

**The First Quarter Consolidated Financial Results for the Fiscal Year Ended March 31, 2022  
(Japanese Accounting Standards)**

August 4, 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  
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 Scheduled date for filing of quarterly securities report: August 11, 2021  
 Scheduled commencement date of dividend payment: —  
 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, 2022(April 1,2021 – June 30,2021)

(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	%
Three months ended June 30, 2021	6,970	42.9	929	620.9	1,006	—	630	—
Three months ended June 30, 2020	4,877	(24.5)	128	(76.2)	80	(83.9)	(58)	—

(Note) Comprehensive income: Three Months ended June 30, 2021 765 million yen (804.2%)  
 Three Months ended June 30, 2020 84 million yen (—%)

	First Quarter Net income (loss) per share	First Quarter Fully diluted net income (loss) per share
	Yen	Yen
Three months ended June 30, 2021	35.52	35.46
Three months ended June 30, 2020	(3.61)	—

(Note) Starting from the beginning of the first quarter of the consolidated fiscal year under review, the Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and other standards. Further details are provided in the section titled “(Changes in Accounting Principles)” in “(3) Notes to Quarterly Consolidated Financial Statements” of “2. Quarterly Consolidated Financial Statements and Primary Notes.”

(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, 2021	38,210	30,591	79.6	1,712.27
Year ended March 31, 2021	37,813	30,198	79.4	1,690.45

(Reference) Shareholder’s equity: Three Months ended June 30, 2021 30,412 million yen  
 Year ended March 31, 2021 30,024 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 31,2021	—	8.00	-	21.00	29.00
Year ended March 31,2022	—	—	—	—	—
Year ending March 31,2022 (Forecasts)	—	13.00	-	19.00	32.00

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

(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)	13,599	21.2	1,462	61.5	1,544	73.2	1,008	77.3	56.78
Year ending March 31, 2022	27,102	9.8	2,246	(2.3)	2,357	(6.6)	1,575	(5.9)	88.68

(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): 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, 2021: 17,894,089 shares
    - As of March 31, 2021: 17,894,089 shares
  - (b) Number of shares of treasury stock at end of period
    - As of June 30, 2021: 132,642 shares
    - As of March 31, 2021: 132,642 shares
  - (c) Average number of shares during the period
    - As of June 30, 2021: 17,761,447 shares
    - As of June 30, 2020: 16,257,981 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

Please refer to the "Notice Regarding Revision of Results Forecast" released on the date July 28, 2021 with respect to our results forecast for the fiscal year ending March 31, 2022. The aforementioned forecasts have been calculated based upon currently available information and accordingly are not intended as a guarantee that the Company will achieve such results. Actual results may differ materially from the forecasts due to a variety of factors.

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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, while there were signs of the world economy picking up with the progress in vaccination against the novel coronavirus disease (COVID-19), primarily in Europe and the US, the future economic outlook remained uncertain given that some regions still experienced increases in infections. The Japanese economy saw strong exports and production against the backdrop of economic recovery overseas and some recovery in capital investments in line with improvements in corporate revenue; however, there were still concerns about an economic downturn due to rising cases of variant infection in Japan as well.

The Company Group posted net sales of 6,970 million yen for the quarter under review, an increase of 2,093 million yen (42.9%) from the corresponding period of the previous consolidated fiscal year, due to solid overseas sales. Overseas sales, which are included in net sales, increased by 1,958 million yen (113.8%) to 3,678 million yen (52.8% of net sales).

Operating income increased by 800 million yen (620.9%) from the corresponding period of the previous consolidated fiscal year to 929 million thanks to a growth in sales despite an increase in selling, general, and administrative expenses owing to the gradual relaxation of restrictions on sales activities.

Ordinary income increased by 925 million yen (1,144.7%) from the corresponding period of the previous consolidated fiscal year to 1,006 million yen after increased earnings growth was experienced thanks to decreases in non-operating expenses.

As a result of posting 40 million yen in loss on retirement of non-current assets as extraordinary losses, profit attributable to owners of parent, after deducting tax expenses, increased by 689 million yen from the corresponding period of the previous consolidated fiscal year to 630 million yen.

Starting from the beginning of the first quarter of the consolidated fiscal year under review, the Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) and other standards. Further details are provided in the section titled “(Changes in Account Principles)” in “(3) Notes to Quarterly Consolidated Financial Statements” of “2. Quarterly Consolidated Financial Statements and Primary Notes.”

#### (Dental business)

Domestically, “Beauty Bond Xtreme,” a dentine bonding product for dental use launched during the period under review and “SHOFU BLOCK HC HARD II,” a resin material for dental cutting processing, among other products, contributed to sales, making for increased sales over the corresponding period of the previous consolidated fiscal year. Looking overseas, the impact of COVID-19 have eased, enabling us to expand sales of existing products primarily in North America, Europe and China and resulting in favorable sales in various regions. Also, with the impact of foreign exchange fluctuations, we saw increased sales over the corresponding period of the previous consolidated fiscal year.

As a result of these factors, net sales for the quarter under review increased 2,078 million yen (47.9%) from the corresponding period of the previous consolidated fiscal year to 6,419 million yen, and operating income increased 804 million yen (969.9%) to 887 million yen.

#### (Nail care business)

Domestically, the country is recovering from the impact of the COVID-19 pandemic and products for professional manicurists experienced favorable sales. Meanwhile, however, we saw a decrease in sales of “by Nail Labo” gel nail products for home use as a result of the tapering of stay-at-home demand. Looking overseas, online sales were favorable thanks to proactive promotional activities using social media in the US, resulting in an increase in sales over the corresponding period of the previous consolidated fiscal year.

As a result of these factors, net sales for the quarter under review increased 10 million yen (2.1%) from the corresponding period of the previous consolidated fiscal year to 528 million yen. Operating income was 36 million yen, a year-on-year decrease of 5 million yen (13.1%), due to increase 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 increased 4 million yen (22.1%) from the corresponding period of the previous consolidated fiscal year to 23 million yen, and operating income decreased 1 million yen (83.9%) to 0.3 million yen.

(2) Explanation of Financial Position

Total assets at the end of the quarter under review increased by 397 million yen from the end of the previous consolidated fiscal year to 38,210 million yen. The primary factors were increases in cash and deposits and property, plant and equipment at a manufacturing subsidiary in Vietnam.

Liabilities increased by 4 million yen to 7,619 million yen. The primary factors were increases in current liabilities and other items, such as accrued expenses.

Net assets increased by 392 million yen to 30,591 million yen. The primary factors were increases in Retained earnings.

As a result of the above, the capital-to-assets ratio rose to 79.6%, 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, 2022, as announced on July 28, 2021.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2021)	End of First Quarter of Fiscal 2021. (as of June 30, 2021)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,943	7,191
Notes and accounts receivable-trade	3,205	3,273
Securities		
Merchandises and finished goods	4,815	5,021
Work in process	1,222	1,149
Raw materials and supplies	1,040	1,085
Other	611	504
Allowance for doubtful accounts	(10)	(6)
<b>Total current assets</b>	<b>17,829</b>	<b>18,219</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures	9,694	9,739
Accumulated depreciation	(5,744)	(5,822)
Buildings and structures, net	3,949	3,917
Other	11,048	11,345
Accumulated depreciation	(6,989)	(7,073)
Other, net	4,058	4,272
Total property, plant and equipment	8,008	8,189
Intangible assets	340	351
Investments and other assets		
Investment securities	9,977	9,807
Net defined benefit asset	1,134	1,131
Other	529	517
Allowance for doubtful accounts	(6)	(5)
Total investments and other assets	11,635	11,450
<b>Total non-current assets</b>	<b>19,983</b>	<b>19,991</b>
<b>Total assets</b>	<b>37,813</b>	<b>38,210</b>

	(Millions of yen)	
	Previous fiscal year (as of March 31,2021)	End of First Quarter of Fiscal 2021. (as of June 30, 2021)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	898	783
Short-term loans payable	98	99
Current portion of long-term loans payable	584	851
Income taxes payable	428	390
Provision for directors' bonuses	42	9
Other	2,159	2,498
<b>Total current liabilities</b>	<u>4,212</u>	<u>4,632</u>
<b>Noncurrent liabilities</b>		
Long-term loans payable	1,190	850
Net defined benefit liability	243	246
Other	1,967	1,890
<b>Total noncurrent liabilities</b>	<u>3,402</u>	<u>2,986</u>
<b>Total liabilities</b>	<u>7,614</u>	<u>7,619</u>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,968	5,968
Capital surplus	6,097	6,097
Retained earnings	14,116	14,374
Treasury shares	(145)	(145)
<b>Total shareholders' equity</b>	<u>26,037</u>	<u>26,295</u>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,457	3,418
Foreign currency translation adjustment	(114)	73
Remeasurements of defined benefit plans	644	625
<b>Total accumulated other comprehensive income</b>	<u>3,987</u>	<u>4,117</u>
<b>Subscription rights to shares</b>	<u>116</u>	<u>116</u>
<b>Non-controlling interests</b>	<u>57</u>	<u>62</u>
<b>Total net assets</b>	<u>30,198</u>	<u>30,591</u>
<b>Total liabilities and net assets</b>	<u>37,813</u>	<u>38,210</u>

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

(Millions of yen)

	First Quarter of Fiscal 2020 (from April 1, 2020 to June 30, 2020)	First Quarter of Fiscal 2021 (from April 1, 2021 to June 30, 2021)
<b>Net sales</b>	4,877	6,970
<b>Cost of sales</b>	2,187	3,089
<b>Gross profit</b>	2,690	3,881
<b>Selling, general, and administrative expenses</b>	2,561	2,952
<b>Operating profit</b>	128	929
<b>Non-operating income</b>		
Interest income	3	3
Dividend income	45	48
Membership fee income	5	30
Foreign exchange gains	10	30
Other	62	59
<b>Total non-operating income</b>	127	172
<b>Non-operating expenses</b>		
Interest expenses	1	2
Sales discounts	40	-
Membership fee	12	53
Share issuance costs	98	-
Share of loss of entities accounted for using equity method	-	25
Other	22	14
<b>Total non-operating expenses</b>	175	95
<b>Ordinary profit</b>	80	1,006
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	-	40
Total extraordinary losses	-	40
<b>Profit before income taxes</b>	80	965
<b>Income taxes</b>	136	330
<b>Profit (loss)</b>	(55)	634
<b>Profit (loss) attributable to non-controlling interests</b>	2	4
<b>Profit (loss) attributable to owners of parent</b>	(58)	630

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	First Quarter of Fiscal 2020 (from April 1, 2020 to June 30, 2020)	First Quarter of Fiscal 2021 (from April 1, 2021 to June 30, 2021)
<b>Profit (loss)</b>	(55)	634
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	182	(39)
Foreign currency translation adjustment	(38)	188
Remeasurements of defined benefit plans, net of tax	(3)	(18)
<b>Total other comprehensive income</b>	140	130
<b>Comprehensive income</b>	84	765
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	81	760
Comprehensive income attributable to non-controlling interests	3	5



(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)

(Application of Accounting Standard for Revenue Recognition, Etc.)

Starting from the beginning of the first quarter of the consolidated fiscal year under review, we have applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020; hereinafter referred to as the "Standard for Revenue Recognition") and other standards. Accordingly, we now recognize revenue in amounts projected to be received in exchange for goods or services at the point in time when the control over the promised goods or services have been transferred to the customer. As a result of this, some expenses which we had previously recorded as cost of sales and selling, general, and administrative expenses, as well as sales discounts, which were previously recorded as non-operating expenses, have been deducted from net sales as amounts constituting compensation paid to customers, starting from the first quarter of the consolidated fiscal year under review.

The Standard for Revenue Recognition and other standards are applied in accordance with the transitional procedures outlined in the proviso of item 84 of the Standard for Revenue Recognition. The new standard is applied from beginning of the first quarter of the consolidated fiscal year under review, and the cumulative amount of impact of retrospectively applying this new standard to periods prior to the beginning of the first quarter of the consolidated fiscal year under review is added to or deducted from the balance of retained earnings at the beginning of the first quarter of the consolidated fiscal year under review.

As a result, in the first quarter of the consolidated fiscal year under review, net sales decreased by 46 million yen. In addition, operating income decreased by 41 million yen due to a decrease of 2 million yen in cost of sales and a decrease of 2 million yen in selling, general, and administrative expenses. However, due to a decrease of 39 million yen in non-operating expenses, the impacts on ordinary income and profit before income taxes were minor. The impact on the beginning balance of retained earnings was minor as well.

The information for the previous consolidated fiscal year has not been reclassified to reflect the change in the method of presentation in accordance with the transitional procedures outlined in item 89-2 of the Standard for Revenue Recognition. Furthermore, in accordance with the transitional procedures stipulated in item 28-15 of "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12 of March 31, 2020), we

have not provided information on the disaggregation of revenue arising from contracts with customers for the first quarter of the previous consolidated fiscal year.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

Starting from the beginning of the first quarter of the consolidated fiscal year under review, we have applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 of July 4, 2019; hereinafter referred to as the “Fair Value Measurement Standard”) and other standards. New accounting principles stipulated by the Fair Value Measurement Standard will be applied prospectively in accordance with the transitional procedures outlined in item 19 of the Fair Value Measurement Standard and item 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 of July 4, 2019). The application of these standards has no impact on the quarterly consolidated financial statements.

(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, 2020 – June 30, 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	4,341	517	19	4,877	—	4,877
(2) Internal sales or transfers	—	—	1	1	(1)	—
Total	4,341	517	20	4,878	(1)	4,877
Segment profit	82	42	2	127	1	128

\*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.

Fiscal year under review (April 1, 2021 – June 30, 2021)

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

(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	6,419	528	23	6,970	—	6,970
(2) Internal sales or transfers	—	—	1	1	(1)	—
Total	6,419	528	25	6,972	(1)	6,970
Segment profit(loss)	887	36	0	924	4	929

\*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.

(Millions of yen)

	Reporting segment			Total
	Dental business	Nail care business	Other businesses	
Domestic	3,086	345	23	3,455
North and Latin America	793	70	—	863
Europe	1,587	—	—	1,587
Asia	951	112	—	1,064
Revenue from contracts with customers	6,419	528	23	6,970
Other revenue	—	—	—	—
Sales to external customers	6,419	528	23	6,970