Consolidated Financial Results for the First Quarter in the Fiscal Year Ending March 31, 2025 (Japanese Accounting Standards)

August 2, 2024

Company name: SHOFU INC.
Listing: Tokyo Stock Exchange (Prime Market)
Code number: 7979
URL: https://www.shofu.co.jp/
Representative: Tetsuo Takami, Representative Director, President & Chief Operating Officer
Contact: Takashi Morimoto, General Manager of Finance Department
Scheduled commencement date of dividend payment: —
Supplementary documents for quarterly financial results: Yes
Quarterly financial results briefing: None

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

1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2025(April 1, 2024 – June 30, 2024)

(1) Consolidated Operating Results (% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to Owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	9,457	14.4	1,550	35.5	1,812	32.6	1,120	63.2
Three months ended June 30, 2023	8,265	2.1	1,144	(6.9)	1,367	(16.0)	686	(40.0)

(Note) Comprehensive income: Three Months ended June 30, 2024 1,213 million yen (-42.3%)
Three Months ended June 30, 2023 2,103 million yen (20.6%)

	First Quarter Net income (loss) per share	First Quarter Fully diluted net income (loss) per share
	Yen	Yen
Three months ended June 30, 2024	63.12	62.85
Three months ended June 30, 2023	38.77	38.57

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Three months ended June 30, 2024	50,578	42,060	82.9	2,360.82
Year ended March 31, 2024	50,093	41,609	82.7	2,336.04

(Reference) Shareholder's equity: Three Months ended June 30, 2024 41,926 million yen
Year ended March 31, 2024 41,448 million yen

2. Dividends

	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	20.00		42.00	62.00
Year ended March 31, 2025	—				
Year ending March 31, 2025 (Forecasts)		36.00	-	26.00	—

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

The Company plans to conduct a two-for-one stock split with a record date of 1 October 2024. The dividend forecast shown for the end of the second quarter in the year ending March 31, 2025 is prior to the stock split and the year-end forecast shown is that for after the split. An annual dividend per share forecast is not shown as a simple summation is not possible due to the stock split. However, the annual dividend on a pre-stock-split basis is 88.00 yen per share.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to Owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024 (cumulative)	18,996	15.5	2,921	35.6	3,189	33.6	2,598	66.7	146.38
Year ending March 31, 2025	38,395	9.4	5,293	12.4	5,604	9.5	4,434	21.3	170.87

(Notes) Revision during the current quarter to the earnings forecasts: Yes

The consolidated earnings forecast announced on 9 May 2024 has been revised. Please refer to the Notice regarding revision of earnings forecast published today.

Furthermore, the impact of the stock split (each common share will be subject to a 1-for-2 split, effective 1 October 2024) has been factored into the net income per share forecasts for the full year consolidated forecasts. Net income per share on a pre-stock split basis would be 249.74 yen.

*Notes

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): Yes

Number of new companies 1 (their names): SHOFU PRODUCTS CHANGZHOU CO.,LTD,

Number of excluded companies ― (their names):―

(2) Adoption of accounting methods specific to the preparation of quarterly financial statements: Yes

(3) Changes in accounting principles, procedures, or indication methods:

(a) Changes in accounting standards: None

(b) Changes other than (a) above: Yes

(c) Changes in accounting estimates: Yes

(d) Retrospective restatements: None

(Notes) For details, please refer to page 8 “2. Quarterly Consolidated Financial Statement and Major Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates)

(4) Number of shares outstanding (common stock)

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

As of June 30, 2024: 17,894,089 shares

As of March 31, 2024: 17,894,089 shares

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

As of June 30, 2024: 134,584 shares

As of March 31, 2024: 151,114 shares

(c) Average number of shares during the period

As of June 30, 2024: 17,747,057 shares

As of June 30, 2023: 17,705,857 shares

* Review by a certified public accountant or audit firm of the attached quarterly consolidated financial forecasts: None

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

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

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1. Summary of Operating Results

(1) Summary of Consolidated Operating Results for the Quarterly Period

During the first quarter of the consolidated fiscal year under review, the global economy showed signs of recovery, but the outlook remained uncertain due to factors such as concerns about accelerating global inflation, continued tight monetary policies in the U.S. and Europe, and concerns about a downturn in the economy caused by rising geopolitical risks. The domestic economy also showed a moderate recovery trend against the backdrop of improved employment and income levels, but the outlook remained uncertain in light of downside risks in the global economy and inflation.

Our management philosophy outlines our intention to make a "Contribution to dentistry through innovative business activities," and our group aims to achieve consolidated net sales of ¥50 billion and consolidated operating income of ¥7.5 billion in order to further increase our contribution to global dental care. Our fifth medium-term management plan started in April 2024 and marks the final four-year plan to achieve these goals, and we are working to address key issues for the medium- to long-term.

We posted net sales of ¥9,457 million for the first quarter under review, an increase of ¥1,192 million (14.4%) from the corresponding period of the previous consolidated fiscal year. Overseas sales, which are included in net sales, increased by ¥961 million (20.2%) to ¥5,719 million (60.5% of net sales).

Operating income increased ¥405 million (35.5%) year-on-year to ¥1,550 million, despite an increase in selling, general and administrative expenses associated with the higher sales.

Ordinary income increased by ¥445 million (32.6%) year-on-year to ¥1,812 million, thanks to foreign exchange gains.

Net income attributable to owners of the parent after subtracting tax expenses was ¥1,120 million, an increase of ¥433 million (63.2%) year-on-year.

(Dental Business)

In Japan, sales grew year-on-year thanks to contributions from products including EyeSpecial C-V (an intraoral digital camera), and CAD/CAM-related products such as SHOFU Disk ZR Lucent Supra (ceramic material for dental cutting/machining) and SHOFU BLOCK PEEK (resin material for dental cutting/machining). Overseas sales increased year-on-year due to solid sales growth in existing products, especially in the U.S. and Asian regions including China, as well as the effect of forex fluctuations.

As a result, net sales for the first quarter under review increased by ¥1,222 million (16.0%) year-on-year to ¥8,862 million and operating income increased by ¥467 million (42.0%) to ¥1,579 million, despite an increase in selling, general and administrative expenses.

(Nail Care Business)

Nail care products which have been selling well in Taiwan were launched in Japan, contributing to sales in Japan, but sales decline in mainstay gel nail products, resulting in a year-on-year sales decrease. Overseas, sales to consumers remained strong in Taiwan, but in the U.S., consumption continued to decline due to inflation, resulting in a year-on-year decline in overall overseas sales.

As a result, net sales for the first quarter of the current fiscal year totaled ¥572 million, down ¥36 million (6.1%) year-on-year. Profits were down ¥62 million year-on-year to an operating loss of ¥33 million, due to an increase in selling, general and administrative expenses.

(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 for the first quarter under review increased by ¥6 million (38.6%) year-on-year to ¥23 million and operating income was ¥3 million, a year-on-year increase of ¥0.4 million (13.3%).

(2) Summary of Consolidated Financial Position for the Quarterly Period

Total assets at the end of the first quarter under review increased by ¥484 million year-on-year to ¥50,578 million. This was primarily due to increase in notes and accounts receivable-trade and merchandise and finished goods.

Liabilities increased by ¥33 million to ¥8,517 million. This was primarily due to increase in non-current liabilities such as accrued expenses.

Net assets increased by ¥450 million to ¥42,060 million. This was primarily due to increase in retained earnings and foreign currency translation adjustment.

As a result of the above, the capital-to-assets ratio rose to 82.9%, an increase of 0.2 points from the end of the previous consolidated fiscal year.

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

Based on the consolidated business results for the first quarter of the current fiscal year, we have revised our consolidated financial forecast for the second quarter of the fiscal year ending March 2025 and for the full year of the fiscal year ending March 2025, which were announced on May 9, 2024.

For details, please refer to the “Notice regarding revision of financial forecast” released today.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2024)	End of First Quarter of FYE3/25 (as of June 30, 2024)
Assets		
Current assets		
Cash and deposits	9,716	9,394
Notes and accounts receivable-trade	4,539	4,677
Merchandises and finished goods	7,312	8,240
Work in process	1,741	1,769
Raw materials and supplies	1,237	1,329
Other	648	768
Allowance for doubtful accounts	-15	-38
Total current assets	25,179	26,142
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,958	12,148
Accumulated depreciation	-6,705	-6,768
Buildings and structures, net	5,252	5,379
Other	13,258	13,557
Accumulated depreciation	-8,276	-8,482
Other, net	4,981	5,074
Total property, plant and equipment	10,234	10,454
Intangible assets	524	548
Investments and other assets		
Investment securities	11,553	10,838
Net defined benefit asset	1,875	1,874
Other	733	725
Allowance for doubtful accounts	-6	-5
Total investments and other assets	14,155	13,433
Total non-current assets	24,914	24,435
Total assets	50,093	50,578

（Millions of yen）

	Previous fiscal year (as of March 31,2024)	End of First Quarter of FYE3/25 (as of June 30, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	1,378	1,186
Short-term loans payable	-	300
Current portion of long-term loans payable	281	200
Income taxes payable	880	927
Contract liabilities	75	133
Provision for directors' bonuses	63	19
Other	2,914	3,224
Total current liabilities	5,593	5,990
Non-current liabilities		
Net defined benefit liability	228	229
Other	2,661	2,297
Total non-current liabilities	2,890	2,527
Total liabilities	8,484	8,517
Net assets		
Shareholders' equity		
Capital stock	5,968	5,968
Capital surplus	6,134	6,119
Retained earnings	20,964	21,339
Treasury shares	-297	-265
Total shareholders' equity	32,770	33,162
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,094	4,431
Foreign currency translation adjustment	2,620	3,397
Remeasurements of defined benefit plans	963	935
Total accumulated other comprehensive income	8,678	8,764
Subscription rights to shares	79	61
Non-controlling interests	82	71
Total net assets	41,609	42,060
Total liabilities and net assets	50,093	50,578

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	First Quarter of FYE 3/24 (April 1, 2023 to June 30, 2023)	First Quarter of FYE 3/25 (April 1, 2024 to June 30, 2024)
Net sales	8,265	9,457
Cost of sales	3,322	3,766
Gross profit	4,942	5,690
Selling, general, and administrative expenses	3,797	4,140
Operating income	1,144	1,550
Non-operating income		
Interest income	10	18
Dividend income	86	84
Membership fee income	51	54
Share of profit of entities accounted for using equity method	-	3
Foreign exchange gains	178	193
Other	62	79
Total non-operating income	389	434
Non-operating expenses		
Interest expenses	6	1
Membership fee	129	148
Share of loss of entities accounted for using equity method	17	-
Other	14	22
Total non-operating expenses	167	172
Ordinary income	1,367	1,812
Net income before income taxes	1,367	1,812
Income taxes	671	688
Net income	695	1,123
Net income attributable to non-controlling interests	8	3
Net income attributable to owners of parent	686	1,120

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First Quarter of FYE3/24 (April 1, 2023 to June 30, 2023)	First Quarter of FYE3/25 (April 1, 2024 to June 30, 2024)
Profit	695	1,123
Other comprehensive income		
Valuation difference on available-for-sale securities	588	-662
Foreign currency translation adjustment	840	780
Remeasurements of defined benefit plans, net of tax	-21	-27
Total other comprehensive income	1,407	90
Comprehensive income	2,103	1,213
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,089	1,206
Comprehensive income attributable to non-controlling interests	13	7

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Changes in Accounting Policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates)

(Changes to depreciation methodology for property, plant and equipment)

In the past, the Company and its domestic consolidated subsidiaries mainly used the declining balance method for depreciation of property, plant and equipment (excluding leased assets, although the straight-line method was used for depreciation of building fixtures and structures acquired from April 1 2016) but from the first quarter of this fiscal year, the method of depreciation was changed to the straight-line method.

While maintaining and enhancing the foundation of the domestic business, the Group is shifting the allocation of management resources to overseas, expanding the size of the overseas business and promoting a more global management. As part of this strategy, in the new Fifth Medium-Term Management Plan (covering the period from the fiscal year ending March 2025 through fiscal year ending March 2028), the Company plans to reallocate its production bases, including those overseas. When considering the depreciation method for property, plant and equipment at this time, we decided that adopting the straight-line method for depreciation of property, plant and equipment is appropriate from a perspective of cost allocation and better reflects the economic situation. This is because the production and operations of property, plant and equipment are likely to be stable over the long-term and the effects of any investment will be seen on an average basis by optimizing the entire production system of the entire Group. As a result of this change, operating income, ordinary income and net income before income tax for the first quarter of this fiscal year all increased by ¥33 million compared to the previous method.

(Notes to Application of Accounting Procedures Specific to the Compilation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

To calculate tax expenses, we made a reasonable estimate of the effective tax rate after the application of tax effect accounting to net income before income taxes for the current consolidated fiscal year and then multiplied the net income before income taxes for the quarter under review by the estimated effective tax rate. However, where use of the estimated effective tax rate to calculate tax expenses would result in an unreasonable figure, we have used the legal effective tax rate instead.

(Notes to Segment Information, etc)

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

For the three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

(Millions of yen)

	Reportable segments				Adjustment *1	Consolidated financial statements *2
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Sales to external customers	7,639	609	16	8,265	-	8,265
Internal sales or transfers	-	-	1	1	(1)	-
Total	7,639	609	18	8,266	(1)	8,265
Segment income	1,112	28	3	1,143	1	1,144

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

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

(Millions of yen)

	Reportable segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Japan	3,324	358	16	3,700
North and Latin America	909	59	-	969
Europe	1,860	-	-	1,860
Asia	1,545	190	-	1,735
Revenue from contracts with customers	7,639	609	16	8,265
Other revenue	-	-	-	-
Sales to external customers	7,639	609	16	8,265

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

For the three months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

(Millions of yen)

	Reportable segments				Adjustment *1	Consolidated financial statements *2
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Sales to external customers	8,862	572	23	9,457	-	9,457
Internal sales or transfers	-	-	1	1	(1)	-
Total	8,862	572	24	9,458	(1)	9,457
Segment income	1,579	(33)	3	1,549	1	1,550

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

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

(Millions of yen)

	Reportable segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Japan	3,587	333	23	3,944
North and Latin America	1,192	44	-	1,237
Europe	2,160	-	-	2,160
Asia	1,921	193	-	2,115
Revenue from contracts with customers	8,862	572	23	9,457
Other revenue	-	-	-	-
Sales to external customers	8,862	572	23	9,457

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

2. Changes to reportable segments

（Change to depreciation method for property, plant and equipment）

As stated in the section on changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates, the declining balance method was mainly used by the Company and its domestic consolidated subsidiaries for depreciation of property, plant and equipment (excluding lease assets) in the past, but the depreciation method was changed to the straight-line method from the first quarter of this fiscal year.

As a result, compared to the previous method, segment income in the first quarter of this fiscal year increased by ¥32 million in the Dental Business, ¥0 million in the Nail Care Business and ¥0 million in Other Businesses.

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

Not applicable.

(Notes to Assumptions for the Going Concern)

Not applicable.

(Notes on Consolidated Statements of Cash Flows)

No quarterly consolidated statement of cash flows has been prepared for the first quarter of this fiscal year. Depreciation and amortization (including depreciation and amortization of intangible assets) for the first quarter is as follows

	First Quarter of FYE 3/24 (April 1, 2023 to June 30, 2023)	First Quarter of FYE 3/25 (April 1, 2024 to June 30, 2024)
Depreciation and amortization	255 million yen	233 million yen