

**The Second Quarter Consolidated Financial Results for the Fiscal Year Ended March 31, 2024**  
(Japanese Accounting Standards)

November 2, 2023

Company name: SHOFU INC.  
 Listing: Tokyo Stock Exchange (Prime Market)  
 Code number: 7979  
 URL: <https://www.shofu.co.jp/>  
 Representative: Tetsuo Takami, Representative Director, President & Chief Operating Officer  
 Contact: Takashi Morimoto, General Manager of Finance Department  
 Scheduled date for filing of quarterly securities report: November 8, 2023  
 Scheduled commencement date of dividend payment: November 30, 2023  
 Supplementary documents for quarterly financial results: Yes  
 Quarterly 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 Second Quarter of Fiscal Year Ended March 31, 2024(April 1, 2023 –September 30,2023)

(1) Consolidated Operating Results

(% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	16,447	3.9	2,155	-3.7	2,387	-13.0	1,559	-26.9
Six months ended September 30, 2022	15,831	14.2	2,237	11.8	2,745	28.9	2,133	41.6

(Note) Comprehensive income: Six Months ended September 30, 2023 3,474 million yen (23.6%)  
 Six Months ended September 30, 2022 2,811 million yen (66.6%)

	Second quarter net income (loss) per share	Second quarter fully diluted net income (loss) per share
	Yen	Yen
Six months ended September 30, 2023	87.98	87.56
Six months ended September 30, 2022	119.77	119.42

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Six months ended September 30, 2023	45,620	38,283	83.6	2,148.99
Year ended March 31, 2023	43,727	35,515	80.8	1,996.64

(Reference) Shareholder's equity: Six Months ended September 30, 2023 38,129 million yen  
 Year ended March 31, 2023 35,342 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, 2023	—	15.00	—	42.00	57.00
Year ended March 31, 2024	—	20.00	—	—	—
Year ending March 31, 2024 (Forecasts)	—	—	—	27.00	47.00

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

(Notes) Year-end dividends for the fiscal year ended March 31, 2023 include commemorative dividend of 10.00 yen.

(The 100th anniversary of company's founding)

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2024	34,888	10.1	4,308	12.6	4,572	7.9	3,204	2.2	180.70

(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: None
  - (b) Changes other than (a) above: None
  - (c) Changes in accounting estimates: None
  - (d) Retrospective restatements: None
- (4) Number of shares outstanding (common stock)
- (a) Number of shares outstanding at end of period (including treasury stock).
    - As of September 30, 2023: 17,894,089 shares
    - As of March 31, 2023: 17,894,089 shares
  - (b) Number of shares of treasury stock at end of period
    - As of September 30, 2023: 150,874 shares
    - As of March 31, 2023: 192,907 shares
  - (c) Average number of shares during the period
    - As of September 30, 2023: 17,721,889 shares
    - As of September 30, 2022: 17,814,067 shares

\* This quarterly earnings report is not subject to quarterly review by a certified public accountant or an audit firm.

\*Explanation concerning the appropriate use of business forecasts, and other special items

The forecasts and other statements regarding the future included in this report are based on currently available information and certain assumptions. Actual results may differ from forecasts for a variety of reasons. With respect to the preconditions for the forecasts, please refer to the “Explanation of Future Forecast Information including Consolidated Business Results Forecasts” section on page 3.

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

### (1) Explanation of Business Results

During the second quarter of the consolidated fiscal year under review, the global economy showed signs of a recovery due to the economic policies of various countries, but the outlook remained uncertain due to concerns about accelerating global inflation and prolonged monetary tightening in the US and European countries. The domestic economy also showed a gradual recovery as socio-economic activities normalized. However, there remained nagging uncertainty regarding the outlook owing to downside risks in overseas economies and the impact of rising prices.

The Company Group posted net sales of ¥16,447 million for the second quarter under review, an increase of ¥615 million (3.9%) from the corresponding period of the previous consolidated fiscal year. The overseas portion of net sales increased by ¥899 million (10.5%) to ¥9,470 million (57.6% of net sales).

Operating income decreased by ¥82 million (3.7%) year-on-year to ¥2,155 million due to an increase in selling, general, and administrative expenses.

Ordinary income decreased by ¥357 million (13.0%) year-on-year to ¥2,387 million due to a decrease in net non-operating items caused by a decrease in foreign exchange gains and an increase in club membership costs.

Net income attributable to owners of parent, after deducting tax expenses, decreased by ¥574 million (26.9%) year-on-year to 1,559 million yen.

#### (Dental Business)

In Japan, the intraoral digital camera “EyeSpecial C-V” launched in the quarter under review, and CAD/CAM-related products such as the dental cutting ceramics “SHOFU DISK ZR Lucent” contributed to sales, but demand for machinery and equipment ran its course, resulting in lower sales compared to the same period last year. Overseas, sales increased year-on-year due to solid sales expansion of existing products, especially in Europe and Asia, as well as the positive impact of exchange rate fluctuations.

As a result, net sales for the second quarter under review increased by ¥562 million (3.8%) year-on-year to ¥15,214 million, but operating income decreased by ¥77 million (3.5%) to ¥2,117 million, due to an increase in selling, general, and administrative expenses.

#### (Nail Care Business)

In Japan, the domestic professional market, especially for exhibitions, is recovering to the situation before the coronavirus pandemic, and sales of mainstay gel nail products increased, resulting in an increase in sales over the corresponding period of the previous fiscal year. Overseas, although sales in the US decreased year-on-year due to the decline in consumption caused by inflation, sales in Taiwan increased year-on-year due to strong sales of the consumer products.

As a result, net sales for the second quarter under review increased by ¥61 million (5.4%) year-on-year to ¥1,197 million, but operating income decreased by ¥6 million (18.4%) year-on-year to ¥28 million due to an increase in selling, general, and administrative expenses.

#### (Other Businesses)

SHOFU PRODUCTS KYOTO INC., a Group company, uses dental abrasives manufacturing technology to manufacture and sell industrial abrasives. Net sales in the “Other Businesses” segment for the second quarter under review decreased by ¥8 million (18.5%) year-on-year to ¥35 million, and operating income was almost same as the previous consolidated fiscal year at ¥5 million.

### (2) Explanation of Financial Position

Total assets at the end of the second quarter under review increased by ¥1,893 million year-on-year to ¥45,620 million. This was primarily due to an increase in merchandise and finished goods, and due to rising market prices investment securities.

Liabilities decreased by ¥874 million to ¥7,337 million. This was primarily due to a decrease in current liabilities such as current portion of long-term loans payable and accounts payable - facilities.

Net assets increased by ¥2,767 million to ¥38,283 million. This was primarily due to an increase in retained earnings, valuation difference on securities and foreign currency translation adjustment.

As a result of the above, the equity ratio rose to 83.6%, an increase of 2.8 points from the end of the previous consolidated fiscal year.

(3) Explanation of Future Forecast Information including Consolidated Financial Forecasts

We have not revised the performance forecast as announced on October 24, 2023 for the fiscal year ending March 31, 2024.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	End of Second Quarter of Fiscal 2024 (as of September 30, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,578	8,354
Notes and accounts receivable-trade	3,493	3,733
Merchandise and finished goods	5,854	6,924
Work in process	1,413	1,620
Raw materials and supplies	1,124	1,175
Other	775	786
Allowance for doubtful accounts	(19)	(61)
<b>Total current assets</b>	<b>22,220</b>	<b>22,532</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	11,501	11,791
Accumulated depreciation	(6,249)	(6,500)
Buildings and structures, net	5,252	5,291
Other	12,463	13,102
Accumulated depreciation	(7,720)	(8,082)
Other, net	4,743	5,020
Total property, plant and equipment	9,995	10,311
Intangible assets	462	480
Investments and other assets		
Investment securities	9,049	10,261
Net defined benefit asset	1,316	1,311
Other	686	728
Allowance for doubtful accounts	(5)	(6)
Total investments and other assets	11,047	12,295
<b>Total non-current assets</b>	<b>21,506</b>	<b>23,087</b>
<b>Total assets</b>	<b>43,727</b>	<b>45,620</b>

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	End of Second Quarter of Fiscal 2024 (as of September 30, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	1,011	929
Current portion of long-term loans payable	907	243
Income taxes payable	780	835
Provision for directors' bonuses	64	31
Other	3,185	2,809
<b>Total current liabilities</b>	<b>5,949</b>	<b>4,849</b>
<b>Non-current liabilities</b>		
Long-term loans payable	281	200
Net defined benefit liability	207	207
Other	1,773	2,080
<b>Total non-current liabilities</b>	<b>2,262</b>	<b>2,487</b>
<b>Total liabilities</b>	<b>8,211</b>	<b>7,337</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,968	5,968
Capital surplus	6,142	6,134
Retained earnings	18,406	19,222
Treasury shares	(379)	(297)
<b>Total shareholders' equity</b>	<b>30,138</b>	<b>31,028</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on securities	3,201	4,120
Foreign currency translation adjustment	1,348	2,368
Remeasurements of defined benefit plans	655	612
<b>Total accumulated other comprehensive income</b>	<b>5,204</b>	<b>7,101</b>
<b>Subscription rights to shares</b>	<b>99</b>	<b>79</b>
<b>Non-controlling interests</b>	<b>73</b>	<b>73</b>
<b>Total net assets</b>	<b>35,515</b>	<b>38,283</b>
<b>Total liabilities and net assets</b>	<b>43,727</b>	<b>45,620</b>

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

(Millions of yen)

	Second Quarter of Fiscal 2023 (from April 1, 2022 to September 30, 2022)	Second Quarter of Fiscal 2024 (from April 1, 2023 to September 30, 2023)
<b>Net sales</b>	15,831	16,447
<b>Cost of sales</b>	6,631	6,510
<b>Gross profit</b>	9,200	9,936
<b>Selling, general, and administrative expenses</b>	6,963	7,781
<b>Operating income</b>	2,237	2,155
<b>Non-operating income</b>		
Interest income	18	26
Dividend income	91	99
Club membership income	43	88
Foreign exchange gains	370	202
Other	84	100
<b>Total non-operating income</b>	607	517
<b>Non-operating expenses</b>		
Interest expenses	2	13
Club membership costs	66	202
Share of loss of entities accounted for using equity method	9	15
Other	21	51
<b>Total non-operating expenses</b>	99	284
<b>Ordinary income</b>	2,745	2,387
<b>Extraordinary income</b>		
Gain on sales of investment securities	44	-
Settlement income	112	-
Total extraordinary income	156	-
<b>Net income before income taxes</b>	2,902	2,387
<b>Income taxes</b>	754	813
<b>Net income</b>	2,147	1,574
<b>Net income attributable to non-controlling interests</b>	13	14
<b>Net income attributable to owners of parent</b>	2,133	1,559

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Second Quarter of Fiscal 2023 (from April 1, 2022 to September 30, 2022)	Second Quarter of Fiscal 2024 (from April 1, 2023 to September 30, 2023)
<b>Net income</b>	2,147	1,574
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(302)	919
Foreign currency translation adjustment	1,012	1,024
Remeasurements of defined benefit plans, net of tax	(46)	(42)
<b>Total other comprehensive income</b>	664	1,900
<b>Comprehensive income</b>	2,811	3,474
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,793	3,456
Comprehensive income attributable to non-controlling interests	17	18



(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 make 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 multiply the current net income before tax for the quarter under review by this estimated effective tax rate. However, where use of this estimated effective tax rate to calculate tax expenses results in an unreasonable figure, we use the legal effective tax rate instead.

(Segment Information, etc)

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

For the six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

(Millions of yen)

	Reporting segments				Adjustment *1	Consolidated financial statements *2
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Sales to external customers	14,651	1,136	44	15,831	-	15,831
Internal sales or transfers	-	-	2	2	(2)	-
Total	14,651	1,136	46	15,834	(2)	15,831
Segment income	2,195	34	4	2,234	2	2,237

\*1. The ¥2 million adjustment to segment income/loss serves to cancel out transactions between segments.

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

(Millions of yen)

	Reporting segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Domestic	6,937	649	44	7,630
North and Latin America	1,900	143	-	2,043
Europe	3,121	-	-	3,121
Asia	2,693	343	-	3,036
Revenue from contracts with customers	14,651	1,136	44	15,831
Other revenue	-	-	-	-
Sales to external customers	14,651	1,136	44	15,831

(Note) Sales to external customers are divided into countries and regions according to the location of the Company and its consolidated subsidiaries.

For the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

(Millions of yen)

	Reporting segments				Adjustment *1	Consolidated financial statements *2
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Sales to external customers	15,214	1,197	35	16,447	-	16,447
Internal sales or transfers	-	-	2	2	(2)	-
Total	15,214	1,197	38	16,450	(2)	16,447
Segment income	2,117	28	5	2,152	2	2,155

\*1. The ¥2 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 segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Domestic	6,609	696	35	7,341
North and Latin America	1,847	119	-	1,967
Europe	3,579	-	-	3,579
Asia	3,178	381	-	3,559
Revenue from contracts with customers	15,214	1,197	35	16,447
Other revenue	-	-	-	-
Sales to external customers	15,214	1,197	35	16,447

(Note) Sales to external customers are divided into countries and regions according to the location of the Company and its consolidated subsidiaries.