

## 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		31,294	3,750	4,320	3,389	190.17	39.00	-
FY03/2022		YoY	14.0%	39.8%	45.0%	52.1%	-	-
FY03/2023CoE		YoY	11.2%	16.6%	18.1%	33.1%	-	-
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 FY03/2023		15,831	2,237	2,745	2,133	-	-	-
Q3 to Q4 FY03/2023CoE		15,463	1,513	1,575	1,256	-	-	-
Q1 to Q2 FY03/2023		YoY	14.2%	11.8%	28.9%	41.6%	-	-
Q3 to Q4 FY03/2023CoE		YoY	8.4%	24.3%	3.1%	20.8%	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (21 December 2022)


#### Sales Mix

SHOFU, which develops, manufactures and sells dental materials & equipment in Japan and overseas, plans to enhance its profitability on a sustained basis by focusing on expanding sales overseas where it sees high gross profit margin. In the first place, the growth rate of the markets overseas is considered higher than that of Japan and there remains a great room to be developed by the Company for the future. Sales overseas almost all comprise dental materials self-developed and thus are suggested to carry gross profit margin far higher than those of Japan where the Company is involved with purchase and sale of equipment. In light of this, the Company has been implementing measures to enlarge its exposure to operations overseas for some time, which led to a situation that it saw sales overseas larger than those of Japan for the actual results of FY03/2022. Meanwhile, for FY03/2023, sales overseas have continued to grow steadily due partly to yen's depreciation and the Company planning to further pursue increased sales overseas for the future. By the way, FY03/2023 Company forecasts assume gross profit margin of 60.0% (up 2.6% points YoY) and operating profit margin of 12.0% (up 0.5% points), record high for each, while the same also applies to the Company's performance during the relevant period. The Company is going for a sustained growth in prospective sales by means of focusing on further sales promotions overseas, trying to achieve a target operating profit margin of 15.0% as soon as possible.

IR Representative: Kei Kagawa, Manager, Corporate Planning Department ([ir@shofu.co.jp](mailto:ir@shofu.co.jp))

## 2.0 Company Profile

### Comprehensive Manufacturer of Dental Materials & Equipment

<b>Company Name</b>	SHOFU INC. <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>	
<b>Established</b>	15 May 1922	
<b>Listing</b>	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)	
<b>Capital</b>	¥5,968m (as of the end of September 2022)	
<b>No. of Shares</b>	17,894,089 shares, including 51,967 treasury shares (as of the end of Sep. 2022)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● The leader of artificial teeth and abrasives in Japan</li> <li>● Focus on sales promotions overseas where a great room to develop remaining</li> <li>● Also developing, manufacturing and selling nail salon materials</li> </ul>	
<b>Segments</b>	I . Dental-related Business II . Nail-related Business III. Other Business	
<b>Representatives</b>	Representative Director, Chairperson : Noriyuki Negoro Representative Director, President & CEO : Tetsuo Takami	
<b>Shareholders</b>	Mitsui Chemicals 20.06%, The Master Trust Bank of Japan, T. 4.88%, Bank of Kyoto 3.99% (as of the end of September 2022, but for treasury shares)	
<b>Head Office</b>	Higashiyama-ku, Kyoto-city, JAPAN	
<b>No. of Personnel</b>	Consolidated: 1,291, Parent: 473 (as of the end of September 2022)	

Source: Company Data

## 3.0 Management Philosophy and Business Model

### 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. By the way, Tetsuo Takami, newly appointed as Representative Director, President & CEO (24 June 2022), has announced his intention to continue this policy at the financial results briefing held on 22 November 2022.

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 an observation based on evidence that chronic inflammation caused by periodontal disease is potentially responsible for systematic illness such as diabetes mellitus, aspiration pneumonia, myocardial infarction and arteriosclerosis as one of the reasons. 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. Specifically, the Company suggests that both will reach an adequate level by achieving performance target of its long-term basic policy, i.e., sales of ¥50,000m and operating profit of ¥7,500m.

By the way, 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 collaborating with stakeholders, paying respect to the above-mentioned management philosophy.

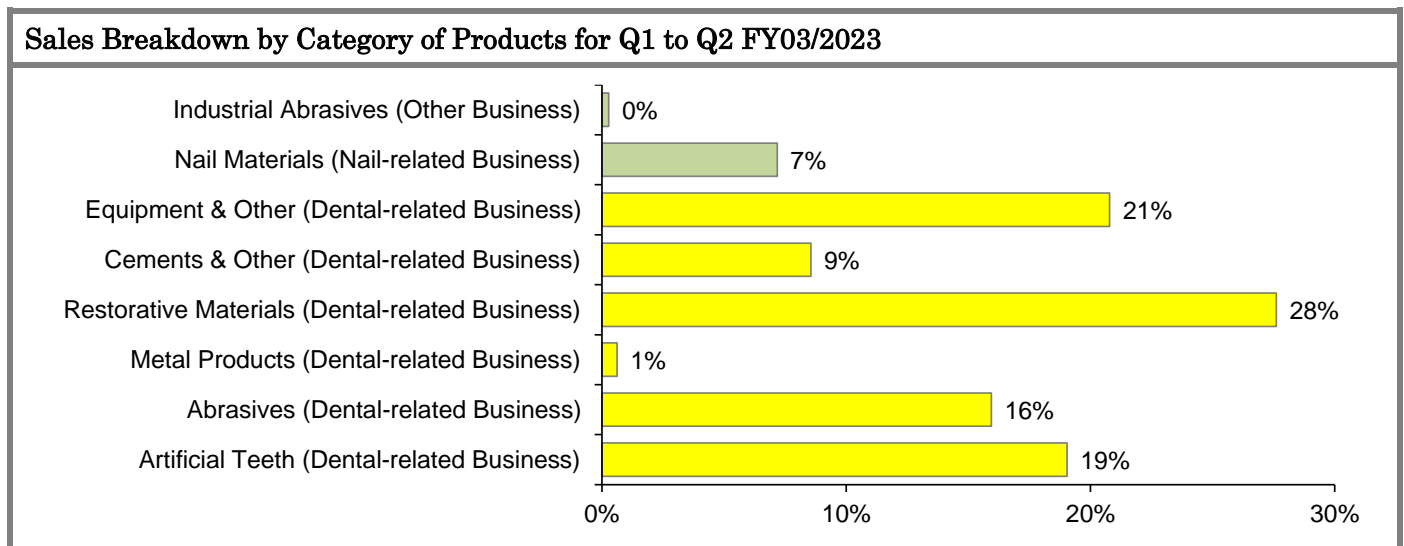
### Market Environment

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 are markets overseas for dental care that are collectively some fifteen times the market in Japan at the moment. 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 markets overseas for dental care are 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:

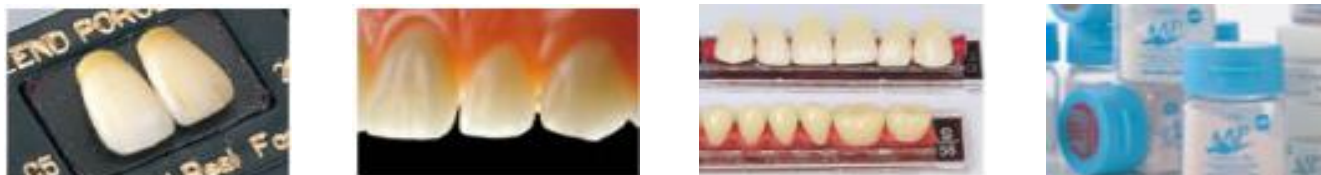


Source: Company Data, WRJ Calculation

### Artificial Teeth (self-developed products / dental materials / 19% of sales)

Artificial teeth are products used as materials for dentures and false teeth. Specifically, artificial teeth comprise porcelain teeth, resin teeth, porcelain materials and CAD/CAM-related materials (zirconia-based; for private practice). By the way, the term "CAD/CAM" here refers to the digitalization of dental care, which is said to have high potential for future sales growth. Meanwhile, the Company has the largest market share (37.0%) in Japan for artificial teeth.

#### Artificial Teeth



#### CAD/CAM-related Materials (zirconia-based; for private practice)



Source: Company Data

### Abrasives (self-developed products / dental materials / 16% of sales)

Abrasives are products used for grinding affected areas and polishing technical materials such as crowns. Specifically, abrasives comprise diamond abrasives, carborundum abrasives, silicon abrasives and other cutting and polishing materials. Meanwhile, the Company has the largest market share (46.3%) in Japan for abrasives.

#### Abrasives



Source: Company Data

### Metal Products (self-developed products / dental materials / 1% of sales)

Metal products are used for applications such as tooth coverings and tooth replacement bases. Specifically, metal products comprise gold & silver alloys for casting and other metal products.



Source: Company Data

### Restorative Materials (self-developed products / dental materials / 28% of Sales)

Restorative materials are products used for various purposes, such as denture materials, fillings for affected areas and gum parts for dentures. Specifically, restorative materials comprise synthetic resin products, impression materials, wax products and CAD/CAM-related materials (resin-based). By the way, since CAD/CAM materials (resin-based) are mainly those of being covered by medical insurance in Japan, it appears that the Company sees sales far larger than those of CAD/CAM-related materials (zirconia-based; for private practice) belonging to artificial teeth above-mentioned. Meanwhile, the Company has a share of 16.2% in the market for restorative materials in Japan, second to 46.3% for abrasives and 37.0% for artificial teeth, while steadily enhancing own market share for restorative materials most recently.



Source: Company Data



### Cements & Other (self-developed products / dental materials / 9% of sales)

Cements & other are products used for bonding of inserts and fillings. Specifically, cements & other comprise dental cements, plasters and embedding material products.

#### Cements & Other



Source: Company Data

### Equipment & Other (merchandises to be purchased for sale / 21% of sales)

Equipment & other are merchandises to be purchased for sale, which are of diverse equipment to manufacture technical materials and/or accommodate oral care. Specifically, equipment & other comprise dental equipment, oral care & infection-prevention products, orthodontic materials, implant materials and CAD/CAM-related equipment. By the way, the Company self-develops equipment in some cases.

#### Equipment & Other



#### CAD/CAM-related Equipment

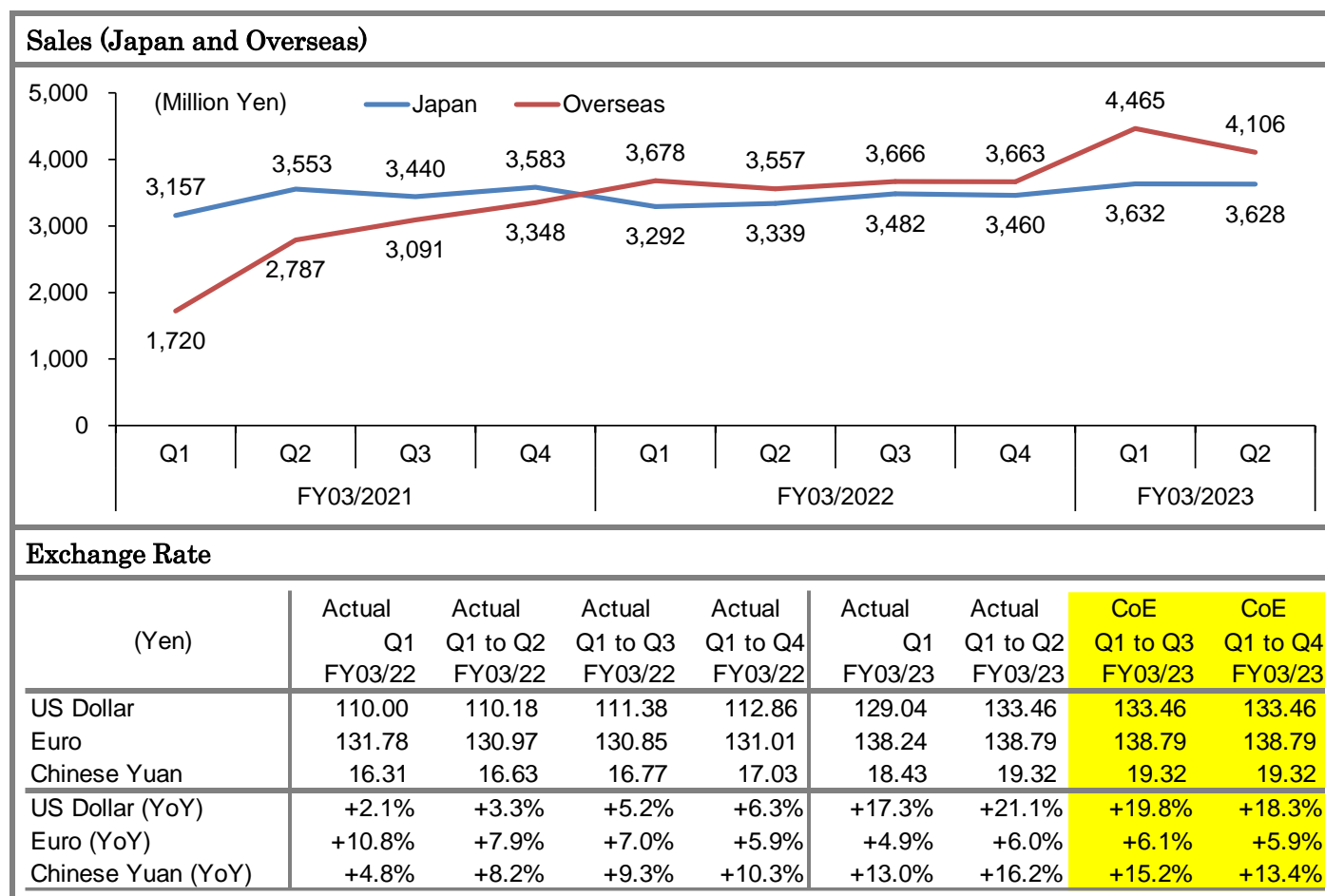


Source: Company Data

## 4.0 Recent Trading & Prospects

### Q1 to Q2 FY03/2023

For Q1 to Q2 FY03/2023, sales came in at ¥15,831m (up 14.2% YoY), operating profit ¥2,237m (up 11.8%), recurring profit ¥2,745m (up 28.9%) and profit attributable to owners of parent ¥2,133m (up 41.6%), while operating profit margin 14.1% (down 0.3% points). The Company saw an improvement by ¥379m at the non-operating level and by ¥196m at the extraordinary level. The former was mainly attributable to an improvement in exchange gain and the latter to booking of gain on settlement package and gain on sale of investment securities.



Source: Company Data, WRJ Calculation

By region, sales in Japan came in at ¥7,260m (up 9.5%) and sales overseas ¥8,571m (up 18.5% and/or up 5.6% on a local currency basis). Meanwhile, by segment, Dental-related Business, which is responsible for developing, manufacturing and selling dental materials & equipment, saw sales of ¥14,651m (up 14.8%), operating profit of ¥2,195m (up 13.8%) and operating profit margin of 15.0% (down 0.1 % point), having accounted for 92.5% of sales for the Company as a whole and 98.3% of operating profit.



At the same time, gross profit came in at ¥9,200m (up 15.1%) and SG&A expenses ¥6,963m (up 16.3%), implying gross profit margin of 58.1% (up 0.5% points) and SG&A ratio of 44.0% (up 0.8% points). As a result, the Company saw net increase of ¥236m over the same period of the previous year at the operating level, comprising net increase of ¥575m due to increased sales, net increase of ¥6m due to declined cost rate and net decrease of ¥670m due to increased SG&A expenses, but for net increase of ¥325m due to fluctuation of exchange rate. That is to say, the Company did benefit from effect on increased sales, even when excluding the impacts stemming from fluctuation of exchange rate to more than a certain extent, while there is also an aspect that SG&A expenses tend to increase rather significantly due to the implementation of the Company's strategy to actively spend on expenses to further drive sales overseas for the future.

For the actual results of Q1 to Q2, sales in Japan saw the growth rate of 9.5% versus 5.6% for the growth rate in sales overseas on a local currency basis, implying that the Company saw sales mix rather worsened in a sense, when excluding the impacts stemming from fluctuation of exchange rate. More importantly, however, the Company says that there is an aspect of temporariness for sales overseas to see a limited rate of growth on a local currency basis. In other words, the Company believes in an improvement of sales mix due to expansion of sales overseas from a long-term perspective.

The Company suggests that sales overseas, where self-developed products (dental materials) account for the majority of sales, carry gross profit margin higher than that of Japan by some 10% points to 20% points as those of Japan are exposed to merchandises (equipment) to be purchased for sale by some 35% versus some 65% for self-developed products (dental materials).

With respect to increased sales in Japan, the Company suggests that this is attributable to significantly increased sales in the domain of CAD/CAM-related, presumably having accounted for some 70% to 80% of net increase in sales of Japan as a whole. Sales of self-developed materials appear to have increased nicely as well as those of equipment or merchandises to be purchased for sale at the same time. For the actual results of Q1 to Q2, it appears that sales of CAD/CAM-related equipment saw sales increased in particular, due to a trend that dental laboratories in charge of manufacturing dental technical materials were keen on expanding own facilities in anticipation of increased demand for CAD/CAM-related demand in the near future. More importantly, when the demand is actually picking up, the Company will see surging sales of CAD/CAM-related materials.

With respect to sales overseas by region, meanwhile, sales in North & Latin Americas came in at ¥2,104m (up 18.2% and/or down 1.9% on a local currency basis), sales in Europe ¥2,960m (up 4.8% and/or down 1.1%) and sales in ex-Japan Asia and Oceania ¥3,505m (up 33.3% and/or up 17.9%), In other words, sales in North & Latin Americas were stagnating on a local currency basis as well as those of Europe, while sales in ex-Japan Asia and Oceania increased substantially in the same manner.

In North & Latin Americas, the Company suggests that it did actually experience a reversal of one-time increase in sales during the same period of the previous year as expected. With respect to the said regions, there was a phase in which local distributors significantly reduced their inventory held (distribution inventory) due to the impacts stemming from COVID-19. But for some exceptions, the Company's products and merchandises are delivered to users (dental professionals / dental clinics and/or dental laboratories) via distributors in its business model, accounting for more than 90% of sales both in Japan and overseas.

During the same period of the previous year, when the impacts stemming from COVID-19 were beginning to diminish, local distributors made a remarkable progress in normalizing their inventory held and the Company experienced a recovery in sales that exceeded the degree of recovery in actual demand. This has inevitably resulted in a reversal in terms of changes in sales for Q1 to Q2 FY03/2023. However, it is taken for granted that this reversal will not reappear for H2 and thereafter.

In Europe, the same reversal as in North & Latin Americas has occurred. Further, the Company has suffered from another negative factor that sales associated with infection-prevention-related merchandises (masks) which had occurred during the same period of the previous year run their course. With respect to sales overseas, the Company is basically all involved with self-developed products (dental materials) only, while this is of a rare case where its subsidiary based in Germany dealt with merchandises exceptionally due to some reasons.

In ex-Japan Asia and Oceania, sales in China came in at ¥1,863m (up 17.8% and/or up 3.3% on a local currency basis) and sales in other regions (India, Singapore, Korea and Taiwan) came in at ¥1,642m (up 56.5% and/or up 39.8%), collectively. In all those countries, there has not been a phase for local distributors to cut back on their inventory held as above-mentioned and there was no reversal due to this as a matter of course.

The reason for the limited growth rate of sales in China on a local currency basis is that the local "lockdown" has had a significant impact on the Company's trading. In particular, demand declined significantly for Q2 (July to September for the Company's consolidated accounting period or April to June for the local performance reflected), which is cited as one of the reasons why the Company's sales overseas as a whole adjusted from Q1 to Q2. However, the Company says that sales in China have been on a recovery trend in the latest trading. Meanwhile, with respect to Singapore, South Korea and Taiwan, the Company suggests that it has been consistently and steadily developing local markets. This is also true of India and the Company also enjoys a huge add-on factor in India that demand is frontloaded prior to introduction of pharmaceutical regulations, having realized an outstandingly high rate of growth on a local currency basis in other regions (India, Singapore, Korea and Taiwan).

## 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		
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		Net Chg.
<b>Sales</b>	<b>6,970</b>	<b>13,867</b>	<b>21,014</b>	<b>28,137</b>	<b>8,097</b>	<b>15,831</b>	-	-	-	<b>+1,964</b>
Cost of Sales	3,089	5,877	8,864	11,970	3,396	6,631	-	-	-	+754
Gross Profit	3,881	7,990	12,149	16,167	4,700	9,200	-	-	-	+1,210
SG&A Expenses	2,952	5,989	9,169	12,950	3,470	6,963	-	-	-	+974
<b>Operating Profit</b>	<b>929</b>	<b>2,000</b>	<b>2,980</b>	<b>3,217</b>	<b>1,229</b>	<b>2,237</b>	-	-	-	<b>+236</b>
Non Operating Balance	77	130	294	441	398	508	-	-	-	+379
<b>Recurring Profit</b>	<b>1,006</b>	<b>2,130</b>	<b>3,274</b>	<b>3,658</b>	<b>1,627</b>	<b>2,745</b>	-	-	-	<b>+615</b>
Extraordinary Balance	(41)	(41)	(40)	(47)	38	157	-	-	-	+196
Profit before Income Taxes	965	2,089	3,234	3,611	1,665	2,902	-	-	-	+813
Total Income Taxes	330	574	872	1,043	514	754	-	-	-	+180
NP Belonging to Non-Controlling SHs	4	8	14	20	5	13	-	-	-	+5
<b>Profit Attributable to Owners of Parent</b>	<b>630</b>	<b>1,506</b>	<b>2,346</b>	<b>2,546</b>	<b>1,144</b>	<b>2,133</b>	-	-	-	<b>+627</b>
Sales YoY	+42.9%	+23.6%	+18.4%	+14.0%	+16.2%	+14.2%	-	-	-	-
Operating Profit YoY	+620.9%	+120.9%	+75.6%	+39.8%	+32.4%	+11.8%	-	-	-	-
Recurring Profit YoY	-	+138.9%	+82.9%	+45.0%	+61.8%	+28.9%	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	+164.9%	+104.7%	+52.1%	+81.5%	+41.6%	-	-	-	-
Gross Profit Margin	55.7%	57.6%	57.8%	57.5%	58.0%	58.1%	-	-	-	+0.5%
SG&A Ratio	42.4%	43.2%	43.6%	46.0%	42.9%	44.0%	-	-	-	+0.8%
Operating Profit Margin	13.3%	14.4%	14.2%	11.4%	15.2%	14.1%	-	-	-	(0.3%)
Recurring Profit Margin	14.4%	15.4%	15.6%	13.0%	20.1%	17.3%	-	-	-	+2.0%
Profit Attributable to Owners of Parent Margin	9.0%	10.9%	11.2%	9.0%	14.1%	13.5%	-	-	-	+2.6%
Total Income Taxes / Profit before Income Taxes	34.2%	27.5%	27.0%	28.9%	30.9%	26.0%	-	-	-	(1.5%)
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		
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		Net Chg.
<b>Sales</b>	<b>6,970</b>	<b>6,897</b>	<b>7,147</b>	<b>7,123</b>	<b>8,097</b>	<b>7,734</b>	-	-	-	<b>+837</b>
Cost of Sales	3,089	2,788	2,987	3,106	3,396	3,235	-	-	-	+447
Gross Profit	3,881	4,109	4,159	4,018	4,700	4,500	-	-	-	+391
SG&A Expenses	2,952	3,037	3,180	3,781	3,470	3,493	-	-	-	+456
<b>Operating Profit</b>	<b>929</b>	<b>1,071</b>	<b>980</b>	<b>237</b>	<b>1,229</b>	<b>1,008</b>	-	-	-	<b>(63)</b>
Non Operating Balance	77	53	164	147	398	110	-	-	-	+57
<b>Recurring Profit</b>	<b>1,006</b>	<b>1,124</b>	<b>1,144</b>	<b>384</b>	<b>1,627</b>	<b>1,118</b>	-	-	-	<b>(6)</b>
Extraordinary Balance	(41)	-	1	(7)	38	119	-	-	-	+119
Profit before Income Taxes	965	1,124	1,145	377	1,665	1,237	-	-	-	+113
Total Income Taxes	330	244	298	171	514	240	-	-	-	(4)
NP Belonging to Non-Controlling SHs	4	4	6	6	5	8	-	-	-	+4
<b>Profit Attributable to Owners of Parent</b>	<b>630</b>	<b>876</b>	<b>840</b>	<b>200</b>	<b>1,144</b>	<b>989</b>	-	-	-	<b>+113</b>
Sales YoY	+42.9%	+8.8%	+9.4%	+2.8%	+16.2%	+12.1%	-	-	-	-
Operating Profit YoY	+620.9%	+37.8%	+23.7%	(60.7%)	+32.4%	(5.9%)	-	-	-	-
Recurring Profit YoY	-	+38.6%	+27.3%	(47.6%)	+61.8%	(0.5%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	+39.9%	+45.3%	(62.1%)	+81.5%	+12.9%	-	-	-	-
Gross Profit Margin	55.7%	59.6%	58.2%	56.4%	58.0%	58.2%	-	-	-	(1.4%)
SG&A Ratio	42.4%	44.0%	44.5%	53.1%	42.9%	45.2%	-	-	-	+1.1%
Operating Profit Margin	13.3%	15.5%	13.7%	3.3%	15.2%	13.0%	-	-	-	(2.5%)
Recurring Profit Margin	14.4%	16.3%	16.0%	5.4%	20.1%	14.5%	-	-	-	(1.8%)
Profit Attributable to Owners of Parent Margin	9.0%	12.7%	11.8%	2.8%	14.1%	12.8%	-	-	-	+0.1%
Total Income Taxes / Profit before Income Taxes	34.2%	21.7%	26.0%	45.4%	30.9%	19.4%	-	-	-	(2.3%)

Source: Company Data, WRJ Calculation

## Segmented Information (Cumulative / Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	Net Chg.
Dental-related Business	6,419	12,764	19,357	25,876	7,523	14,651	-	-	-	+1,887
Nail-related Business	528	1,058	1,588	2,168	552	1,136	-	-	-	+78
Other Business	23	44	68	92	21	44	-	-	-	0
<b>Sales</b>	<b>6,970</b>	<b>13,867</b>	<b>21,014</b>	<b>28,137</b>	<b>8,097</b>	<b>15,831</b>	-	-	-	<b>+1,964</b>
Dental-related Business	887	1,928	2,867	3,065	1,212	2,195	-	-	-	+267
Nail-related Business	36	67	103	131	13	34	-	-	-	(33)
Other Business	0	1	5	14	2	4	-	-	-	+3
<b>Segment Profit</b>	<b>924</b>	<b>1,997</b>	<b>2,976</b>	<b>3,211</b>	<b>1,228</b>	<b>2,234</b>	-	-	-	<b>+237</b>
Inter-segment Transactions	4	2	4	5	1	2	-	-	-	0
<b>Operating Profit</b>	<b>929</b>	<b>2,000</b>	<b>2,980</b>	<b>3,217</b>	<b>1,229</b>	<b>2,237</b>	-	-	-	<b>+237</b>
Dental-related Business	13.8%	15.1%	14.8%	11.8%	16.1%	15.0%	-	-	-	(0.1%)
Nail-related Business	6.8%	6.3%	6.5%	6.0%	2.4%	3.0%	-	-	-	(3.3%)
Other Business	1.3%	2.3%	7.4%	15.2%	9.5%	9.1%	-	-	-	+6.8%
<b>Operating Profit Margin</b>	<b>13.3%</b>	<b>14.4%</b>	<b>14.2%</b>	<b>11.4%</b>	<b>15.2%</b>	<b>14.1%</b>	-	-	-	<b>(0.3%)</b>
Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	Net Chg.
Dental-related Business	6,419	6,345	6,593	6,519	7,523	7,128	-	-	-	+783
Nail-related Business	528	530	530	580	552	584	-	-	-	+54
Other Business	23	21	24	24	21	23	-	-	-	+2
<b>Sales</b>	<b>6,970</b>	<b>6,897</b>	<b>7,147</b>	<b>7,123</b>	<b>8,097</b>	<b>7,734</b>	-	-	-	<b>+837</b>
Dental-related Business	887	1,041	939	198	1,212	983	-	-	-	(58)
Nail-related Business	36	31	36	28	13	21	-	-	-	(10)
Other Business	0	0	4	9	2	2	-	-	-	+1
<b>Segment Profit</b>	<b>924</b>	<b>1,072</b>	<b>979</b>	<b>235</b>	<b>1,228</b>	<b>1,006</b>	-	-	-	<b>(66)</b>
Inter-segment Transactions	4	(2)	2	1	1	1	-	-	-	+3
<b>Operating Profit</b>	<b>929</b>	<b>1,071</b>	<b>980</b>	<b>237</b>	<b>1,229</b>	<b>1,008</b>	-	-	-	<b>(63)</b>
Dental-related Business	13.8%	16.4%	14.2%	3.0%	16.1%	13.8%	-	-	-	(2.6%)
Nail-related Business	6.8%	5.8%	6.8%	4.8%	2.4%	3.6%	-	-	-	(2.3%)
Other Business	1.3%	3.3%	16.7%	37.5%	9.5%	8.7%	-	-	-	+5.4%
<b>Operating Profit Margin</b>	<b>13.3%</b>	<b>15.5%</b>	<b>13.7%</b>	<b>3.3%</b>	<b>15.2%</b>	<b>13.0%</b>	-	-	-	<b>(2.5%)</b>

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	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		
Cash and Deposit	7,191	7,349	7,732	9,064	9,367	9,537	-	-	-	+2,188
Accounts Receivables	3,273	3,212	3,266	3,293	3,608	3,902	-	-	-	+690
Inventory	7,255	7,469	7,563	7,554	7,837	8,139	-	-	-	+670
Other	500	666	649	551	530	729	-	-	-	+63
<b>Current Assets</b>	<b>18,219</b>	<b>18,696</b>	<b>19,210</b>	<b>20,462</b>	<b>21,342</b>	<b>22,307</b>	-	-	-	<b>+3,611</b>
Tangible Assets	8,189	8,170	8,202	8,429	8,971	9,051	-	-	-	+881
Intangible Assets	351	364	374	427	449	448	-	-	-	+84
Investments and Other Assets	11,450	11,561	11,283	11,390	11,301	10,966	-	-	-	(595)
<b>Fixed Assets</b>	<b>19,991</b>	<b>20,096</b>	<b>19,859</b>	<b>20,247</b>	<b>20,722</b>	<b>20,465</b>	-	-	-	<b>+369</b>
<b>Total Assets</b>	<b>38,210</b>	<b>38,792</b>	<b>39,070</b>	<b>40,709</b>	<b>42,065</b>	<b>42,773</b>	-	-	-	<b>+3,981</b>
Accounts Payables	783	686	688	928	882	827	-	-	-	+141
Short Term Debt	950	844	847	325	325	325	-	-	-	(519)
Other	2,899	2,832	2,752	3,184	3,331	3,361	-	-	-	+529
<b>Current Liabilities</b>	<b>4,632</b>	<b>4,362</b>	<b>4,287</b>	<b>4,437</b>	<b>4,538</b>	<b>4,513</b>	-	-	-	<b>+151</b>
Long Term Debt	850	768	687	1,153	1,095	1,013	-	-	-	+245
Other	2,136	2,112	2,004	2,179	2,226	1,913	-	-	-	(199)
<b>Fixed Liabilities</b>	<b>2,986</b>	<b>2,880</b>	<b>2,691</b>	<b>3,332</b>	<b>3,321</b>	<b>2,926</b>	-	-	-	<b>+46</b>
<b>Total Liabilities</b>	<b>7,619</b>	<b>7,242</b>	<b>6,979</b>	<b>7,769</b>	<b>7,860</b>	<b>7,440</b>	-	-	-	<b>+198</b>
<b>Shareholders' Equity</b>	<b>26,295</b>	<b>27,227</b>	<b>27,835</b>	<b>27,978</b>	<b>28,677</b>	<b>29,727</b>	-	-	-	<b>+2,500</b>
Other	4,296	4,322	4,255	4,962	5,527	5,605	-	-	-	+1,283
<b>Net Assets</b>	<b>30,591</b>	<b>31,549</b>	<b>32,090</b>	<b>32,940</b>	<b>34,204</b>	<b>35,332</b>	-	-	-	<b>+3,783</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>38,210</b>	<b>38,792</b>	<b>39,070</b>	<b>40,709</b>	<b>42,065</b>	<b>42,773</b>	-	-	-	<b>+3,981</b>
Equity Capital	30,412	31,385	31,918	32,759	34,047	35,168	-	-	-	+3,783
Interest Bearing Debt	1,800	1,612	1,534	1,478	1,420	1,338	-	-	-	(274)
Net Debt	(5,391)	(5,737)	(6,198)	(7,586)	(7,947)	(8,199)	-	-	-	(2,462)
Equity Ratio	79.6%	80.9%	81.7%	80.5%	80.9%	82.2%	-	-	-	-
Net Debt Equity Ratio	(17.7%)	(18.3%)	(19.4%)	(23.2%)	(23.3%)	(23.3%)	-	-	-	-
ROE (12 months)	8.3%	8.8%	9.6%	8.1%	9.5%	9.5%	-	-	-	-
ROA (12 months)	9.6%	10.3%	10.8%	9.3%	10.7%	10.5%	-	-	-	-
Days for Inventory Turnover	214	244	231	221	210	229	-	-	-	-
Quick Ratio	226%	242%	257%	278%	286%	298%	-	-	-	-
Current Ratio	393%	429%	448%	461%	470%	494%	-	-	-	-

Source: Company Data, WRJ Calculation

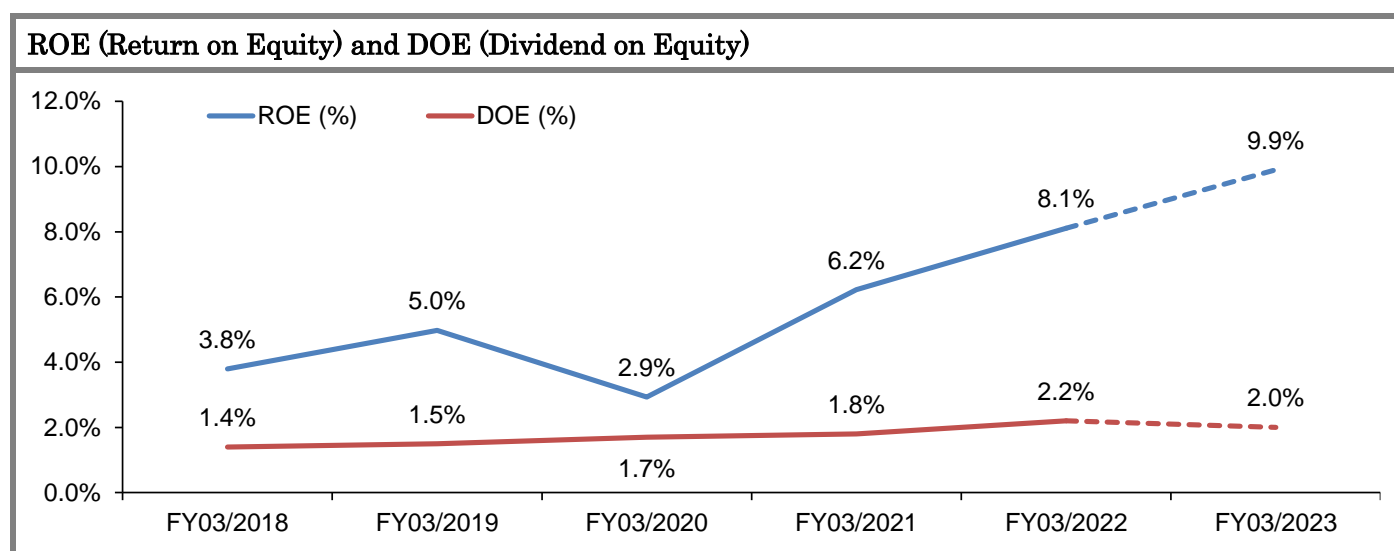
## Cash Flow Statement (Cumulative)

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	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		
Operating Cash Flow	-	1,544	-	3,736	-	1,450	-	-	-	(94)
Investing Cash Flow	-	(648)	-	(1,288)	-	(599)	-	-	-	+49
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>-</b>	<b>896</b>	<b>-</b>	<b>2,448</b>	<b>-</b>	<b>851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45)</b>
Financing Cash Flow	-	(678)	-	(1,074)	-	(671)	-	-	-	+7

Source: Company Data, WRJ Calculation

### FY03/2023 Company Forecasts

FY03/2023 Company forecasts (announced on 25 October 2022) are going for prospective sales of ¥31,294m (up 11.2% YoY), operating profit of ¥3,750m (up 16.6%), recurring profit of ¥4,320m (up 18.1%) and profit attributable to owners of parent of ¥3,389m (up 33.1%), while operating profit margin of 12.0% (up 0.5% points). At the same time, Company forecasts are going for planned annual dividend of ¥39.00 per share, implying payout ratio of 20.5%.



Source: Company Data, WRJ Calculation

Compared with the latest Company forecasts (announced on 1 August 2022), prospective sales have been revised up by ¥135m (0.4%), operating profit by ¥442m (13.4%), recurring profit by ¥624m (16.9%) and profit attributable to owners of parent by ¥669m (24.6%). Meanwhile, this upward revision is basically of reflecting overshoots in the Q1 to Q2 actual results versus assumptions and thus the Company has left assumptions for H2 roughly unchanged.

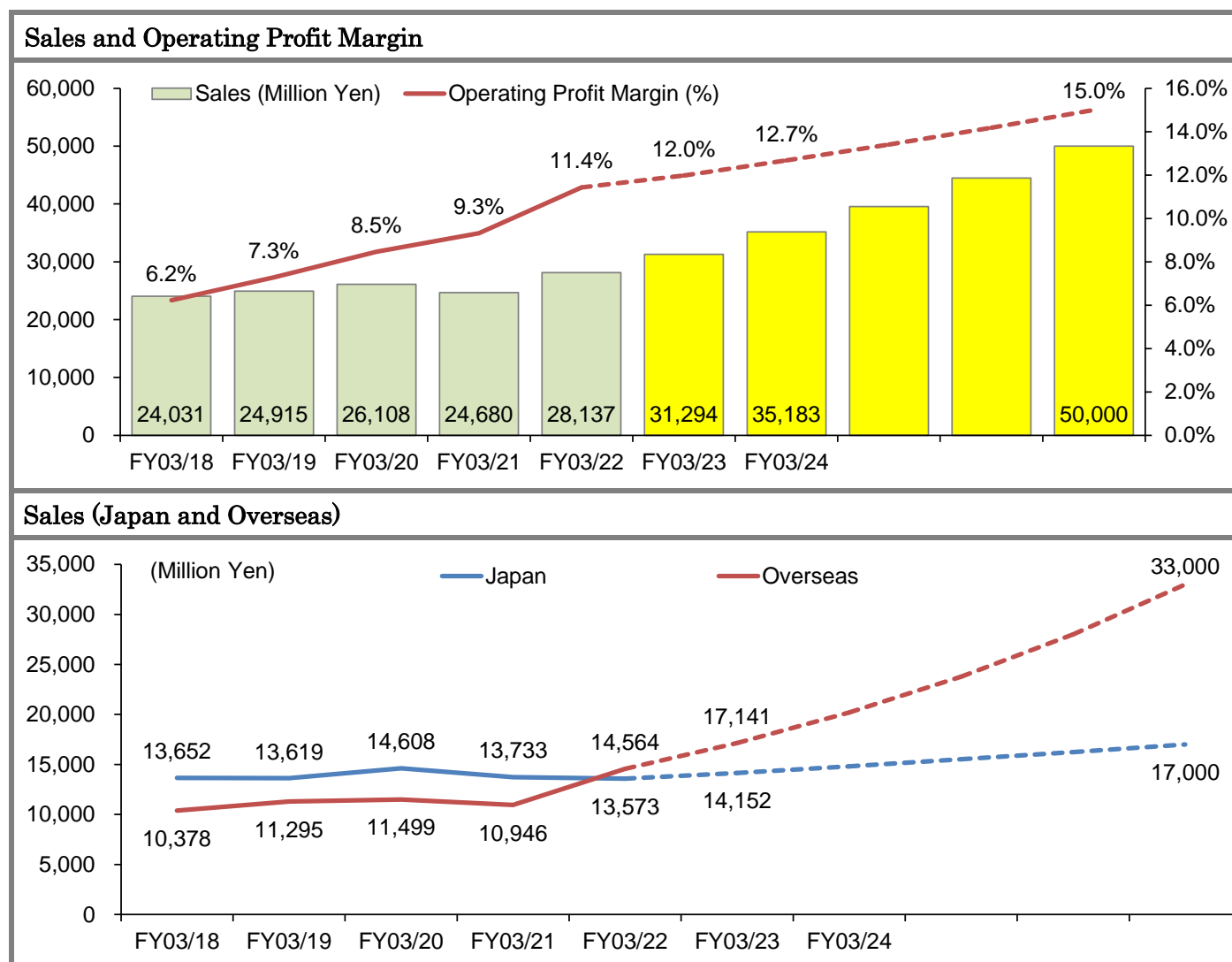
Still, for planned annual dividend, Company forecasts have remained unchanged despite the fact that profit attributable to owners of parent, or the source of dividend, has been revised up as above-mentioned. Meanwhile, it has been the case that the Company pays dividend based on its dividend policy to achieve a payout ratio of 30% or more. In light of this, the Company is likely to increase dividend to a level commensurate with this target at the end of the day.

On top of this, it is now also advocated to target DOE (dividend on equity) of around 1.7% during the period of the midterm management plan (FY03/2022 to FY03/2024), with the aim of implementing shareholder returns that take capital efficiency into account. From a longer-term perspective, the Company is planning to work to sustainably raise ROE (return on equity), so that the Company will be able to raise the target for DOE (dividend on equity) accordingly.



## Long-Term Prospects

The Company's long-term basic policy advocates outline to "strive to expand the operations overseas by dramatically shifting the allocation of management resources to markets overseas," while 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% as performance target for the future. The Company intends to make progress in globalization of all divisions and functions (R&D, manufacture, sales etc.) as well as human resources and thus own management itself eventually.



Source: Company Data, WRJ Calculation

Meanwhile, on 11 May 2022, the Company has revised up its performance target of its 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 going for prospective sales of ¥31,509m, operating profit of ¥3,791m and operating profit margin of 12.0% after upgrade by ¥1,327m (4.4%) for sales and by ¥1,173m (44.8%) for operating profit, which is attributable to a factor that the Company saw actual results far better than initial expectations for FY03/2022, the first year of the plan, given assumptions on the impacts of COVID-19 having had been consequently too conservative. Since the beginning of FY03/2023, sales in ex-Japan Asia and Oceania have shown a trend better than expected and the yen weaker, resulting in a situation that the above-mentioned performance target for FY03/2024 will be almost achieved for FY03/2023. The Company suggests that it has begun to re-examine prospective performance for FY03/2024, based on trends of recent trading.

**Disclaimer**

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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](mailto:info@walden.co.jp)

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

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