

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019
(Japanese Accounting Standards)

May 9, 2019

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, 2019
 Scheduled date for filing of annual securities report: June 26, 2019
 Scheduled commencement date of dividend payment: June 5, 2019
 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, 2019 (April 1, 2018 – March 31, 2019)

(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, 2019	24,915	3.7	1,814	21.1	1,709	9.2	1,201	36.9
Year ended March 31, 2018	24,031	7.7	1,497	8.3	1,565	37.2	877	4.8

(Note) Comprehensive income: Year ended March 31, 2019 523 million yen (-75.7%)
 Year ended March 31, 2018 2,156 million yen (80.6%)

	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, 2019	75.54	74.99	5.0	5.6	7.3
Year ended March 31, 2018	55.20	54.83	3.8	5.2	6.2

(Reference) Equity in earnings of affiliates: Year ended March 31, 2019 None
 Year ended March 31, 2018 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, 2019	30,161	24,383	80.4	1,524.92
Year ended March 31, 2018	30,890	24,157	77.8	1,511.85

(Reference) Shareholder's equity: Year ended March 31, 2019 24,250 million yen
 Year ended March 31, 2018 24,035 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, 2019	1,468	(1,519)	(844)	4,318
Year ended March 31, 2018	1,936	(772)	(592)	5,268

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 31,2018	-	8.00	-	12.00	20.00	317	36.2	1.4
Year ended March 31,2019	-	8.00	-	15.00	23.00	365	30.4	1.5
Year ending March 31,2020 (Forecasts)	-	8.00	-	16.00	26.00		30.0	

(Notes) 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, 2020. (April 1, 2019– March 31, 2020)

(% 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 30,2019 (cumulative)	12,906	6.0	905	15.3	854	9.3	569	4.3	35.84
Year ending March 31,2020	26,190	5.1	2,056	13.4	1,941	13.6	1,377	14.7	86.61

*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

(3) Number of shares outstanding (common stock)

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

As of March 31, 2019: 16,114,089 shares

As of March 31, 2018: 16,114,089 shares

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

As of March 31, 2019: 211,210 shares

As of March 31, 2018: 215,792 shares

(c) Average number of shares during the period

As of March 31, 2019: 15,901,943 shares

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

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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, 2019	16,267	3.3	467	-1.8	893	-7.0	757	-6.6
Year ended March 31, 2018	15,741	5.0	476	9.6	960	28.6	810	62.9

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2019	47.64	47.30
Year ended March 31, 2018	51.00	50.66

(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, 2019	25,560	21,285	82.8	1,331.02
Year ended March 31, 2018	26,662	21,309	78.7	1,333.99

(Reference) Shareholder's equity: Year ended March 31, 2019 21,167 million yen
Year ended March 31, 2018 21,208 million yen

*The consolidated financial results are not subject to review by a certified public accountant or an audit firm.

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

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)

During the consolidated fiscal year under review, the global economy maintained a moderate rate of growth overall, led by robust growth in the US economy. However, the outlook remains unclear as uncertainties in the global economy increased, with instability in international affairs including developing trade frictions centered around the US and China, and delays in negotiations for the UK's withdrawal from the EU (Brexit). The Japanese economy, although suffering temporarily from a string of natural disasters around the country, progressed on a moderate recovery trend against a backdrop of improvements in corporate earnings and the employment and income conditions, as well as an upturn in individual consumption.

In the dental industry, the business environment surrounding the Company continues to grow harsher, as changes in the market environment lead to increasingly intense competition over the entire industry, despite the continuing growth of CAD/CAM-related markets on a global scale as digitalization in dentistry progresses.

Against this backdrop, the Company Group launched its third medium-term management plan from April 2018, implementing aggressive measures to achieve further growth in the future, with a basic strategy of reinforcing the business platform domestically and expanding businesses overseas. Specifically, Merz Dental GmbH in Germany constructed a new factory aimed at enhancing production capacity and efficiency, in order to expand sales in the European market. In addition, we implemented initiatives aimed at strengthening our sales platforms in emerging markets, where future growth is forecast. These included the commencement of full-scale sales operations in the Brazilian market through our local sales subsidiary, and the expansion of our sales structure in the Indian market.

As a result of these factors, net sales during the consolidated fiscal year under review increased by 884 million yen (3.7%) over the previous year to a record high of 24,915 million yen.

Although selling, general and administrative expenses increased, operating income amounted to 1,814 million yen, an increase of 316 million yen (21.1%) from the previous year owing to an effect of increase in the net sales.

Although factors such as the impact of exchange rates led to a reduction in income growth, ordinary income amounted to 1,709 million yen, an increase of 143 million yen (9.2%) from the previous year.

Profit attributable to owners of parent, after deducting tax expenses, reached a new record high of 1,201 million yen, an increase of 323 million yen (36.9%) over the previous fiscal year.

(Dental business)

Domestically, we introduced products such as "SHOFU BeautiBond Universal," a dental dentin adhesive, and "AIRFLOW PROPHYLAXIS MASTER," a dental multi-purpose ultrasonic therapy machine, to the market. In addition to these new products, machines and equipment such as CAD/CAM-related products remained strong. However, sales decreased year on year, as our mainstay product group including artificial teeth was confronted with challenges due to the effect of harsh market conditions.

Looking overseas, sales in all overseas regions increased year on year, due to the contribution of dental restorative materials for dental clinic materials, mainly in the US, as well as solid sales performance from artificial teeth in the Asian region, including China.

As a result of these factors, net sales of the dental business increased 999 million yen (4.7%) from the previous fiscal year to 22,446 million yen, and operating income increased 387 million yen (27.5%) to 1,797 million yen despite an increase in selling, general and administrative expenses.

(Nail care business)

While the market scale of the nail care industry is continuing its gradual growth, price competition continues to be intense across the industry, with the persistence of users' orientation towards lower prices.

Domestically, with sales driven by our mainstay gel nail products such as LED gel "Presto," we also engaged in the development of smaller, lower-priced gel nail products in response to user needs. As a result, sales increased from the previous fiscal year.

Looking overseas, sales promotion activities using SNS and well-known manicurists were successful in generating favorable sales performance in the US. However, increasingly fierce competition in Taiwan led to a decrease in sales from the previous fiscal year.

As a result of these factors, net sales in the nail care business decreased by 113 million yen (4.6%) from the previous fiscal year to 2,372 million yen. Concerning profits, despite efforts to reduce costs, operating loss was 5 million yen, a decrease in profit of 69 million yen year on year.

(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 decreased 1 million yen (1.9%) from the previous fiscal year to 96 million yen, and operating income decreased 1 million yen (8.0%) to 16 million yen

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

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

Total assets decreased by 729 million yen from the end of the previous fiscal year to 30,161 million yen. The primary factor for the decrease in assets was a decrease in cash and deposits, investment securities due to market price decline.

Liabilities decreased by 955 million yen to 5,778 million yen. The primary factor was a decrease in long-term loans payable and income tax payable.

Net assets increased by 226 million yen to 24,383 million yen. The primary factor was an increase in retained earnings.

As a result of the above, the capital-to-assets ratio rose to 80.4% (77.8% at the end of the previous fiscal year).

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review fell 950 million yen to 4,318 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	1,936	1,468	(467)
Cash flows from investing activities	(772)	(1,519)	(746)
Cash flows from financing activities	(592)	(844)	(251)
Effect of exchange rate changes on cash and cash equivalents	44	(55)	(99)
Net increase (decrease) in cash and cash equivalents	615	(950)	(1,565)
Cash and cash equivalents at the beginning of the period	4,652	5,268	615
Cash and cash equivalents at the end of the period	5,268	4,318	(950)

(a) Cash flows from operating activities

Net cash provided by operating activities was 1,468 million yen (a decrease of 467 million yen). This figure primarily reflects net income before income and other taxes and minority interests of 1,709 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 1,519 million yen (a decrease of 746 million yen). This figure primarily reflects purchase of property, plant and equipment of 1,269 million yen.

(c) Cash flows from financing activities

Net cash provided by financing activities was 844 million yen (a decrease of 251 million yen). This figure primarily reflects repayment of long-term loans payable of 500 million yen, and cash dividends paid by the parent of 318 million yen.

(4) Future Outlook

The outlook for economic conditions is for an overall continuation of moderate growth, despite uncertainty due to movements in US fiscal and monetary policy, as well as frictions over trade policy, the issue of the UK's withdrawal from the EU (Brexit) and the impact of a slowdown in the Chinese economy.

In the dental industry, despite a forecast increase in demand for CAD/CAM-related products on the domestic market, further product commodification and price reductions are expected. In overseas markets, competition between companies is predicted to intensify as the industry reorganizes across manufacturers and distribution, despite an expected increase in demand for dentistry due to economic growth and improving standards of living mainly in developing countries.

Against this backdrop, the Company Group will work on the swift and steady implementation of each initiative, aiming at the realization of our "vision" of consolidated net sales of 50.0 billion yen and consolidated operating income of 7.5 billion yen, based on our corporate philosophy of "Contribution to dentistry through innovative business activities."

Our outlook for performance during the upcoming fiscal year follows.

(Unit: Millions of yen)

	Results for the fiscal year ended March 31, 2019	Outlook for the fiscal year ending March 31, 2020	Change	Change (%)
Sales	24,915	26,190	1,274	5.1
Operating income	1,814	2,056	242	13.4
Ordinary income	1,709	1,941	231	13.6
Profit attributable to owners of parent	1,201	1,377	176	14.7

Major exchange rates: US Dollar: 105.00 yen; Euro: 125.00 yen; British Pound: 145.00 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 though 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 15 yen per share. Together with the midterm dividend of 8 yen per share, which has already been paid, the total annual dividend will be 23 yen per share.

We plan to an annual dividend of 26 yen per share as an ordinary dividend during the upcoming fiscal year for a consolidated-basis dividend ratio of 30.0%.

2. Basic Approach to the Selection of Accounting Standards

Out of consideration to time period comparability of consolidated financial statements and comparability with other corporations, the Company Group takes an approach of producing consolidated financial statements according to Japanese standards.

Regarding application of IFRS (International Financial Reporting Standards), the Company Group's approach is to comply with IFRS as appropriate considering various circumstances domestic and international.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31,2018)	Fiscal year under review (as of March 31,2019)
Assets		
Current assets		
Cash and deposits	5,733	4,890
Notes and accounts receivable-trade	3,285	3,354
Securities	5	5
Merchandises and finished goods	3,996	4,347
Work in process	925	911
Raw materials and supplies	950	949
Other	480	574
Allowance for doubtful accounts	(31)	(58)
Total current assets	15,345	14,975
Noncurrent assets		
Property,plant and equipment		
Buildings and structures	8,116	8,237
Accumulated depreciation	(5,154)	(5,377)
Buildings and structures, net	2,961	2,859
Machinery, equipment and vehicles	4,003	4,021
Accumulated depreciation	(3,205)	(3,314)
Machinery, equipment and vehicles, net	798	707
Land	1,936	2,147
Construction in progress	147	617
Other	4,021	4,019
Accumulated depreciation	(3,276)	(3,251)
Other, net	745	767
Total property,plant and equipment	6,588	7,100
Intangible assets		
Goodwill	320	274
Other	959	857
Total intangible assets	1,279	1,132
Investments and other assets		
Investment securities	6,663	6,026
Deferred tax assets	83	98
Net defined benefit asset	629	530
Other	314	311
Allowance for doubtful accounts	(13)	(13)
Total investments and other assets	7,676	6,953
Total non-current assets	15,545	15,186
Total assets	30,890	30,161

(Millions of yen)

	Previous fiscal year (as of March 31,2018)	Fiscal year under review (as of March 31,2019)
Liabilities		
Current liabilities		
Accounts payable-trade	744	669
Current portion of long-term loans payable	500	849
Income taxes payable	505	242
Provision for directors' bonuses	43	42
Other	1,869	2,016
Total current liabilities	3,663	3,820
Noncurrent liabilities		
Long-term loans payable	986	125
Deferred tax liabilities	1,229	999
Net defined benefit liability	216	222
Other	637	610
Total noncurrent liabilities	3,070	1,957
Total liabilities	6,733	5,778
Net assets		
Shareholders' equity		
Capital stock	4,474	4,474
Capital surplus	4,576	4,576
Retained earnings	11,707	12,589
Treasury shares	(236)	(231)
Total shareholders' equity	20,522	21,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,282	2,797
Foreign currency translation adjustment	2	(196)
Remeasurements of defined benefit plans	228	239
Total accumulated other comprehensive income	3,513	2,841
Subscription rights to shares	101	118
Non-controlling interests	19	14
Total net assets	24,157	24,383
Total liabilities and net assets	30,890	30,161

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

(Millions of yen)

	Previous fiscal year (from April 1,2017 to March 31,2018)	Fiscal year under review (from April 1,2018 to March 31,2019)
Net sales	24,031	24,915
Cost of sales	10,267	10,469
Gross profit	13,763	14,445
Selling, general, and administrative expenses	12,266	12,631
Operating profit	1,497	1,814
Non-operating income		
Interest income	9	9
Dividend income	89	95
Membership fee income	118	124
Foreign exchange gains	75	-
Other	165	153
Total non-operating income	457	382
Non-operating expenses		
Interest expenses	10	8
Sales discounts	163	162
Membership fee	150	159
Foreign exchange losses	-	55
Other	65	100
Total non-operating expenses	390	487
Ordinary profit	1,565	1,709
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	1,357	1,709
Income taxes-current	552	530
Income taxes-deferred	(74)	(18)
Total Income taxes	478	512
Profit	879	1,196
Profit (loss) attributable to non-controlling interests	1	(4)
Profit attributable to owners of parent	877	1,201

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (from April 1,2017 to March 31,2018)	Fiscal year under review (from April 1,2018 to March 31,2019)
Profit	879	1,196
Other comprehensive income		
Valuation difference on available-for-sale securities	964	(485)
Foreign currency translation adjustment	178	(199)
Remeasurements of defined benefit plans, net of tax	134	11
Total other comprehensive income	1,277	(672)
Comprehensive income	2,156	523
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,155	528
Comprehensive income attributable to non-controlling interests	1	(4)

(3) Consolidated Statements of Changes in Net Assets
Previous fiscal year(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	(252)	19,949
Changes of items during period					
Dividends of surplus			(317)		(317)
Profit attributable to owners of parent			877		877
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(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	(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	(176)	93	2,235	92	18	22,296
Changes of items during period							
Dividends of surplus							(317)
Profit attributable to owners of parent							877
Purchase of treasury shares							(0)
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

Fiscal year under review (from April 1, 2018 to March 31, 2019)

(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	11,707	(236)	20,522
Changes of items during period					
Dividends of surplus			(318)		(318)
Profit attributable to owners of parent			1,201		1,201
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(0)	5	4
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	882	4	887
Balance at end of current period	4,474	4,576	12,589	(231)	21,409

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	3,282	2	228	3,513	101	19	24,157
Changes of items during period							
Dividends of surplus							(318)
Profit attributable to owners of parent							1,201
Purchase of treasury shares							(0)
Disposal of treasury shares							4
Net changes of items other than shareholders' equity	(485)	(199)	11	(672)	16	(4)	(660)
Total changes of items during period	(485)	(199)	11	(672)	16	(4)	226
Balance at end of current period	2,797	(196)	239	2,841	118	14	24,383

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (from April 1,2017 to March 31,2018)	Fiscal year under review (from April 1,2018 to March 31,2019)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,357	1,709
Depreciation	920	862
Impairment loss	231	-
Amortization of goodwill	54	31
Increase (decrease) in allowance for doubtful accounts	(56)	28
Increase (decrease) in net defined benefit liability	266	139
Interest and dividend income	(98)	(105)
Interest expenses	10	8
Foreign exchange losses (gains)	(77)	20
Loss (gain) on sales of investment securities	(23)	-
Decrease (increase) in notes and accounts receivable - trade	(122)	(89)
Decrease (increase) in inventories	(430)	(422)
Increase (decrease) in notes and accounts payable - trade	109	(44)
Other, net	74	48
Subtotal	2,215	2,185
Interest and dividend income received	97	105
Interest expenses paid	(7)	(8)
Income taxes paid	(368)	(813)
Net cash provided by (used in) operating activities	1,936	1,468
Cash flows from investing activities		
Payments into time deposits	(433)	(533)
Proceeds from withdrawal of time deposits	312	425
Purchase of securities	(5)	(5)
Proceeds from redemption of securities	5	5
Purchase of property, plant and equipment	(658)	(1,269)
Proceeds from sales of property, plant and equipment	0	3
Purchase of intangible assets	(46)	(70)
Purchase of investment securities	-	(60)
Proceeds from sales of investment securities	48	-
Payments of loans receivable	(17)	(24)
Collection of loans receivable	9	12
Other, net	12	(3)
Net cash provided by (used in) investing activities	(772)	(1,519)
Cash flows from financing activities		
Repayments of lease obligations	(31)	(25)
Proceeds from long-term loans payable	262	-
Repayments of long-term loans payable	(505)	(500)
Decrease (increase) in treasury shares	(0)	(0)
Cash dividends paid	(317)	(318)
Proceeds from exercise of share options	0	0
Net cash provided by (used in) financing activities	(592)	(844)
Effect of exchange rate change on cash and cash equivalents	44	(55)
Net increase (decrease) in cash and cash equivalents	615	(950)
Cash and cash equivalents at beginning of period	4,652	5,268
Cash and cash equivalents at end of period	5,268	4,318

(5) Notes to Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Changes in presentation)

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc.)

We adopted “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28; February 16, 2018), etc. from the beginning of the current consolidated fiscal year, and therefore, deferred tax assets and deferred tax liabilities have been reflected in the classification of investments and other assets and noncurrent liabilities respectively.

As a result, in the Consolidated Balance Sheets for the previous fiscal year, deferred tax assets of 523 million classified as current assets and 466 million from deferred tax liabilities classified as non-current liabilities have been included in deferred tax assets of 83 million within investments and other assets. The balance of deferred tax liabilities classified as non-current liabilities is shown as 1,229 million yen.

(Segment Information)

1. Reportable Segments

Financial statements that break out the company’s reportable segments are available, and those segments are targeted for regular examination as the Board of Directors allocates management resources and to evaluate business performance.

The Group’s businesses include the dental business, nail care business, and other businesses (manufacture and sale of industrial materials and equipment). We develop comprehensive domestic and overseas strategies for each of these businesses and conduct associated operations accordingly.

Consequently, we use the dental business, nail care business, and other businesses as our reportable segments.

The dental business segment consists of the manufacture, sale, and repair of dental materials and equipment. The nail care business segment consists of the manufacture and sale of beauty and health devices related to nail care and cosmetics as well as associated service operations. The other businesses segment consists of the manufacture and sale of industrial materials and equipment.

2. Methods used to calculate sales, gains (losses), assets, liabilities, and other figures for the reportable segments

The accounting policies for the reportable segments are basically the same as those described in “Important considerations in the preparation of consolidated financial statements.”

3. Information regarding sales, gains(loss), assets, liabilities, and other figures by reportable segment
 Previous 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	22,208	1,433	123	23,765	7,125	30,890
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 7,125 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.

Fiscal year under review (April 1, 2018 — March 31, 2019)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	22,446	2,372	96	24,915	-	24,915
(2) Internal sales or transfers	0	0	7	7	(7)	-
Total	22,446	2,372	104	24,923	(7)	24,915
Segment profit (loss)	1,797	(5)	16	1,807	6	1,814
Segment assets	22,146	1,315	142	23,604	6,557	30,161
Other items						
Depreciation expense	792	60	9	862	-	862
Amortization of goodwill	31	-	-	31	-	31
Increase in property, plant, and equipment and intangible assets	1,314	84	3	1,403	-	1,403

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

(2) The 6,557 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 (loss) 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	274	-	-	274	-	274

(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, 2017 - March 31, 2018)	Fiscal year under review (April 1, 2018 - March 31, 2019)
Net assets per share	1,511.85 yen	1,524.92 yen
Net income per share	55.20 yen	75.54 yen
Fully diluted net income per share	54.83 yen	74.99 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, 2017 - March 31, 2018)	Fiscal year under review (April 1, 2018 - March 31, 2019)
Net income per share		
Net income attributable to owners of parent (millions of yen)	877	1,201
Amount not belonging to ordinary shareholders (millions of yen)	-	-
Net income attributable to owners of parent related to common stock(millions of yen)	877	1,201
Average number of shares during the fiscal year (1,000 shares)	15,895	15,901
Fully diluted net income		
Adjustments to net income attributable to owners of parent (millions of yen)	-	-
Increase in common stock (thousands of shares)	106	115
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, 2017 - March 31, 2018)	Fiscal year under review (April 1, 2018 - March 31, 2019)
Total assets (millions of yen)	24,157	24,383
Amount excluded from total assets (millions of yen)	121	133
Year-end net assets attributable to common stock (millions of yen)	24,035	24,250
Number of common stock shares at year end used to calculate net assets per share (thousands of shares)	15,898	15,902

(Important Subsequent Events)

Not applicable.