

**The Third Quarter Consolidated Financial Results for the Fiscal Year Ended March 31, 2021  
(Japanese Accounting Standards)**

February 9, 2021

Company name: SHOFU INC.  
 Listing: Tokyo Stock Exchange (First section)  
 Code number: 7979  
 URL: <http://www.shofu.co.jp/>  
 Representative: Noriyuki Negoro, Representative Director, President & Chief Executive Officer  
 Contact: Takahiro Umeda, Managing Executive Officer of Finance & General Manager of Finance Department  
 Scheduled date for filing of quarterly securities report: February 10, 2021  
 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 Third Quarter of Fiscal Year Ended March 31, 2020(April 1,2020 – December 31,2020)

(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	%
Nine months ended December 31, 2020	17,748	(9.5)	1,697	(11.7)	1,790	(1.4)	1,146	(3.6)
Nine months ended December 31, 2019	19,602	6.3	1,921	45.2	1,814	42.8	1,188	33.1

(Note) Comprehensive income: Nine Months ended December 31, 2020 1,673 million yen (6.9%)  
 Nine Months ended December 31, 2019 1,565 million yen (–%)

	Third Quarter Net income (loss) per share	Third Quarter Fully diluted net income (loss) per share
	Yen	Yen
Nine months ended December 31, 2020	66.40	66.08
Nine months ended December 31, 2019	74.63	74.10

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended December 31, 2020	35,143	28,254	79.9	1,581.48
Year ended March 31, 2020	29,834	23,936	79.7	1,491.81

(Reference) Shareholder's equity: Nine Months ended December 31, 2020 28,089 million yen  
 Year ended March 31, 2020 23,786 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 31,2020	-	10.00	-	16.00	26.00
Year ended March 31,2021	-	8.00	-		
Year ending March 31,2021 (Forecasts)				10.00	18.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021. (April 1, 2020 – March 31, 2021)

(% 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
Year ending March 31, 2021	23,287	(10.8)	1,733	(21.6)	1,589	(20.1)	1,072	52.1	61.68

(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): Yes  
 Addition: 1  
 Company name: SHOFU Products Vietnam Co.,Ltd.
- (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 December 31, 2020: 17,894,089 shares  
     As of March 31, 2020: 16,114,089 shares  
 (b) Number of shares of treasury stock at end of period  
     As of December 31, 2020: 132,542 shares  
     As of March 31, 2020: 169,076 shares  
 (c) Average number of shares during the period  
     As of December 31, 2020: 17,261,479 shares  
     As of December 31, 2019: 15,928,947 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

Business results forecasts and other forward-looking statements included in this document are based on information currently available to the Company and certain assumptions deemed reasonable at the time of writing. Please note that actual business results may differ materially from these forecasts, due to a variety of factors. For information concerning the business results forecasts, please refer to “(3) Explanation of Future Forecast Information including Consolidated Business Results Forecasts” on Page 3 of the Accompanying Materials.

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

### (1) Explanation of Business Results

During the third quarter of the consolidated fiscal year under review, economic activities were substantially restricted from lockdowns and stay-at-home orders in major cities due to the spread of the COVID-19, and while the global economy started to get back on a recovery track supported by fiscal policies of governments, the economic outlook remained uncertain with no end in sight to the pandemic. The Japanese economy has shown signs of recovery due to the resumption of economic activities after individual consumption and corporate earnings significantly deteriorated. However, the resurgence of the pandemic is becoming more serious, and concerns about the economic downturn remain unresolved.

Under such circumstances, the Company has concluded a new business and capital tie-up agreement with Mitsui Chemicals Inc. (“MCI”) in order to further strengthen business and capital tie-ups relating to the dental materials businesses with respect to which agreement had been concluded with MCI and its subsidiary Sun Medical Co., Ltd. (“Sun Medical”).

The Company has become an equity-method affiliate of MCI as a result of MCI now holding 20% of the total number of shares issued by the Company upon the Company having issued new shares to MCI by means of third-party allotment, in conjunction with the new business and capital tie-up agreement. Moreover, Sun Medical has been made an equity-method affiliate of the Company upon having acquired its shares from MCI (20% of the total number of issued shares) by means of bilateral transaction.

The Company Group posted net sales of 17,748 million yen for the quarter under review, a decrease of 1,853 million yen (9.5%) from the corresponding period of the previous consolidated fiscal year due to effects of the COVID-19. Overseas sales decreased by 1,031 million yen (12.0%) from the corresponding period of the previous consolidated fiscal year to 7,598 million yen (42.8% of net sales).

Operating income decreased by 224 million yen (11.7%) from the corresponding period of the previous consolidated fiscal year to 1,697 million yen despite a decrease in selling, general, and administrative expenses.

Ordinary income decreased to a lesser extent, by 24 million yen (1.4%) from the corresponding period of the previous consolidated fiscal year to 1,790 million yen, largely as a result of having posted subsidy income associated with the COVID-19 as non-operating income.

As a result of posting 101 million yen in loss on remittance fraud at overseas subsidiary as an extraordinary loss, profit attributable to owners of parent, after deducting tax expenses, was 1,146 million yen, a decrease of 42 million yen (3.6%) from the corresponding period of the previous consolidated fiscal year.

#### (Dental business)

Domestically, the “EyeSpecial C-IV,” a digital oral cavity photography device, and “SHOFU BLOCK HC SUPER HARD,” a resin material for dental cutting processing, which was launched during the previous consolidated fiscal year, etc. contributed to sales. However, sales decreased from the corresponding period of the previous consolidated fiscal year given fewer opportunities to provide dental care due to effects of the COVID-19, and also as a result of restrictions having been imposed on sales activities. Looking overseas, sales decreased from the corresponding period of the previous consolidated fiscal year given more serious effects of the COVID-19 that led to lackluster results in each region, as well as effects of foreign currency exchange rates.

As a result of these factors, net sales for the quarter under review decreased 1,778 million yen (10.0%) from the corresponding period of the previous consolidated fiscal year to 16,005 million yen, and operating income decreased 304 million yen (16.6%) to 1,531 million yen.

#### (Nail care business)

Domestically, sales decreased from the corresponding period of the previous consolidated fiscal year owing to lackluster results of products for professional manicurists largely due to cancellation of major exhibitions in addition to the temporary closure of nail salons, despite growth in sales of “by Nail Labo” gel nail products for home use due to effects of the COVID-19. Looking overseas, sales increased from the corresponding period of the previous consolidated fiscal year, driven by strong online sales in the US due to active sales promotion activities through social

networking sites (SNS) and by sales in Taiwan of our mainstay gel nail products “L·E·D Gel Presto.”

As a result of these factors, net sales for the quarter under review decreased 65 million yen (3.8%) from the corresponding period of the previous consolidated fiscal year to 1,686 million yen. Operating income was 160 million yen, a year-on-year increase of 89 million yen (126.8%), owing to a reduction in selling, general, and administrative expenses.

(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 9 million yen (14.5%) from the corresponding period of the previous consolidated fiscal year to 56 million yen, and operating income decreased 9 million yen (90.9%) to 0.9 million yen.

## (2) Explanation of Financial Position

Total assets at the end of the quarter under review increased by 5,309 million yen from the end of the previous consolidated fiscal year to 35,143 million yen. The increase in investment securities due to the acquisition of Sun Medical shares is the main factor.

Liabilities increased by 991 million yen to 6,889 million yen. The primary factor was an increase in long term loans payable.

Net assets increased by 4,317 million yen to 28,254 million yen. The primary factors were increases in capital stock and capital surplus associated with issuance of new shares by means of third-party allotment.

As a result of the above, the capital-to-assets ratio rose to 79.9%, an increase of 0.2 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, 2021, as announced on October 28, 2020.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2020)	End of Third Quarter of Fiscal 2020. (as of December 31, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,862	6,068
Notes and accounts receivable-trade	3,187	2,840
Securities	5	5
Merchandises and finished goods	4,713	4,912
Work in process	1,045	1,268
Raw materials and supplies	972	1,010
Other	646	610
Allowance for doubtful accounts	(16)	(17)
<b>Total current assets</b>	<b>15,416</b>	<b>16,698</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures	8,692	9,318
Accumulated depreciation	(5,575)	(5,667)
Buildings and structures, net	3,116	3,651
Other	11,195	11,162
Accumulated depreciation	(6,623)	(6,899)
Other, net	4,572	4,263
Total property, plant and equipment	7,689	7,914
Intangible assets	310	376
Investments and other assets		
Investment securities	5,648	9,200
Net defined benefit asset	361	357
Other	418	607
Allowance for doubtful accounts	(10)	(11)
Total investments and other assets	6,417	10,154
<b>Total non-current assets</b>	<b>14,417</b>	<b>18,444</b>
<b>Total assets</b>	<b>29,834</b>	<b>35,143</b>

(Millions of yen)

	Previous fiscal year (as of March 31,2020)	End of Third Quarter of Fiscal 2020. (as of December 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	831	799
Short-term loans payable	433	90
Current portion of long-term loans payable	125	325
Income taxes payable	202	304
Provision for directors' bonuses	50	40
Other	2,037	1,933
<b>Total current liabilities</b>	<b>3,680</b>	<b>3,493</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	678	1,520
Net defined benefit liability	236	242
Other	1,302	1,633
<b>Total noncurrent liabilities</b>	<b>2,216</b>	<b>3,396</b>
<b>Total liabilities</b>	<b>5,897</b>	<b>6,889</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,474	5,968
Capital surplus	4,586	6,097
Retained earnings	12,840	13,588
Treasury shares	(185)	(145)
<b>Total shareholders' equity</b>	<b>21,715</b>	<b>25,509</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,465	2,935
Foreign currency translation adjustment	(495)	(439)
Remeasurements of defined benefit plans	100	83
<b>Total accumulated other comprehensive income</b>	<b>2,071</b>	<b>2,579</b>
<b>Subscription rights to shares</b>	<b>116</b>	<b>116</b>
<b>Non-controlling interests</b>	<b>33</b>	<b>48</b>
<b>Total net assets</b>	<b>23,936</b>	<b>28,254</b>
<b>Total liabilities and net assets</b>	<b>29,834</b>	<b>35,143</b>

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

(Millions of yen)

	Third Quarter of Fiscal 2019 (from April 1, 2019 to December 31, 2019)	Third Quarter of Fiscal 2020 (from April 1, 2020 to December 31, 2020)
<b>Net sales</b>	19,602	17,748
<b>Cost of sales</b>	8,427	7,941
<b>Gross profit</b>	11,174	9,806
<b>Selling, general, and administrative expenses</b>	9,253	8,109
<b>Operating profit</b>	1,921	1,697
<b>Non-operating income</b>		
Interest income	10	10
Dividend income	99	89
Membership fee income	85	49
Foreign exchange gains	-	45
Subsidy income	-	175
Other	72	91
<b>Total non-operating income</b>	268	462
<b>Non-operating expenses</b>		
Interest expenses	6	7
Sales discounts	131	121
Membership fee	115	84
Share issuance costs	-	98
Share of loss of entities accounted for using equity method	-	12
Foreign exchange losses	71	-
Other	49	44
<b>Total non-operating expenses</b>	375	369
<b>Ordinary profit</b>	1,814	1,790
<b>Extraordinary losses</b>		
Loss on remittance fraud at overseas subsidiary	-	101
Total extraordinary losses	-	101
<b>Profit before income taxes</b>	1,814	1,689
<b>Income taxes</b>	615	524
<b>Profit</b>	1,198	1,164
<b>Profit attributable to non-controlling interests</b>	10	18
<b>Profit attributable to owners of parent</b>	1,188	1,146

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Third Quarter of Fiscal 2019 (from April 1, 2019 to December 31, 2019)	Third Quarter of Fiscal 2020 (from April 1, 2020 to December 31, 2020)
<b>Profit</b>	1,198	1,164
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	579	469
Foreign currency translation adjustment	(181)	57
Remeasurements of defined benefit plans, net of tax	(31)	(17)
<b>Total other comprehensive income</b>	366	509
<b>Comprehensive income</b>	1,565	1,673
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,554	1,654
Comprehensive income attributable to non-controlling interests	10	19



(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)

On May 14, 2020, the Company concluded a business and capital tie-up agreement with Mitsui Chemicals Inc. On June 15, 2020, the Company accordingly received proceeds for the capital increase by way of third-party allotment from Mitsui Chemicals Inc. As a result, capital stock and capital reserve each increased by 1,494 million yen during the third quarter of the consolidated fiscal year under review.

(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.

(Additional Information)

(Application of Tax Effect Accounting with regard to the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries do not apply Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) to items revised under the non-consolidated taxation system in connection with the transition to the group tax sharing system established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the transition to the group tax sharing system otherwise, per application of Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), but instead apply the pre-amendment income tax provisions to the amount of deferred tax assets and deferred tax liabilities.

(Segment Information, etc)

Previous fiscal year (April 1, 2019—December 31, 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	17,783	1,752	66	19,602	-	19,602
(2) Internal sales or transfers	-	-	4	4	(4)	-
Total	17,783	1,752	70	19,606	(4)	19,602
Segment profit	1,835	70	10	1,916	4	1,921

\*1 The ¥4 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.

Fiscal year under review (April 1, 2020—December 31, 2020)

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	16,005	1,686	56	17,748	-	17,748
(2) Internal sales or transfers	-	-	3	3	(3)	-
Total	16,005	1,686	59	17,751	(3)	17,748
Segment profit	1,531	160	0	1,692	4	1,697

\*1 The ¥4 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.