

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

May 11, 2022

Company name: SHOFU INC.  
 Listing: Tokyo Stock Exchange (Prime Market)  
 Code number: 7979  
 URL: <https://www.shofu.co.jp/>  
 Representative: Noriyuki Negoro, Representative Director, President & Chief Executive Officer  
 Contact: Takashi Morimoto, General Manager of Finance Department  
 Scheduled date of ordinary shareholder's meeting: June 24, 2022  
 Scheduled date for filing of annual securities report: June 24, 2022  
 Scheduled commencement date of dividend payment: June 6, 2022  
 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, 2022 (April 1, 2021 – March 31, 2022)

(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, 2022	28,137	14.0	3,217	39.8	3,658	45.0	2,546	52.1
Year ended March 31, 2021	24,680	(5.5)	2,300	4.1	2,523	26.9	1,674	137.5

(Note) Comprehensive income: Year ended March 31, 2022 3,366 million yen (-6.9%)  
 Year ended March 31, 2021 3,618 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, 2022	143.22	142.33	8.1	9.3	11.4
Year ended March 31, 2021	96.29	95.68	6.2	7.5	9.3

(Reference) Equity in earnings of affiliates: Year ended March 31, 2022 1 million yen  
 Year ended March 31, 2021 11 million yen

(Notes) Starting from the beginning of the consolidated fiscal year under review, the Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards. Further details are provided in the section titled "(Changes in Accounting Principles)" in "(5) Notes to Consolidated Financial Statements" of "3. 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
Year ended March 31, 2022	40,709	32,940	80.5	1,841.55
Year ended March 31, 2021	37,813	30,198	79.4	1,690.45

(Reference) Shareholder's equity: Year ended March 31, 2022 32,759 million yen  
 Year ended March 31, 2021 30,024 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, 2022	3,736	(1,288)	(1,074)	8,208
Year ended March 31, 2021	2,829	(4,081)	3,023	6,305

## 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 31,2021	-	8.00	-	21.00	29.00	515	30.1	1.8
Year ended March 31,2022	-	13.00	-	26.00	39.00	693	27.2	2.2
Year ending March 31,2023 (Forecasts)	-	15.00	-	24.00	39.00		35.1	

(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)

Year-end dividends for the fiscal year end in March 31, 2023 (Forecasts) include commemorative dividend of 2.0 yen.

(The 100th anniversary of company's founding)

## 3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022– March 31, 2023)

(% 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 30,2022 (cumulative)	14,500	4.6	1,312	(34.4)	1,356	(36.3)	845	(43.9)	47.51
Year ending March 31,2023	29,314	4.2	2,732	(15.1)	2,850	(22.1)	1,975	(22.4)	111.06

### \*Notes

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

(2) 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

(3) Number of shares outstanding (common stock)

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

As of March 31, 2022: 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 March 31, 2022: 105,013 shares

As of March 31, 2021: 132,642 shares

(c) Average number of shares during the period

As of March 31, 2022: 17,780,582 shares

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

## (Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(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, 2022	17,653	13.0	754	139.7	2,174	86.1	1,693	71.3
Year ended March 31, 2021	15,623	(10.1)	314	(33.0)	1,168	(23.1)	988	(16.5)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2022	95.23	94.64
Year ended March 31, 2021	56.85	56.49

(Notes) Starting from the beginning of the consolidated fiscal year under review, the Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards. Figures for the fiscal year ended March 31, 2022, are figures after the application of this accounting standard.

(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, 2022	33,255	27,533	82.4	1,541.23
Year ended March 31, 2021	32,237	26,420	81.6	1,480.95

(Reference) Shareholder’s equity: Year ended March 31, 2022 27,416 million yen  
Year ended March 31, 2021 26,303 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, while there were signs of the world economy recovering due to increasing levels of vaccination against the novel coronavirus disease (COVID-19) and the benefits of various economic policies, the future outlook was uncertain due to factors including the spread of new variants, as well as concerns about soaring resource prices and global inflation accompanying Russia's military offensive in Ukraine. The Japanese economy also saw improvements in corporate revenue and some rebound in capital investment due to the recovery in the global economy. However, there were nagging concerns about an economic downturn, as in addition to the same risk factors as the global economy, there were other factors such as the rapid depreciation of the yen towards the end of the fiscal year.

In the dental industry, the business environment continued warrant little optimism, as despite the recovery in demand for dental materials and equipment accompanying the resumption of economic activity in countries around the world, competition between companies intensified due to digitalization of dental care.

Under these circumstances, the Company Group started its fourth medium-term management plan from April 2021, and proactively carried out business activities based on the goal of "maintaining and expanding its presence in the domestic market while expanding its overseas business" and an understanding of the "Need for strategies outside of the existing framework that are not merely extensions of previous strategies."

Specifically, we aggressively launched CAD/CAM-related products and other new products responding to the market growth in the digital dentistry field. We also carried out activities aimed at capturing overseas demand, including opening a representative office in Dubai, UAE, for the purpose of cultivating the Middle East/Africa market, as well as started operations at a Vietnam manufacturing subsidiary as a production plant for abrasives for the overseas market. Furthermore, we started construction on a new company building at our Kyoto headquarters equipped with welfare facilities, a showroom and other features, as part of our 100<sup>th</sup> anniversary celebration, and we also established a system to advance business with a focus on sustainability and otherwise endeavored to strengthen our management foundation looking ahead to future growth.

As a result of these business activities, the Company Group posted net sales of 28,137 million yen for the consolidated fiscal year under review, an increase of 3,457 million yen (14.0%) from the previous fiscal year.

Operating income increased by 916 million yen (39.8%) from the corresponding period of the previous consolidated fiscal year to 3,217 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 1,135 million yen (45.0%) from the corresponding period of the previous consolidated fiscal year to 3,658 million yen after increased earnings growth was experienced thanks to decreases in non-operating expenses.

As a result of posting 47 million yen in loss on retirement of non-current assets as extraordinary losses, profit attributable to owners of parent, after deducting tax expenses, was 2,546 million yen, an increase of 872 million yen (52.1%) from the corresponding period of the previous consolidated fiscal year, with net sales, operating income, ordinary income, and net income all reaching record highs.

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 "(5) Notes to Consolidated Financial Statements" of "3. Q Consolidated Financial Statements."

#### (Dental business)

Domestically, "BeautiBond 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 launched during the previous fiscal year, along with other CAD/CAM-related products, contributed to sales, and sales effectively increased compared to the corresponding period of the previous fiscal year, but sales declined compared to the corresponding period of the

previous fiscal year due to the decline in net sales accompanying the application of the accounting standard for revenue recognition.

Looking overseas, our aggressive sales expansion strategy up until this point was successful, leading to strong sales of existing products primarily in North America, Europe and China. This, along with the impact of foreign exchange fluctuations, led to increased sales over the corresponding period of the previous fiscal year.

As a result of these factors, net sales of the dental business increased by 3,541 million yen (15.9%) from the previous fiscal year to 25,876 million yen, while operating income increased by 974 million yen (46.6%) to 3,065 million yen, despite an increase in selling, general, and administrative expenses.

#### (Nail care business)

Domestically, due to the impact of restrictions on activities with the reemergence of infections and as a result of the tapering of stay-at-home demand, we saw a decrease in sales of our mainstay gel nail-related products, resulting in a decrease in sales over the corresponding period of the previous consolidated fiscal year.

Looking overseas, although sales in Taiwan decreased due to the rapid spread infections, 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 in the Nail care business decreased by 100 million yen (4.4%) from the corresponding period of the previous consolidated fiscal year to 2,168 million yen, and operating income decreased 69 million yen (34.5%) to 131 million yen.

#### (Other businesses)

In other businesses, in industrial abrasives, overall sales were strong throughout the year, as demand for production machinery trended higher in conjunction with the economic recovery both in Japan and overseas, although sales to the automobile industry, including parts, were sluggish due to the impact of the decline in automobile production caused by the semiconductor supply shortage and other factors.

As a result of these factors, net sales in the other business increased by 16 million yen (21.9%) from the previous fiscal year to 92 million yen, and operating income increased 11 million yen (557.2%) to 14 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 increased by 2,896 million yen from the end of the previous consolidated fiscal year to 40,709 million yen. The primary factors were increases in cash and deposits, property, plant and equipment.

Liabilities increased by 154 million yen to 7,769 million yen. The primary factor was an increase in income taxes payable.

Net assets increased by 2,741 million yen to 32,940 million yen. The primary factors were increases in retained earnings.

As a result of the above, the capital-to-assets ratio ratio was 80.5% (79.4% 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 1,902 million yen to 8,208 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	2,829	3,736	907
Cash flows from investing activities	(4,081)	(1,288)	2,792
Cash flows from financing activities	3,023	(1,074)	(4,097)
Effect of exchange rate changes on cash and cash equivalents	315	362	46
Net increase (decrease) in cash and cash equivalents	2,087	1,735	(351)
Cash and cash equivalents at the beginning of the period	4,218	6,305	2,087
Net increase (decrease) resulting from change in scope of consolidation	-	166	166
Cash and cash equivalents at the end of the period	6,305	8,208	1,902

(a) Cash flows from operating activities

Net cash provided by operating activities was 3,736 million yen (an increase of 907 million yen). This figure primarily reflects net income before income and other taxes and minority interests of 3,611 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 1,288 million yen (an increase of 2,792 million yen). This figure primarily reflects of expenditure on acquisition of property, plant and equipment of 964 million yen.

(c) Cash flows from financing activities

Net cash provided by financing activities was 1,074 million yen (a decrease of 4,097 million yen). This figure primarily reflects of 814 million yen from the expenditure for repayment of Long-term borrowings.

(4) Future Outlook

With regard to the future economic situation, with the end of the COVID-19 pandemic still not in sight and ongoing impacts from the pandemic, there is increasing unease about the outlook for the international situation, including concerns about a global economic slowdown in conjunction with the pressing situation in Ukraine and measures by countries to tighten monetary policy. As such, the situation is expected to remain unpredictable.

In the dental industry, although the impacts of the COVID-19 pandemic remain murky, as it becomes clear that oral health contributes to overall health, we believe that the role of dental care will become increasingly important as people strive to improve their quality of life and lengthen their healthy lifespan.

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, the Company Group, which will celebrate its 100th anniversary in May 2022, will advance business development with even more speed than up until this point in order to build a more solid foundation for growth looking ahead to the next 100 years.

We upwardly revised the numerical targets for the second year and beyond in the fourth medium-term management plan, based on the fact that we anticipate the impacts of the COVID-19 pandemic to be smaller than anticipated, as well as expect overseas sales to be particularly strong and for profitability to continue to improve. We will continue to work with the full force of the Company Group going forward.

Our outlook for performance during the upcoming fiscal year follows.

(Unit: Millions of yen)

	Results for the fiscal year ended March 31, 2022	Outlook for the fiscal year ending March 31, 2023	Change	Change (%)
Sales	28,137	29,314	1,176	4.2
Operating income	3,217	2,732	(484)	(15.1)
Ordinary income	3,658	2,850	(808)	(22.1)
Profit attributable to owners of parent	2,546	1,975	(570)	(22.4)

Major exchange rates: US Dollar: 115.00 yen; Euro: 130.00 yen; British Pound: 155.00 yen; Chinese Yuan: 18.00 yen

#### (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 over the long term and return profits to shareholders, although 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.

Indicators for return of profits to shareholders include targeting a consolidated dividend payout ratio of at least 30% and setting a dividend on equity (DOE) ratio of 1.7% as a guideline, as we look to provide a consistent return through two dividend payments per year, one as a midterm dividend and the other as a year-end dividend.

The year-end dividend for the current fiscal year will be 26 yen, which is the sum of the ordinary dividend of 24 yen per share and the 100th anniversary commemorative dividend of 2 yen per share. Together with the midterm dividend of 13 yen per share, which has already been paid, the total annual dividend will be 39 yen per share.

The per share annual dividend for the upcoming fiscal year will consist of an ordinary dividend of 37 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 39 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 31,2021)	Fiscal year under review (as of March 31,2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,943	9,064
Notes and accounts receivable-trade	3,205	-
Notes receivable - trade	-	204
Accounts receivable - trade	-	3,089
Merchandises and finished goods	4,815	5,303
Work in process	1,222	1,126
Raw materials and supplies	1,040	1,125
Other	611	555
Allowance for doubtful accounts	(10)	(6)
<b>Total current assets</b>	<b>17,829</b>	<b>20,462</b>
<b>Noncurrent assets</b>		
Property,plant and equipment		
Buildings and structures	9,694	9,837
Accumulated depreciation	(5,744)	(5,930)
Buildings and structures, net	3,949	3,907
Machinery, equipment and vehicles	4,403	4,758
Accumulated depreciation	(3,598)	(3,690)
Machinery, equipment and vehicles, net	804	1,067
Land	2,376	2,408
Construction in progress	209	352
Other	4,058	4,223
Accumulated depreciation	(3,391)	(3,529)
Other, net	667	693
Total property,plant and equipment	8,008	8,429
Intangible assets	340	427
Investments and other assets		
Investment securities	9,977	9,626
Deferred tax assets	98	107
Net defined benefit asset	1,134	1,220
Other	431	443
Allowance for doubtful accounts	(6)	(7)
Total investments and other assets	11,635	11,390
<b>Total non-current assets</b>	<b>19,983</b>	<b>20,247</b>
<b>Total assets</b>	<b>37,813</b>	<b>40,709</b>

(Millions of yen)

	Previous fiscal year (as of March 31,2021)	Fiscal year under review (as of March 31,2022)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	898	928
Short-term loans payable	98	-
Current portion of long-term loans payable	584	325
Income taxes payable	428	656
Contract liabilities	-	6
Provision for directors' bonuses	42	50
Other	2,159	2,469
<b>Total current liabilities</b>	<b>4,212</b>	<b>4,437</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	1,190	1,153
Deferred tax liabilities	1,375	1,310
Net defined benefit liability	243	235
Other	592	633
<b>Total noncurrent liabilities</b>	<b>3,402</b>	<b>3,332</b>
<b>Total liabilities</b>	<b>7,614</b>	<b>7,769</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,968	5,968
Capital surplus	6,097	6,123
Retained earnings	14,116	16,001
Treasury shares	(145)	(115)
<b>Total shareholders' equity</b>	<b>26,037</b>	<b>27,978</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,457	3,426
Foreign currency translation adjustment	(114)	713
Remeasurements of defined benefit plans	644	641
<b>Total accumulated other comprehensive income</b>	<b>3,987</b>	<b>4,781</b>
<b>Subscription rights to shares</b>	<b>116</b>	<b>116</b>
<b>Non-controlling interests</b>	<b>57</b>	<b>64</b>
<b>Total net assets</b>	<b>30,198</b>	<b>32,940</b>
<b>Total liabilities and net assets</b>	<b>37,813</b>	<b>40,709</b>

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

(Millions of yen)

	Previous fiscal year (from April 1,2020 to March 31,2021)	Fiscal year under review (from April 1,2021 to March 31,2022)
<b>Net sales</b>	24,680	28,137
<b>Cost of sales</b>	11,083	11,970
<b>Gross profit</b>	13,596	16,167
<b>Selling, general, and administrative expenses</b>	11,296	12,950
<b>Operating profit</b>	2,300	3,217
<b>Non-operating income</b>		
Interest income	17	25
Dividend income	99	111
Foreign exchange gains	146	206
Share of profit of entities accounted for using equity method	11	1
Membership fee income	81	94
Other	327	229
<b>Total non-operating income</b>	684	668
<b>Non-operating expenses</b>		
Interest expenses	14	12
Sales discounts	160	-
Membership fee	109	157
Share issuance costs	98	-
Other	78	56
<b>Total non-operating expenses</b>	461	226
<b>Ordinary profit</b>	2,523	3,658
<b>Extraordinary income</b>		
Gain on sales of non-current assets	11	-
Total extraordinary income	11	-
<b>Extraordinary loss</b>		
Loss on retirement of non-current assets	-	47
Loss on remittance fraud at overseas subsidiary	101	-
Impairment loss	63	-
Total extraordinary losses	164	47
<b>Profit before income taxes</b>	2,370	3,611
Income taxes-current	651	1,091
Income taxes-deferred	20	(47)
<b>Total Income taxes</b>	672	1,043
<b>Profit</b>	1,698	2,567
<b>Profit (loss) attributable to non-controlling interests</b>	24	20
<b>Profit attributable to owners of parent</b>	1,674	2,546

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (from April 1,2020 to March 31,2021)	Fiscal year under review (from April 1,2021 to March 31,2022)
<b>Profit</b>	1,698	2,567
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	991	(31)
Foreign currency translation adjustment	385	833
Remeasurements of defined benefit plans, net of tax	543	(2)
Total other comprehensive income	1,920	799
<b>Comprehensive income</b>	3,618	3,366
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,590	3,340
Comprehensive income attributable to non-controlling interests	27	26

**(3) Consolidated Statements of Changes in Net Assets**  
**Previous fiscal year (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

**Fiscal year under review (from April 1, 2021 to March 31, 2022)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,968	6,097	14,116	(145)	26,037
Cumulative effects of changes in accounting policies			(0)		(0)
Restated balance	5,968	6,097	14,116	(145)	26,036
Changes of items during period					
Issuance of new shares through a capital increase by way of third-party allotment	-	-			-
Dividends of surplus			(604)		(604)
Profit attributable to owners of parent			2,546		2,546
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		25		30	56
Change in scope of consolidation			(57)		(57)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	25	1,885	30	1,941
Balance at end of current period	5,968	6,123	16,001	(115)	27,978

	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	3,457	(114)	644	3,987	116	57	30,198
Cumulative effects of changes in accounting policies							(0)
Restated balance	3,457	(114)	644	3,987	116	57	30,197
Changes of items during period							
Issuance of new shares through a capital increase by way of third-party allotment							-
Dividends of surplus							(604)
Profit attributable to owners of parent							2,546
Purchase of treasury shares							(0)
Disposal of treasury shares							56
Change in scope of consolidation							(57)
Net changes of items other than shareholders' equity	(31)	827	(2)	793		7	801
Total changes of items during period	(31)	827	(2)	793	-	7	2,742
Balance at end of current period	3,426	713	641	4,781	116	64	32,940

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (from April 1,2020 to March 31,2021)	Fiscal year under review (from April 1,2021 to March 31,2022)
<b>Net cash provided by (used in) operating activities</b>		
Profit before income taxes	2,370	3,611
Depreciation	955	901
Impairment loss	63	-
Increase (decrease) in allowance for doubtful accounts	(11)	(1)
Increase (decrease) in net defined benefit liability	5	(126)
Interest and dividend income	(117)	(136)
Interest expenses	14	12
Foreign exchange losses (gains)	(156)	(47)
Share issuance costs	98	-
Loss (gain) on sales of property, plant and equipment	(11)	-
Share of loss (profit) of entities accounted for using equity method	(11)	(1)
Decrease (increase) in notes and accounts receivable - trade	44	23
Decrease (increase) in inventories	(170)	(102)
Increase (decrease) in notes and accounts payable - trade	(22)	(153)
Other, net	84	392
Subtotal	3,134	4,371
Interest and dividend income received	117	224
Interest expenses paid	(16)	(10)
Income taxes paid	(406)	(848)
Net cash provided by (used in) operating activities	2,829	3,736
<b>Cash flows from investing activities</b>		
Payments into time deposits	(645)	(769)
Proceeds from withdrawal of time deposits	624	554
Purchase of securities	(5)	-
Proceeds from redemption of securities	10	-
Purchase of property, plant and equipment	(1,048)	(964)
Proceeds from sales of property, plant and equipment	11	-
Purchase of intangible assets	(56)	(101)
Purchase of investment securities	(2,889)	-
Payments of loans receivable	(12)	(6)
Collection of loans receivable	6	10
Other, net	(77)	(12)
Net cash provided by (used in) investing activities	(4,081)	(1,288)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(338)	(91)
Repayments of lease obligations	(58)	(61)
Proceeds from long-term loans payable	1,300	517
Repayments of long-term loans payable	(368)	(814)
Proceeds from issuance of shares	2,890	-
Decrease (increase) in treasury shares	(0)	(0)
Cash dividends paid	(397)	(604)
Dividends paid to non-controlling interests	(4)	(19)
Net cash provided by (used in) financing activities	3,023	(1,074)
<b>Effect of exchange rate change on cash and cash equivalents</b>	315	362
<b>Net increase (decrease) in cash and cash equivalents</b>	2,087	1,735
<b>Cash and cash equivalents at beginning of period</b>	4,218	6,305

<b>Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation</b>	-	166
<b>Cash and cash equivalents at end of period</b>	<u>6,305</u>	<u>8,208</u>



## (5) Notes to Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Changes in Accounting Principles)

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

Starting from the beginning 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 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 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 consolidated fiscal year under review is added to or deducted from the balance of retained earnings at the beginning of the consolidated fiscal year under review.

“Notes and accounts receivable-trade” presented in “Current assets” in the consolidated balance sheets for the previous consolidated fiscal year is included in “Notes receivable-trade” and “Accounts receivable-trade” from the consolidated fiscal year under review, while “Other,” which had been presented in “Current liabilities,” is included in “Contract liabilities” and “Other” from the consolidated fiscal year under review. However, in accordance with the transitional procedures outlined in item 89-2 of the Standard for Revenue Recognition, the information for the previous consolidated fiscal year has not been reclassified to reflect the change in the method of presentation.

As a result, on the consolidated statements of income for the consolidated fiscal year under review, compared to the figures before the application of the Standard for Revenue Recognition and other standards, net sales decreased by 192 million yen. In addition, operating income decreased by 160 million yen due to a decrease of 20 million yen in cost of sales and a decrease of 11 million yen in selling, general, and administrative expenses. However, due to a decrease of 156 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.

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

Starting from the beginning 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 consolidated financial statements.

(Changes in the Method of Presentation)

(Consolidated Statements of Income)

“Subsidy income” under “Non-operating income,” which was presented independently in the previous consolidated fiscal year, became less than 10% of the total amount of “Non-operating income,” and is therefore included in “Other” from the consolidated fiscal year under review. Consolidated financial statements for the previous consolidated fiscal year have been reclassified in order to reflect this change in the method of presentation.

As a result, the 185 million yen of “Subsidy income” and 142 million yen of “Other,” which were presented in “Non-operating income” in the Consolidated Statements of Income for the previous consolidated fiscal year, have been reclassified as 327 million yen of “Other.”

(Consolidated Statements of Cash Flows)

“Subsidy income” under “Net cash provided by (used in) operating activities,” as well as “Proceeds from subsidy income” below the subtotal, which were presented independently in the previous consolidated fiscal year, became of minor importance and are therefore included in “Other, net” from the consolidated fiscal year under review. Consolidated financial statements for the previous consolidated fiscal year have been reclassified in order to reflect this change in the method of presentation.

As a result, the negative 185 million yen of “Subsidy income” under “Net cash provided by (used in) operating activities,” as well as the 185 million yen of “Proceeds from subsidy income” below the subtotal as presented in the consolidated statements of cash flows in the previous consolidated fiscal year have been reclassified as “Other, net.”

(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 will transition from the Consolidated Taxation System to the Group Tax Sharing System from the following consolidated fiscal year. However, they will 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.

Starting from the beginning of the first quarter of the following consolidated fiscal year, the Company and some of its domestic subsidiaries plan to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which stipulates the accounting treatment and handling of disclosure of income taxes, local income taxes, and tax effect accounting for companies applying the Group Tax Sharing System.

(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 revenue decomposition information by reportable segment

Previous 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	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
Share of profit of entities accounted for using equity method	11	-	-	11	-	11
Impairment loss *3	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.

Fiscal year under review (April 1, 2021 — March 31, 2022)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	25,876	2,168	92	28,137	-	28,137
(2) Internal sales or transfers	-	-	6	6	(6)	-
Total	25,876	2,168	99	28,144	(6)	28,137
Segment profit	3,065	131	14	3,211	5	3,217
Segment assets	32,046	1,745	110	33,901	6,807	40,709
Other items						
Depreciation expense	867	29	3	901	-	901
Share of profit of entities accounted for using equity method	1	-	-	1	-	1
Impairment loss	-	-	-	-	-	-
Investment in entities accounted for using equity method	2,814	-	-	2,814	-	2,814
Increase in property, plant, and equipment and intangible assets	1,070	29	0	1,100	-	1,100

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

(2) The 6,807 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 As stated in “Changes in the Method of Presentation,” starting from the consolidated financial statements for the consolidated fiscal year under review, the Company has applied the Accounting Standard for Revenue Recognition and other standards, and changed the accounting treatment of revenue recognition. Accordingly, the methods used to calculate segment profit or loss were changed in the same manner. As a result of this change, in comparison with the previous method, net sales of “Dental business” for the consolidated fiscal year under review decreased by 192 million yen, and segment profit decreased by 162 million yen.

(Millions of yen)

	Reporting segment			Total
	Dental business	Nail care business	Other businesses	
Domestic	12,790	1,350	92	14,233
North and Latin America	3,054	271	-	3,325
Europe	5,659	-	-	5,659
Asia	4,372	546	-	4,919
Revenue from contracts with customers	25,876	2,168	92	28,137
Other revenue	-	-	-	-
Sales to external customers *	25,876	2,168	92	28,137

\* Sales to external customers are divided into countries and regions according to the location of the Company and its consolidated subsidiaries.

## (Per Share Information)

	Previous fiscal year (April 1, 2020 - March 31, 2021)	Fiscal year under review (April 1, 2021 - March 31, 2022)
Net assets per share	1,690.45 yen	1,841.55 yen
Net income per share	96.29 yen	143.22 yen
Fully diluted net income per share	95.68 yen	142.33 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, 2020 - March 31, 2021)	Fiscal year under review (April 1, 2021 - March 31, 2022)
Net income per share		
Net income attributable to owners of parent (millions of yen)	1,674	2,546
Amount not belonging to ordinary shareholders (millions of yen)	-	-
Net income attributable to owners of parent related to common stock(millions of yen)	1,674	2,546
Average number of shares during the fiscal year (thousands of shares)	17,384	17,780
Fully diluted net income		
Adjustments to net income attributable to owners of parent (millions of yen)	-	-
Increase in common stock (thousands of shares)	110	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, 2020 - March 31, 2021)	Fiscal year under review (April 1, 2021 - March 31, 2022)
Total assets (millions of yen)	30,198	32,940
Amount excluded from total assets (millions of yen)	173	180
Year-end net assets attributable to common stock (millions of yen)	30,024	32,759
Number of common stock shares at year end used to calculate net assets per share (thousands of shares)	17,761	17,789

(Important Subsequent Events)

Not applicable.