

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 Results Update (12 May 2022)


Upward Revision

On 11 May 2022, SHOFU, developing, manufacturing and selling dental materials & equipment in Japan and overseas, released its FY03/2022 results. It has been revealed that sales and earnings are running far ahead of assumptions of midterm management plan due to surging sales overseas. For Q1 (April to June) FY03/2021, sales overseas declined sharply given the impacts stemming from COVID-19, while the Company has been steadily capturing a recovery in actual demand since the bottom at that time. On top of this, this trend is also true of subsequent increase in demand accompanying the move to optimize distribution inventories, having resulted in upward revision for the performance target of midterm management plan (FY03/2022 to FY03/2024), currently calling for prospective sales of ¥31,509m and operating profit of ¥3,791m for FY03/2024, the final year of the plan, while implying CAGR of 8.5% for sales and 18.1% for operating profit with the FY03/2021 results as the point of origin. Meanwhile, the Company expects a recoil reaction associated with subsequent increase in demand accompanying the move to optimize distribution inventories to appear for FY03/2023, while planning to aggressively increase spending on investment to drive own long-term growth potential at the same time. We are to take part in the Company's financial results briefing on the web, scheduled for Thursday, 26 May, which will be followed by our interview with management, so that we should be able to update [SHOFU \(7979\) Steadily Capturing \(21 December 2021\)](#) and release afresh.

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

2.0 Company Profile

Comprehensive Manufacturer of Dental Materials & Equipment

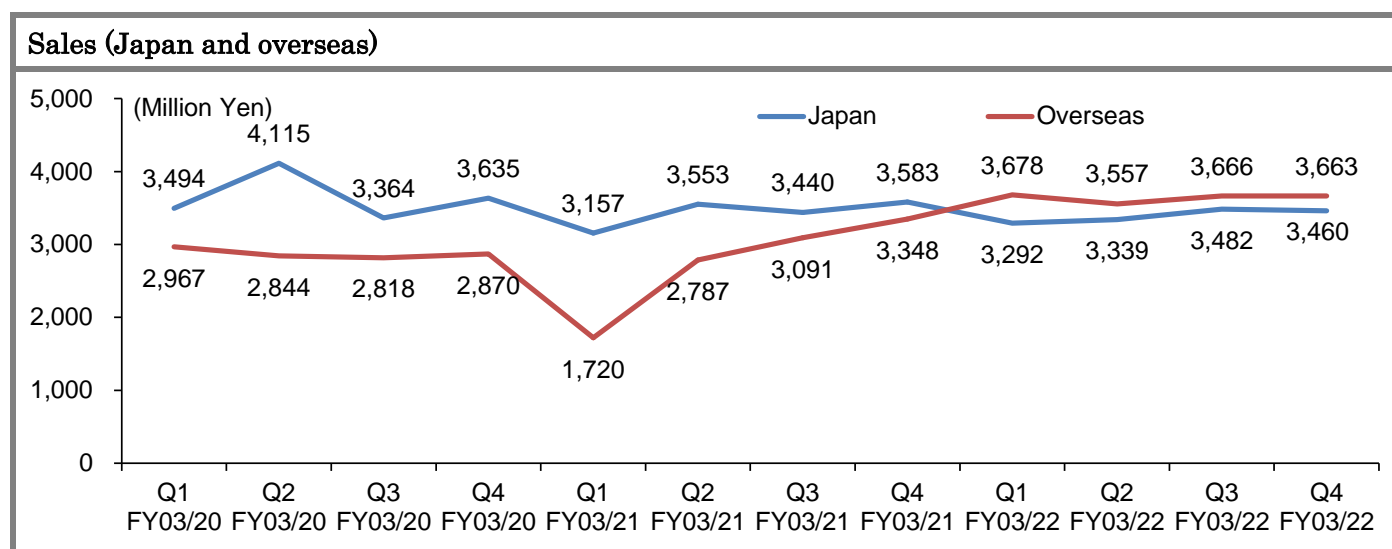
Company Name	SHOFU INC. Company Website IR Information Share Price (Japanese)	
Established	15 May 1922	
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 7979) 29 March 2012: Tokyo Stock Exchange 1st section 15 February 2007: Tokyo Stock Exchange 2nd section 9 November 1989: Osaka Stock Exchange 2nd section and Kyoto Stock Exchange 25 July 1963: OTC market 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 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. 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 Recent Trading and 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). At the same time, the Company has a fairly large exposure to the performance of Dental-related Business in charge of developing, manufacturing and selling dental materials & equipment for the trend of the performance for the Company as a whole. The Company says that it saw surging earnings as a result of having benefited from effect on increased sales, combined with inevitably limited contribution of expenses. The impacts stemming from COVID-19 have resulted in postponement and/or cancellation of exhibitions, while having consistently constrained face-to-face business operations, including academic activities for dental professionals, dissemination of information to sales agents and sales activities in general.



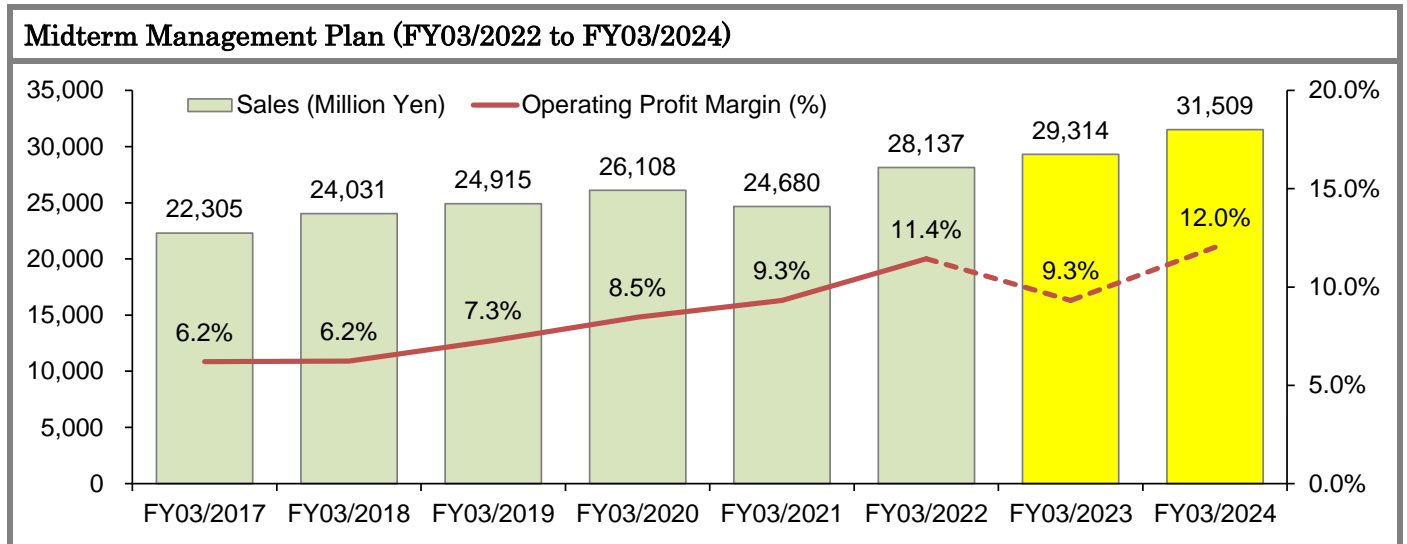
Source: Company Data, WRJ Calculation

In Japan, sales came in at ¥13,573m (down 1.2%). With respect to sales by product category consisting of artificial teeth and other ones, the Company saw sales increased but for equipment and other, where it suffered from a negative impact stemming from having pulled out of stocking and selling of some part of merchandise in the said product category. Meanwhile, sales in Japan as a whole have increased, albeit not much, if it were not for decrease of those due to change in accounting related to recognition of revenue, according to the Company. In this context, the Company suggests that sales were driven by new products launched recently, i.e., dental ivory adhesive BeautiBond Xtreme launched in FY03/2022 and dental cutting processing resins (CAD/CAM-related materials) SHOFU BLOCK HC HARD II launched in FY03/2021.

Meanwhile, sales overseas came in at ¥14,564m (up 33.1%). This is due partly to yen's depreciation. More importantly, however, sales overseas increased by as much as 24.3% on a locally currencies basis, implying the strengths. In the first place, the Company has been strategically keen on sales promotions overseas for a while, which has been successful, having resulted in high growth in sales on a locally currencies basis across the board, i.e., 29.1% in North/Latin Americas, 21.1% in Europe, 23.7% in China and 25.8% in ex-Japan Asia.

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 are going for prospective annual dividend of ¥39.00 per share, implying payout ratio of 35.1%.



Source: Company Data, WRJ Calculation

On the occasion of upward revision for the performance target of midterm management plan (FY03/2022 to FY03/2024), announced on 11 May 2022, prospective sales for FY03/2024, the final year of the plan, were revised up by ¥1,327m (4.4%) and ¥1,173m (44.8%) for operating profit, implying a major overshoot for earnings in particular.

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	03/2022	
Sales	4,877	11,217	17,748	24,680	6,970	13,867	21,014	28,137		+3,457
Cost of Sales	2,187	5,023	7,941	11,083	3,089	5,877	8,864	11,970		+887
Gross Profit	2,690	6,193	9,806	13,596	3,881	7,990	12,149	16,167		+2,571
SG&A Expenses	2,561	5,287	8,109	11,296	2,952	5,989	9,169	12,950		+1,654
Operating Profit	128	905	1,697	2,300	929	2,000	2,980	3,217		+917
Non Operating Balance	(48)	(14)	93	223	77	130	294	441		+218
Recurring Profit	80	891	1,790	2,523	1,006	2,130	3,274	3,658		+1,135
Extraordinary Balance	-	-	(101)	(153)	(41)	(41)	(40)	(47)		+106
Profit before Income Taxes	80	891	1,689	2,370	965	2,089	3,234	3,611		+1,241
Total Income Taxes	136	309	524	672	330	574	872	1,043		+371
NP Belonging to Non-Controlling SHs	2	12	18	24	4	8	14	20		(4)
Profit Attributable to Owners of Parent	(58)	568	1,146	1,674	630	1,506	2,346	2,546		+872
Sales YoY	(24.5%)	(16.4%)	(9.5%)	(5.5%)	+42.9%	+23.6%	+18.4%	+14.0%		-
Operating Profit YoY	(76.2%)	(36.0%)	(11.7%)	+4.1%	+620.9%	+120.9%	+75.6%	+39.8%		-
Recurring Profit YoY	(83.9%)	(28.2%)	(1.4%)	+26.9%	-	+138.9%	+82.9%	+45.0%		-
Profit Attributable to Owners of Parent YoY	-	(27.8%)	(3.6%)	+137.5%	-	+164.9%	+104.7%	+52.1%		-
Gross Profit Margin	55.2%	55.2%	55.3%	55.1%	55.7%	57.6%	57.8%	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%		+0.3%
Operating Profit Margin	2.6%	8.1%	9.6%	9.3%	13.3%	14.4%	14.2%	11.4%		+2.1%
Recurring Profit Margin	1.6%	7.9%	10.1%	10.2%	14.4%	15.4%	15.6%	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%		+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%		+0.5%
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	7,147	7,123		+191
Cost of Sales	2,187	2,836	2,918	3,142	3,089	2,788	2,987	3,106		(36)
Gross Profit	2,690	3,503	3,613	3,790	3,881	4,109	4,159	4,018		+228
SG&A Expenses	2,561	2,726	2,822	3,187	2,952	3,037	3,180	3,781		+594
Operating Profit	128	777	792	603	929	1,071	980	237		(366)
Non Operating Balance	(48)	34	107	130	77	53	164	147		+17
Recurring Profit	80	811	899	733	1,006	1,124	1,144	384		(349)
Extraordinary Balance	-	-	(101)	(52)	(41)	-	1	(7)		+45
Profit before Income Taxes	80	811	798	681	965	1,124	1,145	377		(304)
Total Income Taxes	136	173	215	148	330	244	298	171		+23
NP Belonging to Non-Controlling SHs	2	10	6	6	4	4	6	6		0
Profit Attributable to Owners of Parent	(58)	626	578	528	630	876	840	200		(328)
Sales YoY	(24.5%)	(8.9%)	+5.7%	+6.5%	+42.9%	+8.8%	+9.4%	+2.8%		-
Operating Profit YoY	(76.2%)	(11.0%)	+56.5%	+108.7%	+620.9%	+37.8%	+23.7%	(60.7%)		-
Recurring Profit YoY	(83.9%)	+9.3%	+57.2%	+321.3%	-	+38.6%	+27.3%	(47.6%)		-
Profit Attributable to Owners of Parent YoY	-	+15.7%	+44.5%	-	-	+39.9%	+45.3%	(62.1%)		-
Gross Profit Margin	55.2%	55.3%	55.3%	54.7%	55.7%	59.6%	58.2%	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%		+7.1%
Operating Profit Margin	2.6%	12.3%	12.1%	8.7%	13.3%	15.5%	13.7%	3.3%		(5.4%)
Recurring Profit Margin	1.6%	12.8%	13.8%	10.6%	14.4%	16.3%	16.0%	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%		(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%		+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	
Intersegment 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)	
Intersegment 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

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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

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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