

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

May 13, 2016

Company name: SHOFU INC.  
 Listing: Tokyo Stock Exchange (First section)  
 Code number: 7979  
 URL: <http://www.shofu.co.jp/>  
 Representative: Noriyuki Negoro, President  
 Contact: Takahiro Umeda, General Manager of Finance Department  
 Scheduled date of ordinary shareholders' meeting: June 28, 2016  
 Scheduled date for filing of annual securities report: June 28, 2016  
 Scheduled commencement date of dividend payment: June 7, 2016  
 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, 2016 (April 1, 2015 – March 31, 2016)

(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, 2016	22,975	16.7	1,568	35.3	1,393	25.0	789	35.8
Year ended March 31, 2015	19,688	7.8	1,159	17.5	1,114	13.9	581	14.8

(Note) Comprehensive income: Year ended March 31, 2016  $\Delta$ 15 million yen (–%)  
 Year ended March 31, 2015 2,169 million yen (59.3%)

	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, 2016	49.43	49.15	3.7	4.8	6.8
Year ended March 31, 2015	36.45	36.22	2.8	4.2	5.9

(Reference) Equity in earnings of affiliates: Year ended March 31, 2016 None  
 Year ended March 31, 2015 None

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2016	28,305	21,500	75.7	1,340.00
Year ended March 31, 2015	29,442	21,781	73.7	1,360.19

(Reference) Shareholder's equity: Year ended March 31, 2016 21,414 million yen  
 Year ended March 31, 2015 21,701 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, 2016	1,511	748	$\Delta$ 2,152	4,283
Year ended March 31, 2015	710	$\Delta$ 3,139	2,810	4,208

## 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 31,2015	-	8.00	-	10.00	18.00	287	49.4	1.4
Year ended March 31,2016	-	8.00	-	10.00	18.00	287	36.4	1.3
Year ending March 31,2017 (Forecasts)	-	8.00	-	12.00	20.00		29.5	

## 3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2017. (April 1, 2016 – March 31, 2017)

(% 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 30,2016 (cumulative)	12,111	4.4	786	△6.6	719	△12.8	506	2.1	31.67
Year ending March 31,2017	24,649	7.3	1,669	6.4	1,520	9.1	1,084	37.3	67.86

### \*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, 2016: 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 March 31, 2016: 132,879 shares

As of March 31, 2015: 159,400 shares

(c) Average number of shares during the period

As of March 31, 2016: 15,975,879 shares

As of March 31, 2015: 15,950,863shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(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, 2016	15,507	2.5	722	21.5	2,028	137.1	1,744	198.8
Year ended March 31, 2015	15,127	8.0	594	29.9	855	29.7	583	24.9

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2016	109.21	108.58
Year ended March 31, 2015	36.60	36.38

(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, 2016	24,451	19,194	78.2	1,196.49
Year ended March 31, 2015	24,715	18,016	72.6	1,124.71

(Reference) Shareholder's equity: Year ended March 31, 2016 19,121 million yen  
Year ended March 31, 2015 17,944 million yen

\*Implementation status of audit procedures

This 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 "Outlook for fiscal year ending March 31, 2017" section on page 3.

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## 1. Results of Operations

### (1) Analysis of Operating Results

[1] Overview of performance for the consolidated fiscal year under review

(Overview)

The Japanese economy over the consolidated fiscal year under review was on an overall moderate trend of recovery as a result of factors including government's economic measures, the Bank of Japan's monetary easing, and improved corporate profitability and employment conditions. However, growing tensions in the Middle East, fears of an economic slowdown in emerging nations including China, etc. have continued to make future business conditions unclear.

In the dental industry, while there is a mild upward trend in dental expenditures, this was not enough to turn the Japanese dental industry environment around, and together with the diversification of demands brought about by the progress of digital technologies, the environment continues to be a difficult one with sales competition against competitor firms, increased technological competition, and more.

Against this backdrop, the Company Group began a second medium-term management plan and promoted various measures in order to reach targets of 50.0 billion yen in consolidated sales and 7.5 billion yen in consolidated operating income on the Company's 100th anniversary since its founding in the fiscal year ending March 31, 2022. Specifically, for the purpose of creating synergies in research and development, production, and sales, the German artificial tooth manufacturer Merz Dental GmbH was made into a subsidiary. Also, SHOFU BIOFIX INC., a sales company for dental implants developed by the company, was established and a serious entry was made into the dentistry implant market. Furthermore, in order to strategically respond to the rapidly advancing digitalization of dentistry, measures such as entering into partnership contracts with global dental device manufacturers were made in efforts to proactively expand future business.

As a result of these activities and initiatives, net sales during the consolidated fiscal year under review increased 3,287 million yen (16.7%) over the previous year to a new high of 22,975 million yen.

Operating income rose 409 million yen (35.3%) over the previous year to 1,568 million yen as the impact of increased sales made up for increases in expenses involved in making Merz Dental GmbH a subsidiary as well as increases in selling, general and administrative expenses.

Although an increase in non-operating expenses such as foreign exchange losses led to a smaller increase in income, ordinary income amounted to 1,393 million yen, a year-on-year increase of 278 million yen, or 25.0%. Expenses relating to a voluntary product recall that occurred in the nail care business, etc., were recorded as extraordinary loss, and profit attributable to owners of parent, after deducting tax expenses, was 789 million yen, an increase of 208 million yen (35.8%) over the previous year. %.

(Dental business)

Domestically, the dental filling composite resin "BEAUTIFIL Next" and the "Lipplekun" lip closure strength measuring device were introduced to the market. Also, while the "EyeSpecial C-II" small digital camera designed exclusively for dentistry and the "SOLIDEX HARDURA" light-cured hard resin for dental crowns introduced during the previous fiscal year performed well, demand for CAD/CAM-related instruments that performed well during the previous fiscal year ran its course, and sales decreased from the previous fiscal year.

Overseas, proactive sales promotion of products that meet global needs resulted in solid sales performance in North America, Central and South America, Europe, and China, and sales from Merz Dental GmbH also contributed to an increase in sales over the previous fiscal year.

As a result of these factors, net sales of the dental business increased by 3,149 million yen (17.6%) from the previous fiscal year to 20,999 million yen, and operating income increased 361 million yen (31.4%) from the previous fiscal year to 1,515 million yen.

(Nail care business)

While the market scale of the nail care industry is gradually increasing, the diversification of user price and quality needs has resulted in a demand for products balanced on a high level, making the competitive environment a difficult one.

Domestically, a reconsideration of sales strategy resulted in a focus on sales promotion of existing products, but effects of a partial voluntary recall of the mainstay “LED GEL Presto” product resulted in a decrease in sales.

Overseas, an increase in favorable evaluations of the Company's gel nail products in America and Taiwan resulted in increased brand strength and robust sales.

As a result of these factors, net sales of the nail care business increased by 143 million yen (8.2%) from the previous fiscal year to 1,893 million yen, and operating income returned to profit of 22 million yen, an increase of 47 million yen from the previous fiscal year.

(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 by 5 million yen or 5.7% from the previous year to 82 million yen, whereas operating income decreased by 0.1 million yen or 0.7% year on year to 22 million yen.

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

## [2] Outlook for the upcoming fiscal year

While the Japanese dental industry can be expected to maintain a certain market scale, there are not strong prospects for major growth. However, dentistry demands overseas can be expected to grow further as a result of economic growth and an increased standard of living in various regions.

While working within these situations, the Group has established the ambitious goal of achieving 50.0 billion yen in consolidated sales and 7.5 billion yen in consolidated operating income in 2022, a year during which we will mark the 100th anniversary of the company's founding and will undertake a variety of measures to achieve these goals and ensure the future health of the group.

Our outlook for performance during the upcoming fiscal year follows.

(Overall outlook)

(Unit: Millions of yen, %)

	Results for the fiscal year ended March 31, 2016	Outlook for the fiscal year ending March 31, 2017	Change	Change (%)
Sales	22,975	24,649	1,673	7.3
Operating income	1,568	1,669	100	6.4
Ordinary income	1,393	1,520	127	9.1
Profit attributable to owners of parent	789	1,084	294	37.3

Major exchange rates: US Dollar: 120.00 yen; Euro: 127.00 yen; British Pound: 185.00 yen; Chinese Yuan: 19.00 yen

(Dental business)

In the dental business, in Japan we will advance operating activities focused on major product categories and product categories where an increase in demand can be expected in an effort to create a firm base of sales, while overseas we will both improve sales networks and sales offices and expedite the acquisition of approvals to sell Company products in various countries to improve product lineup and expand sales regions. Furthermore, through stronger cooperation with Merz Dental GmbH, which was made into a subsidiary in the previous fiscal year, we will advance measures to create synergies.

We expect sales in the dental business in the next fiscal year to increase 1,369 million yen (6.5%) to 22,368 million yen and operating income to increase 20 million yen (1.3%) to 1,535 million yen.

(Nail care business)

In the nail care business, we will work to strengthen sales promotion by enhancing operating activities in Asian markets where further future growth can be expected and cultivating new customers both domestically and overseas.

We expect sales in the nail care business in the next fiscal year to increase 293 million yen (15.5%) to 2,187 million yen and operating income to increase 99 million yen (444.6%) to 121 million yen.

(Other businesses)

We expect sales in the “other businesses” segment to increase 10 million yen (13.2%) to 93 million yen and operating income to fall 10 million yen (47.1%) to 11 million yen.

## (2) Analysis of Financial Position

### [1] Assets, Liabilities, and Net Assets

Factors including a decrease in investment securities due to lower stock prices and a decrease in assets related to retirement benefits caused a decrease of 1,137 million yen in assets over the previous fiscal year to 28,305 million yen.

Liabilities decreased by 855 million yen to 6,804 million yen due to decreases in short-term loans payable.

While retained earnings increased, decreases in valuation difference on available-for-sale securities, remeasurements of defined benefit plans, and other factors resulted in a decrease of 281 million yen over the previous fiscal year to 21,500 million yen.

As a result of the above, the capital-to-assets ratio rose to 75.7% (compared to 73.7% for the previous fiscal year).

### [2] Cash Flows

Cash and cash equivalents at the end of the fiscal year under review rose 74 million yen to 4,283 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	710	1,511	801
Cash flows from investing activities	(3,139)	748	3,888
Cash flows from financing activities	2,810	(2,152)	(4,962)
Effect of exchange rate changes on cash and cash equivalents	100	(32)	(133)
Net increase (decrease) in cash and cash equivalents	481	74	(406)
Cash and cash equivalents at the beginning of the period	3,727	4,208	481
Cash and cash equivalents at the end of the period	4,208	4,283	74

#### (a) Cash flows from operating activities

Net cash provided by operating activities was 1,511 million yen (an increase of 801 million yen). This figure primarily reflects net income before income and other taxes and minority interests of 1,352 million yen.

#### (b) Cash flows from investing activities

Net cash used in investing activities was 748 million yen (an increase of 3,888 million yen). This figure

primarily reflects 778 million yen in proceeds from withdrawal of time deposits.

(c) Cash flows from financing activities

Net cash provided by financing activities was 2,152 million yen (a decrease of 4,962 million yen). This figure primarily reflects a 3,595 million yen decrease in short-term loans payable, proceeds from long-term loans payable of 2,000 million yen, and cash dividends paid by the parent of 287 million yen.

(Changes in cash flow-related indexes)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Capital-to-asset ratio (%)	80.8	81.6	81.9	73.7	75.7
Current value-basis capital-to-asset ratio (%)	61.6	64.4	58.1	74.5	77.9
Debt repayment period (years)	0.8	2.6	-	4.4	1.4
Interest coverage ratio (times)	82.0	20.1	84.2	142.8	82.4

Note: Capital-to-asset ratio: Shareholders' equity / total assets

Current value-basis capital-to-asset ratio: Current market value of shares / total assets

Debt repayment period: Interest-bearing debt / cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / interest payments

\* Indexes have been calculated based on consolidated-basis financial figures.

\* The current market value of shares was calculated by multiplying the closing share price at the end of the fiscal year by the number of outstanding shares at the end of the fiscal year (exclusive of treasury stock).

\* The figure for cash flows from operating activities has been taken from the consolidated cash flows statement. Interest-bearing debt includes all liabilities on the consolidated balance sheet for which the company pays interest. Interest payment figures have been taken from the consolidated cash flows statement.

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

Shofu's basic policy consists of maintaining and continuing consistent dividend payments while striving to increase corporate value (shareholder value) over the long term and return profits to shareholders. While we strive to achieve a consolidated dividend payout ratio of at least 30%, 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 businesses overseas and develop new products.

The year-end dividend for the fiscal year under review will consist of an ordinary dividend of 10 yen per share. Together with the midterm dividend of 8 yen per share, which has already been paid, the total annual dividend will be 18 yen per share.

In addition to the payment of a planned annual dividend of 18 yen per share as an ordinary dividend, a dividend of 2 yen per share as a dividend paid at the end of the fiscal year to commemorate the 95th anniversary of the Company's founding is planned for a total planned annual dividend of 20 yen per share and a consolidated-basis dividend ratio of 29.5%.

## **2. Management Policy**

As there are no major changes to the policy disclosed in the financial results for the fiscal year ended March 31, 2015 (disclosed on May 14, 2015), it has been omitted here.

To view the applicable financial results, please consult the following URLs.

(Company website)

<http://www.shofu.co.jp/ir/contents/hp1112/index.php?No=1489&CNo=1112>

(Tokyo Stock Exchange website (Listed company information search page))

<http://www.jpx.co.jp/listing/co-search/index.html>

## **3. 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.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31,2015)	Fiscal year under review (as of March 31,2016)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,724	4,413
Notes and accounts receivable-trade	2,673	3,185
Short term investment securities	36	80
Merchandises and finished goods	3,484	3,885
Work in process	674	863
Raw materials and supplies	781	872
Deffered tax assets	588	552
Deposits paid	1,968	-
Other	776	528
Allowance for doubtful accounts	-81	-114
<b>Total current assets</b>	<b>15,625</b>	<b>14,265</b>
<b>Noncurrent assets</b>		
Property,plant and equipment		
Buildings and structures	7,705	7,982
Accumulated depreciation	-4,402	-4,715
Buildings and structures, net	3,302	3,266
Machinery and equipment, vehicles	3,080	3,663
Accumulated depreciation	-2,389	-2,846
Machinery and equipment, vehicles, net	691	816
Land	1,933	1,937
Construction in progress	51	32
Other	3,166	3,510
Accumulated depreciation	-2,629	-2,836
Other, net	536	674
Total property,plant and equipment	6,516	6,727
Intangible assets		
goodwill	-	649
Other	229	1,113
Total Intangible assets	229	1,762
Investments and other assets		
Investment securities	5,278	4,508
Deffered tax assets	46	48
Net defined benefit asset	1,065	669
Other	689	332
Allowance for doubtful accounts	-8	-9
Total investments and other assets	7,070	5,549
<b>Total noncurrent assets</b>	<b>13,816</b>	<b>14,039</b>
<b>Total assets</b>	<b>29,442</b>	<b>28,305</b>

	(Millions of yen)	(Millions of yen)
	Previous fiscal year (as of March 31,2015)	Fiscal year under review (as of March 31,2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	660	647
Short-term loans payable	3,000	-
Current portion of long-term loans payable	8	385
Income taxes payable	136	115
Provision for directors' bonuses	60	44
Other	1,645	1,856
<b>Total current liabilities</b>	<b>5,510</b>	<b>3,049</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	111	1,729
Deffered tax liabilities	1,065	1,119
Net defined benefit liability	106	177
Other	867	728
<b>Total noncurrent liabilities</b>	<b>2,150</b>	<b>3,755</b>
<b>Total liabilities</b>	<b>7,660</b>	<b>6,804</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,474	4,474
Capital surplus	4,576	4,576
Retained earnings	10,102	10,600
Treasury stock	-146	-122
<b>Total shareholders' equity</b>	<b>19,007</b>	<b>19,530</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,082	1,781
Foreign currency translation adjustment	340	137
Remeasurements of defined benefit plans	271	-34
<b>Total accumulated other comprehensive income</b>	<b>2,693</b>	<b>1,884</b>
<b>Subscription rights to shares</b>	<b>72</b>	<b>73</b>
<b>Minority interests</b>	<b>8</b>	<b>11</b>
<b>Total net assets</b>	<b>21,781</b>	<b>21,500</b>
<b>Total liabilities and net assets</b>	<b>29,442</b>	<b>28,305</b>

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

(Millions of yen)

	Previous fiscal year (from April 1,2014 to March 31,2015)	Fiscal year under review (from April 1,2015 to March 31,2016)
<b>Net Sales</b>	19,688	22,975
<b>Cost of sales</b>	8,598	9,798
<b>Gross profit</b>	11,089	13,177
<b>Selling,general &amp; administrative expenses</b>	9,929	11,608
<b>Operating income</b>	1,159	1,568
<b>Non-operating income</b>		
Interest income	12	10
Dividends income	62	64
Membership fee income	126	105
Foreign exchange profits	32	-
Other	70	130
<b>Total non-operating income</b>	305	312
<b>Non-operating expenses</b>		
Interest expenses	5	18
Sales discounts	161	163
Membership fee	157	147
Foreign exchange losses	-	125
Other	24	33
<b>Total non-operating expenses</b>	349	488
<b>Ordinary income</b>	1,114	1,393
<b>Extraordinary income</b>		
Gain on sales of non-current assets	16	21
Gain on sales of investment securities	-	35
<b>Total extraordinary income</b>	16	56
<b>Extraordinary loss</b>		
Loss on valuation of investment securities	20	-
Loss on sales of investment securities	-	25
Impairment loss	144	-
Expenses for voluntary recall of the products	-	72
<b>Total extraordinary losses</b>	165	98
<b>Income before income taxes and minority interests</b>	965	1,352
Income taxes-current	367	390
Income taxes-deferred	20	167
<b>Income taxes</b>	387	557
<b>Profit</b>	577	794
<b>Profit attributable to non-controlling interests</b>	-3	4
<b>Profit attributable to owners of parent</b>	581	789

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (from April 1,2014 to March 31,2015)	Fiscal year under review (from April 1,2015 to March 31,2016)
<b>Profit</b>	577	794
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,113	-300
Foreign currency translation adjustment	295	-204
Remeasurements of defined benefit plans net of tax	182	-305
<b>Total other comprehensive income</b>	1,592	-810
<b>Comprehensive income</b>	2,169	-15
Comprehensive income attributable to:		
Comprehensive income attributable to owner of the parent	2,173	-19
Comprehensive income attributable to non-controlling interests	-3	3

**(3) Consolidated Statements of Changes in Net Assets**  
**Previous fiscal year(from April 1, 2014 to March 31, 2015)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,474	4,576	9,697	-162	18,586
Cumulative effects of changes in accounting policies			114		114
Restated balance	4,474	4,576	9,811	-162	18,700
Changes of items during period					
Dividends of surplus			-287		-287
Net income			581		581
Purchase of treasury shares				-0	-0
Disposal of treasury shares			-3	16	13
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	291	15	307
Balance at end of current period	4,474	4,576	10,102	-146	19,007

	Accumulated other comprehensive income				Subscription rights to shares	Minority 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	968	43	88	1,101	60	-	19,747
Cumulative effects of changes in accounting policies							114
Restated balance	968	43	88	1,101	60	-	19,861
Changes of items during period							
Dividends of surplus							-287
Net income							581
Purchase of treasury shares							-0
Disposal of treasury shares							13
Net changes of items other than shareholders' equity	1,113	296	182	1,592	11	8	1,612
Total changes of items during period	1,113	296	182	1,592	11	8	1,919
Balance at end of current period	2,082	340	271	2,693	72	8	21,781

**Fiscal year under review (from April 1, 2015 to March 31, 2016)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,474	4,576	10,102	-146	19,007
Cumulative effects of changes in accounting policies					
Restated balance	4,474	4,576	10,102	-146	19,007
Changes of items during period					
Dividends of surplus			-287		-287
Net income			789		789
Purchase of treasury shares				-0	-0
Disposal of treasury shares			-3	24	20
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	498	24	522
Balance at end of current period	4,474	4,576	10,600	-122	19,530

	Accumulated other comprehensive income				Subscription rights to shares	Minority 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	2,082	340	271	2,693	72	8	21,781
Cumulative effects of changes in accounting policies							
Restated balance	2,082	340	271	2,693	72	8	21,781
Changes of items during period							
Dividends of surplus							-287
Net income							789
Purchase of treasury shares							-0
Disposal of treasury shares							20
Net changes of items other than shareholders' equity	-300	-202	-305	-809	1	3	-803
Total changes of items during period	-300	-202	-305	-809	1	3	-281
Balance at end of current period	1,781	137	-34	1,884	73	11	21,500

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

(Millions of yen)

	Previous fiscal year (from April 1,2014 to March 31,2015)	Fiscal year under review (from April 1,2015 to March 31,2016)
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	965	1,352
Depreciation and amortization	783	1,007
Impairment loss	144	-
Amortization of goodwill	-	56
Increase (decrease) in allowance for doubtful accounts	(18)	17
Increase (decrease) in net defined benefit liability	(77)	(66)
Interest and dividends income	(75)	(75)
Interest expenses	5	18
Foreign exchange losses (gain)	(9)	36
Loss (gain) on sale fixed assets	-	(21)
Loss (gain) on sales of investment securities	20	-
Loss (gain) on sales of investment securities	-	(9)
Decrease (increase) in notes and accounts receivable-trade	306	(191)
Decrease (increase) in inventories	(682)	(154)
Increase (decrease) in notes and account payable	122	(97)
Other	(248)	(16)
Subtotal	1,237	1,853
Interest and dividends income received	74	75
Interest expenses paid	(4)	(18)
Interest taxes paid	(597)	(399)
Net cash provided by (used in) operating activities	710	1,511
<b>Net cash provided by (used in) investing activities</b>		
Payments into time deposits	(819)	(92)
Proceeds from withdrawal of time deposits	1,647	778
Purchase of short-term investment securities	(33)	(36)
Proceeds from redemption of securities	121	84
Purchase of property, plant and equipment	(1,950)	(495)
Proceeds from sales of property, plant and equipment	36	78
Purchase of intangible assets	(89)	(134)
Purchase of investment securities	(88)	-
Sales of investment securities	-	197
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	357
Payments of loans receivable	(12)	(0)
Collection of loans receivable	11	10
Payments of deposit	(1,966)	-
Other	2	(0)
Net cash provided by (used in) investing activities	(3,139)	748

<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	3,000	-
Decrease in short-term loans payable	-	(3,595)
Repayments of lease obligations	(33)	(34)
Proceeds from long-term loans payable	119	2,000
Repayment of long-term loans payable	-	(234)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(287)	(287)
Proceeds from exercise of stock option	0	0
Proceeds from share issuance to minority shareholders	11	-
Net cash provided by (used in) financing activities	<u>2,810</u>	<u>(2,152)</u>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<u>100</u>	<u>(32)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>481</u>	<u>74</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>3,727</u>	<u>4,208</u>
<b>Cash and cash equivalents at end of period</b>	<u>4,208</u>	<u>4,283</u>

## (5) Notes to Consolidated Financial Statements

(Notes relating to assumptions for the going concern)

Not applicable.

(Changes to Accounting Policies)

Beginning with the consolidated fiscal year under review, the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter the “Business Combinations Accounting Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter the “Consolidated Financial Statements Accounting Standard”), and the “Accounting Standard for Business Divestures” (ASBJ Statement No. 7, September 13, 2013, hereinafter the “Business Divestures Accounting Standard”), etc., have been applied, and in addition to recording balances occurring as a result of changes in company equity with regard to subsidiaries that continue to be controlled by the Company as capital surplus, the method of recording acquisition-related expenses has been changed to be recorded during the consolidated fiscal year in which they were incurred. Additionally, for business combinations occurring on or after the beginning of the consolidated fiscal year under review, the method of recording revised allocations of acquisition cost due to the finalization of the temporary accounting treatment has been changed to be reflected in the consolidated financial statements of the fiscal year in which said business combination occurs. 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 presentations, reclassifications have been made in the consolidated financial statements for the previous consolidated fiscal year.

With regard to the Business Combinations Accounting Standard, etc., the Company complies with the transitional treatments stated in Paragraph 58-2 (4) of the Business Combinations Accounting Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Accounting Standard, and Paragraph 57-4 (4) of the Business Divestures Accounting Standard from the beginning of the consolidated fiscal year under review forward.

With regard to the Consolidated Statement of Cash Flows for the fiscal year under review, cash flows relating to the acquisition or sale of subsidiary company stock that does not result in a change of scope of consolidation have been recorded under the “Cash flows from financing activities” category, while cash flows relating to acquisition-related costs relating to acquisitions of subsidiary company stock that result in a change of scope of consolidation and costs due to the acquisition or sale of subsidiary company stock that does not result in a change of scope of consolidation have been recorded under the “Cash flows from operating activities” category.

The effect of these changes on profits and losses, etc., is insignificant.

(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 (losses), assets, liabilities, and other figures by reportable segment  
Previous year under review (April 1, 2014 – March 31, 2015)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	17,850	1,750	87	19,688	-	19,688
(2) Internal sales or transfers	-	0	5	5	(5)	-
Total	17,850	1,750	93	19,694	(5)	19,688
Segment profit (loss)	1,153	(24)	22	1,150	8	1,159
Segment assets	21,748	1,199	164	23,112	6,330	29,442
Other items						
Depreciation expense	738	35	12	785	(2)	783
Increase in property, plant, and equipment and intangible assets	1,573	65	107	1,746	(95)	1,650

\*1 (1) The 8 million yen adjustment to segment profit/loss serves to cancel out transactions between segments.

(2) The 6,330 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.

Fiscal year under review (April 1, 2015 – March 31, 2016)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	20,999	1,893	82	22,975	-	22,975
(2) Internal sales or transfers	-	0	5	5	(5)	-
Total	20,999	1,894	88	22,981	(5)	22,975
Segment profit (loss)	1,515	22	22	1,559	8	1,568
Segment assets	22,195	1,157	130	23,483	4,821	28,305
Other items						
Amortization of goodwill	56	-	-	56	-	56
Depreciation expense	958	36	13	1,007	-	1,007
Increase in property, plant, and equipment and intangible assets	2,253	32	5	2,291	-	2,291

\*1 (1) The 8 million yen adjustment to segment profit serves to cancel out transactions between segments.

(2) The 4,821 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.

(Information on Impairment Loss of Noncurrent Assets by Reportable Segment)

Previous fiscal year (April 1, 2014 – March 31, 2015)

For assets for business use, the Group conducts grouping of its assets utilizing the type of business as a standard, and asset grouping for idle assets and assets scheduled for disposal, etc., are conducted on an individual basis. As a result, in the dental business and other businesses segments, due to relocation of the head office and head office plant of SHOFU PRODUCTS KYOTO INC., a consolidated subsidiary of the Company, the book value of the land and buildings of its former head office head office plant to be disposed of was written down to the recoverable amount and the decreased amount was posted as an impairment loss under extraordinary losses.

Recorded amounts by reportable segment are as follows.

	Dental Business	Nail care business	Other businesses	Total	Adjustment	Consolidated financial statements
Impairment loss	125	-	19	144	-	144

Fiscal year under review (April 1, 2015 – March 31, 2016)

Not applicable.

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

	Dental Business	Nail care business	Other businesses	Total	Adjustment	Consolidated financial statements
Balance at end of current period	649	—	—	649	—	649

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

## (Per Share Information)

	Previous fiscal year (April 1, 2014 - March 31, 2015)	Fiscal year under review (April 1, 2015 - March 31, 2016)
Net assets per share	1,360.19 yen	1,340.00 yen
Net income per share	36.45 yen	49.43 yen
Fully diluted net income per share	36.22 yen	49.15 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, 2014 - March 31, 2015)	Fiscal year under review (April 1, 2015 - March 31, 2016)
Net income per share		
Net income attributable to owners of parent (millions of yen)	581	789
Amount not belonging to ordinary shareholders (millions of yen)	-	-
Net income attributable to owners of parent related to common stock(millions of yen)	581	789
Average number of shares during the fiscal year (1,000 shares)	15,950	15,975
Fully diluted net income		
Adjustments to net income attributable to owners of parent (millions of yen)	-	-
Increase in common stock (thousands of shares)	98	91
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, 2014 - March 31, 2015)	Fiscal year under review (April 1, 2015 - March 31, 2016)
Total assets (millions of yen)	21,781	21,500
Amount excluded from total assets (millions of yen)	80	85
Year-end net assets attributable to common stock (millions of yen)	21,701	21,414
Number of common stock shares at year end used to calculate net assets per share (thousands of shares)	15,954	15,981

## (Important Subsequent Events)

Not applicable.