

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018
(Japanese Accounting Standards)

May 10, 2018

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, Executive Officer & General Manager of Finance Department
 Scheduled date of ordinary shareholder's meeting: June 26, 2018
 Scheduled date for filing of annual securities report: June 26, 2018
 Scheduled commencement date of dividend payment: June 5, 2018
 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, 2018 (April 1, 2017 – March 31, 2018)

(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, 2018	24,031	7.7	1,497	8.3	1,565	37.2	877	4.8
Year ended March 31, 2017	22,305	Δ2.9	1,382	Δ11.9	1,141	Δ18.1	836	6.0

(Note) Comprehensive income: Year ended March 31, 2018 2,156 million yen (80.6%)
 Year ended March 31, 2017 1,194 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, 2018	55.20	54.83	3.8	5.2	6.2
Year ended March 31, 2017	52.61	52.29	3.8	4.0	6.2

(Reference) Equity in earnings of affiliates: Year ended March 31, 2018 None
 Year ended March 31, 2017 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, 2018	31,357	24,157	76.7	1,511.85
Year ended March 31, 2017	28,853	22,296	76.9	1,396.74

(Reference) Shareholder's equity: Year ended March 31, 2018 24,035 million yen
 Year ended March 31, 2017 22,185 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, 2018	1,936	△772	△592	5,268
Year ended March 31, 2017	2,308	△1,052	△835	4,652

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, 2017	-	8.00	-	12.00	20.00	317	38.0	1.5
Year ended March 31, 2018	-	8.00	-	12.00	20.00	317	36.2	1.4
Year ending March 31, 2019 (Forecasts)	-	8.00	-	13.00	21.00		30.1	

(Notes) Year-end dividends for the fiscal year ended March 31, 2017 include commemorative dividend of 2.0 yen. (The 95th anniversary of company's founding)

Year-end dividends for the fiscal year ended March 31, 2018 include commemorative dividend of 2.0 yen. (The 95th anniversary of company's founding)

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2019. (April 1, 2018– March 31, 2019)

(% 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, 2018 (cumulative)	12,550	7.3	639	△14.0	589	△30.9	346	△45.5	21.80
Year ending March 31, 2019	25,725	7.1	1,737	16.0	1,630	4.2	1,109	26.4	69.77

*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: 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 March 31, 2018: 16,114,089 shares

As of March 31, 2017: 16,114,089 shares

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

As of March 31, 2018: 215,792 shares

As of March 31, 2017: 230,355 shares

(c) Average number of shares during the period

As of March 31, 2018: 15,895,017 shares

As of March 31, 2017: 15,906,346 shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(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, 2018	15,741	5.0	476	9.6	960	28.6	810	62.9
Year ended March 31, 2017	14,999	△3.3	434	△39.8	746	△63.2	497	△71.5

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2018	51.00	50.66
Year ended March 31, 2017	31.28	31.09

(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, 2018	26,936	21,309	78.7	1,333.99
Year ended March 31, 2017	24,846	19,830	79.4	1,242.64

(Reference) Shareholder's equity: Year ended March 31, 2018 21,208 million yen
Year ended March 31, 2017 19,737 million yen

*The consolidated financial results are not subject to auditing

*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 4.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year under Review

(Overview)

Over the consolidated fiscal year under review, although the global economy continued to be on a moderate recovery trend primarily in developed nations, the risk of economic downturn continues to remain due to factors such as the political trend in Europe and US and the unstable conditions in East Asia. The Japanese economy continued to be on a moderate recovery trend owing to an improvement in the employment and income conditions against a backdrop of strong corporate earnings.

In the dental industry, the business environment continued to be strict with increasingly intensified competition over technology and price between companies, despite the progress of digitalization in dentistry worldwide and the increase of demand for CAD/CAM-related markets.

Against this backdrop, the Company Group entered its last year of the second medium-term management plan and developed aggressive measures to achieve further growth in the future, with reinforcing the business platform domestically and the expansion of businesses overseas. Such measures include introducing the product that meets the market needs, enhancing information provision activities towards dental professionals, maintaining overseas sales networks through establishment, etc. of a sales subsidiary in India and establishing production system that meet global demand.

As a result of these factors, net sales during the consolidated fiscal year under review increased as a record sale by 1,725 million yen (7.7%) over the previous year to 24,031 million yen.

Although selling, general and administrative expenses increased, operating income accounted for 1,497 million yen, an increase of 115 million yen (8.3%) owing to an effect of increase in the net sales.

In addition, the impact of exchange rates had a positive effect on non-operating income, yielding ordinary income of 1,565 million yen, an increase of 424 million yen (37.2%) from the previous year..

However, as the Company Group recorded 231 million yen for extraordinary losses as impairment of goodwill which was posted at the acquisition of Merz Dental GmbH shares, reduction of increased income led to an increase in profit attributable to owners of parent to 877 million yen, a year-on-year increase of 40 million yen (4.8%).

(Dental business)

Domestically, new products such as the “EyeSpecial C-III,” a digital oral cavity photography device and the “BEAUTIFIL Flow Plus X,” a dental filling composite resin, which were introduced to the market during the consolidated fiscal year under review, contributed to sales. Although our mainstay product group including artificial teeth confronted with challenges, machines and equipment such as CAD/CAM-related products increased sales, and sales increased from the corresponding period of the previous consolidated fiscal year.

Looking overseas, sales performance of dental restorative materials including dental clinic materials in Europe and US regions was favorable, and in Asian region including China, our mainstay artificial teeth contributed to sales. In addition, sales in all overseas regions increased year on year due partly to the effects of foreign exchange.

As a result of these factors, net sales of the dental business increased by 1,179 million yen (5.8%) from the previous fiscal year to 21,446 million yen, and operating income increased 30 million yen (2.2%) from the previous fiscal year to 1,410 million yen.

(Nail care business)

While the market scale of the nail care industry is continuing its gradual growth, with the persistent low-end users’ needs, the market conditions continue to be harsh.

Domestically, brand power of our products enhanced with the new “ageha” brand of gel nail products

was introduced to the market under joint development with the renowned nail artist, and sales of mainstay products including LED gel “Presto” increased.

Overseas, aggressive sales promotion activities such as using SNS were successful in generating favorable sales performance of gel nail products in the US and Taiwan.

As a result of these factors, net sales of the nail care business increased by 541 million yen (27.8%) from the previous fiscal year to 2,485 million yen. Operating income achieved profitability of 63 million yen, a year-on-year increase of 88 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 of the “other businesses” segment increased 5 million yen (5.5%) from the previous fiscal year to 98 million yen. However, due to an increase in the cost of sales ratio, operating income decreased by 4 million yen (21.1%) to 17 million yen.

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

(2) Overview of Financial Position for the Fiscal Year under Review

Factors including an increase in investment securities due to higher stock prices caused an increase of 2,504 million yen in assets over the previous fiscal year to 31,357 million yen.

Liabilities increased by 643 million yen to 7,200 million yen due to increases in long-term deferred tax liabilities and other factors.

Net assets increased by 1,860 million yen over the previous fiscal year to 24,157 million yen due to increases in retained earnings and valuation difference on available-for-sale securities and others.

As a result of the above, the capital-to-assets ratio was 76.7%.(76.9% at the end of the previous consolidated 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 615 million yen to 5,268 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	2,308	1,936	(372)
Cash flows from investing activities	(1,052)	(772)	279
Cash flows from financing activities	(835)	(592)	242
Effect of exchange rate changes on cash and cash equivalents	(51)	44	96
Net increase (decrease) in cash and cash equivalents	369	615	246
Cash and cash equivalents at the beginning of the period	4,283	4,652	369
Cash and cash equivalents at the end of the period	4,652	5,268	615

(a) Cash flows from operating activities

Net cash provided by operating activities was 1,936 million yen (a decrease of 372 million yen). This figure primarily reflects net income before income and other taxes and minority interests of 1,357 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 772 million yen (an increase of 279 million yen). This figure primarily reflects purchase of property, plant and equipment of 658 million yen.

(c) Cash flows from financing activities

Net cash provided by financing activities was 592 million yen (an increase of 242 million yen). This figure primarily reflects repayment of long-term loans payable of 505 million yen, and cash dividends paid by the parent of 317 million yen.

(4) Future Outlook

Under the Company Group's corporate philosophy of "Contribution to dentistry through innovative business activities," we have been promoting business activities with targets of consolidated net sales of 50.0 billion yen and consolidated operating income of 7.5 billion yen as a "vision" to achieve for fiscal year ending in March 31, 2022.

However, we are in a difficult situation in achieving the target by the fiscal year ending in March 31, 2022, with the difference of the target and the results becoming larger due to factors including lack of market needs at growing areas and speed of response to growing opportunities, delay in maintaining overseas sales networks and response to pharmaceutical regulations in all countries and lack of improvement of price competitiveness.

Under these circumstances, aiming for early achievement of our corporate vision to become a recognized company in the global dental industry, and "consolidated net sales of 50.0 billion yen and consolidated operating income of 7.5 billion yen" as our specific targets, as a first step, we established our third medium-term management plan for the fiscal year ending in March 31, 2021. This plan will engage in various challenges while maintaining the previous policies of enhancing recognition in domestic market and shifting allocation of management resources significantly to overseas to promote overseas business expansion.

Our outlook for performance during the upcoming fiscal year follows.

(Unit: Millions of yen, %)

	Results for the fiscal year ended March 31, 2018	Outlook for the fiscal year ending March 31, 2019	Change	Change (%)
Sales	24,031	23,725	1,694	7.1
Operating income	1,497	1,737	240	16.0
Ordinary income	1,565	1,630	65	4.2
Profit attributable to owners of parent	877	1,109	231	26.4

Major exchange rates: US Dollar: 105.00 yen; Euro: 130.00 yen; British Pound: 150.00 yen; Chinese Yuan: 16.50 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 (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 be 12 yen per share, consisting of an ordinary dividend of 10 yen per share and 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. Together with the midterm dividend of 8 yen per share, which has already been paid, the total annual dividend will be 20 yen per share.

We plan to an annual dividend of 21 yen per share as an ordinary dividend during the upcoming fiscal year for a consolidated-basis dividend ratio of 30.1%.

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

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal year under review (as of March 31,2017)	Fiscal year under review (as of March 31,2018)
Assets		
Current assets		
Cash and deposits	4,997	5,733
Notes and accounts receivable-trade	3,138	3,285
Short term investment securities	5	5
Merchandises and finished goods	3,666	3,996
Work in process	882	925
Raw materials and supplies	817	950
Deferred tax assets	484	523
Other	386	480
Allowance for doubtful accounts	Δ93	Δ 31
Total current assets	14,286	15,868
Noncurrent assets		
Property,plant and equipment		
Buildings and structures	8,099	8,116
Accumulated depreciation	Δ4,919	Δ 5,154
Buildings and structures, net	3,179	2,961
Machinery, equipment and vehicles	3,823	4,003
Accumulated depreciation	Δ2,981	Δ 3,205
Machinery, equipment and vehicles, net	842	798
Land	1,933	1,936
Construction in progress	46	147
Other	3,594	4,021
Accumulated depreciation	Δ2,912	Δ 3,276
Other, net	681	745
Total property, plant and equipment	6,682	6,588
Intangible assets		
Goodwill	558	320
Other	980	959
Total intangible assets	1,538	1,279
Investments and other assets		
Investment securities	5,304	6,663
Deferred tax assets	21	26
Net defined benefit asset	710	629
Other	317	314
Allowance for doubtful accounts	Δ8	Δ 13
Total investments and other assets	6,345	7,620
Total non-current assets	14,566	15,488
Total assets	28,853	31,357

(Millions of yen)

	Fiscal year under review (as of March 31,2017)	Fiscal year under review (as of March 31,2018)
Liabilities		
Current liabilities		
Accounts payable-trade	612	744
Current portion of long-term loans payable	505	500
Income taxes payable	312	505
Provision for directors' bonuses	30	43
Other	1,753	1,869
Total current liabilities	3,215	3,663
Noncurrent liabilities		
Long-term loans payable	1,225	986
Deferred tax liabilities	1,236	1,696
Net defined benefit liability	198	216
Other	682	637
Total noncurrent liabilities	3,341	3,537
Total liabilities	6,556	7,200
Net assets		
Shareholders' equity		
Capital stock	4,474	4,474
Capital surplus	4,576	4,576
Retained earnings	11,150	11,707
Treasury shares	△252	△ 236
Total shareholders' equity	19,949	20,522
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,318	3,282
Foreign currency translation adjustment	△176	2
Remeasurements of defined benefit plans	93	228
Total accumulated other comprehensive income	2,235	3,513
Subscription rights to shares	92	101
Non-controlling interests	18	19
Total net assets	22,296	24,157
Total liabilities and net assets	28,853	31,357

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

(Millions of yen)

	Previous fiscal year (from April 1,2016 to March 31,2017)	Fiscal year under review (from April 1,2017 to March 31,2018)
Net Sales	22,305	24,031
Cost of sales	9,357	10,267
Gross profit	12,947	13,763
Selling,general & administrative expenses	11,564	12,266
Operating income	1,382	1,497
Non-operating income		
Interest income	6	9
Dividends income	74	89
Membership fee income	118	118
Foreign exchange gains	-	75
Other	112	165
Total non-operating income	312	457
Non-operating expenses		
Interest expenses	12	10
Sales discounts	162	163
Membership fee	162	150
Foreign exchange losses	153	-
Other	61	65
Total non-operating expenses	554	390
Ordinary profit	1,141	1,565
Extraordinary income		
Gain on sales of investment securities	-	23
Total extraordinary income	-	23
Extraordinary loss		
Impairment loss	-	231
Total extraordinary losses	-	231
Profit before income taxes	1,141	1,357
Income taxes-current	352	552
Income taxes-deferred	△53	△ 74
Total income taxes	299	478
Profit	841	879
Profit attributable to non-controlling interests	5	1
Profit attributable to owners of parent	836	877

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (from April 1,2016 to March 31,2017)	Fiscal year under review (from April 1,2017 to March 31,2018)
Profit	841	879
Other comprehensive income		
Valuation difference on available-for-sale securities	536	964
Foreign currency translation adjustment	△ 312	178
Remeasurements of defined benefit plans, net of tax	128	134
Total other comprehensive income	352	1,277
Comprehensive income	1,194	2,156
Comprehensive income attributable to:		
Comprehensive income attributable to owner of the parent	1,187	2,155
Comprehensive income attributable to non-controlling interests	6	1

(3) Consolidated Statements of Changes in Net Assets
Previous fiscal year(from April 1, 2016 to March 31, 2017)

(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	10,600	△ 122	19,530
Changes of items during period					
Dividends of surplus			△ 286		△ 286
Profit attributable to owners of parent			836		836
Purchase of treasury shares				△ 133	△ 133
Disposal of treasury shares			△0	3	2
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	549	△ 130	419
Balance at end of current period	4,474	4,576	11,150	△ 252	19,949

	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	1,781	137	△ 34	1,884	73	11	21,500
Changes of items during period							
Dividends of surplus							△ 286
Profit attributable to owners of parent							836
Purchase of treasury shares							△ 133
Disposal of treasury shares							2
Net changes of items other than shareholders' equity	536	△ 313	128	351	19	6	376
Total changes of items during period	536	△ 313	128	351	19	6	796
Balance at end of current period	2,318	△ 176	93	2,235	92	18	22,296

Fiscal year under review (from April 1, 2017 to March 31, 2018)

(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	11,150	Δ 252	19,949
Changes of items during period					
Dividends of surplus			Δ 317		Δ 317
Profit attributable to owners of parent			877		877
Purchase of treasury shares				Δ0	Δ0
Disposal of treasury shares			Δ 2	16	13
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	556	15	572
Balance at end of current period	4,474	4,576	11,707	Δ 236	20,522

	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	2,318	Δ 176	93	2,235	92	18	22,296
Changes of items during period							
Dividends of surplus							Δ 317
Profit attributable to owners of parent							877
Purchase of treasury shares							Δ0
Disposal of treasury shares							13
Net changes of items other than shareholders' equity	964	179	134	1,277	8	1	1,288
Total changes of items during period	964	179	134	1,277	8	1	1,860
Balance at end of current period	3,282	2	228	3,513	101	19	24,157

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (from April 1,2016 to March 31,2017)	Fiscal year under review (from April 1,2017 to March 31,2018)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,141	1,357
Depreciation	888	920
Impairment loss	-	231
Amortization of goodwill	50	54
Increase (decrease) in allowance for doubtful accounts	△ 22	△ 56
Increase (decrease) in net defined benefit liability	167	266
Interest and dividend income	△ 81	△ 98
Interest expenses	12	10
Foreign exchange losses (gains)	25	△ 77
Loss (gain) on sales of investment securities	-	△ 23
Decrease (increase) in notes and accounts receivable - trade	△ 7	△ 122
Decrease (increase) in inventories	157	△ 430
Increase (decrease) in notes and accounts payable - trade	△ 39	109
Other, net	53	74
Subtotal	2,345	2,215
Interest and dividend income received	81	97
Interest expenses paid	△ 12	△ 7
Income taxes paid	△ 106	△ 368
Net cash provided by (used in) operating activities	2,308	1,936
Cash flows from investing activities		
Payments into time deposits	△ 287	△ 433
Proceeds from withdrawal of time deposits	72	312
Purchase of securities	△ 27	△ 5
Proceeds from redemption of securities	144	5
Purchase of property, plant and equipment	△ 823	△ 658
Proceeds from sales of property, plant and equipment	1	0
Purchase of intangible assets	△ 50	△ 46
Purchase of investment securities	△ 44	-
Proceeds from sales of investment securities	-	48
Purchase of shares of subsidiaries	△ 36	-
Payments of loans receivable	△ 11	△ 17
Collection of loans receivable	8	9
Other, net	1	12
Net cash provided by (used in) investing activities	△ 1,052	△ 772
Cash flows from financing activities		
Repayments of lease obligations	△ 29	△ 31
Proceeds from long-term loans payable	-	262
Repayments of long-term loans payable	△ 385	△ 505
Decrease (increase) in treasury shares	△ 133	△ 0
Cash dividends paid	△ 286	△ 317
Proceeds from exercise of share options	0	0
Net cash provided by (used in) financing activities	△ 835	△ 592
Effect of exchange rate change on cash and cash equivalents	△ 51	44
Net increase (decrease) in cash and cash equivalents	369	615
Cash and cash equivalents at beginning of period	4,283	4,652
Cash and cash equivalents at end of period	4,652	5,268

(5) Notes to Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(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, 2016—March 31, 2017)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	20,267	1,944	93	22,305	-	22,305
(2) Internal sales or transfers	0	0	6	7	(7)	-
Total	20,267	1,944	100	22,312	(7)	22,305
Segment profit (loss)	1,380	(25)	22	1,376	5	1,382
Segment assets	21,747	1,216	176	23,140	5,713	28,853
Other items						
Depreciation expense	838	36	12	888	-	888
Amortization of goodwill	50	-	-	50	-	50
Increase in property, plant, and equipment and intangible assets	836	30	8	875	-	875

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

(2) The 5,713 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 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	558	-	-	558	-	558

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

Fiscal year under review (April 1, 2017 – March 31, 2018)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	21,446	2,485	98	24,031	-	24,031
(2) Internal sales or transfers	0	0	6	7	(7)	-
Total	21,447	2,486	105	24,038	(7)	24,031
Segment profit (loss)	1,410	63	17	1,491	6	1,497
Segment assets	22,657	1,433	123	24,214	7,143	31,357
Other items						
Depreciation expense	864	46	10	920	-	920
Amortization of goodwill	54	-	-	54	-	54
Impairment loss	231	-	-	231	-	231
Increase in property, plant, and equipment and intangible assets	636	72	1	710	-	710

*1 (1) The 6 million yen adjustment to segment profit serves to cancel out transactions between segments.

(2) The 7,143 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 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	320	-	-	320	-	320

(Notes) 1. 231 million yen is posted for impairment loss of goodwill during the consolidated fiscal year under review.

2. 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, 2016 - March 31, 2017)	Fiscal year under review (April 1, 2017 - March 31, 2018)
Net assets per share	1,396.74 yen	1,511.85 yen
Net income per share	52.61 yen	55.20 yen
Fully diluted net income per share	52.29 yen	54.83 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, 2016 - March 31, 2017)	Fiscal year under review (April 1, 2017 - March 31, 2018)
Net income per share		
Net income attributable to owners of parent (millions of yen)	836	877
Amount not belonging to ordinary shareholders (millions of yen)	-	-
Net income attributable to owners of parent related to common stock (millions of yen)	836	877
Average number of shares during the fiscal year (1,000 shares)	15,906	15,895
Fully diluted net income		
Adjustments to net income attributable to owners of parent (millions of yen)	-	-
Increase in common stock (thousands of shares)	96	106
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, 2016 - March 31, 2017)	Fiscal year under review (April 1, 2017 - March 31, 2018)
Total assets (millions of yen)	22,296	24,157
Amount excluded from total assets (millions of yen)	110	121
Year-end net assets attributable to common stock (millions of yen)	22,185	24,035
Number of common stock shares at year end used to calculate net assets per share (thousands of shares)	15,883	15,898

(Important Subsequent Events)

Not applicable.