

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

May 14, 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
 Scheduled date of ordinary shareholder's meeting: June 24, 2021
 Scheduled date for filing of annual securities report: June 24, 2021
 Scheduled commencement date of dividend payment: June 10, 2021
 Supplementary documents for quarterly financial results: Yes
 Financial results briefing: Yes (for analysts and institutional investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	%
Year ended March 31, 2021	24,680	(5.5)	2,300	4.1	2,523	26.9	1,674	137.5
Year ended March 31, 2020	26,108	4.8	2,210	21.9	1,988	16.4	704	(41.3)

(Note) Comprehensive income: Year ended March 31, 2021 3,618 million yen (–%)
 Year ended March 31, 2020 -46 million yen (–%)

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2021	96.29	95.68	6.2	7.5	9.3
Year ended March 31, 2020	44.24	43.93	2.9	6.6	8.5

(Reference) Equity in earnings of affiliates: Year ended March 31, 2021 11 million yen
 Year ended March 31, 2020 None

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2021	37,813	30,198	79.4	1,690.45
Year ended March 31, 2020	29,834	23,936	79.7	1,491.81

(Reference) Shareholder's equity: Year ended March 31, 2021 30,024 million yen
 Year ended March 31, 2020 23,786 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2021	2,829	(4,081)	3,023	6,305
Year ended March 31, 2020	1,942	(1,768)	(224)	4,218

2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31,2020	-	10.00	-	16.00	26.00	414	58.8	1.7
Year ended March 31,2021	-	8.00	-	21.00	29.00	515	30.1	1.8
Year ending March 31,2022 (Forecasts)	-	13.00	-	19.00	32.00		46.1	

(Notes) Year-end dividends for the fiscal year ended March 31, 2022 include commemorative dividend of 2.0 yen.

(The 100th anniversary of company's founding)

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2022. (April 1, 2021– March 31, 2022)

(% 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 30,2021 (cumulative)	12,807	-	695	-	698	-	370	-	20.84
Year ending March 31,2022	26,105	-	1,799	-	1,837	-	1,234	-	69.48

(Notes) The Company will apply "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 (revised in 2020)) from the beginning of the fiscal year ending March 31, 2022. Therefore, the consolidated business results forecasts above are amounts after the application of that accounting standard. As a result, the percentage change from the previous fiscal year and the percentage change from the same period of the previous fiscal year are not stated.

*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) 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

(3) Number of shares outstanding (common stock)

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

As of March 31, 2021: 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 March 31, 2021: 132,642 shares

As of March 31, 2020: 169,076 shares

(c) Average number of shares during the period

As of March 31, 2021: 17,384,546 shares

As of March 31, 2020: 15,932,658 shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(1) Non-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	%
Year ended March 31, 2021	15,623	(10.1)	314	(33.0)	1,168	(23.1)	988	(16.5)
Year ended March 31, 2020	17,373	6.8	469	0.4	1,518	69.9	1,183	56.3

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2021	56.85	56.49
Year ended March 31, 2020	74.30	73.78

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2021	32,237	26,420	81.6	1,480.95
Year ended March 31, 2020	26,274	21,792	82.5	1,359.43

(Reference) Shareholder's equity: Year ended March 31, 2021 26,303 million yen
Year ended March 31, 2020 21,676 million yen

*The consolidated financial results are not subject to 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 "(4) Future Outlook" on page 4 of the Accompanying Materials.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year under Review

(Overview)

During the consolidated fiscal year under review, after a significant deterioration in corporate earnings and the employment environment due to restrictions on economic activities caused by the spread of the Novel Coronavirus infection (hereinafter referred to as the "COVID-19 pandemic"), signs of recovery in the global economy were seen due to the effects of various policies implemented by various countries, but the pandemic has yet to end, and the future of the economy remains uncertain. In the domestic economy also, the situation remained severe, with the reemergence of infections restricting socioeconomic activities, while there was a growing movement to balance the prevention of infection with socioeconomic activities.

In the dental industry, the business environment continued to be severe, as opportunities to receive dental care decreased on a global scale due to the effects of lockdowns and curfews, demand for dental materials and equipment was sluggish, and competition over the digitization of dental care became increasingly fierce.

Under these circumstances, the Company Group, in the final year of its third medium-term management plan, conducted aggressive business activities based on the policy of maintaining and expanding its presence in the domestic market while striving to minimize the impact of the COVID-19 pandemic and expanding its overseas business.

Specifically, in addition to developing online seminars and sales promotion tools using the web system both in Japan and overseas, we aggressively launched CAD/CAM-related products in the digital dentistry field. In addition, we worked to develop our sales network in emerging countries, mainly in Brazil and India, and aggressively implemented initiatives with an eye to future growth despite the constraints on business activities amid the COVID-19 pandemic, including preparations for the start of operations at a manufacturing subsidiary in Vietnam in the fall of 2021.

Further, 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.

However, net sales in the dental business, nail care business, and other businesses were sluggish, with net sales for the consolidated fiscal year under review falling to 24,680 million yen, a decrease of 1,428 million yen (5.5%) from the corresponding period of the previous consolidated fiscal year.

Operating income increased by 89 million yen (4.1%) from the corresponding period of the previous consolidated fiscal year to 2,300 million yen due to a reduction in selling, general, and administrative expenses, including advertising expenses.

Ordinary income increased by 534 million yen (26.9%) from the corresponding period of the previous consolidated fiscal year to 2,523 million yen, due to expansion of income growth largely as a result of having posted foreign exchange gains in non-operating income.

As a result of posting loss on remittance fraud at U.S. subsidiary as an extraordinary loss, profit attributable to owners of parent, after deducting tax expenses, was 1,674 million yen, an increase of 969 million yen (137.5%) from the corresponding period of the previous consolidated fiscal year, with operating income, ordinary income, and net income all reaching record highs.

(Dental business)

Domestically, although sales of the "EyeSpecial C-IV," a digital oral cavity photography device, which was launched during the previous consolidated fiscal year, and sales of new CAD/CAM-related products were strong, sales in each product area generally decreased due to a decline in opportunities for dental consultations and restrictions on sales activities caused by the COVID-19 pandemic, resulting in a year-on-year decline in sales.

Looking overseas, although sales were strong in China and Europe, they decreased from the corresponding period of the previous consolidated fiscal year in North America, Central and South America, and other regions due to lockdowns and curfews, as well as the impact of foreign exchange rates.

As a result of these factors, net sales of the dental business decreased by 1,330 million yen (5.6%) from the previous fiscal year to 22,334 million yen, while operating income increased by 7 million yen (0.4%) to 2,091 million yen, due to a reduction in selling, general, and administrative expenses.

(Nail care business)

Domestically, despite strong sales of “ageha,” a gel nail product with tie-ups with famous manicurists, and “by Nail Labo” gel nail products for home use, sales decreased due to the temporary closure of nail salons and the cancellation of major exhibitions, resulting in a year-on-year decline in sales.

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.

As a result of these factors, net sales in the Nail care business decreased by 86 million yen (3.7%) from the corresponding period of the previous consolidated fiscal year to 2,268 million yen. Operating income was 201 million yen, a year-on-year increase of 94 million yen (87.9%), owing to a reduction in selling, general, and administrative expenses.

(Other businesses)

In other businesses, orders for industrial abrasives decreased due to the impact of production adjustments throughout the industrial world amid the COVID-19 pandemic.

As a result of these factors, net sales in the other business decreased by 10 million yen (12.3%) from the previous fiscal year to 76 million yen, and operating income decreased 11 million yen (84.4%) to 2 million yen.

Note: Segment sales do not include internal sales between segments.

(2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of increased by 7,978 million yen from the end of the previous consolidated fiscal year to 37,813 million yen. The increase in investment securities due to the acquisition of Sun Medical shares is the main factor.

Liabilities increased by 1,717 million yen to 7,614 million yen. The primary factor was an increase in long term loans payable.

Net assets increased by 6,261 million yen to 30,198 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 ratio was 79.4% (79.7% at the end of the previous fiscal year).

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review rose 2,087 million yen to 6,305 million yen. Cash flows during the fiscal year under review and associated factors are described below.

(Unit: Millions of yen)

	Previous fiscal year	Fiscal year under review	Change
Cash flows from operating activities	1,942	2,829	887
Cash flows from investing activities	(1,768)	(4,081)	(2,312)
Cash flows from financing activities	(244)	3,023	3,247
Effect of exchange rate changes on cash and cash equivalents	(87)	315	403
Net increase (decrease) in cash and cash equ	(138)	2,087	2,225

ivalents			
Cash and cash equivalents at the beginning of the period	4,318	4,218	(99)
Cash and cash equivalents at the end of the period	4,218	6,305	2,087

(a) Cash flows from operating activities

Net cash provided by operating activities was 2,829 million yen (an increase of 887 million yen). This figure primarily reflects net income before income and other taxes and minority interests of 2,370 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 4,081 million yen (a decrease of 2,312 million yen). This figure primarily reflects purchase of securities due to the acquisition of Sun Medical of 2,889 million yen.

(c) Cash flows from financing activities

Net cash provided by financing activities was 3,023 million yen (an increase of 3,247 million yen). This figure primarily reflects proceeds of 2,890 million yen from the issuance of shares.

(4) Future Outlook

With regard to the future economic situation, while the spread of COVID-19 vaccines in countries around the world is expected to lead to economic recovery due to a decrease in the number of infected people, the situation is expected to remain unpredictable due to concerns about the spread of highly infectious mutant strains.

Although the dental industry is expected to continue to be affected by the COVID-19 pandemic, the public's understanding of the importance of dental care and oral health management is deepening, we believe that society's expectations for dental care will continue to grow as we strive to realize a society with a long and healthy life and improve the quality of life.

Under these circumstances, based on the corporate philosophy of "Contribution to dentistry through innovative business activities" the Company Group aims to further increase its contribution to the world's dental care by achieving consolidated net sales of 50 billion yen and consolidated operating income of 7.5 billion yen, which is the "ideal state of the Company."

Under the fourth medium-term management plan, which was launched in April 2021, we will accelerate the speed of business development and steadily implement measures for priority issues with the full force of the Company Group in order to build a solid foundation for further growth as we celebrate our 100th anniversary in 2022.

Our outlook for performance during the upcoming fiscal year follows.

(Unit: Millions of yen)

	Results for the fiscal year ended March 31, 2021	Outlook for the fiscal year ending March 31, 2022	Change	Change (%)
Sales	24,680	26,105	-	-
Operating income	2,300	1,799	-	-
Ordinary income	2,523	1,837	-	-
Profit attributable to owners of parent	1,674	1,234	-	-

Major exchange rates: US Dollar: 105.00 yen; Euro: 125.00 yen; British Pound: 140.00 yen; Chinese Yuan: 16.50 yen

(Note) The Company will apply "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 (revised in 2020)) from the beginning of the fiscal year ending March 31, 2022. Therefore, the consolidated business

results forecasts above are amounts after the application of that accounting standard. As a result, change and change rate (%) are not stated.

(5) Basic Policy on the Payment of Dividends and Dividends for the Fiscal Year under Review and Upcoming Fiscal Year

Shofu's basic policy consists of maintaining and continuing consistent dividend payments while striving to increase corporate value (shareholder value) over the long term and return profits to shareholders. We have striven to achieve a consolidated dividend payout ratio of at least 30%, and in addition, we will newly set a dividend on equity (DOE) ratio of 1.7% as a guideline, with the aim of enhancing returns to shareholders and taking capital efficiency into consideration. At the same time, actual payments reflect the need to ensure adequate capital to actively develop our businesses going forward, for example through R&D investment to expand our businesses overseas and develop new products while simultaneously working to strengthen our management base and improve our financial position.

The year-end dividend for the fiscal year under review will consist of an ordinary dividend of 21 yen per share. Together with the midterm dividend of 8 yen per share, which has already been paid, the total annual dividend will be 29 yen per share.

The per share annual dividend for the upcoming fiscal year will consist of an ordinary dividend of 30 yen per share plus a year-end dividend of 2 yen in commemoration of our 100 year anniversary, resulting in a total annual dividend of 32 yen per share.

2. Basic Approach to the Selection of Accounting Standards

Out of consideration to time period comparability of consolidated financial statements and comparability with other corporations, the Company Group takes an approach of producing consolidated financial statements according to Japanese standards.

Regarding application of IFRS (International Financial Reporting Standards), the Company Group's approach is to comply with IFRS as appropriate considering various circumstances domestic and international.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31,2020)	Fiscal year under review (as of March 31,2021)
Assets		
Current assets		
Cash and deposits	4,862	6,943
Notes and accounts receivable-trade	3,187	3,205
Securities	5	-
Merchandises and finished goods	4,713	4,815
Work in process	1,045	1,222
Raw materials and supplies	972	1,040
Other	646	611
Allowance for doubtful accounts	(16)	(10)
Total current assets	15,416	17,829
Noncurrent assets		
Property,plant and equipment		
Buildings and structures	8,692	9,694
Accumulated depreciation	(5,575)	(5,744)
Buildings and structures, net	3,116	3,949
Machinery, equipment and vehicles	4,152	4,403
Accumulated depreciation	(3,398)	(3,598)
Machinery, equipment and vehicles, net	753	804
Land	2,325	2,376
Construction in progress	800	209
Other	3,916	4,058
Accumulated depreciation	(3,224)	(3,391)
Other, net	691	667
Total property,plant and equipment	7,689	8,008
Intangible assets	310	340
Investments and other assets		
Investment securities	5,648	9,977
Deferred tax assets	96	98
Net defined benefit asset	361	1,134
Other	321	431
Allowance for doubtful accounts	(10)	(6)
Total investments and other assets	6,417	11,635
Total non-current assets	14,417	19,983
Total assets	29,834	37,813

(Millions of yen)

	Previous fiscal year (as of March 31,2020)	Fiscal year under review (as of March 31,2021)
Liabilities		
Current liabilities		
Accounts payable-trade	831	898
Short-term loans payable	433	98
Current portion of long-term loans payable	125	584
Income taxes payable	202	428
Provision for directors' bonuses	50	42
Other	2,037	2,159
Total current liabilities	3,680	4,212
Noncurrent liabilities		
Long-term loans payable	678	1,190
Deferred tax liabilities	674	1,375
Net defined benefit liability	236	243
Other	628	592
Total noncurrent liabilities	2,216	3,402
Total liabilities	5,897	7,614
Net assets		
Shareholders' equity		
Capital stock	4,474	5,968
Capital surplus	4,586	6,097
Retained earnings	12,840	14,116
Treasury shares	(185)	(145)
Total shareholders' equity	21,715	26,037
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,465	3,457
Foreign currency translation adjustment	(495)	(114)
Remeasurements of defined benefit plans	100	644
Total accumulated other comprehensive income	2,071	3,987
Subscription rights to shares	116	116
Non-controlling interests	33	57
Total net assets	23,936	30,198
Total liabilities and net assets	29,834	37,813

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

(Millions of yen)

	Previous fiscal year (from April 1,2019 to March 31,2020)	Fiscal year under review (from April 1,2020 to March 31,2021)
Net sales	26,108	24,680
Cost of sales	11,423	11,083
Gross profit	14,685	13,596
Selling, general, and administrative expenses	12,474	11,296
Operating profit	2,210	2,300
Non-operating income		
Interest income	16	17
Dividend income	107	99
Foreign exchange gains	-	146
Share of profit of entities accounted for using equity method	-	11
Membership fee income	107	81
Subsidy income	-	185
Other	87	142
Total non-operating income	320	684
Non-operating expenses		
Interest expenses	11	14
Sales discounts	174	160
Membership fee	157	109
Foreign exchange losses	135	-
Share issuance costs	-	98
Other	64	78
Total non-operating expenses	542	461
Ordinary profit	1,988	2,523
Extraordinary income		
Gain on sales of investment securities	42	-
Gain on sales of non-current assets	-	11
Total extraordinary income	42	11
Extraordinary loss		
Loss on remittance fraud at overseas subsidiary	-	101
Impairment loss	846	63
Total extraordinary losses	846	164
Profit before income taxes	1,184	2,370
Income taxes-current	584	651
Income taxes-deferred	(123)	20
Total Income taxes	460	672
Profit	723	1,698
Profit (loss) attributable to non-controlling interests	18	24
Profit attributable to owners of parent	704	1,674

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (from April 1,2019 to March 31,2020)	Fiscal year under review (from April 1,2020 to March 31,2021)
Profit	723	1,698
Other comprehensive income		
Valuation difference on available-for-sale securities	(331)	991
Foreign currency translation adjustment	(298)	385
Remeasurements of defined benefit plans, net of tax	(139)	543

Total other comprehensive income	(769)	1,920
Comprehensive income	(46)	3,618
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(65)	3,590
Comprehensive income attributable to non-controlling interests	18	27

(3) Consolidated Statements of Changes in Net Assets
Previous fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,474	4,576	12,589	(231)	21,409
Cumulative effects of changes in accounting policies			(16)		(16)
Restated balance	4,474	4,576	12,573	(231)	21,393
Changes of items during period					
Issuance of new shares through a capital increase by way of third-party allotment					
Dividends of surplus			(397)		(397)
Profit attributable to owners of parent			704		704
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		9	(0)	46	55
Change in scope of consolidation			(39)		(39)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	9	266	46	322
Balance at end of current period	4,474	4,586	12,840	(185)	21,715

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,797	(196)	239	2,841	118	14	24,383
Cumulative effects of changes in accounting policies							(16)
Restated balance	2,797	(196)	239	2,841	118	14	24,367
Changes of items during period							
Issuance of new shares through a capital increase by way of third-party allotment							
Dividends of surplus							(397)
Profit attributable to owners of parent							704
Purchase of treasury shares							(0)
Disposal of treasury shares							55
Change in scope of consolidation							(39)
Net changes of items other than shareholders' equity	(331)	(299)	(139)	(770)	(2)	18	(753)
Total changes of items during period	(331)	(299)	(139)	(770)	(2)	18	(430)
Balance at end of current period	2,465	(495)	100	2,071	116	33	23,936

Fiscal year under review (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,474	4,586	12,840	(185)	21,715
Cumulative effects of changes in accounting policies			-		-
Restated balance	4,474	4,586	12,840	(185)	21,715
Changes of items during period					
Issuance of new shares through a capital increase by way of third-party allotment	1,494	1,494			2,988
Dividends of surplus			(397)		(397)
Profit attributable to owners of parent			1,674		1,674
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		16		40	56
Change in scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during period	1,494	1,510	1,276	39	4,321
Balance at end of current period	5,968	6,097	14,116	(145)	26,037

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	2,465	(495)	100	2,071	116	33	23,936
Cumulative effects of changes in accounting policies							-
Restated balance	2,465	(495)	100	2,071	116	33	23,936
Changes of items during period							
Issuance of new shares through a capital increase by way of third-party allotment							2,988
Dividends of surplus							(397)
Profit attributable to owners of parent							1,674
Purchase of treasury shares							(0)
Disposal of treasury shares							56
Change in scope of consolidation							
Net changes of items other than shareholders' equity	991	381	543	1,916		23	1,939
Total changes of items during period	991	381	543	1,916	-	23	6,261
Balance at end of current period	3,457	(114)	644	3,987	116	57	30,198

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (from April 1,2019 to March 31,2020)	Fiscal year under review (from April 1,2020 to March 31,2021)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,184	2,370
Depreciation	949	955
Impairment loss	846	63
Amortization of goodwill	29	-
Increase (decrease) in allowance for doubtful accounts	(42)	(11)
Increase (decrease) in net defined benefit liability	(31)	5
Interest and dividend income	(124)	(117)
Interest expenses	11	14
Foreign exchange losses (gains)	32	(156)
Share issuance costs	-	98
Loss (gain) on sales of investment securities	(42)	-
Loss (gain) on sales of property, plant and equipment	-	(11)
Share of loss (profit) of entities accounted for using equity method	-	(11)
Subsidy income	-	(185)
Decrease (increase) in notes and accounts receivable - trade	118	44
Decrease (increase) in inventories	(637)	(170)
Increase (decrease) in notes and accounts payable - trade	212	(22)
Other, net	(55)	84
Subtotal	2,450	2,949
Interest and dividend income received	124	117
Proceeds from subsidy income	-	185
Interest expenses paid	(9)	(16)
Income taxes paid	(623)	(406)
Net cash provided by (used in) operating activities	1,942	2,829
Cash flows from investing activities		
Payments into time deposits	(594)	(645)
Proceeds from withdrawal of time deposits	516	624
Purchase of securities	(5)	(5)
Proceeds from redemption of securities	5	10
Purchase of property, plant and equipment	(1,452)	(1,048)
Proceeds from sales of property, plant and equipment	5	11
Purchase of intangible assets	(97)	(56)
Purchase of investment securities	(219)	(2,889)
Proceeds from sales of investment securities	81	-
Payments of loans receivable	(14)	(12)
Collection of loans receivable	10	6
Other, net	(5)	(77)
Net cash provided by (used in) investing activities	(1,768)	(4,081)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	429	(338)
Repayments of lease obligations	(82)	(58)
Proceeds from long-term loans payable	689	1,300
Repayments of long-term loans payable	(862)	(368)
Proceeds from issuance of shares	-	2,890
Decrease (increase) in treasury shares	(0)	(0)
Cash dividends paid	(397)	(397)

Dividends paid to non-controlling interests	-	(4)
Proceeds from exercise of share options	0	-
Net cash provided by (used in) financing activities	(224)	3,023
Effect of exchange rate change on cash and cash equivalents	(87)	315
Net increase (decrease) in cash and cash equivalents	(138)	2,087
Cash and cash equivalents at beginning of period	4,318	4,218
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	38	-
Cash and cash equivalents at end of period	4,218	6,305

(5) Notes to Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Segment Information)

1. Reportable Segments

Financial statements that break out the company's reportable segments are available, and those segments are targeted for regular examination as the Board of Directors allocates management resources and to evaluate business performance.

The Group's businesses include the dental business, nail care business, and other businesses (manufacture and sale of industrial materials and equipment). We develop comprehensive domestic and overseas strategies for each of these businesses and conduct associated operations accordingly.

Consequently, we use the dental business, nail care business, and other businesses as our reportable segments.

The dental business segment consists of the manufacture, sale, and repair of dental materials and equipment. The nail care business segment consists of the manufacture and sale of beauty and health devices related to nail care and cosmetics as well as associated service operations. The other businesses segment consists of the manufacture and sale of industrial materials and equipment.

2. Methods used to calculate sales, gains (losses), assets, liabilities, and other figures for the reportable segments

The accounting policies for the reportable segments are basically the same as those described in "Important considerations in the preparation of consolidated financial statements."

3. Information regarding sales, gains(loss), assets, liabilities, and other figures by reportable segment

Previous fiscal year under review (April 1, 2019 – March 31, 2020)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	23,665	2,355	87	26,108	-	26,108
(2) Internal sales or transfers	-	-	6	6	(6)	-
Total	23,665	2,355	93	26,114	(6)	26,108
Segment profit (loss)	2,083	107	13	2,204	6	2,210
Segment assets	22,203	1,412	100	23,715	6,118	29,834
Other items						
Depreciation expense	897	45	6	949	-	949
Amortization of goodwill	29	-	-	29	-	29
Share of profit of entities accounted for using equity method	-	-	-	-	-	-
Impairment loss	846	-	-	846	-	846
Investment in entities accounted for using equity method	-	-	-	-	-	-
Increase in property, plant, and equipment and intangible assets	1,566	34	0	1,601	-	1,601

*1 (1) The 6 million yen adjustment to segment profit serves to cancel out transactions between segments.

(2) The 6,118 million yen adjustment to segment assets includes companywide assets that are not allocated to any single segment, primarily surplus operating funds (cash and deposits) and long-term investment funds (investment securities, etc.).

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

*3 With respect to goodwill and intangible assets related to consolidated subsidiary Merz Dental GmbH, the Company recognized an impairment loss of 800 million yen based on the fact that profits which were initially assumed in the business plan being considered at the time the shares were purchased can no longer be expected. Also, due to the fact that the recoverability of business assets can no longer be expected as a result of the decline in profitability for noncurrent assets for sales promotion, the book value was reduced to the recoverable amount, and this reduction amount has been recognized as a 46 million yen impairment loss.

(Information relating to amortization of goodwill and unamortized balances by reporting segment)

	Dental Business	Nail care business	Other businesses	Total	Adjustment	Consolidated financial statements
Balance at end of current period	-	-	-	-	-	-

(Note) As identical information regarding amortization of goodwill is disclosed in segment information, it has been omitted here.

Fiscal year under review (April 1, 2020 — March 31, 2021)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	22,334	2,268	76	24,680	-	24,680
(2) Internal sales or transfers	0	-	4	4	(4)	-
Total	22,334	2,268	81	24,685	(4)	24,680
Segment profit (loss)	2,091	201	2	2,294	5	2,300
Segment assets	29,134	1,729	108	30,972	6,841	37,813
Other items						
Depreciation expense	914	35	5	955	-	955
Amortization of goodwill	-	-	-	-	-	-
Share of profit of entities accounted for using equity method	11	-	-	11	-	11
Impairment loss	63	-	-	63	-	63
Investment in entities accounted for using equity method	2,901	-	-	2,901	-	2,901
Increase in property, plant, and equipment and intangible assets	1,078	18	0	1,097	-	1,097

*1 (1) The 5 million yen adjustment to segment profit serves to cancel out transactions between segments.

(2) The 6,841 million yen adjustment to segment assets includes companywide assets that are not allocated to any single segment, primarily surplus operating funds (cash and deposits) and long-term investment funds (investment securities, etc.).

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

*3 The Company resolved to rebuild its welfare facilities, etc. and conducted the decision making regarding their demolition. As a result, the book value of these assets was reduced to the recoverable amount, and this reduction amount and the demolition cost were recognized as an impairment loss of 63 million yen.

(Per Share Information)

	Previous fiscal year (April 1, 2019 - March 31, 2020)	Fiscal year under review (April 1, 2020 - March 31, 2021)
Net assets per share	1,491.81 yen	1,690.45 yen
Net income per share	44.24 yen	96.29 yen
Fully diluted net income per share	43.93 yen	95.68 yen

(Notes) 1. The basis for calculating net income per share and fully diluted net income per share is as follows:

	Previous fiscal year (April 1, 2019 - March 31, 2020)	Fiscal year under review (April 1, 2020 - March 31, 2021)
Net income per share		
Net income attributable to owners of parent (millions of yen)	704	1,674
Amount not belonging to ordinary shareholders (millions of yen)	-	-
Net income attributable to owners of parent related to common stock(millions of yen)	704	1,674
Average number of shares during the fiscal year (thousands of shares)	15,932	17,384
Fully diluted net income		
Adjustments to net income attributable to owners of parent (millions of yen)	-	-
Increase in common stock (thousands of shares)	112	110
Overview of residual shares not included in the calculation of fully diluted net income per share due to a lack of dilution effects	-	-

2. The basis for calculating net assets per share is as follows:

	Previous fiscal year (April 1, 2019 - March 31, 2020)	Fiscal year under review (April 1, 2020 - March 31, 2021)
Total assets (millions of yen)	23,936	30,198
Amount excluded from total assets (millions of yen)	150	173
Year-end net assets attributable to common stock (millions of yen)	23,786	30,024
Number of common stock shares at year end used to calculate net assets per share (thousands of shares)	15,945	17,761

(Important Subsequent Events)

Not applicable.