

**The First Quarter Consolidated Financial Results for the Fiscal Year Ended March 31, 2024  
(Japanese Accounting Standards)**

August 3, 2023

Company name: SHOFU INC.  
 Listing: Tokyo Stock Exchange (Prime Market)  
 Code number: 7979  
 URL: <https://www.shofu.co.jp/>  
 Representative: Tetsuo Takami, Representative Director, President & Chief Executive Officer  
 Contact: Takashi Morimoto, General Manager of Finance Department  
 Scheduled date for filing of quarterly securities report: August 9, 2023  
 Scheduled commencement date of dividend payment: —  
 Supplementary documents for quarterly financial results: Yes  
 Quarterly financial results briefing: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ended March 31, 2024(April 1,2023 – June 30,2023)

(1) Consolidated Operating Results (% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to Owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	8,265	2.1	1,144	(6.9)	1,367	(16.0)	686	(40.0)
Three months ended June 30, 2022	8,097	16.2	1,229	32.4	1,627	61.8	1,144	81.5

(Note) Comprehensive income: Three Months ended June 30, 2023 2,103 million yen (20.6%)  
 Three Months ended June 30, 2022 1,744 million yen (127.7%)

	First Quarter Net income (loss) per share	First Quarter Fully diluted net income (loss) per share
	Yen	Yen
Three months ended June 30, 2023	38.77	38.57
Three months ended June 30, 2022	64.35	64.25

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Three months ended June 30, 2023	45,115	36,875	81.4	2,071.60
Year ended March 31, 2023	43,727	35,515	80.8	1,996.64

(Reference) Shareholder's equity: Three Months ended June 30, 2023 36,708 million yen  
 Year ended March 31, 2023 35,342 million yen

2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	15.00	-	42.00	57.00
Year ended March 31, 2024	—				
Year ending March 31, 2024 (Forecasts)		20.00	-	27.00	47.00

(Notes) Revision to the dividend forecast during the current quarter: None

(Notes) Year-end dividends for the fiscal year ended March 31, 2023 include commemorative dividend of 10.00 yen.

(The 100th anniversary of company's founding)

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to Owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023 (cumulative)	16,408	3.6	1,868	(16.5)	2,004	(27.0)	1,312	(38.5)	74.17
Year ending March 31, 2024	33,550	5.9	3,820	(0.1)	3,938	(7.1)	2,769	(11.7)	156.46

(Notes) Revision during the current quarter to the performance forecasts: None

\*Notes

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

(2) Adoption of accounting methods specific to the preparation of quarterly financial statements: Yes

(3) Changes in accounting principles, procedures, or indication methods:

(a) Changes in accounting standards: None

(b) Changes other than (a) above: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(4) Number of shares outstanding (common stock)

(a) Number of shares outstanding at end of period (including treasury stock).

As of June 30, 2023: 17,894,089 shares

As of March 31, 2023: 17,894,089 shares

(b) Number of shares of treasury stock at end of period

As of June 30, 2023: 174,207 shares

As of March 31, 2023: 192,907 shares

(c) Average number of shares during the period

As of June 30, 2023: 17,705,857 shares

As of June 30, 2022: 17,793,026 shares

\* This quarterly earnings report is not subject to quarterly review by a certified public accountant or an audit firm.

\*Explanation concerning the appropriate use of business forecasts, and other special items

The forecasts and other statements regarding the future included in this report are based on currently available information and certain assumptions. Actual results may differ from forecasts for a variety of reasons. With respect to the preconditions for the forecasts, please refer to the "Explanation of Future Forecast Information including Consolidated Business Results Forecasts" section on page 3.

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## 1. Qualitative information related to financial results for the quarter under review

### (1) Explanation of Business Results

During the first quarter of the consolidated fiscal year under review, the global economy showed signs of a recovery due to the economic policies of various countries, but the outlook remained uncertain due to concerns about accelerating global inflation and prolonged monetary tightening in the US and European countries. The domestic economy also showed a gradual recovery as socio-economic activities normalized. However, there remained nagging uncertainty regarding the outlook owing to downside risks in overseas economies and the impact of rising prices.

The Company Group posted net sales of ¥8,265 million for the first quarter under review, an increase of ¥167 million (2.1%) from the corresponding period of the previous consolidated fiscal year. Overseas sales, which are included in net sales, increased by ¥292 million (6.6%) to ¥4,757 million (57.6% of net sales).

Operating income decreased by ¥85 million (6.9%) year-on-year to ¥1,144 million due to an increase in selling, general, and administrative expenses.

Ordinary income decreased by ¥259 million (16.0%) year-on-year to ¥1,367 million due to a decrease in non-operating income and loss caused by a decrease in foreign exchange gains and an increase in membership fee.

Profit attributable to owners of parent, after deducting tax expenses, decreased by ¥458 million (40.0%) year-on-year to 686 million yen.

#### (Dental business)

In Japan, CAD/CAM-related products such as the dental cutting ceramics “SHOFU DISK ZR Lucent” and dental cutting resin material “SHOFU BLOCK HC HARD II” contributed to sales, but demand for machinery and equipment ran its course, resulting in lower sales compared to the same period last year. Overseas, sales increased year-on-year due to solid sales expansion of existing products, especially in Europe and Asia, as well as the effect of the positive impact of exchange rate fluctuations.

As a result, net sales for the first quarter under review increased by ¥115 million (1.5%) year-on-year to ¥7,639 million, but operating income decreased by ¥100 million (8.3%) to ¥1,112 million, due to an increase in selling, general, and administrative expenses.

#### (Nail care business)

In Japan, the domestic professional market, especially for exhibitions, is recovering to the situation before the coronavirus pandemic, and sales of mainstay gel nail products increased, resulting in an increase in sales over the corresponding period of the previous fiscal year. Overseas, although sales in the US decreased year-on-year due to the decline in consumption caused by inflation, sales in Taiwan increased year-on-year due to strong sales of the consumer products.

As a result, net sales for the first quarter under review increased by ¥56 million (10.3%) year-on-year to ¥609 million and operating income was ¥28 million, a year-on-year increase of ¥14 million (113.5%).

#### (Other businesses)

SHOFU PRODUCTS KYOTO INC., a Group company, uses its dental abrasives manufacturing technology to manufacture and sell industrial abrasives. Net sales in the “other businesses” segment for the first quarter under review decreased by ¥4 million (20.5%) year-on-year to 16 million yen, and operating income was almost same as the previous consolidated fiscal year to ¥3 million.

### (2) Explanation of Financial Position

Total assets at the end of the first quarter under review increased by ¥1,388 million year-on-year to ¥45,115 million. This was primarily due to increase in merchandises and finished goods and investment securities due to rising market price.

Liabilities increased by ¥28 million to ¥8,239 million. This was primarily due to increase in non-current liabilities

such as net defined benefit liability.

Net assets increased by ¥1,359 million to ¥36,875 million. This was primarily due to increase in retained valuation difference on available-for-sale securities and foreign currency translation adjustment.

As a result of the above, the capital-to-assets ratio rose to 81.4%, an increase of 0.6 points from the end of the previous consolidated fiscal year.

(3) Explanation of Future Forecast Information including Consolidated Business Results Forecasts

We have not revised the performance forecast for the fiscal year ending March 31, 2024, as announced on May 10, 2023.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2023)	End of First Quarter of Fiscal 2024 (as of June 30, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,578	9,165
Notes and accounts receivable-trade	3,493	3,799
Merchandises and finished goods	5,854	6,361
Work in process	1,413	1,506
Raw materials and supplies	1,124	1,140
Other	775	722
Allowance for doubtful accounts	(19)	(52)
<b>Total current assets</b>	<b>22,220</b>	<b>22,644</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	11,501	11,735
Accumulated depreciation	(6,249)	(6,408)
Buildings and structures, net	5,252	5,327
Other	12,463	12,857
Accumulated depreciation	(7,720)	(7,948)
Other, net	4,743	4,908
Total property, plant and equipment	9,995	10,235
Intangible assets	462	461
Investments and other assets		
Investment securities	9,049	9,784
Net defined benefit asset	1,316	1,314
Other	686	679
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	11,047	11,772
<b>Total non-current assets</b>	<b>21,506</b>	<b>22,470</b>
<b>Total assets</b>	<b>43,727</b>	<b>45,115</b>

	(Millions of yen)	
	Previous fiscal year (as of March 31,2023)	End of First Quarter of Fiscal 2024 (as of June 30, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	1,011	1,033
Current portion of long-term loans payable	907	955
Income taxes payable	780	683
Provision for directors' bonuses	64	15
Other	3,185	2,983
<b>Total current liabilities</b>	5,949	5,671
<b>Non-current liabilities</b>		
Long-term loans payable	281	200
Net defined benefit liability	207	215
Other	1,773	2,152
<b>Total non-current liabilities</b>	2,262	2,568
<b>Total liabilities</b>	8,211	8,239
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,968	5,968
Capital surplus	6,142	6,125
Retained earnings	18,406	18,349
Treasury shares	(379)	(343)
<b>Total shareholders' equity</b>	30,138	30,101
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,201	3,789
Foreign currency translation adjustment	1,348	2,183
Remeasurements of defined benefit plans	655	633
<b>Total accumulated other comprehensive income</b>	5,204	6,606
<b>Subscription rights to shares</b>	99	79
<b>Non-controlling interests</b>	73	87
<b>Total net assets</b>	35,515	36,875
<b>Total liabilities and net assets</b>	43,727	45,115

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income**  
**Quarterly Consolidated Statements of Income**

(Millions of yen)

	First Quarter of Fiscal 2023 (from April 1, 2022 to June 30, 2022)	First Quarter of Fiscal 2024 (from April 1, 2023 to June 30, 2023)
<b>Net sales</b>	8,097	8,265
<b>Cost of sales</b>	3,396	3,322
<b>Gross profit</b>	4,700	4,942
<b>Selling, general, and administrative expenses</b>	3,470	3,797
<b>Operating profit</b>	1,229	1,144
<b>Non-operating income</b>		
Interest income	9	10
Dividend income	79	86
Membership fee income	26	51
Foreign exchange gains	291	178
Other	51	62
<b>Total non-operating income</b>	457	389
<b>Non-operating expenses</b>		
Interest expenses	1	6
Membership fee	39	129
Share of loss of entities accounted for using equity method	10	17
Other	9	14
<b>Total non-operating expenses</b>	60	167
<b>Ordinary profit</b>	1,627	1,367
<b>Extraordinary income</b>		
Gain on sales of investment securities	38	-
Total extraordinary income	38	-
<b>Profit before income taxes</b>	1,665	1,367
<b>Income taxes</b>	514	671
<b>Profit</b>	1,150	695
<b>Profit attributable to non-controlling interests</b>	5	8
<b>Profit attributable to owners of parent</b>	1,144	686

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	First Quarter of Fiscal 2023 (from April 1, 2022 to June 30, 2022)	First Quarter of Fiscal 2024 (from April 1, 2023 to June 30, 2023)
<b>Profit</b>	1,150	695
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(70)	588
Foreign currency translation adjustment	684	840
Remeasurements of defined benefit plans, net of tax	(20)	(21)
<b>Total other comprehensive income</b>	593	1,407
<b>Comprehensive income</b>	1,744	2,103
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,733	2,089
Comprehensive income attributable to non-controlling interests	10	13



(3) Notes to Quarterly Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Notes to Significant Changes in the Amounts of Shareholders' Equity)

Not applicable.

(Application of Special Accounting Processing in the Compilation of Quarterly Financial Statements)

(Calculation of tax expenses)

To calculate tax expenses, we made a reasonable estimate of the effective tax rate after the application of tax effect accounting to current net income before tax for the current consolidated fiscal year and then multiplied the current net income before tax for the quarter under review by the estimated effective tax rate. However, where use of the estimated effective tax rate to calculate tax expenses would result in an unreasonable figure, we have used the legal effective tax rate instead.

(Segment Information, etc)

1. Information regarding sales, gains (losses) by reportable segment and revenue decomposition information

For the three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

(Millions of yen)

	Reporting segments				Adjustment *1	Consolidated financial statements *2
	Dental business	Nail care business	Other businesses	Total		
Net sales						
Sales to external customers	7,523	552	21	8,097	-	8,097
Internal sales or transfers	-	-	1	1	(1)	-
Total	7,523	552	22	8,098	(1)	8,097
Segment profit	1,212	13	2	1,228	1	1,229

\*1. The ¥1 million adjustment to segment profit/loss serves to cancel out transactions between segments.

\*2. Segment profit equals the operating income on quarterly consolidated financial statements.

(Millions of yen)

	Reporting segments			Total
	Dental business	Nail care business	Other businesses	
Domestic	3,528	315	21	3,865
North and Latin America	968	75	-	1,044
Europe	1,600	-	-	1,600
Asia	1,425	160	-	1,586
Revenue from contracts with customers	7,523	552	21	8,097
Other revenue	-	-	-	-
Sales to external customers	7,523	552	21	8,097

(Note) Sales to external customers are divided into countries and regions according to the location of the Company

and its consolidated subsidiaries.

For the three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

(Millions of yen)

	Reporting segments				Adjustment *1	Consolidated financial statements *2
	Dental business	Nail care business	Other businesses	Total		
Net sales						
Sales to external customers	7,639	609	16	8,265	-	8,265
Internal sales or transfers	-	-	1	1	(1)	-
Total	7,639	609	18	8,266	(1)	8,265
Segment profit	1,112	28	3	1,143	1	1,144

\*1. The ¥1 million adjustment to segment profit/loss serves to cancel out transactions between segments.

\*2. Segment profit equals the operating income on quarterly consolidated financial statements.

(Millions of yen)

	Reporting segments			Total
	Dental business	Nail care business	Other businesses	
Domestic	3,324	358	16	3,700
North and Latin America	909	59	-	969
Europe	1,860	-	-	1,860
Asia	1,545	190	-	1,735
Revenue from contracts with customers	7,639	609	16	8,265
Other revenue	-	-	-	-
Sales to external customers	7,639	609	16	8,265

(Note) Sales to external customers are divided into countries and regions according to the location of the Company and its consolidated subsidiaries.