

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 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 FY03/2021		17,748	1,697	1,790	1,146	-	-	-
Q1 to Q3 FY03/2022		21,014	2,980	3,274	2,346	-	-	-
Q1 to Q3 FY03/2022	YoY	18.4%	75.6%	82.9%	104.7%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (7 February 2022)

Recovery also in Japan

On 4 February 2022, SHOFU, developing, manufacturing and selling dental materials & equipment in Japan and overseas, released its Q1 to Q3 FY03/2022 results. It has been revealed that sales and earnings are surging, driven by recovery in sales of the mainstay dental materials in Japan on top of ongoing rapid recovery in sales overseas, having resulted in renewal of record highs in sales and earnings across the board for the period of Q1 to Q3. For H2 (October 2021 to March 2022), there was a concern that sales overseas were to adjust, which has proven unfounded to date. That is to say, the Company was worried about an inevitable probability for reactionary decline in sales overseas to materialize for H2 after an episodic surge in demand due to so-called inventory buildup amongst local distributors, but it did not take place for Q3 (October to December) and the situations have not changed so far in Q4 (January to March), according to the Company. Meanwhile, the Company suggests that it has been successfully launching new products in Japan for a while. At the end of the day, the Company saw progress rate having reached almost 100% in the period of Q1 to Q3 against full-year Company forecasts (announced on 26 October 2021) in terms of earnings, partly because of delayed spending of SG&A expenses in some parts.


The Company's business model based on the Q2 FY03/2022 results, etc.:

- [SHOFU \(7979\) Steadily Capturing \(21 December 2021\)](#)

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

2.0 Company Profile

Comprehensive Manufacturer of Dental Materials & Equipment

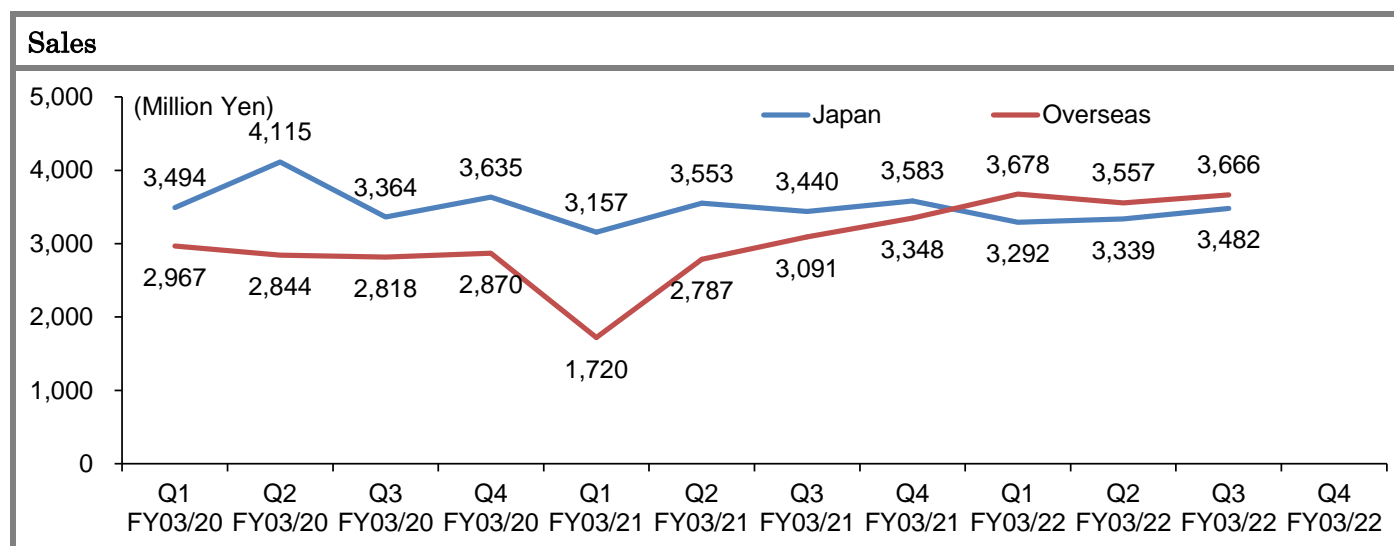
Company Name	SHOFU INC. Company Website IR Information Share Price (Japanese)	 SHOFU INC. <small>PROVEN PRODUCTS FOR BETTER DENTISTRY</small>
Established	15 May 1922	
Listing	29 March 2012: Tokyo Stock Exchange 1st section (ticker: 7979) 15 February 2007: Tokyo Stock Exchange 2nd section 9 November 1989: 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 December 2021)	
No. of Shares	17,894,089 shares, including 105,013 treasury shares (as of the end of Dec. 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: 1,251, Parent: 478 (as of the end of December 2021)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY03/2022

In Q1 to Q3 FY03/2022, sales came in at ¥21,014m (up 18.4% YoY), operating profit ¥2,980m (up 75.6%), recurring profit ¥3,274m (up 82.9%) and profit attributable to owners of parent ¥2,346m (up 104.7%), while operating profit margin 14.2% (up 4.6% points). For the impacts stemming from introduction of Accounting Standard for Revenue Recognition since the beginning of the year, the Company suggests minus ¥140m (0.7%) for sales and minus ¥115m (3.9%) for operating profit, while virtually unaffected for recurring profit and profit attributable to owners of parent.



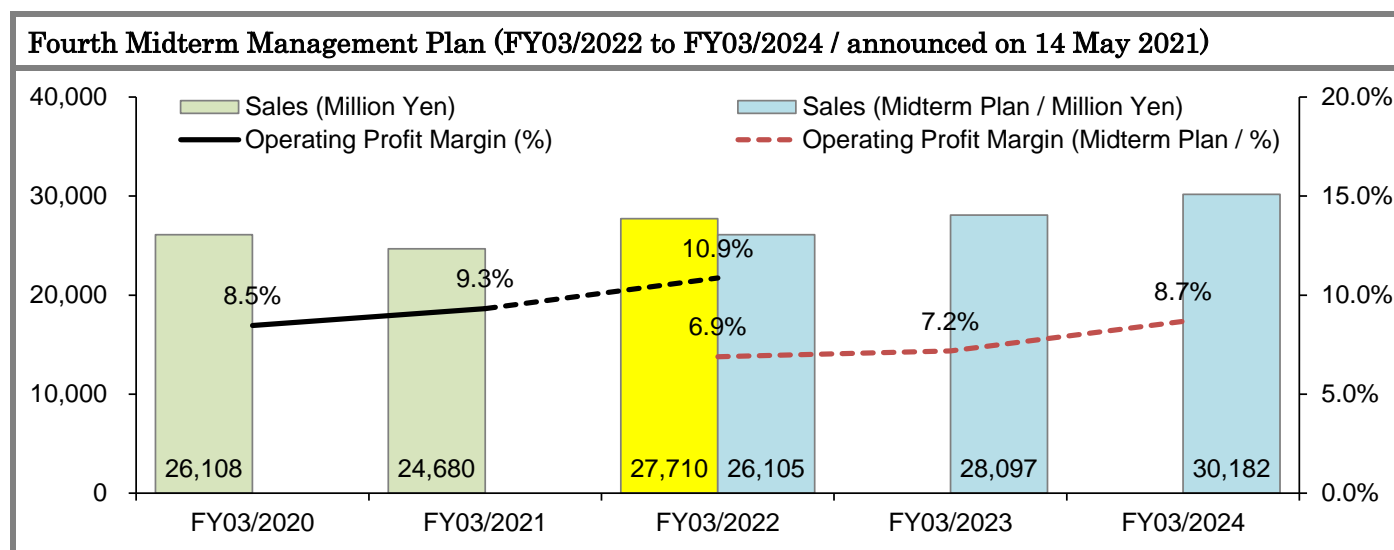
Source: Company Data, WRJ Calculation

In Japan, sales came in at ¥10,113m (down 0.4%). On the Dental-related Business side, which is the overwhelmingly important earnings pillar for the Company as a whole, the Company sees a recovery in sales of the mainstay dental materials, which was more than offset by the impacts stemming from a suspension of stocking and selling of merchandise such as imported dental ultrasonic therapy apparatus, etc. and those of decreased sales on the Nail-related Business side at the same time. On top of this, the above-mentioned change in accounting gave impacts intensively to sales in Japan, according to the Company. With respect to dental materials, the Company sees steady startup for sales of dental ivory adhesive “BeutiBond Xtreme”, launched in the marketplace after entering FY03/2022, while seeing continued strengths on sales of resin materials for dental cutting processing SHOFU BLOCK HC HARD II, launched in the marketplace for FY03/2021. As far as we could see, it appears that sales of dental materials have increased by some 5% to 6% over the same period of the previous year, when the impacts stemming from change in accounting being excluded.

Meanwhile, sales overseas came in at ¥10,901m (up 43.5%), having increased by 34.1% on a local currencies basis, according to the Company. In other words, sales overseas were driven by yen's depreciation as well as by a factor that the Company has continued steadily capturing recovery in demand for dental materials overseas at the same time. According to the Company, sales of existing products are firm particularly in North America, Europe and China, while sales overseas are favorable across the regions. More importantly, strengths in sales overseas, mainly exposed to dental materials to carry gross profit margin relatively higher by product category, are improving sales mix for the Company as a whole, which is another factor for surging earnings together with the positive impacts from effect on increased sales.

FY03/2022 Company Forecasts

FY03/2022 Company forecasts (announced on 26 October 2021) have remained unchanged, 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 have also remained unchanged for prospective annual dividend, going for ¥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%.



Source: Company Data, WRJ Calculation

For Q1 to Q3, the Company saw progress rate of 75.8% for sales and 99.0% for operating profit, implying that full-year Company forecasts have been almost achieved for prospective earnings. However, the Company points out that this has a lot to do with delayed timing for spending on SG&A expenses. When compared with assumptions of the above Company forecasts, spending on SG&A expenses for Q1 to Q3 fell short of mainly for R&D expenditures and expenses for operating activities by as much as some ¥250m, collectively, which is assumed to bring forth an add-on to a corresponding extent to SG&A expenses for Q4. Meanwhile, assuming that the above-mentioned Company forecasts will be met, the Company is to see a startup better than expected for the first year of Fourth Midterm Management Plan (FY03/2022 to FY03/2024 / announced on 14 May 2021). In other words, it appears that the impacts stemming from COVID-19 will be smaller than initially assumed for FY03/2022.

4.0 Financial Statements

Income Statement (Cumulative/Quarterly)

Income 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		
Sales	4,877	11,217	17,748	24,680	6,970	13,867	21,014	-	-	+3,266
Cost of Sales	2,187	5,023	7,941	11,083	3,089	5,877	8,864	-	-	+923
Gross Profit	2,690	6,193	9,806	13,596	3,881	7,990	12,149	-	-	+2,343
SG&A Expenses	2,561	5,287	8,109	11,296	2,952	5,989	9,169	-	-	+1,060
Operating Profit	128	905	1,697	2,300	929	2,000	2,980	-	-	+1,283
Non Operating Balance	(48)	(14)	93	223	77	130	294	-	-	+201
Recurring Profit	80	891	1,790	2,523	1,006	2,130	3,274	-	-	+1,484
Extraordinary Balance	-	-	(101)	(153)	(41)	(41)	(40)	-	-	+61
Profit before Income Taxes	80	891	1,689	2,370	965	2,089	3,234	-	-	+1,545
Total Income Taxes	136	309	524	672	330	574	872	-	-	+348
NP Belonging to Non-Controlling SHs	2	12	18	24	4	8	14	-	-	(4)
Profit Attributable to Owners of Parent	(58)	568	1,146	1,674	630	1,506	2,346	-	-	+1,200
Sales YoY	(24.5%)	(16.4%)	(9.5%)	(5.5%)	+42.9%	+23.6%	+18.4%	-	-	-
Operating Profit YoY	(76.2%)	(36.0%)	(11.7%)	+4.1%	+620.9%	+120.9%	+75.6%	-	-	-
Recurring Profit YoY	(83.9%)	(28.2%)	(1.4%)	+26.9%	-	+138.9%	+82.9%	-	-	-
Profit Attributable to Owners of Parent YoY	-	(27.8%)	(3.6%)	+137.5%	-	+164.9%	+104.7%	-	-	-
Gross Profit Margin	55.2%	55.2%	55.3%	55.1%	55.7%	57.6%	57.8%	-	-	+2.6%
Sales to SG&A Expenses Ratio	52.5%	47.1%	45.7%	45.8%	42.4%	43.2%	43.6%	-	-	(2.1%)
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	14.4%	14.2%	-	-	+4.6%
Recurring Profit Margin	1.6%	7.9%	10.1%	10.2%	14.4%	15.4%	15.6%	-	-	+5.5%
Profit Attributable to Owners of Parent Margin	(1.2%)	5.1%	6.5%	6.8%	9.0%	10.9%	11.2%	-	-	+4.7%
Total Income Taxes/Profit before Income Taxes	170.0%	34.7%	31.0%	28.4%	34.2%	27.5%	27.0%	-	-	(4.1%)

Income 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	Q2 03/2021	Q3 03/2021	Q4 03/2021	Q1 03/2022	Q2 03/2022	Q3 03/2022	Q4 03/2022		
Sales	4,877	6,340	6,531	6,932	6,970	6,897	7,147	-	-	+616
Cost of Sales	2,187	2,836	2,918	3,142	3,089	2,788	2,987	-	-	+69
Gross Profit	2,690	3,503	3,613	3,790	3,881	4,109	4,159	-	-	+546
SG&A Expenses	2,561	2,726	2,822	3,187	2,952	3,037	3,180	-	-	+358
Operating Profit	128	777	792	603	929	1,071	980	-	-	+188
Non Operating Balance	(48)	34	107	130	77	53	164	-	-	+57
Recurring Profit	80	811	899	733	1,006	1,124	1,144	-	-	+245
Extraordinary Balance	-	-	(101)	(52)	(41)	-	1	-	-	+102
Profit before Income Taxes	80	811	798	681	965	1,124	1,145	-	-	+347
Total Income Taxes	136	173	215	148	330	244	298	-	-	+83
NP Belonging to Non-Controlling SHs	2	10	6	6	4	4	6	-	-	0
Profit Attributable to Owners of Parent	(58)	626	578	528	630	876	840	-	-	+262
Sales YoY	(24.5%)	(8.9%)	+5.7%	+6.5%	+42.9%	+8.8%	+9.4%	-	-	-
Operating Profit YoY	(76.2%)	(11.0%)	+56.5%	+108.7%	+620.9%	+37.8%	+23.7%	-	-	-
Recurring Profit YoY	(83.9%)	+9.3%	+57.2%	+321.3%	-	+38.6%	+27.3%	-	-	-
Profit Attributable to Owners of Parent YoY	-	+15.7%	+44.5%	-	-	+39.9%	+45.3%	-	-	-
Gross Profit Margin	55.2%	55.3%	55.3%	54.7%	55.7%	59.6%	58.2%	-	-	+2.9%
Sales to SG&A Expenses Ratio	52.5%	43.0%	43.2%	46.0%	42.4%	44.0%	44.5%	-	-	+1.3%
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	15.5%	13.7%	-	-	+1.6%
Recurring Profit Margin	1.6%	12.8%	13.8%	10.6%	14.4%	16.3%	16.0%	-	-	+2.2%
Profit Attributable to Owners of Parent Margin	(1.2%)	9.9%	8.9%	7.6%	9.0%	12.7%	11.8%	-	-	+2.9%
Total Income Taxes/Profit before Income Taxes	170.0%	21.3%	26.9%	21.7%	34.2%	21.7%	26.0%	-	-	(0.9%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative/Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2021	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	19,357	-	+3,352	
Nail-related Business	517	1,136	1,686	2,268	528	1,058	1,588	-	(98)	
Other Business	19	38	56	76	23	44	68	-	+12	
Sales	4,877	11,217	17,748	24,680	6,970	13,867	21,014	-	+3,266	
Dental-related Business	82	793	1,531	2,091	887	1,928	2,867	-	+1,336	
Nail-related Business	42	108	160	201	36	67	103	-	(57)	
Other Business	2	1	0	2	0	1	5	-	+4	
Segment Profit	127	902	1,692	2,294	924	1,997	2,976	-	+1,284	
Intersegment Transactions	1	2	4	5	4	2	4	-	0	
Operating Profit	128	905	1,697	2,300	929	2,000	2,980	-	+1,283	
Dental-related Business	1.9%	7.9%	9.6%	9.4%	13.8%	15.1%	14.8%	-	+5.2%	
Nail-related Business	8.1%	9.5%	9.5%	8.9%	6.8%	6.3%	6.5%	-	(3.0%)	
Other Business	10.5%	2.6%	1.6%	2.6%	1.3%	2.3%	7.4%	-	+5.7%	
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	14.4%	14.2%	-	+4.6%	

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	6,593	-	+630	
Nail-related Business	517	619	550	582	528	530	530	-	(20)	
Other Business	19	19	18	20	23	21	24	-	+6	
Sales	4,877	6,340	6,531	6,932	6,970	6,897	7,147	-	+616	
Dental-related Business	82	711	738	560	887	1,041	939	-	+201	
Nail-related Business	42	66	52	41	36	31	36	-	(16)	
Other Business	2	(1)	(0)	1	0	0	4	-	+4	
Segment Profit	127	775	790	602	924	1,072	979	-	+189	
Intersegment Transactions	1	1	2	1	4	(2)	2	-	0	
Operating Profit	128	777	792	603	929	1,070	980	-	+188	
Dental-related Business	1.9%	12.5%	12.4%	8.8%	13.8%	16.4%	14.2%	-	+1.9%	
Nail-related Business	8.1%	10.7%	9.5%	7.0%	6.8%	5.8%	6.8%	-	(2.7%)	
Other Business	10.5%	(5.3%)	(0.6%)	5.5%	1.3%	3.3%	16.7%	-	+17.2%	
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	15.5%	13.7%	-	+1.6%	

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	7,732	-	+1,664	
Accounts Receivables	2,716	3,071	2,840	3,205	3,273	3,212	3,266	-	+426	
Inventory	7,394	7,195	7,190	7,077	7,255	7,469	7,563	-	+373	
Other	705	521	600	604	500	666	649	-	+49	
Current Assets	15,972	16,222	16,698	17,829	18,219	18,696	19,210	-	+2,512	
Tangible Assets	7,726	7,753	7,914	8,008	8,189	8,170	8,202	-	+288	
Intangible Assets	301	372	376	340	351	364	374	-	(2)	
Investments and Other Assets	9,607	10,204	10,154	11,635	11,450	11,561	11,283	-	+1,129	
Fixed Assets	17,635	18,330	18,444	19,983	19,991	20,096	19,859	-	+1,415	
Total Assets	33,607	34,553	35,143	37,813	38,210	38,792	39,070	-	+3,927	
Accounts Payables	584	580	799	898	783	686	688	-	(111)	
Short Term Debt	457	413	415	682	950	844	847	-	+432	
Other	2,523	2,354	2,279	2,632	2,899	2,832	2,752	-	+473	
Current Liabilities	3,564	3,347	3,493	4,212	4,632	4,362	4,287	-	+794	
Long Term Debt	1,659	1,590	1,520	1,190	850	768	687	-	(833)	
Other	1,629	1,798	1,876	2,212	2,136	2,112	2,004	-	+128	
Fixed Liabilities	3,288	3,388	3,396	3,402	2,986	2,880	2,691	-	(705)	
Total Liabilities	6,853	6,735	6,889	7,614	7,619	7,242	6,979	-	+90	
Shareholders' Equity	24,390	25,073	25,509	26,037	26,295	27,227	27,835	-	+2,326	
Other	2,364	2,744	2,745	4,161	4,296	4,322	4,255	-	+1,510	
Net Assets	26,754	27,817	28,254	30,198	30,591	31,549	32,090	-	+3,836	
Total Liabilities & Net Assets	33,607	34,553	35,143	37,813	38,210	38,792	39,070	-	+3,927	
Equity Capital	26,600	27,658	28,089	30,024	30,412	31,385	31,918	-	+3,829	
Interest Bearing Debt	2,116	2,003	1,935	1,872	1,800	1,612	1,534	-	(401)	
Net Debt	(3,041)	(3,432)	(4,133)	(5,071)	(5,391)	(5,737)	(6,198)	-	(2,065)	
Equity Ratio	79.2%	80.0%	79.9%	79.4%	79.6%	80.9%	81.7%	-	-	
Net Debt Equity Ratio	(11.4%)	(12.4%)	(14.7%)	(16.9%)	(17.7%)	(18.3%)	(19.4%)	-	-	
ROE (12 months)	1.6%	1.9%	2.5%	6.2%	8.3%	8.8%	9.6%	-	-	
ROA (12 months)	4.9%	5.0%	5.9%	7.5%	9.6%	10.3%	10.8%	-	-	
Days for Inventory Turnover	308	231	224	205	214	244	231	-	-	
Quick Ratio	221%	254%	255%	241%	226%	242%	257%	-	-	
Current Ratio	448%	485%	478%	423%	393%	429%	448%	-	-	

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

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.

Company name: Walden Research Japan Incorporated

Head office: Level 4 Ginza Ishii Building, 6-14-8 Ginza Chuo-ku Tokyo 104-0061, JAPAN

URL: <https://walden.co.jp/>

E-mail: info@walden.co.jp

Tel: 81-(0)3-3553-3769
