

# The First Quarter Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Japanese Accounting Standards)

August 2, 2019

Company name: SHOFU INC.  
 Listing: Tokyo Stock Exchange (First section)  
 Code number: 7979  
 URL: <http://www.shofu.co.jp/>  
 Representative: Noriyuki Negoro, President  
 Contact: Takahiro Umeda, Managing Executive Officer & General Manager of Finance Department  
 Scheduled date for filing of quarterly securities report: August 7, 2019  
 Scheduled commencement date of dividend payment: None  
 Supplementary documents for quarterly financial results: None  
 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, 2020(April 1,2019 – June 30,2019)

### (1) Consolidated Operating Results

(% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2019	6,461	6.1	542	39.6	500	20.6	247	(5.8)
Three months ended June 30, 2018	6,092	6.2	388	12.0	415	(3.9)	262	(10.9)

(Note) Comprehensive income: Three Months ended June 30, 2019 (25) million yen (—%)  
 Three Months ended June 30, 2018 62 million yen (-92.3%)

	First Quarter Net income (loss) per share	First Quarter Fully diluted net income (loss) per share
	Yen	Yen
Three months ended June 30, 2019	15.54	15.43
Three months ended June 30, 2018	16.51	16.40

### (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, 2019	30,359	24,058	78.8	1,503.96
Year ended March 31, 2019	30,161	24,383	80.4	1,524.92

(Reference) Shareholder's equity: Three Months ended June 30, 2019 23,928 million yen  
 Year ended March 31, 2019 24,250 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 31,2019	-	8.00	-	15.00	23.00
Year ended March 31,2020	-				
Year ending March 31,2020 (Forecasts)		10.00	-	16.00	26.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2020. (April 1, 2019 – March 31, 2020)

(% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2019 (cumulative)	12,906	6.0	905	15.3	854	9.3	569	4.3	35.84
Year ending March 31, 2020	26,190	5.1	2,056	13.4	1,941	13.6	1,377	14.7	86.61

(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: Yes
- (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, 2019: 16,114,089 shares

As of March 31, 2019: 16,114,089 shares

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

As of June 30, 2019: 203,740 shares

As of March 31, 2019: 211,210 shares

(c) Average number of shares during the period

As of June 30, 2019: 15,904,694 shares

As of June 30, 2018: 15,899,509 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, although the global economy was on a moderate expansion trend primarily in developed nations, the economic outlook remains unclear as uncertainties in the global economy increased, with the trade conflict caused by the US trade policy and the political situation in Europe. The Japanese economy progressed on a moderate recovery trend, with individual consumption and capital investment trending higher, as the employment and income conditions continued to improve and corporate earnings remained high.

Under such circumstances, the Company Group posted net sales of 6,461 million yen for the quarter under review, an increase of 369 million yen (6.1%) from the corresponding period of the previous consolidated fiscal year. Overseas sales accounted for 2,967 million yen (45.9% of net sales), an increase of 198 million yen (7.2%).

Although the cost of sales ratio rose, operating income accounted for 542 million yen, an increase of 153 million yen (39.6%) owing to an effect of increase in the net sales.

In addition, the impact of exchange rates had a negative effect on non-operating income, yielding ordinary income of 500 million yen, an increase of 85 million yen (20.6%) from the previous year.

Profit attributable to owners of parent, after deducting tax expenses, was 247 million yen, a decrease of 15 million yen (5.8%).

#### (Dental business)

Domestically, the “EyeSpecial C-IV,” a digital oral cavity photography device, which was introduced to the market during the current consolidated fiscal year, and “AIRFLOW PROPHYLAXIS MASTER,” a dental multi-purpose ultrasonic therapy machine, which was launched during the previous consolidated fiscal year, etc. contributed to sales. In addition, sales of CAD/CAM-related products also increased steadily, and sales increased from the corresponding period of the previous consolidated fiscal year. Looking overseas, sales in all regions increased from the corresponding period of the previous consolidated fiscal year, due mainly to solid sales performance from artificial teeth in the Asian region, including China.

As a result of these factors, net sales for the quarter under review increased 351 million yen (6.4%) from the corresponding period of the previous consolidated fiscal year to 5,846 million yen, and operating income increased 117 million yen (29.1%) to 521 million yen.

#### (Nail care business)

Domestically, with steady increase in sales of gel nail products such as LED gel “Presto” and “ageha,” sales increased from the corresponding period of the previous consolidated fiscal year. Looking overseas, active sales promotion activities were successful in generating favorable sales performance in the US. However, as competitors were still taking aggressive actions in Taiwan, sales decreased from the corresponding period of the previous consolidated fiscal year.

As a result of these factors, net sales for the quarter under review increased 22 million yen (4.0%) from the corresponding period of the previous consolidated fiscal year to 595 million yen. Operating income achieved profitability of 17 million yen, a year-on-year increase of 40 million yen.

#### (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 quarter under review decreased 4 million yen (19.5%) from the corresponding period of the previous consolidated fiscal year to 20 million yen, and operating income decreased 3 million yen (60.6%) to 2 million yen.

(2) Explanation of Financial Position

Total assets at the end of the quarter under review increased by 197 million yen from the end of the previous consolidated fiscal year to 30,359 million yen. The primary factor for the increase in assets was an increase in cash and deposits.

Liabilities increased by 522 million yen to 6,300 million yen. The primary factor was an increase in short term loans payable.

Net assets decreased by 324 million yen to 24,058 million yen. The primary factor was a decrease in valuation difference on available-for-sale securities and foreign currency translation adjustment.

As a result of the above, the capital-to-assets ratio fell to 78.8%, a decrease of 1.6 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, 2020, as announced on May 9, 2019.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2019)	End of First Quarter of Fiscal 2019. (as of June 30, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,890	5,139
Notes and accounts receivable-trade	3,354	3,304
Securities	5	5
Merchandises and finished goods	4,347	4,570
Work in process	911	890
Raw materials and supplies	949	1,105
Other	574	489
Allowance for doubtful accounts	(58)	(54)
<b>Total current assets</b>	<b>14,975</b>	<b>15,450</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures	8,237	8,594
Accumulated depreciation	(5,377)	(5,418)
Buildings and structures, net	2,859	3,175
Other	10,806	10,446
Accumulated depreciation	(6,566)	(6,446)
Other, net	4,240	3,999
Total property, plant and equipment	7,100	7,175
Intangible assets		
Goodwill	274	262
Other	857	923
Total intangible assets	1,132	1,185
Investments and other assets		
Investment securities	6,026	5,664
Net defined benefit asset	530	522
Other	409	373
Allowance for doubtful accounts	(13)	(13)
Total investments and other assets	6,953	6,547
<b>Total non-current assets</b>	<b>15,186</b>	<b>14,908</b>
<b>Total assets</b>	<b>30,161</b>	<b>30,359</b>

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2019)	End of First Quarter of Fiscal 2019. (as of June 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	669	770
Short-term loans payable	-	300
Current portion of long-term loans payable	849	844
Income taxes payable	242	234
Provision for directors' bonuses	42	9
Other	2,016	2,218
<b>Total current liabilities</b>	<b>3,820</b>	<b>4,378</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	125	244
Net defined benefit liability	222	217
Other	1,610	1,459
<b>Total noncurrent liabilities</b>	<b>1,957</b>	<b>1,921</b>
<b>Total liabilities</b>	<b>5,778</b>	<b>6,300</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,474	4,474
Capital surplus	4,576	4,576
Retained earnings	12,589	12,541
Treasury shares	(231)	(223)
<b>Total shareholders' equity</b>	<b>21,409</b>	<b>21,369</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,797	2,613
Foreign currency translation adjustment	(196)	(293)
Remeasurements of defined benefit plans	239	238
<b>Total accumulated other comprehensive income</b>	<b>2,841</b>	<b>2,558</b>
<b>Subscription rights to shares</b>	<b>118</b>	<b>116</b>
<b>Non-controlling interests</b>	<b>14</b>	<b>14</b>
<b>Total net assets</b>	<b>24,383</b>	<b>24,058</b>
<b>Total liabilities and net assets</b>	<b>30,161</b>	<b>30,359</b>

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

(Millions of yen)

	First Quarter of Fiscal 2018 (from April 1, 2018 to June 30, 2018)	First Quarter of Fiscal 2019 (from April 1, 2019 to June 30, 2019)
<b>Net sales</b>	6,092	6,461
<b>Cost of sales</b>	2,545	2,813
<b>Gross profit</b>	3,546	3,647
<b>Selling, general, and administrative expenses</b>	3,158	3,105
<b>Operating profit</b>	388	542
<b>Non-operating income</b>		
Interest income	1	2
Dividend income	46	54
Membership fee income	22	22
Other	37	23
<b>Total non-operating income</b>	107	102
<b>Non-operating expenses</b>		
Interest expenses	1	0
Sales discounts	39	41
Membership fee	21	21
Foreign exchange losses	4	66
Other	11	13
<b>Total non-operating expenses</b>	80	144
<b>Ordinary profit</b>	415	500
<b>Profit before income taxes</b>	415	500
<b>Income taxes</b>	160	253
<b>Profit</b>	255	246
<b>Profit (loss) attributable to non-controlling interests</b>	(7)	(0)
<b>Profit attributable to owners of parent</b>	262	247

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	First Quarter of Fiscal 2018 (from April 1, 2018 to June 30, 2018)	First Quarter of Fiscal 2019 (from April 1, 2019 to June 30, 2019)
<b>Profit</b>	255	246
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(141)	(183)
Foreign currency translation adjustment	(54)	(86)
Remeasurements of defined benefit plans, net of tax	2	(1)
<b>Total other comprehensive income</b>	(192)	(272)
<b>Comprehensive income</b>	62	(25)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	69	(24)
Comprehensive income attributable to non-controlling interests	(7)	(0)



### (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.

(Changes in Accounting Principles)

Subsidiaries which adopt the International Financial Reporting Standards have adopted IFRS 16 Leases (hereinafter referred to as "IFRS 16") since the first quarter of the consolidated fiscal year under review. As a result, lessees have recorded all leases, in principle, as assets and liabilities in the balance sheet. The adoption of IFRS 16 is subject to transitional treatment, and the cumulative effect of the change in the accounting principles was recorded in retained earnings at the beginning of the first quarter of the consolidated fiscal year under review.

As a result, as of the end of the first quarter of the consolidated fiscal year under review, "Other" under "Intangible assets" increased by 90 million yen, "Other" under "Current liabilities" increased by 64 million yen, and "Other" under "Noncurrent liabilities" increased by 42 million yen. The impact on profit and loss for the first quarter of the consolidated fiscal year under review is immaterial. The balance of retained earnings as of the beginning of the first quarter of the consolidated fiscal year under review decreased by 16 million yen.

(Segment Information, etc)

Previous fiscal year (April 1, 2018—June 30, 2018)

#### 1. Information regarding sales, gains (losses) by reportable segment

(Millions of yen)

	Reporting segment				Adjustment *1	Consolidated financial statements *2
	Dental Business	Nail care business	Other businesses	Total		
Net sales						
(1) Sales to external customers	5,494	572	25	6,092	-	6,092
(2) Internal sales or transfers	-	-	3	3	(3)	-
Total	5,494	572	28	6,095	(3)	6,092
Segment profit(loss)	403	(22)	5	387	1	388

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

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

Fiscal year under review (April 1, 2019—June 30, 2019)

1. Information regarding sales, gains (losses) by reportable segment

(Millions of yen)

	Reporting segment				Adjustment *1	Consolidated financial statements *2
	Dental Business	Nail care business	Other businesses	Total		
Net sales						
(1) Sales to external customers	5,846	595	20	6,461	-	6,461
(2) Internal sales or transfers	-	-	1	1	(1)	-
Total	5,846	595	21	6,462	(1)	6,461
Segment profit(loss)	521	17	2	541	1	542

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

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