

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 (YoY change for FY03/2022; after impacts from adoption of new accounting standard)

1.0 Results Update (8 November 2021)

Surging Overseas

On 4 November 2021, SHOFU, developing, manufacturing and selling dental materials & equipment in Japan and overseas, released its Q1 to Q2 FY03/2022 results. It has been revealed that surging sales overseas are bringing in a major improvement for earnings. The impacts stemming from COVID-19 have eased overseas, driving sales of existing products, mainly in North America, Europe and China. For all those regions overseas, the Company suggests that it has been seeing increased local market shares, partly because of the lack of supply of products by peers in there. The Company, which is committed to contributing to dentistry around the world, appears to be steadily capturing a rapid recovery in local demand as it has been steadily strengthening its local product-supply system on top of developing its sales network in various regions overseas. Meanwhile, Company forecasts for H2 (October 2021 to March 2022) appear being based on conservative assumptions, considering the possibility that temporary demand may have been generated due to the accumulation of distribution inventories, etc. We are to watch the Company's financial results briefing on the web, scheduled for Thursday, 24 November, which will be followed by our interview with management on the next day, so that we should be able to update [SHOFU \(7979\) Contributing to Dentistry around the World \(5 July 2020\)](#) and release anew.

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

2.0 Company Profile

Comprehensive Manufacturer of Dental Materials & Equipment

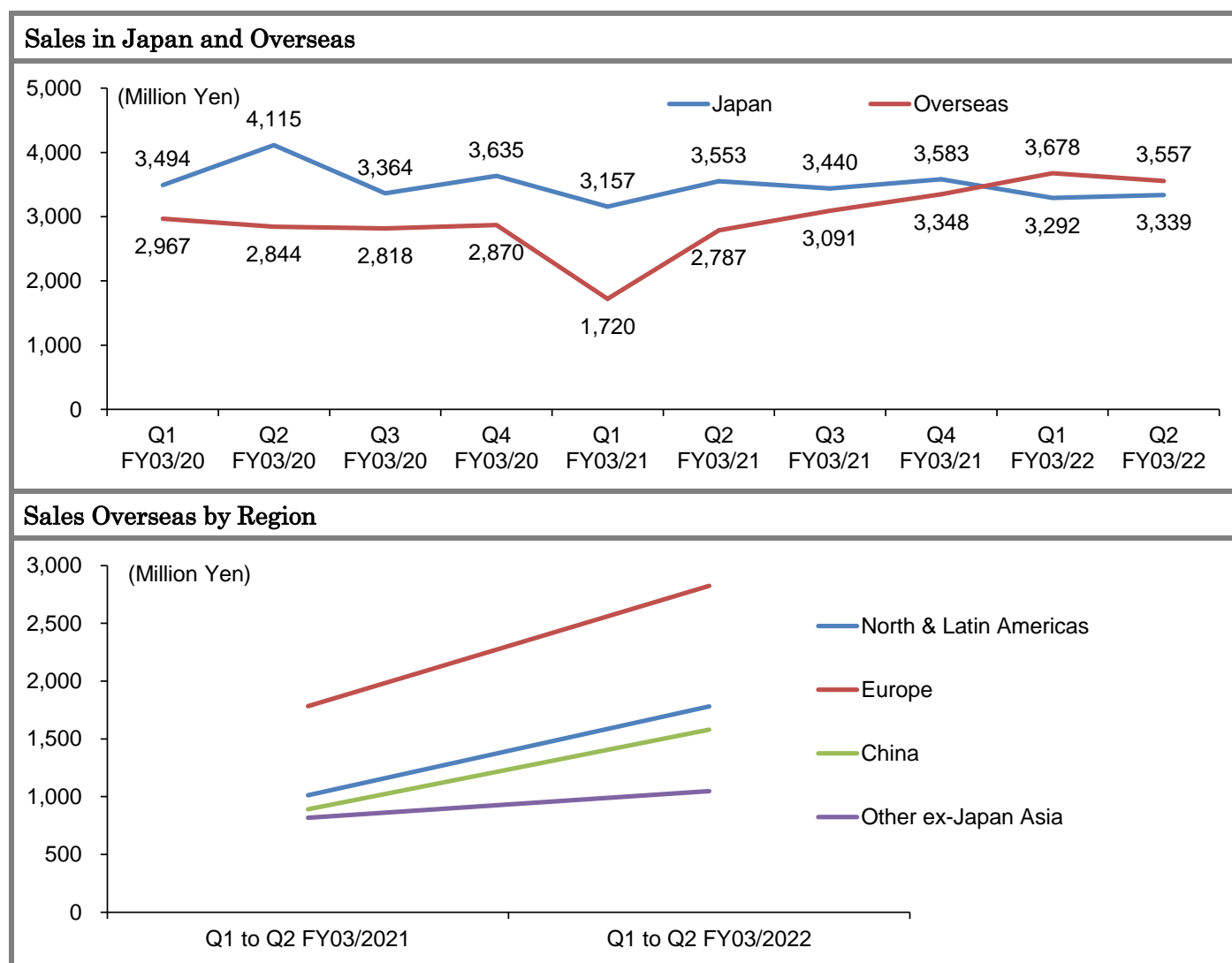
Company Name	SHOFU INC. Company Website IR Information Share Price (Japanese)	
Established	15 May 1922	
Listing	25 July 1963: Tokyo Stock Exchange 1st section (ticker: 7979)	
Capital	¥5,968m (as of the end of September 2021)	
No. of Shares	17,894,089 shares, including 105,013 treasury shares (as of the 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 and 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). The impacts of change in accounting standard were rather limited, i.e., sales were cut by ¥89m (0.6%) and by ¥75m (3.8%) for operating profit, while virtually unaffected for recurring profit.



Source: Company Data, WRJ Calculation

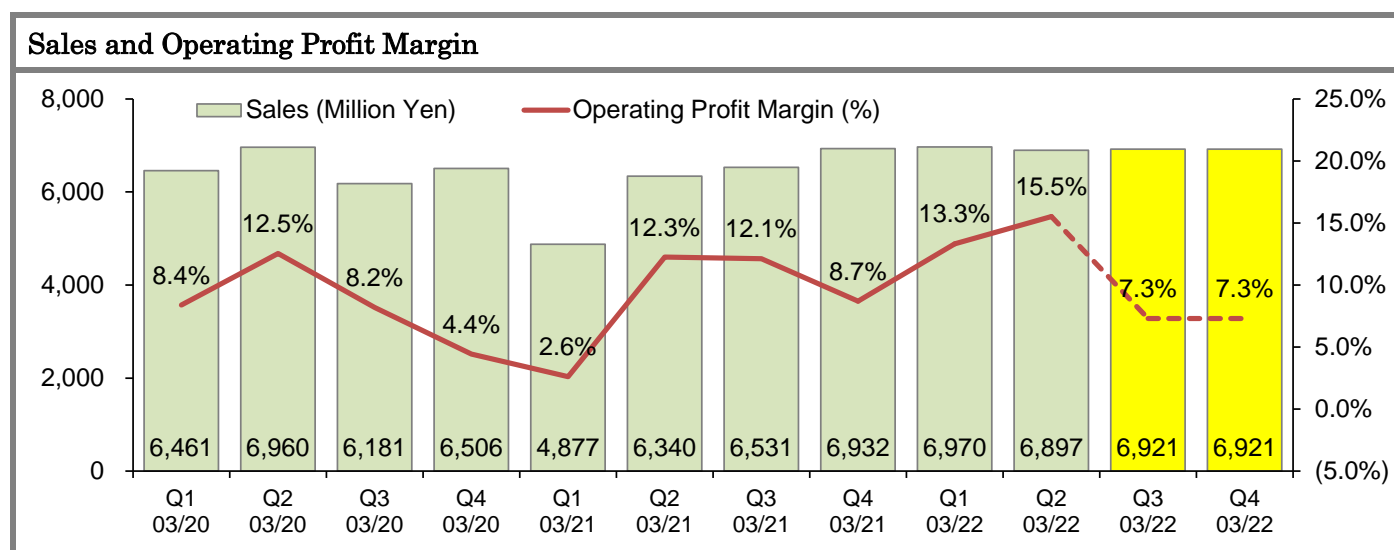
By region, sales in Japan came in at ¥6,631m (down 1.2%) and sales overseas ¥7,235m (up 60.5%). There is an aspect that yen's depreciation has additionally driven sales overseas. Still, sales overseas increased by 50.8% on a local currencies basis, implying that the Company is steadily capturing a rebound in local demand.

In Japan, the Company saw steady startup for sales of dental ivory adhesive “Beauty Bond 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 as a whole for the Company 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.

Meanwhile, sales overseas by region on a local currencies basis have performed as follows. For the mainstay Europe, sales increased by 46.0%, having contributed to increase in sales overseas as a whole most substantially. Meanwhile, for North & Latin Americas, sales increased by 70.0%, implying that the Company is cultivating the local markets most rapidly in there. At the same time, sales increased by 64.2% for China, suggesting that the situation is almost the same as in North & Latin Americas.

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). 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, while implying payout ratio of 25.5%.



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

Initial Company forecasts (announced on 14 May 2021) were exceeded in Q1 to Q2, by ¥1,059m (8.3%) for sales and ¥1,305m (187.7%) for operating profit. Meanwhile, Company forecasts for H2 have been revised up by ¥545m (4.1%) for sales, while having been revised down by ¥93m (8.4%) for operating profit.

According to the Company, sales in Q1 to Q2 were better due to the impacts stemming from COVID-19 smaller than assumed in initial Company forecasts for the said period. Meanwhile, at the same time, the Company spots an aspect that SG&A expenses have fallen short of in line with restriction of the Company's sales activities as a result of the impacts stemming from COVID-19. This appears to have been the key background for Company forecasts having been exceeded massively for earnings.

Still, Company forecasts for H2 appear being based on conservative assumptions, for prospective earnings in particular, considering the possibility that temporary demand may have been generated due to the accumulation of distribution inventories or that the impacts stemming from COVID-19 may re-enlarge for the future.

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	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		Net Chg.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022	03/2022	
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

8

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

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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