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# Briefing Materials

## Financial Results and Forecasts for 1Q FY March 2024

August 3, 2023



Proven Products for Better Dentistry

**SHOFU INC.**

**Consolidated Financial Results for  
1Q FY March 2024**

**Financial Forecasts for  
FY March 2024**

# Consolidated Financial Results for 1Q FY March 2024

## Financial Forecasts for FY March 2024

# Highlights



## Financial Results for 1Q FY March 2024

Net sales ¥8,265 mn (Overseas sales ratio 57.6%)

Operating income ¥1,144 mn

### 【Y on Y】

- Although special demand for new introduction of CAD/CAM equipment for dental laboratories in Japan ran its course, sales increased due to solid expansion of existing products overseas and foreign exchange effects.
- Operating income decreased due to upfront investments in R&D, active recruitment of human resources in Japan and overseas, and an increase in SG&A expenses to strengthen sales activities.

### 【Achievement rate compared to 2Q FY March 2024 Forecasts】

- The achievement rate of sales and operating income for 1Q was 50.4% and 61.3% respectively.
- The achievement rate of domestic sales was 47.5% and somewhat slow in 1Q due to product supply shortages.
- The achievement rate of overseas sales remained steady at 52.7% in 1Q due to expanding sales of chemical products, which are in particularly high demand, and increased production capacity to support this expansion.



# Summary of Business Results for the Current Period

Units: ¥mn, %

	1Q FY3/23 Actual (% of sales)		1Q FY3/24 Actual (% of sales)		Change From Previous Period (% change)		2Q FY3/24 Forecast (% of sales)	
<b>Net sales</b>	<b>8,097</b>	(100.0)	<b>8,265</b>	(100.0)	<b>167</b>	(2.1)	<b>16,408</b>	(50.4)
(Domestic sales)	3,632	(44.9)	3,507	(42.4)	- 125.0	- 3.4	7,386	(47.5)
(Overseas sales)	4,465	(55.1)	4,757	(57.6)	292	(6.6)	9,021	(52.7)
<b>Operating income</b>	<b>1,229</b>	(15.2)	<b>1,144</b>	(13.9)	<b>- 85.0</b>	(-6.9)	<b>1,868</b>	(61.3)
<b>Ordinary income</b>	<b>1,627</b>	(20.1)	<b>1,367</b>	(16.5)	<b>- 259.0</b>	(-16.0)	<b>2,004</b>	(68.2)
<b>Net income</b>	<b>1,144</b>	(14.1)	<b>686</b>	(8.3)	<b>- 458.0</b>	(-40.0)	<b>1,312</b>	(52.3)
Net income per share	64.35yen		38.77yen		-25.57yen		74.17yen	
Return on shareholders' equity	3.4%		1.9%		-1.5P		--	
<b>Foreign exchange rates</b>								
US dollar	129.04		138.11		9.07		130.00	
Euro	138.24		150.35		12.11		140.00	
Renminbi	18.43		19.33		0.90		19.00	

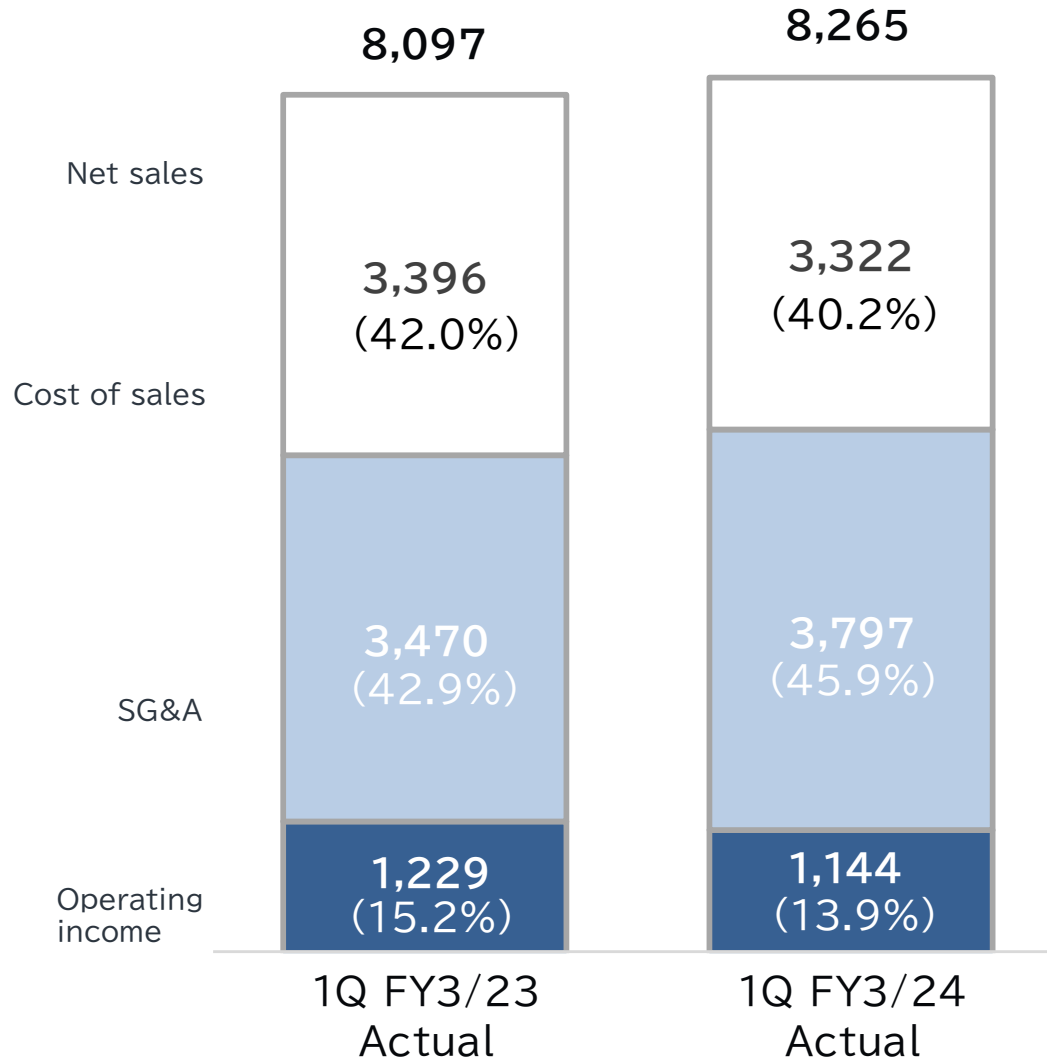
\* Effect of foreign exchange fluctuations [Change from previous period]: Net sales +281

\* Net income in the table refers to "net income attributable to owners of parent".



# Income Structure <YoY Comparison>

Units: ¥mn, Composition ratio (%)



**Net sales: +¥167 mn +2.1%**

Increase in sales due to expansion of overseas sales and foreign exchange effects.

**Operating income: -¥85 mn -6.9%**

Lower OPM due to higher SG&A expenses.

**Cost of sales ratio: -1.8pt**

Lower cost of sales due to favorable sales mix and yen depreciation.

**SG&A ratio: +3.0pt**

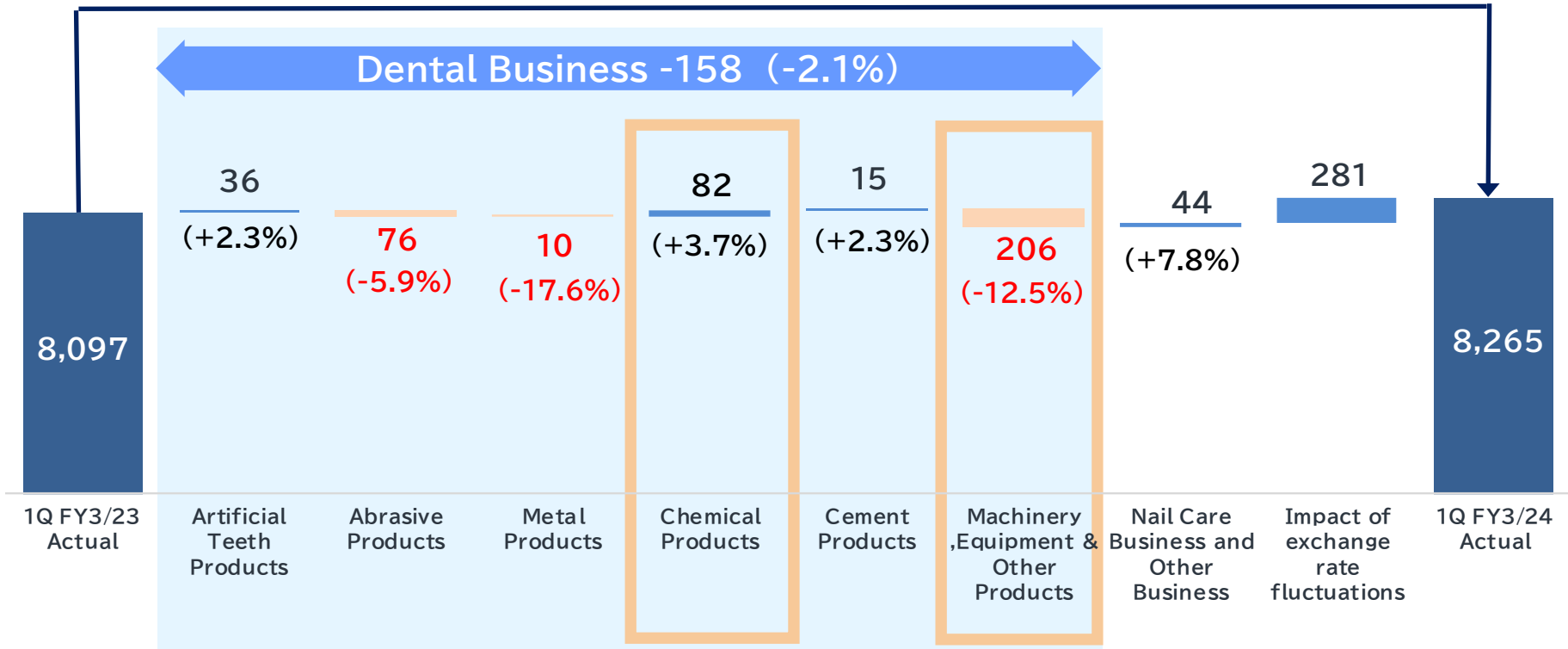
Increase in SG&A expenses due to investment in growth and proactive sales activities.



# Sales by Product Category <YoY change>

Net sales +167 (+2.1%)

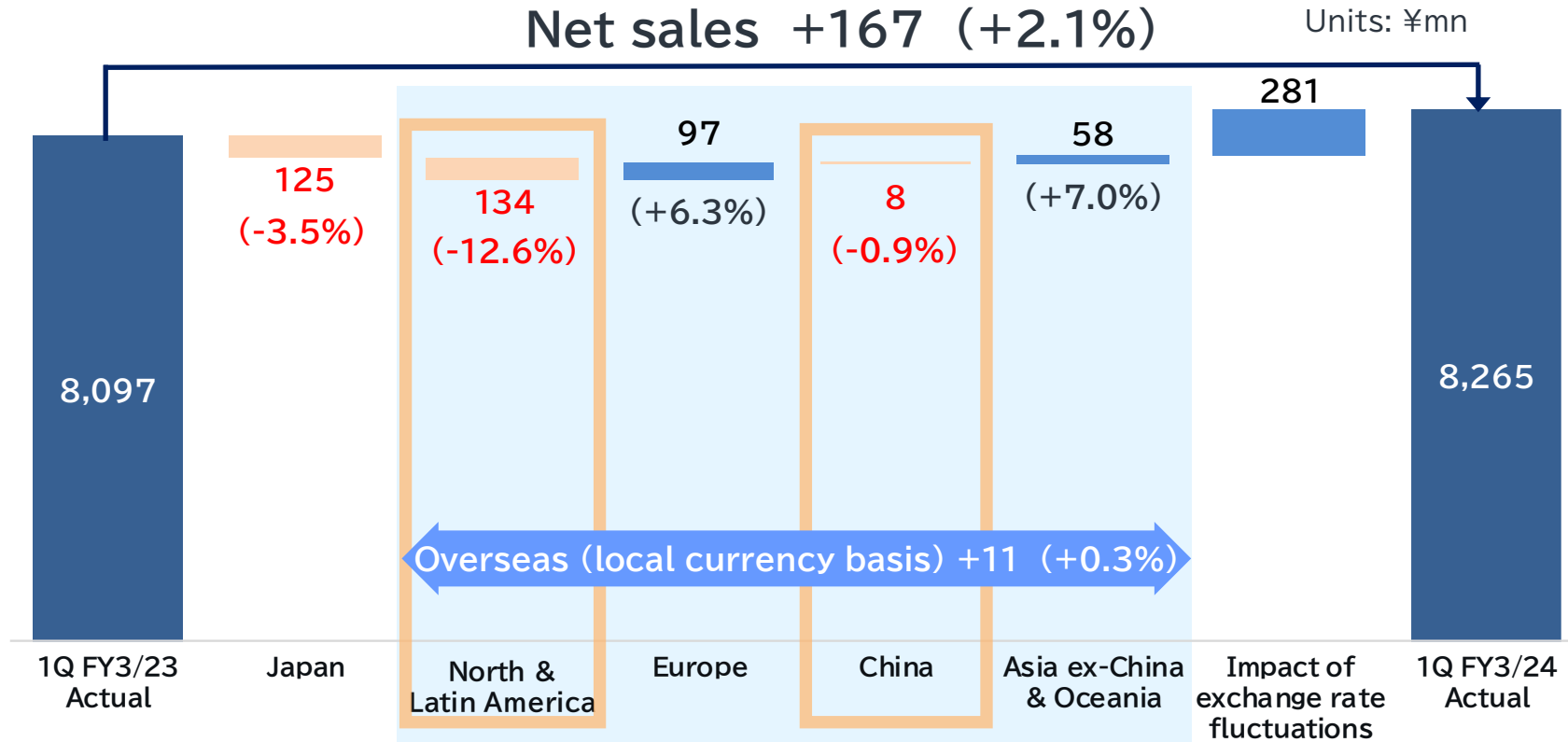
Units: ¥mn



- ✓ Supply constraints on chemical products, which are in particularly high demand both in Japan and overseas, are on the way to being resolved even if they have not yet been completely resolved.
- ✓ Special demand for new introduction of CAD/CAM equipment in Japan in the year earlier period ran its course.
- ✓ Favorable inquiries for new products such as “Eye-Special C-V” (in-house product: Machinery, Equipment & Other Products) which was released in June 2023.



# Sales by Region <YoY change>

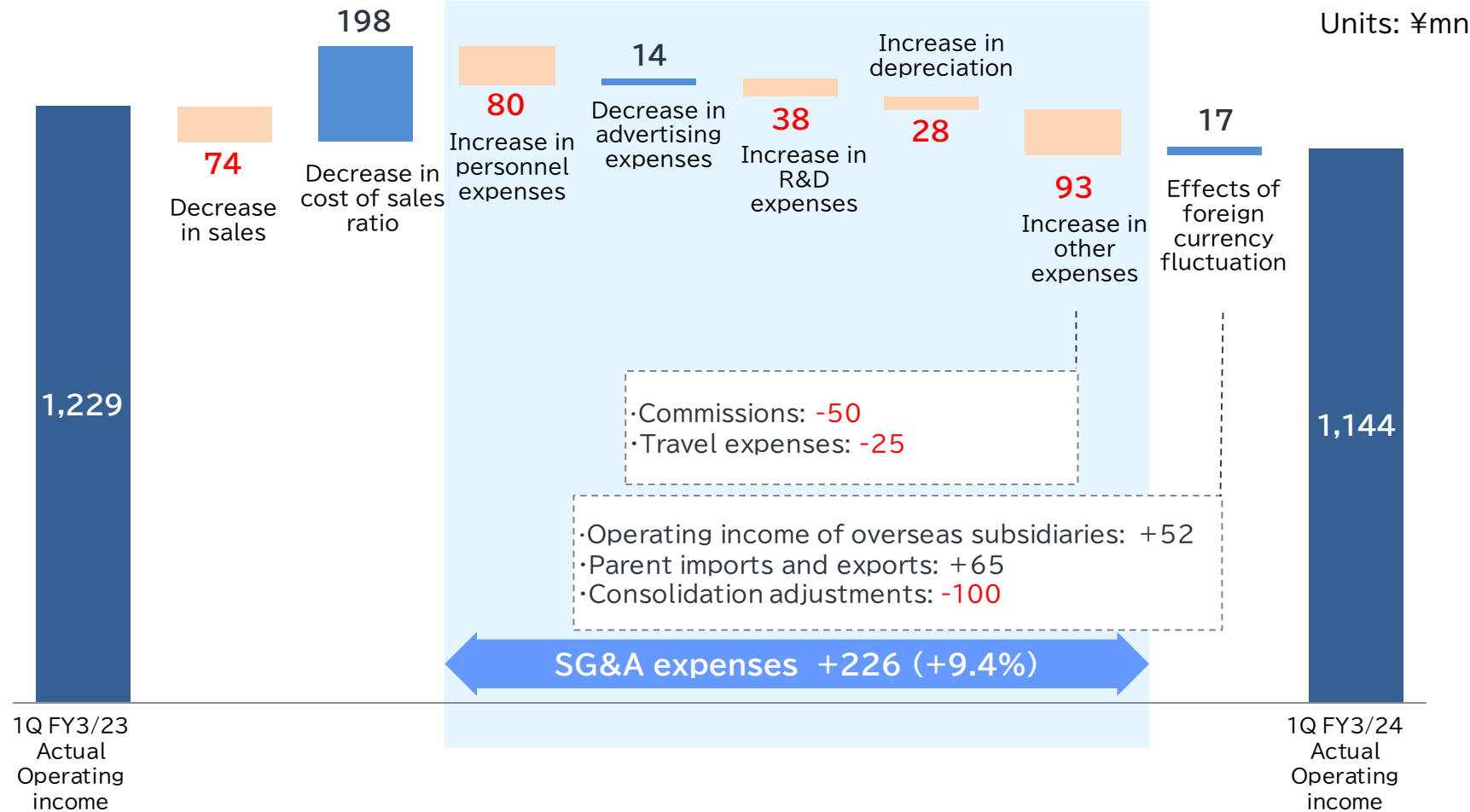


- ✓ In North & Latin America, sales temporarily declined due to a gap period before the launch of the next model digital cameras (Eye Special Series) and distribution inventory adjustments of some consumable materials.
- ✓ Due to the staggered fiscal year-end in China, 1Q was impacted by the lockdown at the beginning of the year, but current demand is strong.
- ✓ Performance in Europe and Asia ex-China & Oceania, remained strong into the new year, contributing to the increase in overseas sales.





# Contributors to Change in Operating income <YoY change>

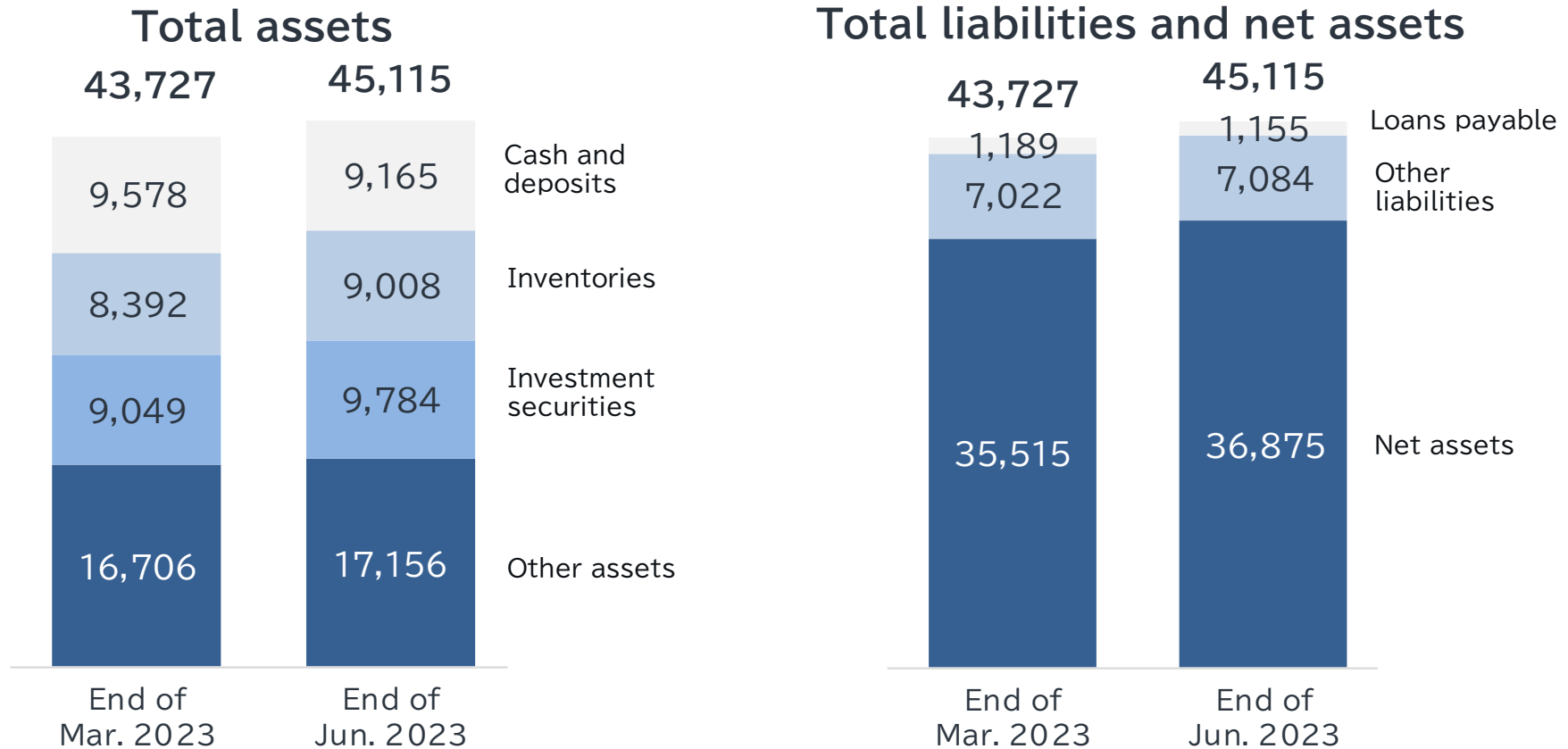


- ✓ Better cost of sales ratio due to higher overseas sales ratio and favorable sales mix
- ✓ Ongoing upfront investments, such as strengthening personnel and R&D activities to expand business



# Balance Sheet

Units: ¥mn



## Maintained financial strength and high equity ratio (81.4%)

- ✓ Total assets (+1,388): Higher inventories and increase in investment securities due to rising market price.
- ✓ Net assets (+1,359) : Higher valuation difference on available-for-sale securities and larger foreign currency translation adjustment.

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## Consolidated Financial Results for 1Q FY March 2024

## Financial Forecasts for FY March 2024



## Summary of Full-Year Forecasts

- Global dental market expansion, strong demand expected mainly in emerging countries  
→ Sales to reach a record high for the third consecutive year
- To enhance corporate value, aggressive investment in R&D, human resource development, and facilities
- Strengthening sales activities following normalization of global economic activity
- Higher costs due to rising raw material and energy prices  
→ Decrease in operating income, ordinary income and net income
- The backorders that arose in the previous fiscal year when production could not cope with the surge in demand are expected to be cleared in the current fiscal year.  
→ Establish a system to cope with future demand growth and business risks.



# Comparison of Major Indicators

Units: ¥mn, %

	FY3/23 Actual (% of sales)		FY3/24 Forecast (% of sales)		Change From Previous Period (% change)	
<b>Net sales</b>	<b>31,678</b>	(100.0)	<b>33,550</b>	(100.0)	<b>1,871</b>	(5.9)
(Domestic sales)	14,282	(45.1)	14,897	(44.4)	615	(4.3)
(Overseas sales)	17,396	(54.9)	18,652	(55.6)	1,255	(7.2)
<b>Operating income</b>	<b>3,824</b>	(12.1)	<b>3,820</b>	(11.4)	<b>- 4.0</b>	(-0.1)
<b>Ordinary income</b>	<b>4,238</b>	(13.4)	<b>3,938</b>	(11.7)	<b>- 299.0</b>	(-7.1)
<b>Net income</b>	<b>3,135</b>	(9.9)	<b>2,769</b>	(8.3)	<b>- 365.0</b>	(-11.7)
Net income per share	176.10yen		156.46yen		<b>-19.64yen</b>	
Return on shareholders' equity	9.2%		7.7%		<b>-1.5P</b>	
<b>Foreign exchange rates</b>						
US dollar	138.11		130.00		<b>-8.11</b>	
Euro	150.35		140.00		<b>-10.35</b>	
Renminbi	19.33		19.00		<b>-0.33</b>	

\*Effect of foreign exchange fluctuations [Change from previous period]: Net sales -462 , Operating income -184

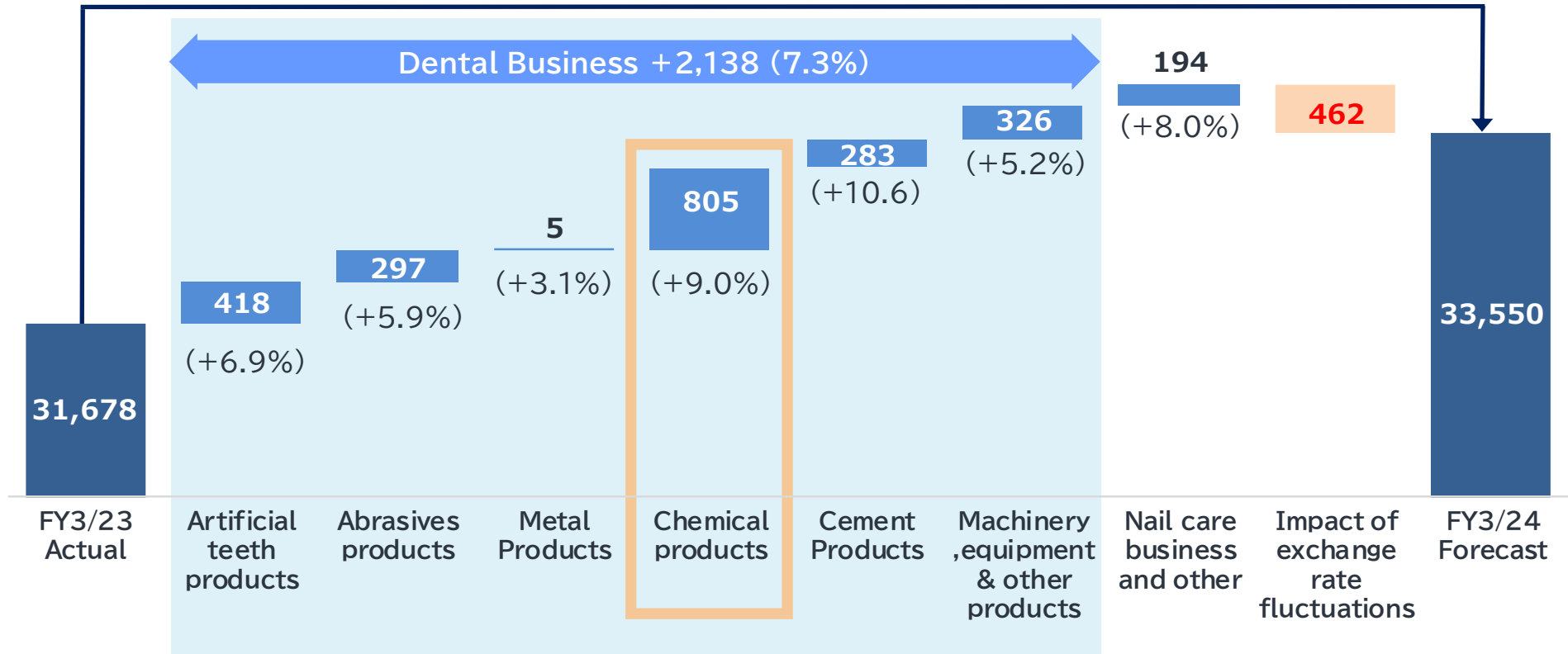
\*Net income in the table refers to "net income attributable to owners of parent".



# Sales by Product Category <YoY change>

Units: ¥mn

Net sales +1,871 (5.9%)

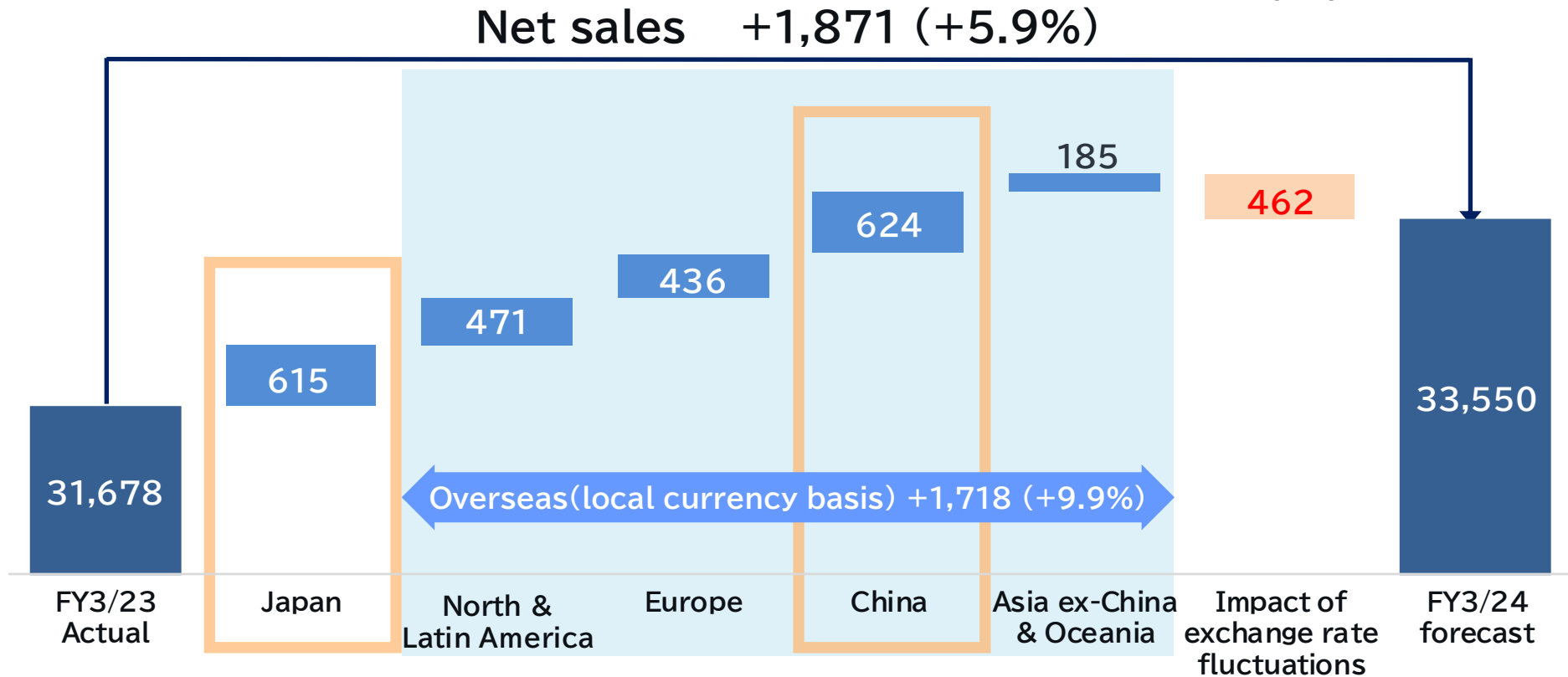


- ✓ Dental Business sales are expected to increase by ¥2,138 mn (7.3%) YoY.
- ✓ Chemical Products are expected to be a strong driver of sales growth with an increase of ¥805 mn (9.0%) YoY.



# Sales by Region <YoY change>

Units: ¥mn

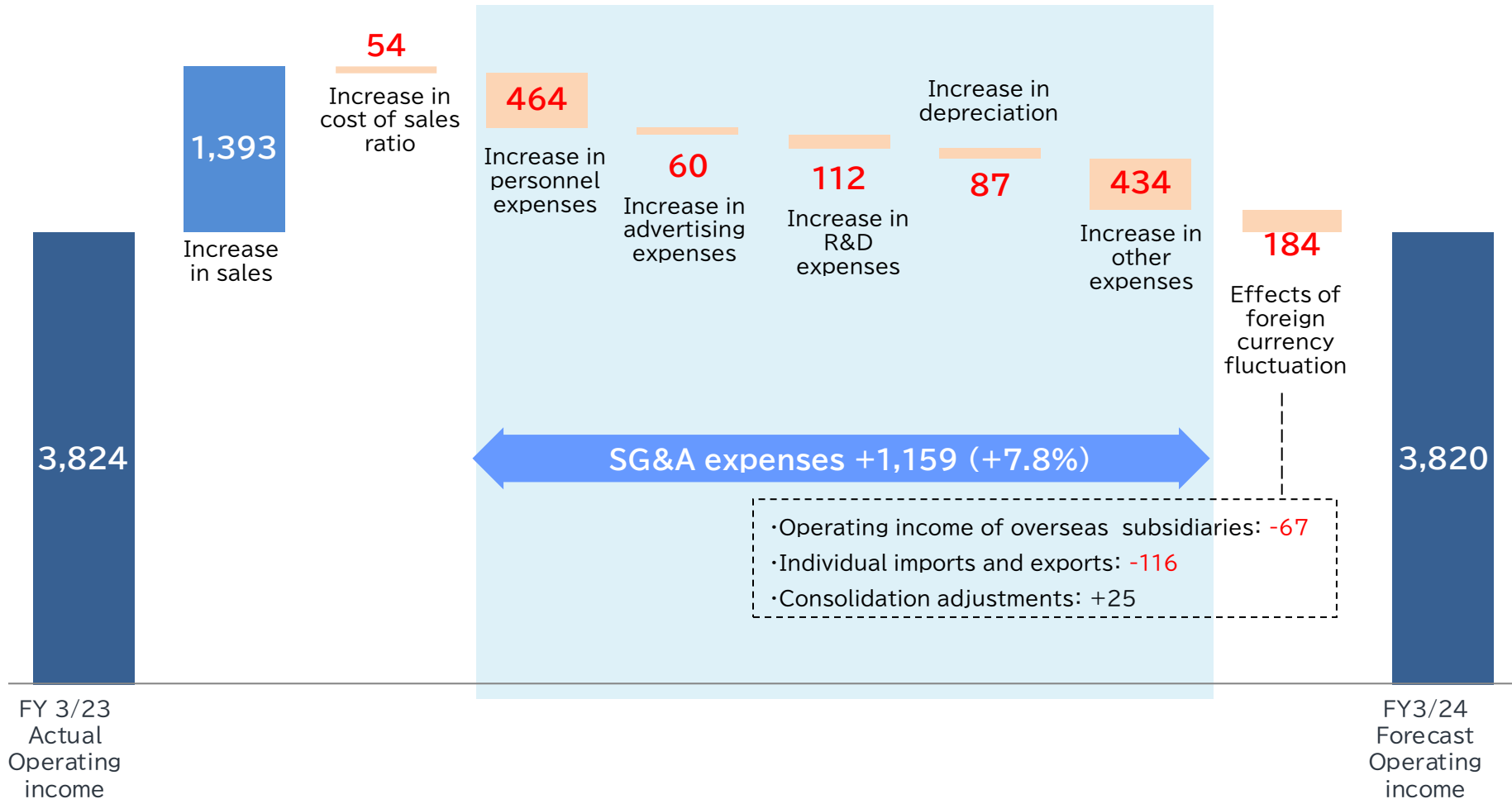


- ✓ Domestic sales to remain steady under stable demand
- ✓ Overseas sales to increase organically by ¥1,718 million (9.9%) yoy (excluding exchange rate effects)
- ✓ Recovery of demand in North & Latin America and China to drive overseas sales significantly



# Contributors to Change in Operating income <YoY change>

Units: ¥mn



Increase in SG&A expenses due to upfront investments in personnel, sales activities and R&D etc. for business expansion





# Impact of Exchange Rate Fluctuations

## FY3/24 Forecast

(Units: ¥mn)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen strength	
	FY3/23 Actual	FY3/24 Forecast	Sales	Operating income	Sales	Operating income
US dollar	134.95	130.00	-207	-71	-41	-17
Euro	141.24	140.00	-52	-16	-42	-14
RMB	19.38	19.00	-89	-95	-236	-154

Forecasting a slight appreciation of the yen compared to the previous fiscal year.

Forecasts in this document are based on information and data available at the time of release as well as on assumptions concerning uncertain factors that might affect the company's future business performance.

Depending on various factors, actual business performance could differ substantially from the forecasts contained in this document.

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