

**The First Quarter Consolidated Financial Results for the Fiscal Year Ended March 31, 2016
(Japanese Accounting Standards)**

August 4, 2015

Company name: SHOFU INC.
 Listing: Tokyo Stock Exchange (First section)
 Code number: 7979
 URL: <http://www.shofu.co.jp/>
 Representative: Noriyuki Negoro, President
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 Scheduled date for filing of quarterly securities report: August 12, 2015
 Scheduled commencement date of dividend payment: None
 Supplementary documents for quarterly financial results: None
 Quarterly financial results briefing: None

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

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ended March 31, 2016 (April 1, 2015 – June 30, 2015)

(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, 2015	5,875	26.4	525	24.6	584	49.8	360	229.0
Three months ended June 30, 2014	4,649	12.7	421	809.6	390	452.5	109	-

(Note) Comprehensive income: Three Months ended June 30, 2015 591 million yen (73.2%)
 Three Months ended June 30, 2014 341 million yen (83.1%)

	First Quarter Net income (loss) per share	First Quarter Fully diluted net income (loss) per share
	Yen	Yen
Three months ended June 30, 2015	22.59	22.46
Three months ended June 30, 2014	6.87	6.84

(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, 2015	29,764	22,217	74.4	1,385.97
Year ended March 31, 2015	29,442	21,781	73.7	1,360.19

(Reference) Shareholder's equity: Three Months ended June 30, 2015 22,149 million yen
 Year ended March 31, 2015 21,701 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, 2015	-	8.00	-	10.00	18.00
Year ended March 31, 2016	-	-	-	-	-
Year ending March 31, 2016 (Forecasts)	-	8.00	-	10.00	18.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2016. (April 1, 2015 – March 31, 2016)

(% 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, 2015 (cumulative)	11,518	17.3	549	(42.2)	468	(47.9)	228	(64.1)	14.34
Year ending March 31, 2016	23,526	19.5	1,418	22.3	1,246	11.8	608	4.7	38.13

(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, 2015: 16,114,089 shares

As of March 31, 2015: 16,114,089 shares

(b) Number of shares of treasury stock at end of period

As of June 30, 2015: 132,650 shares

As of March 31, 2015: 159,400 shares

(c) Average number of shares during the period

As of June 30, 2015: 15,963,726 shares

As of June 30, 2014: 15,941,579 shares

*Implementation status of audit procedures

This quarterly earnings report is not subject to audit procedures under the Financial Instruments and Exchange Act. At the time of disclosing these consolidated financial statements, audit procedures specified in the Financial Instruments and Exchange Act have not been completed with respect to the financial statements.

*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 “Qualitative information related to the company’s consolidated business outlook” section on page 3.

Accompanying Materials—Contents

- 1. Qualitative information related to financial results for the quarter under review2
 - (1) Qualitative information related to the company’s consolidated business performance2
 - (2) Qualitative information related to the company’s consolidated financial position2
 - (3) Qualitative information related to the company’s consolidated business outlook3
- 2. Items related to summary information (other)3
 - (1) Important subsidiary developments during the quarter under review.....3
 - (2) Application of special accounting processing in the compilation of quarterly financial statements3
 - (3) Changes to accounting policies; changes to and restatements of accounting estimates3
- 3. Quarterly Consolidated Financial Statements.....4
 - (1) Quarterly Consolidated Balance Sheets4
 - (2) Quarterly Consolidated Statements of Income and Comprehensive Income.....6
 - (3) Notes Relating to Assumptions for the Going Concern7
 - (4) Notes to Significant Changes in the Amounts of Shareholders’ Equity7
 - (5) Segment Information,etc7

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

(1) Qualitative information related to the Company's consolidated business performance

During the first quarter of the consolidated fiscal year (from April 1, 2015 to June 30, 2015) ("the quarter under review"), the Japanese economy was on a moderate recovery trend as corporate earnings continued to improve and capital investment and employment conditions maintained an underlying recovery, against a backdrop of the government's economic measures and the Bank of Japan's monetary easing. However, factors such as the Greek debt issue and concerns about a deceleration in the Chinese economy were unable to eliminate future economic uncertainties.

Under such circumstances, the SHOFU Group posted net sales of 5,875 million yen for the quarter under review, an increase of 1,226 million yen (26.4%) from the corresponding period of the previous consolidated fiscal year, owing to factors such as contributions of sales from Merz Dental GmbH, which was newly included in the SHOFU Group. Overseas sales accounted for 2,439 million yen (41.5% of net sales), an increase of 995 million yen (68.9%).

Concerning profits, a rise in expenses in line with the consolidation of Merz Dental GmbH lead to an increase in selling, general and administrative expenses of 556 million yen (24.4%) from the corresponding period of the previous fiscal year, but the effects of increased sales caused operating income to rise to 525 million yen, an increase of 103 million yen (24.6%). Additionally, the impact of exchange rates had a positive effect on non-operating income, yielding ordinary income of 584 million yen, an increase of 194 million yen (49.8%), and profit attributable to owners of parent, after deducting tax expenses, was 360 million yen, an increase of 250 million yen (229.0%).

(Dental business)

Domestic sales in the dental business increased year on year as a result of the continued strong sales which have carried over from the previous fiscal year of products such as "Eye Special C-II," a small digital camera designed exclusively for dentistry, and "Air-Flow Master Piezon," a multipurpose ultrasonic dental treatment device, in addition to contributions to sales from CAD/CAM-related products. Overseas sales also increased year on year due to solid performance from regions such as North America, Central and South America, Europe, and China, in addition to the contribution of sales from Merz Dental GmbH.

As a result of these factors, net sales for the quarter under review increased 1,113 million yen (26.3%) from the corresponding period of the previous consolidated fiscal year to 5,344 million yen, and although selling, general and administrative expenses increased, the effects of increased sales caused operating income to increase 71 million yen (17.1%), to 490 million yen.

(Nail care business)

Market conditions in the nail care business are harsh as intensifying price competition continues in the domestic market. Under such circumstances, sales of "by Nail Labo," a gel nail system for general consumers released during the previous fiscal year, contributed to sales. Overseas, sales of "Presto" LED gel were robust in regions such as the United States and Taiwan.

As a result of these factors, net sales during the quarter under review increased 113 million yen (28.8%) from the corresponding period of the previous consolidated fiscal year to 509 million yen, and operating income returned to profit of 25 million yen, an increase of 33 million yen.

(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 decreased 0.9 million yen (4.1%) from the corresponding period of the previous consolidated fiscal year to 21 million yen, and operating income decreased 0.7 million yen (10.6%) to 6 million yen.

(2) Qualitative information related to the Company's consolidated financial position

Total assets at the end of the quarter under review rose 322 million yen from the end of the previous consolidated

fiscal year to 29,764 million yen.

The primary increase in assets was in notes and accounts receivable-trade.

Liabilities decreased 114 million yen to 7,546 million yen. The primary factor was a decrease in short-term loans payable.

Net assets increased 436 million yen to 22,217 million yen. Primary factors were increases in retained earnings and foreign currency translation adjustment.

As a result of the above, the capital-to-assets ratio rose to 74.4%, an increase of 0.7 points from the end of the previous consolidated fiscal year.

(3) Qualitative information related to the Company's consolidated business outlook

We have not revised the performance forecast for the fiscal year ending March 31, 2016, as announced on May 14, 2015.

2. Items related to summary information (other)

(1) Important subsidiary developments during the quarter under review

None

(2) 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.

(3) Changes to accounting policies, estimates and restatements

(Changes to accounting policies)

Beginning with the quarter under review, the Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestures (ASBJ Statement No.7, September 13, 2013), etc., have been applied, and method of recording acquisition-related expenses have been changed to be recorded during the consolidated fiscal year in which they were incurred. Additionally, the presentation of net income, etc., has been changed as well as the presentation of minority interests, which has been changed to non-controlling interests. In order to reflect these changes in presentation, reclassifications have been made in the quarterly consolidated financial statements and consolidated financial statements for the previous consolidated first quarter and the previous consolidated fiscal year.

Furthermore, during the quarter under review, the effect on the quarterly consolidated financial statements was insignificant.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2015)	End of First Quarter of Fiscal 2015 (as of June 30, 2015)
Assets		
Current assets		
Cash and deposits	4,724	4,257
Notes and accounts receivable-trade	2,673	3,245
Short term investment securities	36	87
Merchandises and finished goods	3,484	3,755
Work in process	674	895
Raw materials and supplies	781	911
Other	3,333	1,217
Allowance for doubtful accounts	Δ81	Δ88
Total current assets	15,625	14,282
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	7,705	8,155
Accumulated depreciation	Δ4,402	Δ4,684
Buildings and structures, net	3,302	3,471
Other	8,232	9,112
Accumulated depreciation	Δ5,018	Δ5,487
Other, net	3,213	3,625
Total property, plant and equipment	6,516	7,096
Intangible assets		
Goodwill	-	1,444
Other	229	244
Total intangible assets	229	1,688
Investments and other assets		
Investment securities	5,278	5,193
Net defined benefit asset	1,065	1,076
Other	735	435
Allowance for doubtful accounts	Δ8	Δ8
Total investments and other assets	7,070	6,697
Total non-current assets	13,816	15,481
Total assets	29,442	29,764

(Millions of yen)

	Previous fiscal year (as of March 31,2015)	End of First Quarter of Fiscal 2015 (as of June 30, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	660	667
Short-term loans payable	3,000	2,400
Current portion of long-term loans payable	8	5
Income taxes payable	136	146
Provision for directors' bonuses	60	10
Other	1,645	2,213
Total current liabilities	5,510	5,443
Noncurrent liabilities		
Long-term loans payable	111	111
Net defined benefit liability	106	107
Other	1,933	1,883
Total noncurrent liabilities	2,150	2,103
Total liabilities	7,660	7,546
Net assets		
Shareholders' equity		
Capital stock	4,474	4,474
Capital surplus	4,576	4,576
Retained earnings	10,102	10,299
Treasury shares	△146	△121
Total shareholders' equity	19,007	19,229
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,082	2,087
Foreign currency translation adjustment	340	571
Remeasurements of defined benefit plans	271	262
Total accumulated other comprehensive income	2,693	2,920
Subscription rights to shares	72	56
Non-controlling interests	8	11
Total net assets	21,781	22,217
Total liabilities and net assets	29,442	29,764

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

(Millions of yen)

	First Quarter of Fiscal 2014 (from April 1, 2014 to June 30, 2014)	First Quarter of Fiscal 2015 (from April 1, 2015 to June 30, 2015)
Net sales	4,649	5,875
Cost of sales	1,942	2,508
Gross profit	2,706	3,367
Selling, general, and administrative expenses	2,284	2,841
Operating income	421	525
Non-operating income		
Interest income	2	2
Dividend income	30	31
Membership fee income	45	30
Foreign exchange profits	-	56
Other	5	27
Total non-operating income	83	148
Non-operating expenses		
Interest expenses	0	8
Sales discounts	41	41
Membership fee	53	30
Foreign exchange losses	17	-
Other	2	9
Total non-operating expenses	114	89
Ordinary income	390	584
Income before income taxes and minority interests	390	584
Income taxes	280	220
Profit	109	364
Profit attributable to non-controlling interests	-	3
Profit attributable to owners of parent	109	360

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Quarter of Fiscal 2014 (from April 1, 2014 to June 30, 2014)	First Quarter of Fiscal 2015 (from April 1, 2015 to June 30, 2015)
Profit	109	364
Other comprehensive income		
Valuation difference on available-for-sale securities	310	4
Foreign currency translation adjustment	△72	231
Remeasurements of defined benefit plans, net of tax	△6	△9
Other comprehensive income	231	227
Comprehensive income	341	591
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	341	587
Comprehensive income attributable to non-controlling interests	-	3

(3) Notes Relating to Assumptions for the Going Concern

Not applicable.

(4) Notes to Significant Changes in the Amounts of Shareholders' Equity

Not applicable.

(5) Segment Information, etc

Previous fiscal year (April 1, 2014 – June 30, 2014)

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	4,231	395	22	4,649	-	4,649
(2) Internal sales or transfers	-	0	1	2	(2)	-
Total	4,231	395	24	4,651	(2)	4,649
Segment profit (loss)	419	(7)	7	419	2	421

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

*2 Segment profit (loss) equals the operating income on quarterly consolidated financial statements.

Fiscal year under review (April 1, 2015 – June 30, 2015)

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	5,344	509	21	5,875	-	5,875
(2) Internal sales or transfers	-	0	1	2	(2)	-
Total	5,344	509	23	5,877	(2)	5,875
Segment profit(loss)	490	25	6	523	2	525

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

*2 Segment profit (loss) equals the operating income on quarterly consolidated financial statements.

2. Information regarding assets by reportable segment

(Significant increase in assets resulting from acquisition of a subsidiary)

During the quarter under review, the acquisition of stock in Merz Dental GmbH and its subsequent inclusion in the scope of consolidation have caused segment assets in the dental business to increase 2,198 million yen from the final day of the previous consolidated fiscal year.

3. Information regarding impairment loss of noncurrent assets and goodwill, etc., by reportable segment

(Important changes in goodwill amounts)

In the dental business segment, stock in Merz Dental GmbH was acquired, and it is included in the scope of consolidation.

The increase in goodwill as a result of this event was 1,383 million yen during the quarter under review.

Furthermore, the amount of goodwill is a provisionally calculated amount, as the distribution of acquisition costs has not yet been completed.