsibility for sales promotions. At the same time, the Company is developing its sales agent network and establishing new sales bases across region on a global basis. For example, in April 2021, the Company established representative office in Dubai (United Arab Emirates) to develop market in the Middle East and Africa.

4.0 Business Model

Dental-related Business

The Company runs Dental-related Business as the overwhelming source of earnings, comprising operations to develop, manufacture and sell dental materials & equipment in Japan and overseas. The Company is comprehensively involved with dental materials & equipment and thus developing, manufacturing and selling products belonging to diverse domains. By category of products, they are as follows.

Sales Breakdown by Category of Products for Q1 to Q2 FY03/2022



Source: Company Data, WRJ Calculation

Artificial teeth (18% of sales) are materials for dentures and false teeth, while abrasives (17%) those for grinding affected areas and/or polishing dental crowns. Metal products (1%) are materials used as foundations for dental crowns and false teeth. Restorative materials (27%) are those of being used in diverse applications, comprising those of false teeth, filling of affected areas, denture bases, etc. Cements, etc. (9%) represent materials for luting false teeth and/or filling. All those dental materials are of development in-house by the Company, while equipment, etc. (20%) mainly comprises a variety of machineries and/or instruments for practicing dental care and manufacturing technical materials to be stocked and sold, represented by CAD/CAM-related equipment and digital oral imaging device.

Meanwhile, sales of CAD/CAM-related materials (resin materials for dental cutting processing / ceramics for dental cutting processing) had been included in those of equipment, etc. by FY03/2020, although they are of development in-house. Starting in FY03/2021, resin materials for dental cutting processing have been reallocated to restorative materials and artificial teeth for ceramics for dental cutting processing, while the data retroactively adjusted for the results of FY03/2020 have been also disclosed.

Mainstay Products of Dental-related Business

Artificial Teeth



Ceramic Teeth



Ceramics for Dental Cutting Processing



Resin Teeth



Dental Porcelains Metals

Abrasives



Diamond



Silicon Carbide



Rubber



Other

Restorative Materials



Composite Resins



For Crowns



Resin Materials for Dental Cutting Processing



For Denture Bases

Cements, etc.



Luting Cements



Filling Cements



Embedding Materials



Gypsums

Equipment, etc.



Digital Oral Imaging Device



Dental Multipurpose Ultrasonic Therapy Device



Lip Closure Force Measuring Instrument



CAD/CAM-related Equipment

Source: Company Data

5.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Sales	22,305	24,031	24,915	26,108	24,680	27,710	+3,030
Cost of Sales	9,357	10,267	10,469	11,423	11,083	11,758	+675
Gross Profit	12,947	13,763	14,445	14,685	13,596	15,952	+2,356
SG&A Expenses	11,564	12,266	12,631	12,474	11,296	12,941	+1,645
Operating Profit	1,382	1,497	1,814	2,210	2,300	3,011	+711
Non Operating Balance	(241)	68	(105)	(222)	223	188	(35)
Recurring Profit	1,141	1,565	1,709	1,988	2,523	3,199	+676
Extraordinary Balance	-	(208)	-	(804)	(153)	-	-
Profit before Income Taxes	1,141	1,357	1,709	1,184	2,370	-	-
Total Income Taxes	299	478	512	460	672	-	-
NP Belonging to Non-Controlling SHs	5	1	(4)	18	24	-	-
Profit Attributable to Owners of Parent	836	877	1,201	704	1,674	2,227	+553
Sales YoY	(2.9%)	+7.7%	+3.7%	+4.8%	(5.5%)	+12.3%	-
Operating Profit YoY	(11.9%)	+8.3%	+21.1%	+21.9%	+4.1%	+30.9%	-
Recurring Profit YoY	(18.1%)	+37.2%	+9.2%	+16.4%	+26.9%	+26.8%	-
Profit Attributable to Owners of Parent YoY	+6.0%	+4.8%	+36.9%	(41.3%)	+137.5%	+33.0%	-
Gross Profit Margin	58.0%	57.3%	58.0%	56.2%	55.1%	57.6%	+2.5%
Sales to SG&A Expenses Ratio	51.8%	51.0%	50.7%	47.8%	45.8%	46.7%	+0.9%
Operating Profit Margin	6.2%	6.2%	7.3%	8.5%	9.3%	10.9%	+1.5%
Recurring Profit Margin	5.1%	6.5%	6.9%	7.6%	10.2%	11.5%	+1.3%
Profit Attributable to Owners of Parent Margin	3.7%	3.6%	4.8%	2.7%	6.8%	8.0%	+1.3%
Total Income Taxes/Profit before Income Taxes	26.2%	35.2%	30.0%	38.9%	28.4%	-	-

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Dental-related Business	20,267	21,446	22,446	23,665	22,334	25,447	+3,112
Nail-related Business	1,944	2,485	2,372	2,355	2,268	2,171	(96)
Other Business	93	98	96	87	76	91	+15
Sales	22,305	24,031	24,915	26,108	24,680	27,710	+3,030
Dental-related Business	1,380	1,410	1,797	2,083	2,091	-	-
Nail-related Business	(25)	63	(5)	107	201	-	-
Other Business	22	17	16	13	2	-	-
Segment Profit	1,376	1,491	1,807	2,204	2,294	-	-
Intersegment Transactions	5	6	6	6	5	-	-
Operating Profit	1,382	1,497	1,814	2,210	2,300	3,011	+711
Dental-related Business	6.8%	6.6%	8.0%	8.8%	9.4%	-	-
Nail-related Business	(1.3%)	2.5%	(0.2%)	4.5%	8.9%	-	-
Other Business	23.7%	17.3%	16.7%	14.9%	2.6%	-	-
Operating Profit Margin	6.2%	6.2%	7.3%	8.5%	9.3%	10.9%	+1.5%

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	YoY Net Chg.
Cash and Deposit	4,997	5,733	4,890	4,862	6,943	-	-
Accounts Receivables	3,138	3,285	3,354	3,187	3,205	-	-
Inventory	5,365	5,871	6,207	6,730	7,077	-	-
Other	786	456	524	637	604	-	-
Current Assets	14,286	15,345	14,975	15,416	17,829	-	-
Tangible Assets	6,682	6,588	7,100	7,689	8,008	-	-
Intangible Assets	1,538	1,279	1,132	310	340	-	-
Investments and Other Assets	6,345	7,676	6,953	6,417	11,635	-	-
Fixed Assets	14,566	15,545	15,186	14,417	19,983	-	-
Total Assets	28,853	30,890	30,161	29,834	37,813	-	-
Accounts Payables	612	744	669	831	898	-	-
Short Term Debt	505	500	849	558	682	-	-
Other	2,098	2,419	2,302	2,291	2,632	-	-
Current Liabilities	3,215	3,663	3,820	3,680	4,212	-	-
Long Term Debt	1,225	986	125	678	1,190	-	-
Other	2,116	2,084	1,832	1,538	2,212	-	-
Fixed Liabilities	3,341	3,070	1,957	2,216	3,402	-	-
Total Liabilities	6,556	6,733	5,778	5,897	7,614	-	-
Shareholders' Equity	19,949	20,522	21,409	21,715	26,037	-	-
Other	2,347	3,635	2,974	2,221	4,161	-	-
Net Assets	22,296	24,157	24,383	23,936	30,198	-	-
Total Liabilities & Net Assets	28,853	30,890	30,161	29,834	37,813	-	-
Equity Capital	22,185	24,035	24,250	23,786	30,024	-	-
Interest Bearing Debt	1,730	1,486	974	1,236	1,872	-	-
Net Debt	(3,267)	(4,247)	(3,916)	(3,626)	(5,071)	-	-
Equity Ratio	76.9%	77.8%	80.4%	79.7%	79.4%	-	-
Net Debt Equity Ratio	(14.7%)	(17.7%)	(16.1%)	(15.2%)	(16.9%)	-	-
ROE (12 months)	3.8%	3.8%	5.0%	2.9%	6.2%	7.2%	-
ROA (12 months)	4.0%	5.2%	5.6%	6.6%	7.5%	-	-
Days for Inventory Turnover	209	208	216	215	233	-	-
Quick Ratio	253%	246%	216%	219%	241%	-	-
Current Ratio	444%	419%	392%	419%	423%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2017	FY 03/2018	FY 03/2019	FY 03/2020	FY 03/2021	FY 03/2022	YoY Net Chg.
Operating Cash Flow	2,308	1,936	1,468	1,942	2,829	-	-
Investing Cash Flow	(1,052)	(772)	(1,519)	(1,768)	(4,081)	-	-
Operating Cash Flow and Investing Cash Flow	1,256	1,164	(51)	174	(1,252)	-	-
Financing Cash Flow	(835)	(592)	(844)	(224)	3,023	-	-

Source: Company Data, WRJ Calculation

Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
No. of Shares FY End (thousand shares)	16,114	16,114	16,114	16,114	17,894	-	-
Net Profit / EPS (thousand shares)	15,891	15,888	15,899	15,913	17,385	-	-
Treasury Shares FY End (thousand shares)	230	216	211	169	133	-	-
Earnings Per Share	52.61	55.20	75.54	44.24	96.29	125.26	-
Earnings Per Share (Fully Diluted)	52.29	54.83	74.99	43.93	95.68	-	-
Book Value Per Share	1,396.74	1,511.85	1,524.92	1,491.81	1,690.45	-	-
Dividend Per Share	20.00	20.00	23.00	26.00	29.00	32.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	52.61	55.20	75.54	44.24	96.29	125.26	-
Book Value Per Share	1,396.74	1,511.85	1,524.92	1,491.81	1,690.45	-	-
Dividend Per Share	20.00	20.00	23.00	26.00	29.00	32.00	-
Payout Ratio	38.0%	36.2%	30.4%	58.8%	30.1%	25.5%	-

Source: Company Data, WRJ Calculation

6.0 Other Information

100th Anniversary

The Company, running its operations with corporate philosophy of “Contribution to Dentistry of the World through Innovative Business Activities”, was inaugurated on 15 May 1922 with the establishment of SHOFU DENTAL Mfg. Co., Ltd.(capital of ¥250,000). Under the management by Kajo Shofu the third, the first president, the Company began manufacturing artificial teeth since then. So far, the Company has continued to ceaselessly conduct R&D and consistently introduced a number of innovative dental materials & equipment "first in Japan" and/or "first in the world" to the market.

Coinciding with establishment of the universal health insurance system in the 1960s, the Company urged along progress of dentistry in Japan, which was followed by startup of market development on a global basis, represented by establishment of sales companies in the United States and Germany, commencement of local production in Taiwan and other issues in the 1970s, having created the foundations for development of market overseas and remarkable growth in recent years.

Meanwhile, in July 1963, the Company became public, registered on the over-the-counter market, clarifying its stance that "we are a public entity for society" with a high public profile in the domain of dentistry. Thereafter, the Company made a series of step-ups with the listing on the Second Section of Osaka Stock Exchange (November 1989), the Second Section of Tokyo Stock Exchange (February 2007) and the First Section of Tokyo Stock Exchange (March 2012), having applied for market selection to the "prime market" in the TSE reorganization scheduled for (April) 2022, the 100th anniversary (as found in the Company press release on 8 December 2021). In addition to proactively responding to the requirements of being listed on the “prime market”, the Company aims to increase its contribution to dentistry of the world with its operations, while beefing up its presence at the same time, by means of marking further progress in development on a global basis, realizing sustainable growth and increasing corporate value over the long term.

For the Smiling Faces of the World with Shining White Teeth

According to the Company, the Japanese economy is now undergoing a major transformation of its social structure, namely a shrinking population and an aging. Meanwhile, in order to build an affluent, healthy, longevity society, the health of the teeth, which are the entry point for food, is becoming increasingly important. Recent studies have shown that dental diseases affect general health, increasing awareness of the importance of dental care. Against this backdrop, the Company intends to further enhance its overall competitiveness to lead the industry and contribute to global dentistry by developing, manufacturing and selling dependable "SHOFU" branded products. In other words, all employees for the Company as a whole will cooperate with each other for the smiling faces of the world where white teeth shine, striving and taking on challenges every day in accordance with the founder's spirit.

Company History (extract)

Date	Events
May 1922	Kajo Shofu, the first president, founded SHOFU DENTAL Mfg. Co., Ltd. (capital of ¥250,000) at the present location and began manufacturing artificial teeth.
July 1963	Registered on the OTC market with the Osaka Regional Section of the Japan Securities Dealers Association.
January 1971	Established local subsidiary SHOFU Dental Corp. in California, United States.
February 1972	Established SHOFU Products Corp. at the present location as spinoff of trade division (absorbed by the Company in April 1986)
December 1973	Established SHIGA SHOFU INC. in Shigaraki-cho, Koka-gun, Shiga-prefecture to where the manufacturing was transferred mainly for artificial teeth (resin teeth).
May 1975	Injected capital into 大興有限公司 in Taiwan (renamed SHOFU DENTAL TAIWAN COMPANY LTD in 1985) to which part of the manufacturing of artificial teeth (resin teeth) was transferred. (dissolved in March 2005)
December 1978	Established German subsidiary SHOFU Dental GmbH near Dusseldorf.
April 1980	Established local subsidiary SHOFU Dental Co.(Singapore) Pte., Ltd. in Singapore. (liquidated in March 1989)
April 1983	Company name changed to “SHOFU INC.”.
November 1989	Listed on the Second Section of Osaka Stock Exchange and Kyoto Stock Exchange (absorbed by Osaka Stock Exchange in March 2001).
June 1991	Acquired Advanced Healthcare Ltd., based in England.
May 1997	Acquired additional shares in Shoken Inc. (renamed SHOFU PRODUCTS KYOTO INC. in July 2014) and made it subsidiary.
April 2003	Registered establishment of SHANGHAI SHOFU DENTAL MATERIAL CO., LTD, local subsidiary in Shanghai, China.
November 2004	Started operations of SHANGHAI SHOFU DENTAL MATERIAL CO., LTD, local subsidiary in China.
February 2005	Made Shoken Inc. (renamed SHOFU PRODUCTS KYOTO INC. in July 2014) wholly owned subsidiary through share exchange.
August 2005	Established local subsidiary, SHOFU DENTAL TRADING (SHANGHAI) CO.,LTD., in Shanghai, China.
February 2007	Listed on the Second Section of Tokyo Stock Exchange.
February 2008	Acquired shares in NAIL LABO CORPORATION and made it subsidiary.
May 2009	Formed capital and business alliance with Mitsui Chemicals, Inc. and Sun Medical Company, Ltd.
June 2009	Delisted from the Second Section of Osaka Stock Exchange.
July 2009	Established local subsidiary Shofu Dental Equipment Trading (Shanghai) Co., Ltd. in Shanghai, China.
March 2012	Advanced to the First Section of Tokyo Stock Exchange.
April 2013	Established Singapore-based subsidiary SHOFU Dental Asia-Pacific Pte.Ltd.
March 2014	Newly established SHOFU S-WAVE CAD/CAM Processing Center in Kumiyama-cho, Kuze-gun, Kyoto-prefecture.

Date	Events
December 2014	Established 台湾娜拉波股份有限公司, joint venture in Taipei-city, Taiwan.
April 2015	Established subsidiary, SHOFU BIOFIX INC., in Bunkyo-ku, Tokyo.
April 2015	Acquired shares in German company, Merz Dental GmbH, and made it subsidiary..
January 2017	Established subsidiary SHOFU Dental Brasil Comercio de Produtos Odontologicos Ltda in Sao Paulo-city, Brazil.
April 2017	Established local subsidiary, SHOFU Dental India Pvt.Ltd. in New Delhi-city, India.
May 2020	Established local subsidiary, SHOFU Products Vietnam Co, Ltd., in Hanam Province, Vietnam.
June 2020	Formed capital and business alliance with Mitsui Chemicals, Inc. and Sun Medical Company, Ltd, Conducted third-party allotment of shares to Mitsui Chemicals, Inc. and became equity-method affiliate of Mitsui Chemicals, Inc. Acquired shares in Sun Medical Company, Ltd, (currently, consolidated subsidiary of Mitsui Chemicals, Inc.) and made it equity-method affiliate.

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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