

SHOFU (7979)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2021		24,680	2,300	2,523	1,674	96.29	29.00	1,690.45
FY03/2022		28,137	3,217	3,658	2,546	143.22	39.00	1,841.55
FY03/2023CoE		29,314	2,732	2,850	1,975	111.06	39.00	-
FY03/2022		YoY	14.0%	39.8%	45.0%	52.1%	-	-
FY03/2023CoE		YoY	4.2%	(15.1%)	(22.1%)	(22.4%)	-	-
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 FY03/2022		13,867	2,000	2,130	1,506	-	-	-
Q3 to Q4 FY03/2022		14,270	1,217	1,528	1,040	-	-	-
Q1 to Q2 FY03/2023CoE		14,500	1,312	1,356	845	-	-	-
Q3 to Q4 FY03/2023CoE		14,814	1,420	1,494	1,130	-	-	-
Q1 to Q2 FY03/2023CoE		YoY	4.6%	(34.4%)	(36.3%)	(43.9%)	-	-
Q3 to Q4 FY03/2023CoE		YoY	3.8%	16.7%	(2.2%)	8.7%	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (6 July 2022)


Growth Investment

SHOFU, developing, manufacturing and selling dental materials & equipment, is planning to see sustainable growth from a long-term perspective, calling for prospective sales of ¥31,509m and operating profit of ¥3,791m for FY03/2024 as performance target of midterm management plan, which implies CAGR of 5.8% for sales and 8.6% for operating profit when setting the FY03/2022 result as the point of origin. However, the Company will be forced to temporarily suffer from an adjustment in earnings for FY03/2023 due mainly to active growth investment to ensure long-term growth. The Company is looking to an ongoing expansion in the scale of its business accompanying consistent development in the market overseas as the key driver for prospective growth. In recent trading, the Company has been steadily capturing a recovery in real demand after the Corona crisis as well as having done so for demand generated by so-called normalization of distribution inventory, which realized a substantial increase in sales overseas. In the first place, the Company says that the market overseas is far superior in terms of growth potential for the future to that of Japan to have been matured. On top of this, there remains a room for the Company to cultivate far more in the market overseas than in that of Japan. Now, the Company focuses own management resources on pursuing the room overseas, trying to achieve performance target of its long-term basic policy, i.e., sales of ¥50,000m and operating profit of ¥7,500m as soon as possible.

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	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 7979) 29 March 2012: Tokyo Stock Exchange 1st section 15 February 2007: Tokyo Stock Exchange 2nd section 9 November 1989: Osaka Stock Exchange 2nd section and Kyoto Stock Exchange 25 July 1963: OTC registration of JSDA (Osaka)	
Capital	¥5,968m (as of the end of March 2022)	
No. of Shares	17,894,089 shares, including 105,013 treasury shares (as of the end of March 2022)	
Main Features	<ul style="list-style-type: none"> ● The leader of artificial teeth and abrasives in Japan ● Focus on sales promotions overseas where a great 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 : Tetsuo Takami	
Shareholders	Mitsui Chemicals 20.12%, The Master Trust Bank of Japan, T. 5.27%, Bank of Kyoto 4.00% (as of the end of March 2022, but for treasury shares)	
Head Office	Higashiyama-ku, Kyoto-city, JAPAN	
No. of Personnel	Consolidated: 1,266, Parent: 473 (as of the end of March 2022)	

Source: Company Data

3.0 Management Philosophy

Contribution to Dentistry of the World through Innovative Business Activities

The Company, upholding the management philosophy of Contribution to Dentistry of the World through Innovative Business Activities, marks the 100th anniversary of its founding on 15 May 2022. Meanwhile, given the arrival of this milestone, the Company is revamping its corporate message with the aim of publicizing the Company's management philosophy more easily than in the past. The new advocate of Creating Brighter Smiles for Healthier Lives suggests that the Company aims not only to simply provide dental professionals worldwide with superior dental materials but also to enrich people's lives and society by doing so.

In order to make society more affluent, one of the major challenges is to enrich people's lives, while it is believed that maintaining and/or promoting dental health and dental aesthetics throughout life will make people's lives enriched. Recent studies have shown that chronic inflammation caused by periodontal disease is responsible for diabetes mellitus, aspiration pneumonia, myocardial infarction and arteriosclerosis. In view of this, it is indispensable to maintain healthy teeth to lead and fulfill an affluent life. At the same time, people lacking dental aesthetics will become being able to smile or laugh delightedly with no worry on showing their teeth after enhancement of their dental aesthetics through the Company's dental materials, thereby enriching their lives.

Meanwhile, the Company says that the degree of the Company's contribution to Dentistry of the World and its presence in the marketplace have 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 standard for achieving an adequate presence is to be ranked within the 10th in market share on a global basis. Further, the Company suggests that both will reach an adequate level by achieving performance target of long-term basic policy Vision for Our Company, i.e., sales of ¥50,000m and operating profit of ¥7,500m. According to the Company, the outline here is to “strive to expand the operations overseas by dramatically shifting the allocation of management resources to market overseas.”

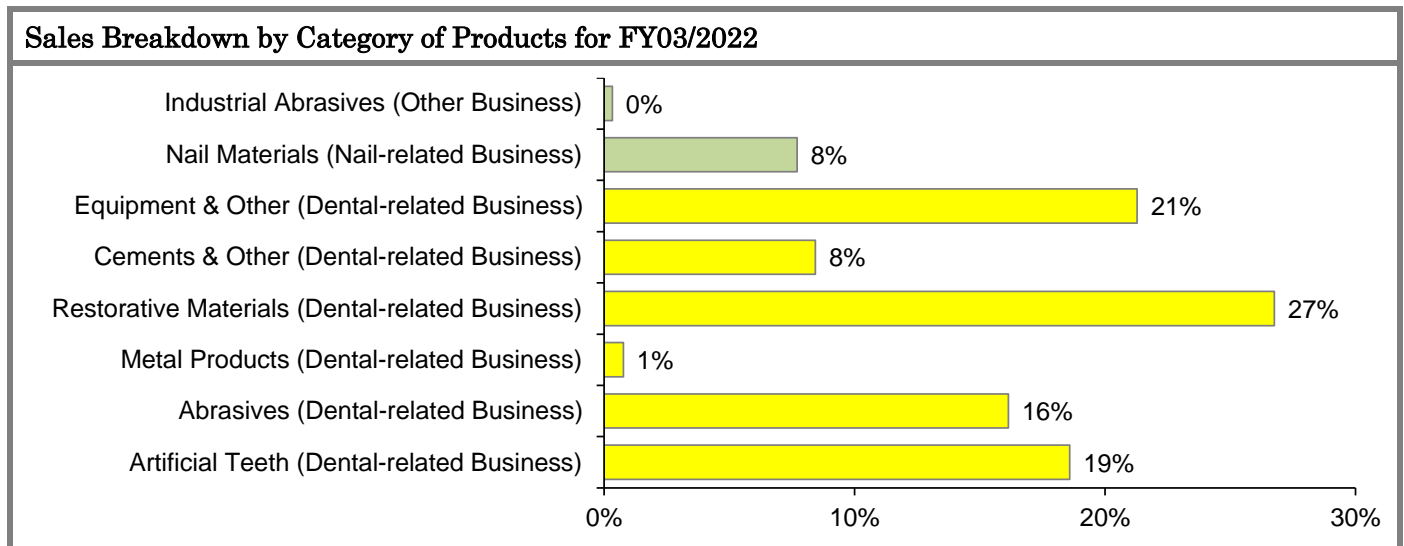
Market Environment

According to the Company, the market for dental care in Japan will maintain a certain scale 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 disease, dental aesthetics and prophylaxis of caries is expected to continue increasing. In other words, the Company expects a contribution stemming from heightened awareness of oral hygiene.

Meanwhile, there is currently market overseas for dental care that is some fourteen times the market in Japan. Moreover, the Company believes that this may reach twenty 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.

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, including that of Nail-related Business and that of Other Business, sales breakdown is as follows:



Source: Company Data, WRJ Calculation

The category of artificial teeth (19% of sales) refers to materials for dentures and false teeth, including CAD/CAM-related (corresponding to digitalization of dental care) ceramics for dental cutting processing, while the category of abrasives (16%) those for grinding affected areas and/or polishing dental crowns. The category of metal products (1%) refers to materials used as foundations for dental crowns and false teeth. The category of restorative materials (27%) refers to those of being used in diverse applications, represented by those of false teeth, filling of affected areas and denture bases, including CAD/CAM-related resin materials for dental cutting processing. The category of cements & other (8%) refers to materials for luting false teeth and/or filling. All those dental materials are of development in-house by the Company, while the bulk of the category of equipment & other (21%) refers to a variety of machineries and/or instruments for practicing dental care and those of manufacturing technical materials, which are stocked and sold, represented by digital oral imaging devices and CAD/CAM-related equipment.

It is suggested that sales of all those dental materials being of development in-house, represented by artificial teeth and restorative materials, carry gross profit margin higher than those of equipment & other where the bulk of sales derive from stocking and selling of merchandises. Meanwhile, for equipment & other, sales in Japan account for 80% and 20% for sales overseas by region, according to the Company, implying that the Company focuses on self-developed products for sales overseas far more than in Japan and thus sales overseas carry gross profit margin higher than those of Japan to a corresponding extent.

Basic Sustainability Policy

On 8 June 2022, the Company announced that resolution had been made for Formulation of Basic Sustainability Policy and Identification of Materiality by Board of Directors. The Company says that it is now going for striking a balance between long-term enhancement of corporate value and realization of a sustainable society by means of coping with social problems with own business activities, while working together with stakeholders paying respect to the above-mentioned management philosophy.

Mainstay Products on the Dental-related Business side

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 & Other



Luting Cements



Filling Cements



Embedding Materials



Gypsums

Equipment & Other



Digital Oral Imaging Device



Dental Multipurpose Ultrasonic Therapy Device



Lip Closure Force Measuring Instrument



CAD/CAM-related Equipment

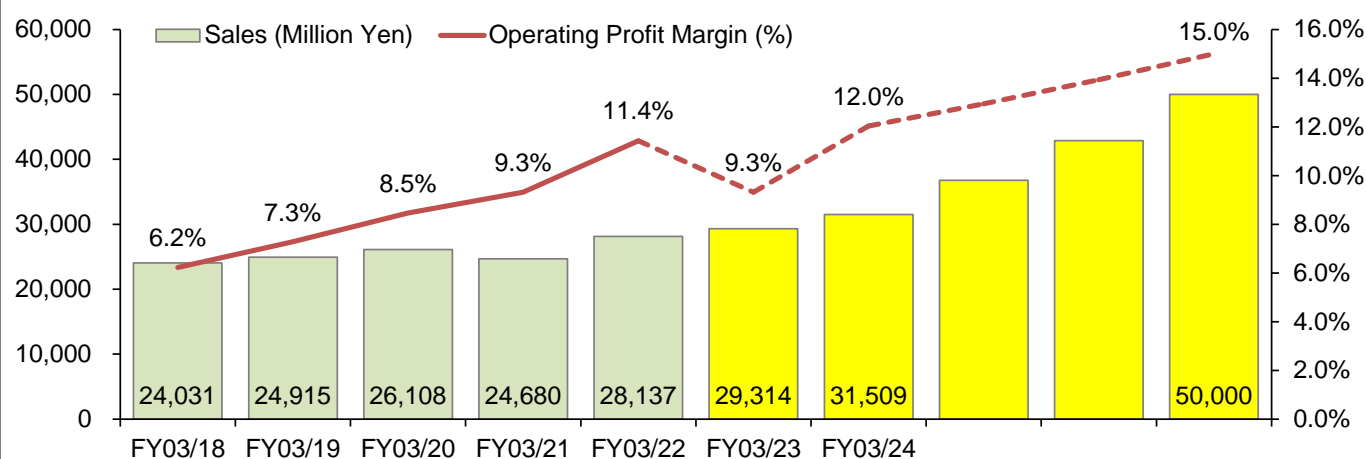
Source: Company Data

4.0 Recent Trading & Prospects

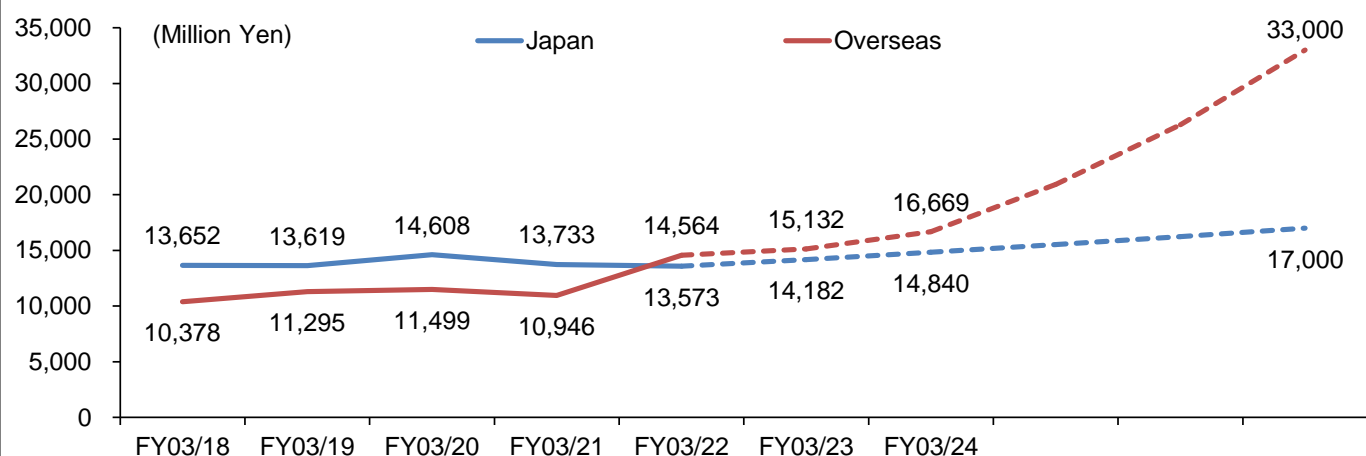
FY03/2022

In FY03/2022, sales came in at ¥28,137m (up 14.0% YoY), operating profit ¥3,217m (up 39.8%), recurring profit ¥3,658m (up 45.0%) and profit attributable to owners of parent ¥2,546m (up 52.1%), while operating profit margin 11.4% (up 2.1% points). By segment, Dental-related Business saw sales of ¥25,876m (up 15.9%), segment profit of ¥3,065m (up 46.6%) and segment profit margin of 11.8% (up 2.5% points), having accounted for 92.0% of sales for the Company as a whole and 95.5% of segment profit (prior to elimination of inter-segment transactions).

Sales and OPM (Results / Company Forecasts / Midterm Management Plan / Long-term Basic Policy)



Sales (Results / Company Forecasts / Midterm Management Plan / Long-term Basic Policy)

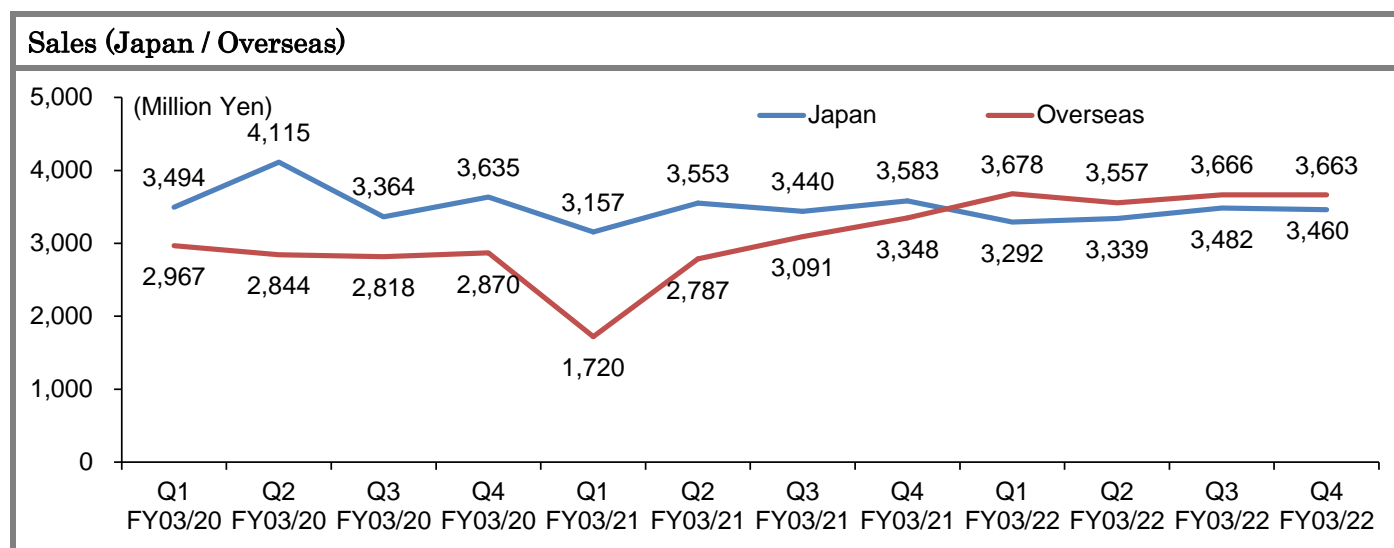


Source: Company Data, WRJ Calculation

Even from a long-term perspective, it is likely to be the case that performance on the Dental-related Business side will remain the key driver for that of the Company as a whole. Meanwhile, the Company saw sales of ¥2,168m (down 4.4%), segment profit of ¥131m (down 34.5%) and segment profit margin of 6.0% (down 2.8%) on the Nail-related Business side for FY03/2022.

Sales in Japan (48.2% of total)

For FY03/2022, sales in Japan came in at ¥13,573m (down 1.2%). By segment, sales came in at ¥12,203m (down 0.5%) on the Dental-related Business side and ¥1,276m (down 8.3%) on the Nail-related Business side. For the latter, sales of the mainstay gel nail products were sluggish, according to the Company, which was attributable to that resurgence of the impacts stemming from COVID-19 forced to restrict activities to promote sales and that stay-at-home demand has run its course. The remaining sales of ¥92m were those of the Other Business side (operations only in Japan).



Source: Company Data, WRJ Calculation

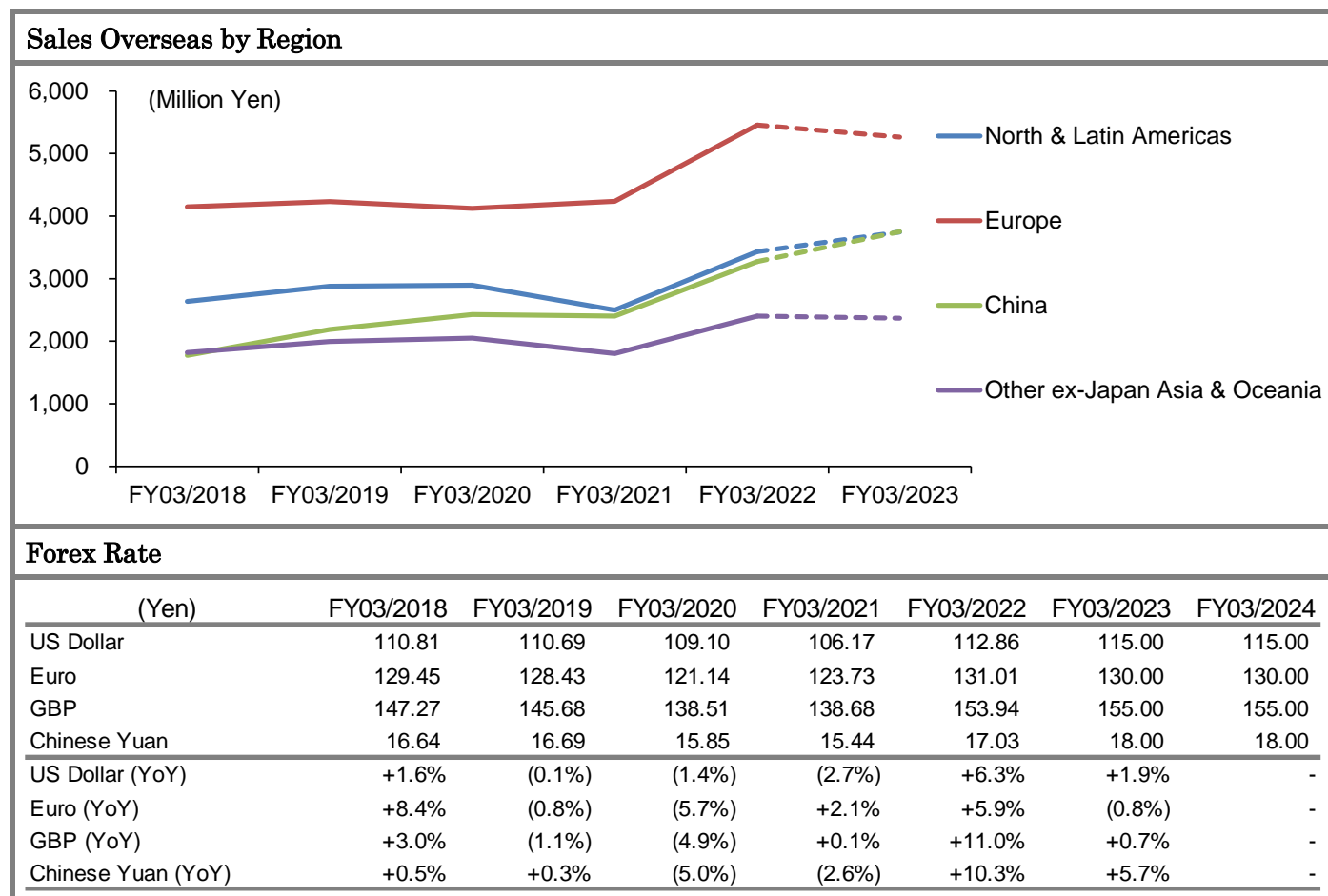
On the Dental-related Business side, sales have marginally increased over the previous year, if it were not for decrease in sales due to adoption of accounting standard for revenue recognition. The Company did suffer from negative impacts of having suspended sales in a part of imported merchandises (ultrasonic therapy device) with respect to equipment & other, but it was more than compensated for by favorable launches of new products, e.g., CAD/CAM-related resin materials for dental cutting processing (SHOFU BLOCK HC HARD II) launched in FY03/2022 and dental ivory adhesives (BeautiBond Xtreme) launched in FY03/2021, both of which were contributing in particular, according to the Company.

Meanwhile, FY03/2023 Company forecasts are going for prospective sales of ¥14,182m (up 4.5%) in Japan, comprising those of ¥12,528m (up 2.7%) on the Dental-related Business side and ¥1,549m (up 21.4%) on the Nail-related Business side. For the latter, the Company plans to expand sales by working to raise its own brand power through aggressively beefing up promotional activities on top of focusing on sales promotions on the web. The remaining sales of ¥104m are those of the Other Business side.

On the Dental-related Business side, the Company plans to secure higher sales by promoting focused sales activities in focus areas. Specifically, the Company intends to focus on expanding sales in fields where demand is expected to remain firm in the future, such as restorative materials, including CAD/CAM-related resin materials for dental cutting processing. At the same time, in addition to focusing on holding seminars online, the Company also plans to focus on providing information to dental professionals based on the development of sales promotion tools.

Sales Overseas (51.8% of total)

For FY03/2022, sales overseas came in at ¥14,564m (up 33.1%). By segment, sales came in at ¥13,673m (up 35.8%) on the Dental-related Business side and ¥891m (up 1.8%) on the Nail-related Business side. For the latter, the Company says that sales made over the Internet were firm due to aggressive use of SNS in the United States, but sales in Taiwan were slowing as the impacts stemming from COVID-19 were expanding.



Source: Company Data, WRJ Calculation

By region, sales for North & Latin Americas came in at ¥3,431m (up 37.2%), sales for Europe ¥5,455m (up 28.8%), sales for China ¥3,275m (up 36.3%) and sales for Other ex-Japan Asia & Oceania ¥2,401m (up 33.1%). On a local-currencies basis, sales overseas for the Company as a whole saw the growth rate of 24.3%, while 29.1%, 21.1%, 23.7% and 25.8%, respectively, by above-mentioned region, implying surging sales across the board.

The reason cited for this solid performance is that for some time has the Company been strategically expanding sales overseas in the first place on the mainstay Dental-related Business side. With respect to each of above-mentioned regions, the Company has been making efforts to improve own sales network and strengthen own product-providing framework for some time, which has made it possible for the Company to steadily capture a recovery in demand due to the easing of the impacts stemming from COVID-19. On top of this, the Company suggests that it has benefited also from so-called normalization of distribution inventory, having seen the rate of growth in sales larger than that of real demand.

In terms of trends on a quarterly basis, for example, sales for Q1 (April to June 2021) have more than doubled over the same period of the previous year (¥1,720m to ¥3,678m), i.e., Q1 FY03/2021 (April to June 2020). In those days, local distributors that the Company was directly delivering the products focused on selling existing inventory, while minimizing new inventory accumulation, due to increased uncertainty about the future as a result of prevailing impacts stemming from COVID-19. However, since after a while, what was followed was a recovery in real demand, which had been making a move to normalize so-called distribution inventory to an appropriate level, having resulted in add-on sales (additional acceleration in sales growth rate) to a corresponding extent in terms of year-on-year changes.

Meanwhile, FY03/2023 Company forecasts assume prospective sales overseas of ¥15,132m (up 3.9%), comprising those of ¥14,202m (up 3.9%) on the Dental-related Business side and ¥929m (up 4.3%) on the Nail-related Business side. For the latter, the Company is looking to further success in the aggressive use of SNS in the United States, while going for a recovery in demand for operations in Taiwan due to the easing of the impacts stemming from COVID-19.

By region, Company forecasts are going for sales of ¥3,748m (up 9.2%) for North & Latin Americas, sales of ¥5,262m (down 3.5%) for Europe, sales of ¥3,752m (up 14.5%) for China and sales of ¥2,386m (down 1.4%) for Other ex-Japan Asia & Oceania. On a local-currencies basis, sales overseas for the Company as a whole are expected to see growth rate of 2.3%, while 7.4%, minus 2.9%, 8.4% and minus 1.5%, respectively, by above-mentioned region. In other words, Company forecasts assume a deceleration in growth rate of sales on the Dental-related Business side, when compared with the FY03/2022 results, while stagnation in sales for Europe and Other ex-Japan Asia & Oceania. According to the Company, this is attributable to a factor that the aforementioned add-on sales stemming from normalization of so-called distribution inventory, occurred on the Dental-related Business side for FY03/2022, are not to reappear. At the same time, it appears that Company forecasts are based on conservative assumptions in the first place. By region, the decline in sales for Europe will have the largest negative impacts, for which the Company explains that sales of consumables related to prevention of COVID-19, recorded for FY03/2022, will be nothing.

Now then, midterm management plan assumes prospective sales overseas of ¥16,669m for FY03/2024, implying growth rate of 10.2%, on a local-currencies basis, from sales overseas of ¥15,132m, assumed by the above-mentioned FY03/2023 Company forecasts. According to the Company, this level of growth rate, i.e., some 10%, corresponds to the cruising speed of sales overseas.

Record Highs Renewed for Sales and Operating Profit

For FY03/2022, record high sales were renewed by above-mentioned surging sales overseas and record high operating profit was also renewed. Meanwhile, gross profit came in at ¥16,167m (up 18.9%) and SG&A expenses ¥12,950m (up 14.6%), implying gross profit margin of 57.5% (up 2.4% points) and sales to SG&A expenses ratio of 46.0% (up 0.3% points), having resulted in operating profit margin of 11.4% (up 2.1% points). That is to say, from the viewpoint of improving operating profit margin, the improvement in gross profit margin generally explains everything. According to the Company, there was a major benefit from effect on increased sales and an improvement in sales mix due to surging sales overseas carrying gross profit margin relatively higher. Meanwhile, SG&A expenses increased a bit faster than sales as the limitation on sales activities by COVID-19 was gradually relaxed, having generated a factor to rather squeeze operating profit margin.

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
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	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	21,014	28,137	28,137	+3,457
Cost of Sales	2,187	5,023	7,941	11,083	3,089	5,877	8,864	11,970	11,970	+887
Gross Profit	2,690	6,193	9,806	13,596	3,881	7,990	12,149	16,167	16,167	+2,571
SG&A Expenses	2,561	5,287	8,109	11,296	2,952	5,989	9,169	12,950	12,950	+1,654
Operating Profit	128	905	1,697	2,300	929	2,000	2,980	3,217	3,217	+917
Non Operating Balance	(48)	(14)	93	223	77	130	294	441	441	+218
Recurring Profit	80	891	1,790	2,523	1,006	2,130	3,274	3,658	3,658	+1,135
Extraordinary Balance	-	-	(101)	(153)	(41)	(41)	(40)	(47)	(47)	+106
Profit before Income Taxes	80	891	1,689	2,370	965	2,089	3,234	3,611	3,611	+1,241
Total Income Taxes	136	309	524	672	330	574	872	1,043	1,043	+371
NP Belonging to Non-Controlling SHs	2	12	18	24	4	8	14	20	20	(4)
Profit Attributable to Owners of Parent	(58)	568	1,146	1,674	630	1,506	2,346	2,546	2,546	+872
Sales YoY	(24.5%)	(16.4%)	(9.5%)	(5.5%)	+42.9%	+23.6%	+18.4%	+14.0%	+14.0%	-
Operating Profit YoY	(76.2%)	(36.0%)	(11.7%)	+4.1%	+620.9%	+120.9%	+75.6%	+39.8%	+39.8%	-
Recurring Profit YoY	(83.9%)	(28.2%)	(1.4%)	+26.9%	-	+138.9%	+82.9%	+45.0%	+45.0%	-
Profit Attributable to Owners of Parent YoY	-	(27.8%)	(3.6%)	+137.5%	-	+164.9%	+104.7%	+52.1%	+52.1%	-
Gross Profit Margin	55.2%	55.2%	55.3%	55.1%	55.7%	57.6%	57.8%	57.5%	57.5%	+2.4%
Sales to SG&A Expenses Ratio	52.5%	47.1%	45.7%	45.8%	42.4%	43.2%	43.6%	46.0%	46.0%	+0.3%
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	14.4%	14.2%	11.4%	11.4%	+2.1%
Recurring Profit Margin	1.6%	7.9%	10.1%	10.2%	14.4%	15.4%	15.6%	13.0%	13.0%	+2.8%
Profit Attributable to Owners of Parent Margin	(1.2%)	5.1%	6.5%	6.8%	9.0%	10.9%	11.2%	9.0%	9.0%	+2.3%
Total Income Taxes / Profit before Income Taxes	170.0%	34.7%	31.0%	28.4%	34.2%	27.5%	27.0%	28.9%	28.9%	+0.5%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	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	7,147	7,123	7,123	+191
Cost of Sales	2,187	2,836	2,918	3,142	3,089	2,788	2,987	3,106	3,106	(36)
Gross Profit	2,690	3,503	3,613	3,790	3,881	4,109	4,159	4,018	4,018	+228
SG&A Expenses	2,561	2,726	2,822	3,187	2,952	3,037	3,180	3,781	3,781	+594
Operating Profit	128	777	792	603	929	1,071	980	237	237	(366)
Non Operating Balance	(48)	34	107	130	77	53	164	147	147	+17
Recurring Profit	80	811	899	733	1,006	1,124	1,144	384	384	(349)
Extraordinary Balance	-	-	(101)	(52)	(41)	-	1	(7)	(7)	+45
Profit before Income Taxes	80	811	798	681	965	1,124	1,145	377	377	(304)
Total Income Taxes	136	173	215	148	330	244	298	171	171	+23
NP Belonging to Non-Controlling SHs	2	10	6	6	4	4	6	6	6	0
Profit Attributable to Owners of Parent	(58)	626	578	528	630	876	840	200	200	(328)
Sales YoY	(24.5%)	(8.9%)	+5.7%	+6.5%	+42.9%	+8.8%	+9.4%	+2.8%	+2.8%	-
Operating Profit YoY	(76.2%)	(11.0%)	+56.5%	+108.7%	+620.9%	+37.8%	+23.7%	(60.7%)	(60.7%)	-
Recurring Profit YoY	(83.9%)	+9.3%	+57.2%	+321.3%	-	+38.6%	+27.3%	(47.6%)	(47.6%)	-
Profit Attributable to Owners of Parent YoY	-	+15.7%	+44.5%	-	-	+39.9%	+45.3%	(62.1%)	(62.1%)	-
Gross Profit Margin	55.2%	55.3%	55.3%	54.7%	55.7%	59.6%	58.2%	56.4%	56.4%	+1.7%
Sales to SG&A Expenses Ratio	52.5%	43.0%	43.2%	46.0%	42.4%	44.0%	44.5%	53.1%	53.1%	+7.1%
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	15.5%	13.7%	3.3%	3.3%	(5.4%)
Recurring Profit Margin	1.6%	12.8%	13.8%	10.6%	14.4%	16.3%	16.0%	5.4%	5.4%	(5.2%)
Profit Attributable to Owners of Parent Margin	(1.2%)	9.9%	8.9%	7.6%	9.0%	12.7%	11.8%	2.8%	2.8%	(4.8%)
Total Income Taxes / Profit before Income Taxes	170.0%	21.3%	26.9%	21.7%	34.2%	21.7%	26.0%	45.4%	45.4%	+23.6%

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	25,876	+3,542	
Nail-related Business	517	1,136	1,686	2,268	528	1,058	1,588	2,168	(100)	
Other Business	19	38	56	76	23	44	68	92	+16	
Sales	4,877	11,217	17,748	24,680	6,970	13,867	21,014	28,137	+3,457	
Dental-related Business	82	793	1,531	2,091	887	1,928	2,867	3,065	+974	
Nail-related Business	42	108	160	201	36	67	103	131	(70)	
Other Business	2	1	0	2	0	1	5	14	+12	
Segment Profit	127	902	1,692	2,294	924	1,997	2,976	3,211	+917	
Inter-segment Transactions	1	2	4	5	4	2	4	5	0	
Operating Profit	128	905	1,697	2,300	929	2,000	2,980	3,217	+917	
Dental-related Business	1.9%	7.9%	9.6%	9.4%	13.8%	15.1%	14.8%	11.8%	+2.5%	
Nail-related Business	8.1%	9.5%	9.5%	8.9%	6.8%	6.3%	6.5%	6.0%	(2.8%)	
Other Business	10.5%	2.6%	1.6%	2.6%	1.3%	2.3%	7.4%	15.2%	+12.6%	
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	14.4%	14.2%	11.4%	+2.1%	

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	6,519	+190	
Nail-related Business	517	619	550	582	528	530	530	580	(2)	
Other Business	19	19	18	20	23	21	24	24	+4	
Sales	4,877	6,340	6,531	6,932	6,970	6,897	7,147	7,123	+191	
Dental-related Business	82	711	738	560	887	1,041	939	198	(362)	
Nail-related Business	42	66	52	41	36	31	36	28	(13)	
Other Business	2	(1)	(0)	1	0	0	4	9	+7	
Segment Profit	127	775	790	602	924	1,072	979	235	(367)	
Inter-segment Transactions	1	1	2	1	4	(2)	2	1	0	
Operating Profit	128	777	792	603	929	1,070	980	237	(366)	
Dental-related Business	1.9%	12.5%	12.4%	8.8%	13.8%	16.4%	14.2%	3.0%	(5.8%)	
Nail-related Business	8.1%	10.7%	9.5%	7.0%	6.8%	5.8%	6.8%	4.8%	(2.2%)	
Other Business	10.5%	(5.3%)	(0.6%)	5.5%	1.3%	3.3%	16.7%	37.5%	+32.0%	
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	15.5%	13.7%	3.3%	(5.4%)	

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	9,064	+2,121	
Accounts Receivables	2,716	3,071	2,840	3,205	3,273	3,212	3,266	3,293	+88	
Inventory	7,394	7,195	7,190	7,077	7,255	7,469	7,563	7,554	+477	
Other	705	521	600	604	500	666	649	551	(53)	
Current Assets	15,972	16,222	16,698	17,829	18,219	18,696	19,210	20,462	+2,633	
Tangible Assets	7,726	7,753	7,914	8,008	8,189	8,170	8,202	8,429	+421	
Intangible Assets	301	372	376	340	351	364	374	427	+87	
Investments and Other Assets	9,607	10,204	10,154	11,635	11,450	11,561	11,283	11,390	(245)	
Fixed Assets	17,635	18,330	18,444	19,983	19,991	20,096	19,859	20,247	+264	
Total Assets	33,607	34,553	35,143	37,813	38,210	38,792	39,070	40,709	+2,896	
Accounts Payables	584	580	799	898	783	686	688	928	+30	
Short Term Debt	457	413	415	682	950	844	847	325	(357)	
Other	2,523	2,354	2,279	2,632	2,899	2,832	2,752	3,184	+552	
Current Liabilities	3,564	3,347	3,493	4,212	4,632	4,362	4,287	4,437	+225	
Long Term Debt	1,659	1,590	1,520	1,190	850	768	687	1,153	(37)	
Other	1,629	1,798	1,876	2,212	2,136	2,112	2,004	2,179	(33)	
Fixed Liabilities	3,288	3,388	3,396	3,402	2,986	2,880	2,691	3,332	(70)	
Total Liabilities	6,853	6,735	6,889	7,614	7,619	7,242	6,979	7,769	+155	
Shareholders' Equity	24,390	25,073	25,509	26,037	26,295	27,227	27,835	27,978	+1,941	
Other	2,364	2,744	2,745	4,161	4,296	4,322	4,255	4,962	+801	
Net Assets	26,754	27,817	28,254	30,198	30,591	31,549	32,090	32,940	+2,742	
Total Liabilities & Net Assets	33,607	34,553	35,143	37,813	38,210	38,792	39,070	40,709	+2,896	
Equity Capital	26,600	27,658	28,089	30,024	30,412	31,385	31,918	32,759	+2,735	
Interest Bearing Debt	2,116	2,003	1,935	1,872	1,800	1,612	1,534	1,478	(394)	
Net Debt	(3,041)	(3,432)	(4,133)	(5,071)	(5,391)	(5,737)	(6,198)	(7,586)	(2,515)	
Equity Ratio	79.2%	80.0%	79.9%	79.4%	79.6%	80.9%	81.7%	80.5%	-	
Net Debt Equity Ratio	(11.4%)	(12.4%)	(14.7%)	(16.9%)	(17.7%)	(18.3%)	(19.4%)	(23.2%)	-	
ROE (12 months)	1.6%	1.9%	2.5%	6.2%	8.3%	8.8%	9.6%	8.1%	-	
ROA (12 months)	4.9%	5.0%	5.9%	7.5%	9.6%	10.3%	10.8%	9.3%	-	
Days for Inventory Turnover	308	231	224	205	214	244	231	221	-	
Quick Ratio	221%	254%	255%	241%	226%	242%	257%	278%	-	
Current Ratio	448%	485%	478%	423%	393%	429%	448%	461%	-	

Source: Company Data, WRJ Calculation

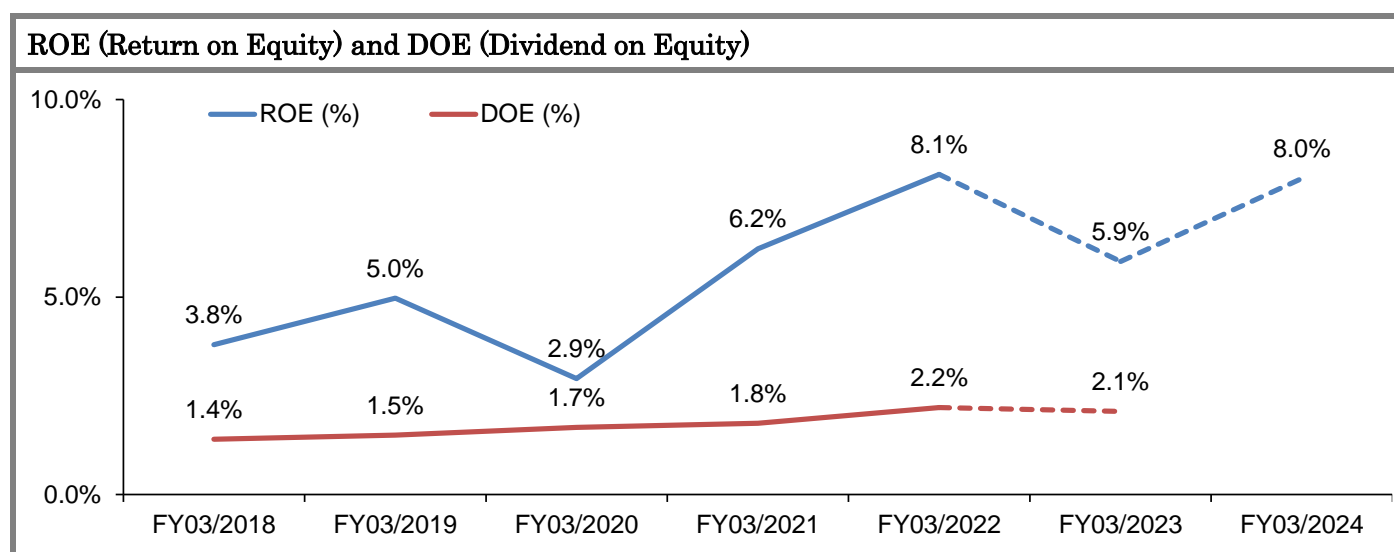
Cash Flow Statement (Cumulative)

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	-	3,736	+907	
Investing Cash Flow	-	(3,540)	-	(4,081)	-	(648)	-	(1,288)	+2,793	
Operating Cash Flow and Investing Cash Flow	-	(2,740)	-	(1,252)	-	896	-	2,448	+3,700	
Financing Cash Flow	-	3,359	-	3,023	-	(678)	-	(1,074)	(4,097)	

Source: Company Data, WRJ Calculation

FY03/2023 Company Forecasts

FY03/2023 Company forecasts (announced on 11 May 2022) are going for prospective sales of ¥29,314m (up 4.2% YoY), operating profit of ¥2,732m (down 15.1%), recurring profit of ¥2,850m (down 22.1%) and profit attributable to owners of parent of ¥1,975m (down 22.4%), while operating profit margin of 9.3% (down 2.1% points). At the same time, Company forecasts assume gross profit of ¥17,242m (up 6.6%) and SG&A expenses of ¥14,509m (up 12.0%), implying gross profit margin of 58.8% (up 1.4% points) and sales to SG&A expenses ratio of 49.5% (up 3.5% points). That is to say, Company forecasts assume SG&A expenses to increase faster than gross profit, resulting in a temporary adjustment in operating profit and operating profit margin. The background to this is that, in light of the relaxation of restrictions on behavior caused by the Corona crisis, the Company will further invigorate its sales activities and actively implement growth investment to ensure long-term growth.



Source: Company Data, WRJ Calculation

At the same time, Company forecasts are going for prospective annual dividend of ¥39.00 per share, implying payout ratio of 35.1%. The Company's dividend policy has traditionally targeted a payout ratio of 30% or more. It is now also advocated to target DOE (dividend on equity ratio) of 1.7% during the period of the current midterm management plan (FY03/2022 to FY03/2024), with the aim of implementing shareholder returns that take capital efficiency into account. Both of those targets are expected to be achieved for FY03/2023, while the Company is planning to work to further raise ROE (return on equity) from a longer-term perspective and thus raise the target for DOE (dividend on equity) accordingly.

Long-Term Prospects

On 11 May 2022, the Company has revised up its performance target of midterm management plan (FY03/2022 to FY03/2024 / announced on 14 May 2021). For FY03/2024, the final year of the plan, the Company is now calling for prospective sales of ¥31,509m, operating profit of ¥3,791m, recurring profit ¥3,927m and profit attributable to owners of parent of ¥2,764m. This is after upgrade by ¥1,327m (4.4%) for sales and ¥1,173m (44.8%) for operating profit, which is attributable to a factor that the Company saw results far better than initial expectations for FY03/2022, the first year of the plan, given assumptions on the impacts stemming from COVID-19 consequently too conservative.

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
