

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 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 FY03/2022		21,014	2,980	3,274	2,346	-	-	-
Q1 to Q3 FY03/2023		23,742	3,290	3,664	2,796	-	-	-
Q1 to Q3 FY03/2023	YoY	13.0%	10.4%	11.9%	19.2%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (6 February 2023)

Favorable Startup


On 3 February 2023, SHOFU, developing, manufacturing and selling dental materials & equipment, released its Q1 to Q3 FY03/2023 results. It has been revealed that sales in the Middle East have started to pick up favorably as those of India having had done so since a bit earlier. Combined with this, sales overseas benefited from yen's depreciation over the same period of the previous year, having achieved a high growth. Meanwhile, sales in Japan have increased steadily due mainly to strengths of CAD/CAM-related products, which are encouraging the digitization of dental care. For the Company as a whole, sales increased by 13.0%, while sales overseas increased by 19.0% and sales in Japan by 6.5%. At the same time, sales overseas increased by 5.4% on a local currency basis. With respect to sales in North Americas and Europe, the Company suffers from one-off negative factors in each (as found in our Company Report below), but sales are buoyant in "Asia, Oceania, etc." or a region defined by the Company. With respect to China, accounting for more than half of sales here, the Company suggests that it has secured an increase in sales despite the impact of Corona disaster. Meanwhile, the Company has been seeing favorable startup of sales in India where it has newly set up a local sales office. With respect to the Middle East, sales have started to pick up favorably after the Company's measure to make a shift to strengthening of local sales capability from sales via its sales office based in Singapore.

The Company's business model, etc. / Company Report : [SHOFU \(7979\) Sales Mix \(21 December 2022\)](#)

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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 December 2022)	
No. of Shares	17,894,089 shares, including 52,007 treasury shares (as of the end of Dec. 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 develop remaining ● Also developing, manufacturing and selling nail salon materials 	
Segments	I . Dental-related Business II . Nail-related Business III. Other Business	
Representatives	Representative Director, Chairperson : Noriyuki Negoro Representative Director, President & CEO : Tetsuo Takami	
Shareholders	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)	
Head Office	Higashiyama-ku, Kyoto-city, JAPAN	
No. of Personnel	Consolidated: 1,310, Parent: 477 (as of the end of December 2022)	

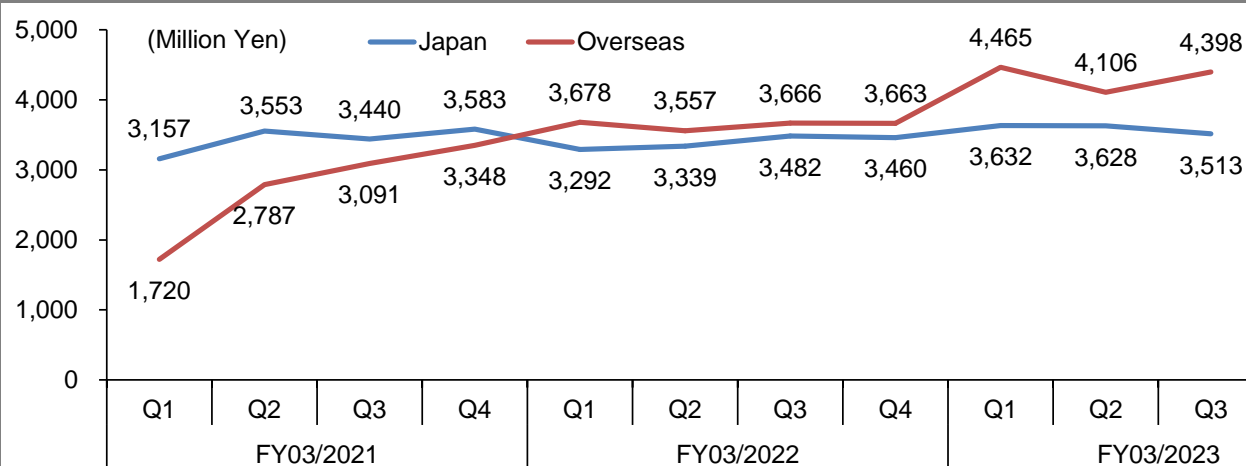
Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY03/2023

For Q1 to Q3 FY03/2023, sales came in at ¥23,742m (up 13.0% YoY), operating profit ¥3,290m (up 10.4%), recurring profit ¥3,664m (up 11.9%) and profit attributable to owners of parent ¥2,796m (up 19.2%). Meanwhile, gross profit came in at ¥14,008m (up 15.3%) and SG&A expenses ¥10,717m (up 16.9%), implying gross profit margin of 59.0% (up 1.2 % points) and SG&A ratio of 45.1% (up 1.5 % points). According to the Company, there is an aspect that sales, gross profit and SG&A expenses for Q1 to Q3 have all increased in the absolute amounts due to yen's depreciation. Meanwhile, SG&A expenses increased most substantially, as the Company was aggressively spending on expenses for future sales expansion. Consequently, operating profit margin came in at 13.9% (down 0.3 % points).

Sales (Japan and Overseas)



Forex Rate

(Yen)	Actual Q1 FY03/22	Actual Q1 to Q2 FY03/22	Actual Q1 to Q3 FY03/22	Actual Q1 to Q4 FY03/22	Actual Q1 FY03/23	Actual Q1 to Q2 FY03/23	Actual Q1 to Q3 FY03/23	CoE Q1 to Q4 FY03/23
US Dollar	110.00	110.18	111.38	112.86	129.04	133.46	135.40	133.46
Euro	131.78	130.97	130.85	131.01	138.24	138.79	140.42	138.79
Chinese Yuan	16.31	16.63	16.77	17.03	18.43	19.32	19.32	19.32
US Dollar (YoY)	+2.1%	+3.3%	+5.2%	+6.3%	+17.3%	+21.1%	+21.6%	+18.3%
Euro (YoY)	+10.8%	+7.9%	+7.0%	+5.9%	+4.9%	+6.0%	+7.3%	+5.9%
Chinese Yuan (YoY)	+4.8%	+8.2%	+9.3%	+10.3%	+13.0%	+16.2%	+15.2%	+13.4%

Source: Company Data, WRJ Calculation

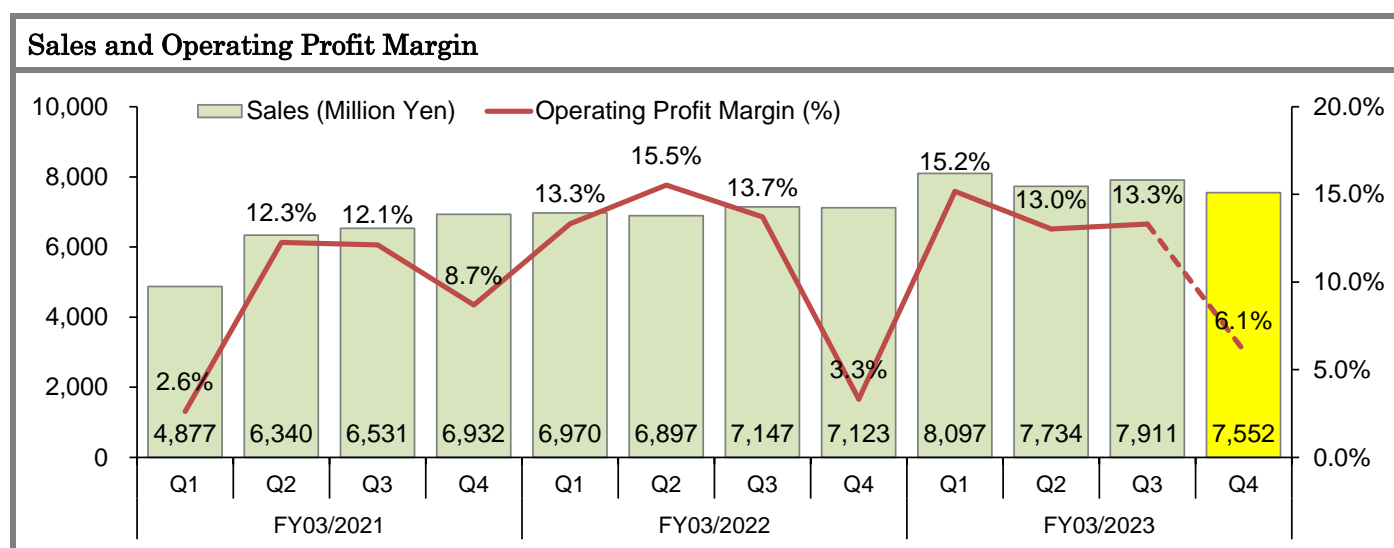
By region, sales in Japan came in at ¥10,773m (up 6.5%) and sales overseas ¥12,969m (up 19.0% and/or up 5.4% on a local currency basis). Meanwhile, by segment, Dental-related Business, which is responsible for developing, manufacturing and selling dental materials & equipment, saw sales of ¥21,949m (up 13.4%), operating profit of ¥3,222m (up 12.4%) and operating profit margin of 14.7% (down 0.1% point), having accounted for 92.4% of sales for the Company as a whole and 98.1% of operating profit.

On the Dental-related Business side, which is the overwhelming driver for the Company's performance as a whole, sales in Japan were firm particularly for EyeSpecial C-IV (digital dental camera) and CAD/CAM-related products such as the SHOFU DISK ZR Lucent (ceramic material for dental cutting processing).

Meanwhile, sales overseas were favorable due to strengths of existing products mainly in Asia, including China, according to the Company. "Asia," excluding China, basically comprises India, Singapore, South Korea and Taiwan. In India, where the Company has newly set up a local sales office, demand has been rising ahead of schedule due to the need to prepare for the introduction of pharmaceutical regulations, but even excluding this, sales are beginning to rise steadily, according to the Company. Meanwhile, in the Middle East, where the Company had been focusing on sales expansion through its local sales office based in Singapore, sales are now beginning to rise steadily, as the Company has shifted to direct sales promotions to enhance local sales.

FY03/2023 Company Forecasts

FY03/2023 Company forecasts (announced on 25 October 2022) have remained unchanged, 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).



Source: Company Data, WRJ Calculation

Compared with initial Company forecasts (announced on 11 May 2022), prospective sales have been upgraded by ¥1,980m (6.8%) and operating profit by ¥1,018m (37.3%). Meanwhile, Company forecasts have remained unchanged for planned annual dividend at ¥39.00 per share, implying payout ratio 20.5%, for FY03/2023. However, the Company has been going for payout ratio of at least 30% as the target in its dividend policy heretofore, implying that the Company will eventually increase dividend to a level commensurate with this target.

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	Q1 to Q4	Net Chg.
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	
Sales	6,970	13,867	21,014	28,137	8,097	15,831	23,742	-	-	+2,728
Cost of Sales	3,089	5,877	8,864	11,970	3,396	6,631	9,734	-	-	+870
Gross Profit	3,881	7,990	12,149	16,167	4,700	9,200	14,008	-	-	+1,859
SG&A Expenses	2,952	5,989	9,169	12,950	3,470	6,963	10,717	-	-	+1,548
Operating Profit	929	2,000	2,980	3,217	1,229	2,237	3,290	-	-	+310
Non Operating Balance	77	130	294	441	398	508	374	-	-	+80
Recurring Profit	1,006	2,130	3,274	3,658	1,627	2,745	3,664	-	-	+390
Extraordinary Balance	(41)	(41)	(40)	(47)	38	157	172	-	-	+212
Profit before Income Taxes	965	2,089	3,234	3,611	1,665	2,902	3,836	-	-	+602
Total Income Taxes	330	574	872	1,043	514	754	1,020	-	-	+148
NP Belonging to Non-Controlling SHs	4	8	14	20	5	13	19	-	-	+5
Profit Attributable to Owners of Parent	630	1,506	2,346	2,546	1,144	2,133	2,796	-	-	+450
Sales YoY	+42.9%	+23.6%	+18.4%	+14.0%	+16.2%	+14.2%	+13.0%	-	-	-
Operating Profit YoY	+620.9%	+120.9%	+75.6%	+39.8%	+32.4%	+11.8%	+10.4%	-	-	-
Recurring Profit YoY	-	+138.9%	+82.9%	+45.0%	+61.8%	+28.9%	+11.9%	-	-	-
Profit Attributable to Owners of Parent YoY	-	+164.9%	+104.7%	+52.1%	+81.5%	+41.6%	+19.2%	-	-	-
Gross Profit Margin	55.7%	57.6%	57.8%	57.5%	58.0%	58.1%	59.0%	-	-	+1.2%
SG&A Ratio	42.4%	43.2%	43.6%	46.0%	42.9%	44.0%	45.1%	-	-	+1.5%
Operating Profit Margin	13.3%	14.4%	14.2%	11.4%	15.2%	14.1%	13.9%	-	-	(0.3%)
Recurring Profit Margin	14.4%	15.4%	15.6%	13.0%	20.1%	17.3%	15.4%	-	-	(0.1%)
Profit Attributable to Owners of Parent Margin	9.0%	10.9%	11.2%	9.0%	14.1%	13.5%	11.8%	-	-	+0.6%
Total Income Taxes / Profit before Income Taxes	34.2%	27.5%	27.0%	28.9%	30.9%	26.0%	26.6%	-	-	(0.4%)
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	Q4	Net Chg.
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	03/2023	
Sales	6,970	6,897	7,147	7,123	8,097	7,734	7,911	-	-	+764
Cost of Sales	3,089	2,788	2,987	3,106	3,396	3,235	3,103	-	-	+116
Gross Profit	3,881	4,109	4,159	4,018	4,700	4,500	4,808	-	-	+649
SG&A Expenses	2,952	3,037	3,180	3,781	3,470	3,493	3,754	-	-	+574
Operating Profit	929	1,071	980	237	1,229	1,008	1,053	-	-	+73
Non Operating Balance	77	53	164	147	398	110	(134)	-	-	(298)
Recurring Profit	1,006	1,124	1,144	384	1,627	1,118	919	-	-	(225)
Extraordinary Balance	(41)	-	1	(7)	38	119	15	-	-	+14
Profit before Income Taxes	965	1,124	1,145	377	1,665	1,237	934	-	-	(211)
Total Income Taxes	330	244	298	171	514	240	266	-	-	(32)
NP Belonging to Non-Controlling SHs	4	4	6	6	5	8	6	-	-	0
Profit Attributable to Owners of Parent	630	876	840	200	1,144	989	663	-	-	(177)
Sales YoY	+42.9%	+8.8%	+9.4%	+2.8%	+16.2%	+12.1%	+10.7%	-	-	-
Operating Profit YoY	+620.9%	+37.8%	+23.7%	(60.7%)	+32.4%	(5.9%)	+7.4%	-	-	-
Recurring Profit YoY	-	+38.6%	+27.3%	(47.6%)	+61.8%	(0.5%)	(19.7%)	-	-	-
Profit Attributable to Owners of Parent YoY	-	+39.9%	+45.3%	(62.1%)	+81.5%	+12.9%	(21.1%)	-	-	-
Gross Profit Margin	55.7%	59.6%	58.2%	56.4%	58.0%	58.2%	60.8%	-	-	+2.6%
SG&A Ratio	42.4%	44.0%	44.5%	53.1%	42.9%	45.2%	47.5%	-	-	+3.0%
Operating Profit Margin	13.3%	15.5%	13.7%	3.3%	15.2%	13.0%	13.3%	-	-	(0.4%)
Recurring Profit Margin	14.4%	16.3%	16.0%	5.4%	20.1%	14.5%	11.6%	-	-	(4.4%)
Profit Attributable to Owners of Parent Margin	9.0%	12.7%	11.8%	2.8%	14.1%	12.8%	8.4%	-	-	(3.4%)
Total Income Taxes / Profit before Income Taxes	34.2%	21.7%	26.0%	45.4%	30.9%	19.4%	28.5%	-	-	+2.5%

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 03/2022	Q1 to Q2 03/2022	Q1 to Q3 03/2022	Q1 to Q4 03/2022	Q1 03/2023	Q1 to Q2 03/2023	Q1 to Q3 03/2023	Q1 to Q4 03/2023		
Dental-related Business	6,419	12,764	19,357	25,876	7,523	14,651	21,949	-	+2,592	
Nail-related Business	528	1,058	1,588	2,168	552	1,136	1,719	-	+131	
Other Business	23	44	68	92	21	44	72	-	+4	
Sales	6,970	13,867	21,014	28,137	8,097	15,831	23,742	-	+2,728	
Dental-related Business	887	1,928	2,867	3,065	1,212	2,195	3,222	-	+355	
Nail-related Business	36	67	103	131	13	34	57	-	(46)	
Other Business	0	1	5	14	2	4	5	-	0	
Segment Profit	924	1,997	2,976	3,211	1,228	2,234	3,286	-	+310	
Inter-segment Transactions	4	2	4	5	1	2	4	-	0	
Operating Profit	929	2,000	2,980	3,217	1,229	2,237	3,290	-	+310	
Dental-related Business	13.8%	15.1%	14.8%	11.8%	16.1%	15.0%	14.7%	-	(0.1%)	
Nail-related Business	6.8%	6.3%	6.5%	6.0%	2.4%	3.0%	3.3%	-	(3.2%)	
Other Business	1.3%	2.3%	7.4%	15.2%	9.5%	9.1%	6.9%	-	(0.4%)	
Operating Profit Margin	13.3%	14.4%	14.2%	11.4%	15.2%	14.1%	13.9%	-	(0.3%)	

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2022	Q2 03/2022	Q3 03/2022	Q4 03/2022	Q1 03/2023	Q2 03/2023	Q3 03/2023	Q4 03/2023	
Dental-related Business	6,419	6,345	6,593	6,519	7,523	7,128	7,298	-	+705
Nail-related Business	528	530	530	580	552	584	583	-	+53
Other Business	23	21	24	24	21	23	28	-	+4
Sales	6,970	6,897	7,147	7,123	8,097	7,734	7,911	-	+764
Dental-related Business	887	1,041	939	198	1,212	983	1,027	-	+88
Nail-related Business	36	31	36	28	13	21	23	-	(13)
Other Business	0	0	4	9	2	2	1	-	(3)
Segment Profit	924	1,072	979	235	1,228	1,006	1,052	-	+73
Inter-segment Transactions	4	(2)	2	1	1	1	2	-	0
Operating Profit	929	1,071	980	237	1,229	1,008	1,053	-	+73
Dental-related Business	13.8%	16.4%	14.2%	3.0%	16.1%	13.8%	14.1%	-	(0.2%)
Nail-related Business	6.8%	5.8%	6.8%	4.8%	2.4%	3.6%	3.9%	-	(2.8%)
Other Business	1.3%	3.3%	16.7%	37.5%	9.5%	8.7%	3.6%	-	(13.1%)
Operating Profit Margin	13.3%	15.5%	13.7%	3.3%	15.2%	13.0%	13.3%	-	(0.4%)

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 03/2022	Q2 03/2022	Q3 03/2022	Q4 03/2022	Q1 03/2023	Q2 03/2023	Q3 03/2023	Q4 03/2023		
Cash and Deposit	7,191	7,349	7,732	9,064	9,367	9,537	9,453	-	+1,721	
Accounts Receivables	3,273	3,212	3,266	3,293	3,608	3,902	3,401	-	+135	
Inventory	7,255	7,469	7,563	7,554	7,837	8,139	8,386	-	+823	
Other	500	666	649	551	530	729	839	-	+190	
Current Assets	18,219	18,696	19,210	20,462	21,342	22,307	22,079	-	+2,869	
Tangible Assets	8,189	8,170	8,202	8,429	8,971	9,051	9,348	-	+1,146	
Intangible Assets	351	364	374	427	449	448	435	-	+61	
Investments and Other Assets	11,450	11,561	11,283	11,390	11,301	10,966	10,934	-	(349)	
Fixed Assets	19,991	20,096	19,859	20,247	20,722	20,465	20,718	-	+859	
Total Assets	38,210	38,792	39,070	40,709	42,065	42,773	42,798	-	+3,728	
Accounts Payables	783	686	688	928	882	827	889	-	+201	
Short Term Debt	950	844	847	325	325	325	325	-	(522)	
Other	2,899	2,832	2,752	3,184	3,331	3,361	3,274	-	+522	
Current Liabilities	4,632	4,362	4,287	4,437	4,538	4,513	4,488	-	+201	
Long Term Debt	850	768	687	1,153	1,095	1,013	928	-	+241	
Other	2,136	2,112	2,004	2,179	2,226	1,913	1,921	-	(83)	
Fixed Liabilities	2,986	2,880	2,691	3,332	3,321	2,926	2,849	-	+158	
Total Liabilities	7,619	7,242	6,979	7,769	7,860	7,440	7,338	-	+359	
Shareholders' Equity	26,295	27,227	27,835	27,978	28,677	29,727	30,122	-	+2,287	
Other	4,296	4,322	4,255	4,962	5,527	5,605	5,337	-	+1,082	
Net Assets	30,591	31,549	32,090	32,940	34,204	35,332	35,459	-	+3,369	
Total Liabilities & Net Assets	38,210	38,792	39,070	40,709	42,065	42,773	42,798	-	+3,728	
Equity Capital	30,412	31,385	31,918	32,759	34,047	35,168	35,293	-	+3,375	
Interest Bearing Debt	1,800	1,612	1,534	1,478	1,420	1,338	1,253	-	(281)	
Net Debt	(5,391)	(5,737)	(6,198)	(7,586)	(7,947)	(8,199)	(8,200)	-	(2,002)	
Equity Ratio	79.6%	80.9%	81.7%	80.5%	80.9%	82.2%	82.5%	-	-	
Net Debt Equity Ratio	(17.7%)	(18.3%)	(19.4%)	(23.2%)	(23.3%)	(23.3%)	(23.2%)	-	-	
ROE (12 months)	8.3%	8.8%	9.6%	8.1%	9.5%	9.5%	8.9%	-	-	
ROA (12 months)	9.6%	10.3%	10.8%	9.3%	10.7%	10.5%	9.9%	-	-	
Days for Inventory Turnover	214	244	231	221	210	229	246	-	-	
Quick Ratio	226%	242%	257%	278%	286%	298%	286%	-	-	
Current Ratio	393%	429%	448%	461%	470%	494%	492%	-	-	

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

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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