

**Consolidated Financial Results for the Fiscal Year Ended March 31, 2024**  
**(Japanese Accounting Standards)**

May 9, 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 date of ordinary shareholder's meeting: June 25, 2024  
 Scheduled date for filing of annual securities report: June 25, 2024  
 Scheduled commencement date of dividend payment: June 5, 2024  
 Supplementary materials for quarterly financial results: Yes  
 Financial results briefing held: 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, 2024 (April 1, 2023 –March 31, 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	%
Year ended March 31, 2024	35,080	10.7	4,709	23.1	5,118	20.8	3,655	16.6
Year ended March 31, 2023	31,678	12.6	3,824	18.9	4,238	15.8	3,135	23.1

(Note) Comprehensive income: Year ended March 31, 2024 7,157 million yen (99.7%)  
 Year ended March 31, 2023 3,584 million yen (6.5%)

	Net income (loss) per share	Fully diluted net income (loss) per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Year ended March 31, 2024	Yen 206.18	Yen 205.25	9.5%	10.9%	13.4%
Year ended March 31, 2023	176.10	175.13	9.2	10.0	12.1

(Reference) Equity in earnings (losses) of affiliates: Year ended March 31, 2024 -7 million yen  
 Year ended March 31, 2023 9 million yen

(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, 2024	50,093	41,609	82.7	2,336.04
Year ended March 31, 2023	43,727	35,515	80.8	1,996.64

(Reference) Shareholder's equity: Year ended March 31, 2024 41,448 million yen  
 Year ended March 31, 2023 35,342 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, 2024	3,089	(1,295)	(2,096)	9,024
Year ended March 31, 2023	3,170	(1,290)	(1,457)	8,830

## 2. Dividends

	Annual dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net sales (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2023	—	15.00	—	42.00	57.00	1,011	32.4	3.0
Year ended March 31, 2024	—	20.00	—	42.00	62.00	1,100	30.1	2.9
Year ending March 31, 2025 (Forecasts)	—	36.00	—	26.00	—		40.7	

(Notes) 1. Year-end dividends for the fiscal year ended March 31, 2023 include commemorative dividend of 10.00 yen.

(The 100th anniversary of the Company's founding)

2. 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 yen per share. Furthermore, the estimated consolidated payout ratio for the year ending March 31, 2025 is calculated using net income per share prior to taking into account the aforementioned stock split (216.36 yen for the full year) and an annual dividend of 88 yen per share. For further details, please refer to the explanation concerning the appropriate use of business forecasts, and other special items.

## 3. Estimate of Consolidated Operating Results for 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	18,426	12.0	2,099	(2.6)	2,147	(10.1)	1,872	20.1	105.53
Year ending March 31, 2025	37,721	7.5	4,800	1.9	4,894	(4.4)	3,838	5.0	148.04

(Notes) Estimates for net income per share for consolidated financial results takes into account the impact of the stock split. For further details, please refer to the explanation concerning the appropriate use of business forecasts, and other special items.

### \*Notes

- (1) Changes in significant subsidiaries during the period (Changes in Specified Subsidiaries resulting in change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates:
- (a) Changes in accounting policies resulting from revisions in accounting standards: None
  - (b) Changes in accounting policies due to other reasons: 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, 2024: 17,894,089 shares
    - As of March 31, 2023: 17,894,089 shares
  - (b) Number of treasury stock at end of period
    - As of March 31, 2024: 151,114 shares
    - As of March 31, 2023: 192,907 shares
  - (c) Average number of shares during the period
    - As of March 31, 2024: 17,731,684 shares
    - As of March 31, 2023: 17,805,323 shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(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, 2024	21,273	10.1	1,681	75.9	4,226	30.7	3,506	21.7
Year ended March 31, 2023	19,329	9.5	956	26.8	3,233	48.7	2,881	70.2

	Net income (loss) per share	Fully diluted net income (loss) per share
	Yen	Yen
Year ended March 31, 2024	197.74	196.84
Year ended March 31, 2023	161.85	160.96

(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, 2024	40,667	33,552	82.3	1,886.58
Year ended March 31, 2023	36,012	29,197	80.8	1,643.88

(Reference) Shareholder's equity: Year ended March 31, 2024 33,473 million yen  
Year ended March 31, 2023 29,098 million yen

\* This 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

Business results forecasts and other forward-looking statements included in this document are based on information currently available to the Company and certain assumptions deemed reasonable at the time of writing. Please note that actual business results may differ materially from these forecasts, due to a variety of factors. For information concerning the business results forecasts, please refer to “(4) Explanation of Future Forecast Information including Consolidated Business Results Forecasts” on page 4 of the Accompanying Materials.

(Explanation about earnings forecasts and dividend forecasts following the stock split)

The Board of Directors resolved at a meeting on 1 May 2024 to undertake a two-for-one stock split with a record date of 1 October, 2024.

The consolidated earnings forecasts and dividend forecasts for the fiscal year ending 31 March 2025 on a pre-stock-split basis are as follows:

1. Consolidated earnings forecast for the year ending 31 March 2025

Estimated net income per share: 216.36 yen

2. Dividend forecast for the year ending 31 March 2025

Forecast dividend per share at end of second quarter: 36 yen; at year-end: 52 yen; total dividend per share: 88 yen

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## 1. Overview of Business Results

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

(General situation)

During the consolidated fiscal year under review, the global economy showed signs of recovery. However, the outlook remained uncertain due to global inflationary pressures, ongoing monetary tightening in Europe and the US as well as prolonged geopolitical risks.

The domestic economy also marked a gradual recovery path on the back of improvements in employment and income levels, but it remains difficult to be upbeat on the outlook amid downside risks for the global economy and inflation.

In the dental industry, competition among companies related to digital dentistry is becoming increasingly intense on a global level. However, in Japan there were some positive signs for the industry such as efforts towards the provision of universal dental checkups and consideration being made to establishing and improving systems to prevent oral frailty (decrease in oral function) and aggravation of disease.

Against this backdrop, as we entered the final year of the fourth medium-term management plan, the Company was actively engaged in business activities aimed at further growth.

Specifically, in Japan we expanded our lineup of CAD/CAM-related products and bolstered our sales strategy in the preventative field, while overseas we aggressively launched new products and enhanced the functionality of sales bases in South America and the Middle East.

Furthermore, as well as beginning rebuilding works for our head office plant to raise production capacity, we implemented measures with an eye on longer-term growth, such as moving forward with preparations for the establishment of a manufacturing subsidiary in China.

As a result, sales for the year under review amounted to ¥35,080 million, an increase of ¥3,401 million (10.7%) year-on-year.

Operating income increased by ¥884 million (23.1%) year-on-year to ¥4,709 million, despite higher selling, general and administrative expenses, due to increased sales.

Ordinary income increased by ¥880 million (20.8%) year-on-year to ¥5,118 million, thanks to the booking of dividend payments and foreign exchange gains.

As a result of ¥285 million from the sale of investment securities, ¥52 million in income from the recovery of remittance fraud, and the booking of ¥173 million as an extraordinary loss from an impairment charge, net income attributable to shareholders of the parent company after deducting tax expenses amounted to ¥3,655 million, an increase of ¥520 million (16.6%) year-on-year, with sales, operating income, ordinary income, and net income all reaching record levels.

(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).

Overseas, sales were solid, particularly in Europe and Asia, including China, thanks to steady sales growth in dental filling and restorative materials in various regions as a result of a sales strategy that leveraged competitive advantages of our products. With foreign exchange trends also providing a positive, sales increased year-on-year.

As a result, sales in the dental business increased by ¥3,386 million (11.6%) year-on-year to ¥32,624 million and operating income increased by ¥965 million (26.0%) to ¥4,685 million, despite an increase in selling, general and administrative expenses.

(Nail Care Business)

In Japan, sales rose year-on-year thanks to sales growth in mainstay products including PRESTO (professional

gels) and NAIL DE DANCE (acrylic materials), despite falling sales of by Nail Labo (gel nail products for general consumers) amid changes in consumer tastes.

Overseas, sales in Taiwan increased, particularly for our original brand ARTiS di Voce at drug store chains. However, even though we focused on promotional activities such as via social media in the US, overall sales declined year-on-year amid tough conditions as a result of inflation.

As a result, sales in the nail-related business increased by ¥28 million (1.2%) year-on-year to ¥2,373 million, but operating income decreased by ¥88 million (94.5%) to ¥5 million due to a higher cost of sales and an increase in selling, general and administrative expenses.

(Other Businesses).

In other businesses, the market for industrial abrasives remained solid overall, with improvements in supply/demand for semiconductors, a recovery in capex and rising demand for automation and labor-saving products.

However, overall sales declined significantly as a result of a fall in orders from customers following price increases implemented in the previous fiscal year.

As a result, sales from other businesses were ¥81 million, a decrease of ¥13 million (-14.3%) year-on-year, but operating income was ¥12 million, an increase of ¥7 million (134.8%) year-on-year.

(Note: Sales in each segment do not include intersegment sales.)

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

Assets increased by ¥6,366 million from the end of the previous year to ¥50,093 million, mainly due to rises in merchandise and finished goods, as well as higher market prices for investment securities.

Liabilities increased by ¥272 million from the end of the previous year to ¥8,484 million, mainly due to increases in deferred tax liabilities and other items, despite a decline in long-term borrowings payable within 12 months.

Net assets increased by ¥6,094 million to ¥41,609 million, mainly due to an increase in retained earnings and valuation differences on other securities.

As a result, the equity ratio stood at 82.7% (80.8% at the end of the previous year).

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

Cash and cash equivalents at the end of the period under review increased by ¥193 million to ¥9,024 million compared with the end of the previous year. The status of each cash flow and their factors during the year under review are as follows.

(Unit: ¥million)

	Previous period	Current period	Variance
Cash flows from operating activities	3,170	3,089	(81)
Cash flows from investing activities	(1,290)	(1,295)	(5)
Cash flows from financing activities	(1,457)	(2,096)	(638)
Effect of exchange rate changes on cash and cash equivalents	199	496	296
Net increase (decrease) in cash and cash equivalents	622	193	(429)
Cash and cash equivalents at beginning of year	8,208	8,830	622
Cash and cash equivalents at end of year	8,830	9,024	193

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥3,089 million (a decrease of ¥81 million compared to the previous year). This was mainly due to income before income taxes and minority interests of ¥5,282 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to -¥1,295 million (a decrease of ¥5 million compared to the previous year). This was mainly due to expenditure of ¥1,616 million on the acquisition of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to -¥2,096 million (a decrease of ¥638 million compared to the previous year). This was mainly due to dividend payments of ¥1,098 million by the parent company and repayments of long-term loans payable of ¥964 million.

#### (4) Future Outlook

Looking ahead, the global economy is expected to continue to grow, albeit gradually. However, the outlook is still uncertain as economic concerns are expected to remain, such as an economic slowdown in China, prolonged global inflation, shifts in monetary policy in many countries and tensions in the Middle East.

In the dental industry, further growth is expected, particularly in digital dentistry and aesthetic/preventative fields in developed markets. Furthermore, the global dental market is expected to grow significantly in future due to increased demand for dental care as a result of economic growth and improved living standards in emerging markets.

Under these circumstances, the Group, under its management philosophy of "Contribution to dentistry through innovative business activities", is aiming to further increase its contribution to global dental care by achieving consolidated sales of ¥50 billion and consolidated operating income of ¥7.5 billion, the way we should "aim to realize our ideal state".

In our fifth medium-term management plan, covering a four-year period from April 2024, we will work on key issues for the longer term and accelerate the speed of growth for the Company.

The outlook for the next financial year is as follows.

(Unit: ¥million, %)

	Result for the financial year ending March 31, 2024	Outlook for the financial year ending March 31, 2025	Variance	Percentage change
Net sales	35,080	37,721	2,641	7.5
Operating income	4,709	4,800	90	1.9
Ordinary income	5,118	4,894	(224)	(4.4)
Net income attributable to owners of parent	3,655	3,838	182	5.0

Main forex assumptions: ¥140/\$, ¥150/€, ¥170/£ and ¥19/RMB.

## **(5) Basic policy on Profit distribution and Dividends for the Fiscal Year under Review and Upcoming Fiscal year**

The Company's basic policy is to maintain and continue stable dividends while aiming to increase corporate value over the long term and return profits to shareholders, while at the same time strengthening the management base and improving the financial position of the Company. The company also intends to increase internal reserves to prepare for active business development in the future, such as investment in research and development to expand overseas business and develop new products, while strengthening the management base and improving the financial position.

As an indicator for the return of profits, as well as targeting a consolidated dividend payout of at least 30%, we also targeted a dividend on equity (DOE) ratio of 1.7% and provide a stable return through twice-annual dividends (interim and year-end payments).

The year-end dividend for the year under review is an ordinary dividend of ¥42 per share, which together with the interim dividend of ¥20 per share already paid out, will bring the annual dividend to ¥62 per share.

With regard to an indicator for the return of profits from the next period, at a Board of Directors meeting on 1 May 2024, we decided to raise these targets to a consolidated dividend payout of at least 40% and a DOE of at least 3.0% with the aim of enhancing shareholder returns.

Furthermore, in light of the low market liquidity (turnover volume and value) of our stock, Which adds to the cost of capital in the form of a liquidity risk premium, we decided at the Board of Directors meeting on 1 May to implement a two-for-one stock split on 30 September 2024 with the aim of broadening the shareholder base, particularly individual shareholders by reducing the minimum investment.

The annual dividend for the next fiscal year is expected to be an interim dividend of ¥36 per share (prior to the stock split) and a year-end dividend of ¥26 per share (after the split). The annual dividend (on a pre-stock split basis) is expected to be ¥88 per share.

## **2. Basic approach to the Selection of Accounting Standards**

The Group's policy is to prepare its consolidated financial statements in accordance with Japanese GAAP for the time being, considering the comparability of the consolidated financial statements between periods and between companies.

It is the Company's policy to respond appropriately to the application of IFRS (International Financial Reporting Standards), considering various domestic and international circumstances.



### 3. Consolidated Financial Statements and Primary Notes

#### (1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	Fiscal year under review (as of March 31, 2024)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,578	9,716
Notes receivable-trade	220	222
Accounts receivable-trade	3,273	4,316
Merchandises and finished goods	5,854	7,312
Work in process	1,413	1,741
Raw materials and supplies	1,124	1,237
Other	775	648
Allowance for doubtful accounts	(19)	(15)
<b>Total current assets</b>	<b>22,220</b>	<b>25,179</b>
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures	11,501	11,958
Accumulated depreciation	(6,249)	(6,705)
Buildings and structures, net	5,252	5,252
Machinery, equipment and vehicles	5,077	5,462
Accumulated depreciation	(3,947)	(4,132)
Machinery, equipment and vehicles, net	1,130	1,330
Land	2,442	2,546
Construction in progress	259	115
Other	4,683	5,133
Accumulated depreciation	(3,772)	(4,143)
Other, net	910	989
Total property, plant and equipment	9,995	10,234
Intangible assets	462	524
Investments and other assets		
Investment securities	9,049	11,553
Deferred tax assets	148	158
Net defined benefit asset	1,316	1,875
Other	538	574
Allowance for doubtful accounts	(5)	(6)
Total investments and other assets	11,047	14,155
<b>Total non-current assets</b>	<b>21,506</b>	<b>24,914</b>
<b>Total assets</b>	<b>43,727</b>	<b>50,093</b>

(Millions of yen)

	Previous fiscal year (as of March 31, 2023)	Fiscal year under review (as of March 31, 2024)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	1,011	1,378
Current portion of long-term loans payable	907	281
Income taxes payable	780	880
Contract liabilities	6	75
Provision for directors' bonuses	64	63
Other	3,178	2,914
<b>Total current liabilities</b>	<b>5,949</b>	<b>5,593</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	281	-
Deffered tax liabilities	1,150	2,023
Net defined benefit liability	207	228
Other	622	638
<b>Total noncurrent liabilities</b>	<b>2,262</b>	<b>2,890</b>
<b>Total liabilities</b>	<b>8,211</b>	<b>8,484</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,968	5,968
Capital surplus	6,142	6,134
Retained earnings	18,406	20,964
Treasury shares	(379)	(297)
<b>Total shareholders' equity</b>	<b>30,138</b>	<b>32,770</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,201	5,094
Foreign currency translation adjustment	1,348	2,620
Remeasurements of defined benefit plans	655	963
<b>Total accumulated other comprehensive income</b>	<b>5,204</b>	<b>8,678</b>
<b>Subscription rights to shares</b>	<b>99</b>	<b>79</b>
<b>Non-controlling interests</b>	<b>73</b>	<b>82</b>
<b>Total net assets</b>	<b>35,515</b>	<b>41,609</b>
<b>Total liabilities and net assets</b>	<b>43,727</b>	<b>50,093</b>

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

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Fiscal year under review (from April 1, 2023 to March 31, 2024)
<b>Net sales</b>	31,678	35,080
<b>Cost of sales</b>	12,979	14,084
<b>Gross profit</b>	18,699	20,995
<b>Selling, general, and administrative expenses</b>	14,874	16,286
<b>Operating income</b>	3,824	4,709
<b>Non-operating income</b>		
Interest income	43	66
Dividend income	155	185
Foreign exchange gains	178	225
Share of profit of entities accounted for using equity method	9	-
Membership fee income	114	136
Other	153	221
<b>Total non-operating income</b>	654	834
<b>Non-operating expenses</b>		
Interest expenses	18	22
Membership fee	181	291
Share of loss of entities accounted for using equity method	-	7
Other	41	104
<b>Total non-operating expenses</b>	240	425
<b>Ordinary income</b>	4,238	5,118
<b>Extraordinary income</b>		
Gain on sales of investment securities	59	285
Settlement income	112	-
Gain on recovery of remittance fraud at overseas subsidiary	-	52
<b>Total extraordinary income</b>	171	337
<b>Extraordinary losses</b>		
Impairment loss	-	173
<b>Total extraordinary losses</b>	-	173
<b>Net income before income taxes</b>	4,410	5,282
Income taxes-current	1,344	1,698
Income taxes-deferred	(94)	(93)
<b>Income taxes</b>	1,250	1,604
<b>Net income</b>	3,160	3,677
<b>Net income attributable to non-controlling interests</b>	24	21
<b>Net income attributable to owners of parent</b>	3,135	3,655

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Fiscal year under review (from April 1, 2023 to March 31, 2024)
<b>Net income</b>	3,160	3,677
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(225)	1,893
Foreign currency translation adjustment	636	1,277
Remeasurements of defined benefit plans, net of tax	13	308
<b>Total other comprehensive income</b>	424	3,479
<b>Comprehensive income</b>	3,584	7,157
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,558	7,130
Comprehensive income attributable to non-controlling interests	26	27

**(3) Consolidated Statements of Changes in Net Assets**  
**Previous fiscal year (from April 1, 2022 to March 31, 2023)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,968	6,123	16,001	(115)	27,978
Cumulative effects of changes in accounting policies			-		-
Restated balance	5,968	6,123	16,001	(115)	27,978
Changes of items during period					
Dividends of surplus			(730)		(730)
Net income attributable to owners of parent			3,135		3,135
Purchase of treasury shares				(322)	(322)
Disposal of treasury shares		19		58	78
Change in scope of consolidation			-		-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	19	2,405	(264)	2,160
Balance at end of current period	5,968	6,142	18,406	(379)	30,138

	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	3,426	713	641	4,781	116	64	32,940
Cumulative effects of changes in accounting policies							-
Restated balance	3,426	713	641	4,781	116	64	32,940
Changes of items during period							
Dividends of surplus							(730)
Net income attributable to owners of parent							3,135
Purchase of treasury shares							(322)
Disposal of treasury shares							78
Change in scope of consolidation							-
Net changes of items other than shareholders' equity	(225)	634	13	422	(16)	8	414
Total changes of items during period	(225)	634	13	422	(16)	8	2,575
Balance at end of current period	3,201	1,348	655	5,204	99	73	35,515

**Fiscal year under review (from April 1, 2023 to March 31, 2024)**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,958	6,142	18,406	(379)	30,138
Changes of items during period					
Dividends of surplus			(1,098)		(1,098)
Net income attributable to owners of parent			3,655		3,655
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(8)		83	74
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(8)	2,557	82	2,631
Balance at end of current period	5,968	6,134	20,964	(297)	32,770

	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	3,201	1,348	655	5,204	99	73	35,515
Changes of items during period							
Dividends of surplus							(1,098)
Net income attributable to owners of parent							3,655
Purchase of treasury shares							(1)
Disposal of treasury shares							74
Net changes of items other than shareholders' equity	1,893	1,272	308	3,474	(19)	8	3,462
Total changes of items during period	1,893	1,272	308	3,474	(19)	8	6,094
Balance at end of current period	5,094	2,620	963	8,678	79	82	41,609

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

(Millions of yen)

	Previous fiscal year (from April 1, 2022 to March 31, 2023)	Fiscal year under review (from April 1, 2023 to March 31, 2024)
<b>Net cash provided by (used in) operating activities</b>		
Net income before income taxes	4,410	5,282
Depreciation	971	1,168
Impairment loss	-	173
Increase (decrease) in allowance for doubtful accounts	9	(4)
Increase (decrease) in net defined benefit liability	(128)	(101)
Interest and dividend income	(198)	(251)
Interest expenses	18	22
Foreign exchange losses (gains)	(3)	(41)
Loss (gain) on sales of investment securities	(59)	(285)
Share of loss (profit) of entities accounted for using equity method	(9)	7
Settlement income	(112)	-
Gain on recovery of remittance fraud at overseas subsidiary	-	(52)
Decrease (increase) in notes and accounts receivable - trade	(114)	(834)
Decrease (increase) in inventories	(572)	(1,302)
Increase (decrease) in notes and accounts payable - trade	(3)	78
Other, net	(188)	396
Subtotal	4,019	4,255
Interest and dividend income received	287	346
Interest expenses paid	(15)	(22)
Income taxes paid	(1,141)	(1,584)
Settlement received	21	42
Recovery of remittance fraud at overseas subsidiary received	-	52
Net cash provided by (used in) operating activities	3,170	3,089
<b>Cash flows from investing activities</b>		
Payments into time deposits	(883)	(701)
Proceeds from withdrawal of time deposits	994	759
Purchase of property, plant and equipment	(1,545)	(1,616)
Proceeds from sales of property, plant and equipment	5	3
Purchase of intangible assets	(87)	(95)
Proceeds from sales of investment securities	233	405
Payments of loans receivable	(16)	(6)
Collection of loans receivable	15	10
Other, net	(7)	(54)
Net cash provided by (used in) investing activities	(1,290)	(1,295)
<b>Cash flows from financing activities</b>		
Repayments of lease obligations	(62)	(13)
Repayments of long-term loans payable	(325)	(964)
Decrease (increase) in treasury shares	(322)	(1)
Cash dividends paid	(730)	(1,098)
Dividends paid to non-controlling interests	(17)	(18)
Proceeds from exercise of share options	0	0
Net cash provided by (used in) financing activities	(1,457)	(2,096)
<b>Effect of exchange rate change on cash and cash equivalents</b>	199	496
<b>Net increase (decrease) in cash and cash equivalents</b>	622	193
<b>Cash and cash equivalents at beginning of period</b>	8,208	8,830
<b>Cash and cash equivalents at end of period</b>	8,830	9,024

- (5) Notes to Consolidated Financial Statements  
(Notes Relating to Assumptions for the Going Concern)  
Not applicable.

(Segment Information, etc)

1. Overview of Reportable Segments

The Company's reportable segments are components of the Company for which separate financial statements are available and which are regularly reviewed by the Board of Directors to determine the allocation of management resources and assess their performance.

The Group's operations comprise dental, nail care and other businesses (manufacturing and sales of industrial materials and equipment), with each business unit formulating comprehensive domestic and international strategies and developing business activities.

Accordingly, the Company has three reportable segments: "Dental Business", "Nail Care Business" and "Other Businesses". The "Dental Business" is engaged in the manufacture, sale and repair services of materials and equipment related to dentistry, the "Nail Care Business" is engaged in the manufacture, sale and service of beauty and health equipment and cosmetics related to nails, and the "Other Businesses" is engaged in the manufacture and sale of industrial materials and equipment.

2. Methods used to calculate of sales, profit or loss, assets and other items by reportable segment

The accounting methods of the reported business segments are generally the same as those described in "Important considerations in the preparation of consolidated financial statements".



3. Information regarding sales, profit or loss, assets and other items by reportable segment and decomposition of income

Previous financial year (April 1, 2022 - March 31, 2023)

(Unit: ¥million)

	Reportable segment				Adjustments (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Dental Business	Nail Care Business	Other Businesses	Sub-total		
Net sales						
Sales to external customers	29,238	2,345	95	31,678	-	31,678
Inter-segment Internal sales or transfers	-	-	5	5	(5)	-
Total	29,238	2,345	100	31,684	(5)	31,678
Segment profits	3,719	93	5	3,818	6	3,824
Segment assets	35,454	1,841	101	37,397	6,329	43,727
Other items						
Depreciation expense	931	37	3	971	-	971
Share of profit(loss) of entities accounted for using equity method	9	-	-	9	-	9
Investments in entities accounted for using the equity method	2,734	-	-	2,734	-	2,734
Increase in property, plant and equipment and Intangible fixed assets	2,258	59	2	2,319	-	2,319

(Note 1) (1) The segment profit adjustment of ¥6 million is due to the elimination of inter-segment transactions.

(2) Adjustments to segment assets of ¥6,329 million include corporate assets that are not allocated to each segment and mainly comprise surplus operating funds (cash and deposits) and long-term investment assets (investment securities, etc.) of the Company.

2 Operating profit in the consolidated statement of income is adjusted to calculate segment profit.

(Unit: ¥million)

	Reportable segment			Total
	Dental Business	Nail Care Business	Other Businesses	
Japan	13,594	1,335	95	15,025
North America and Latin America	3,635	273	-	3,908
Europe	6,355	-	-	6,355
Asia	5,653	736	-	6,389
Revenue from contracts with customers	29,238	2,345	95	31,678
Other revenue	-	-	-	-
Sales to external customers (Note)	29,238	2,345	95	31,678

(Note) Sales to external customers are based on the location of the Company and its consolidated subsidiaries and are classified by country or region.

Financial year under review (April 1, 2023 - March 31, 2024)

(Unit: ¥million)

	Reportable segment				Adjustments (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Dental Business	Nail Care Business	Other Businesses	Sub-total		
Net sales						
Sales to external customers	32,624	2,373	81	35,080	-	35,080
Inter-segment Internal sales or transfers	-	-	6	6	(6)	-
Plan	32,624	2,373	87	35,086	(6)	35,080
Segment profits	4,685	5	12	4,703	6	4,709
Segment assets	39,250	1,812	98	41,161	8,932	50,093
Other items						
Depreciation expense	1,131	34	3	1,168	-	1,168
Share of profit(loss) of entities accounted for using equity method	(7)	-	-	(7)	-	(7)
Impairment loss	173	-	-	173	-	173
Investments in entities accounted for using the equity method	2,633	-	-	2,633	-	2,633
Increase in property, plant and equipment and intangible fixed assets	1,266	13	2	1,282	-	1,282

(Note 1) (1) Adjustment of segment profit of ¥6 million is due to the elimination of inter-segment transactions.

(2) Adjustments to segment assets of ¥ 8,932 million include corporate assets that are not allocated to each segment and mainly comprise surplus operating funds (cash and deposits) and long-term investment assets (investment securities, etc.) of the Company.

2 Segment profit is adjusted for operating profit in the consolidated statement of income.

3 Due to the decision of Mertz Dental GmbH to discontinue the development of some of its manufacturing facilities, the book value of these assets was reduced to the recoverable amount, and the amount of the reduction was recorded as impairment loss of 173 million yen under extraordinary losses.

(Unit: ¥million)

	Reportable segment			Total
	Dental Businesses	Nail Care Business	Other Businesses	
Japan	14,138	1,367	81	15,588
North America and Latin America	4,023	218	-	4,241
Europe	7,492	-	-	7,492
Asian	6,970	787	-	7,758
Revenue from contracts with customers	32,624	2,373	81	35,080
Other revenue	-	-	-	-
Sales to external customers	32,624	2,373	81	35,080

(Note) Sales to external customers are based on the location of the Company and its consolidated subsidiaries and are classified by country or region.

(Per share information)

	Previous financial year (April 1, 2022 - March 31, 2023)	Financial year under review (April 1, 2023 - March 31, 2024)
Net assets per share	¥1,996.64	¥2,336.04
Net income per share for the year	¥176.10	¥206.18
Fully diluted net income per share	¥175.13	¥205.25

(The basis for calculating net income per share and fully diluted net income per share is as follows.)

	Previous financial year (April 1, 2022 - March 31, 2023)	Financial year under review (April 1, 2023 - March 31, 2024)
Net income per share for the year		
Net income for the year attributable to owners of parent (¥million)	3,135	3,655
Amounts not attributable to ordinary shareholders (¥million)	-	-
Net income attributable to owners of parent common stock (¥million)	3,135	3,655
Average number of common shares during the year (thousand shares)	17,805	17,731
Fully diluted net income per share		
Adjustment to net income attributable to owners of parent (¥million)	-	-
Increase in the number of common shares (thousand shares)	98	80
Summary of potential shares not included in the calculation of fully diluted net income per share as they have no dilutive effect.	-	-

2. The basis for the calculation of net assets per share is as follows.

	Previous financial year (As of March 31, 2023)	Financial year under review (As of March 31, 2024)
Total net assets (¥million)	35,515	41,609
Amounts deducted from total net assets (¥million)	172	161
Net assets at the end of the year relating to common shares (¥million)	35,342	41,448
Number of common shares at the end of the year used in the calculation of net assets per share (thousands of shares)	17,701	17,742

(Significant subsequent events)

Stock split

SHOFU INC. (the “Company”) hereby announces that its Board of Directors has resolved at its meeting held on May 1, 2024 to undertake a stock split and a partial amendment to its Articles of Incorporation following the stock split.

1. Purpose of stock split

By undertaking the stock split to lower the price of share-trading units, we intend to make shares more affordable for investors, with a view to improving the liquidity of the Company’s stock and expanding its shareholder base.

2. Details of stock split

(1) Method of stock split

The record date of the stock split will be September 30, 2024. Each share of common stock owned by a shareholder whose name appears or is recorded in the shareholder registry as of the end of the record date, will be split for two shares.

(2) Increase in the number of shares from the stock split

Total number of shares issued before the stock split	17,894,089 shares
Increase in the issued shares resulting from the stock split	17,894,089 shares
Total number of shares issued after the stock split	35,788,178 shares
Total number of shares authorized after the stock split	128,000,000 shares

(3) Schedule

Public notice date of record date	Friday, September 13, 2024 (scheduled)
Record date	Monday, September 30, 2024
Effective date	Tuesday, October 1, 2024

3. Effects on per share information

Per share information, assuming that the stock split had been conducted at the beginning of the previous consolidated fiscal year, is as follows.

	Previous financial year (April 1, 2022 – March 31, 2023)	Financial year under review (April 1, 2023 – March 31, 2024)
Net assets per share	¥ 998.32	¥ 1,168.02
Net income per share for the year	¥ 88.05	¥ 103.09
Fully diluted net income per share	¥ 87.56	¥ 102.63

4. Partial Amendment to the Articles of Incorporation

(1) Reason for Amendment

In conjunction with the stock split, the Company will amend the total number of shares authorized to be issued in its Articles of Incorporation with an effective date of October 1, 2024, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act of Japan.

(2) Details of Amendment

The details of the amendment are as follows

Current Articles of Incorporation	Amendment
(Total Number of Shares Authorized) Article 6. The total number of shares authorized shall be <u>64,000,000</u> .	(Total Number of Shares Authorized) Article 6. The total number of shares authorized shall be <u>128,000,000</u> .

(3) Schedule of the Amendment

Date of Resolution by the Board of Directors	Wednesday, May 1, 2024
Effective date	Tuesday, October 1, 2024

5. Others

(1) Amount of share capital

There will be no change in the amount of share capital as a result of the stock split.

(2) Dividends

As the stock split will take effect on October 1, 2024, the year-end dividend for the fiscal year ending March 31, 2024 which has a dividend record date of September 30, 2024, will be paid based on the shares before the stock split.

(3) Shareholder special benefit

The company has the following shareholder benefit plans, which will not change because of the stock split.

In-house product offerings	Eligible shareholders: Shareholders holding one unit (100 shares) or more as recorded in the shareholders' register as of March 31 of each year
Sales of In-house products at preferential prices	Eligible shareholders: All shareholders recorded in the shareholders' register as of March 31 every year
Sales of nail care products at preferential prices	Eligible shareholders: All shareholders recorded in the shareholders' register as of September 30 every year