

**Consolidated Financial Results for the nine months ended December 31, 2023**  
**(Japanese Accounting Standards)**

February 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 date for filing of quarterly securities report: February 7, 2024  
 Scheduled commencement date of dividend payment: —  
 Supplementary materials for quarterly financial results: Yes  
 Quarterly financial results briefing held: No

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

1. Consolidated Financial Results for the nine months ended December 31, 2023(April 1, 2023 –December 31,2023)

(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	%
Nine months ended December 31, 2023	25,403	7.0	3,409	3.6	3,692	0.8	2,747	-1.7
Nine months ended December 31, 2022	23,742	13.0	3,290	10.4	3,664	11.9	2,796	19.2

(Note) Comprehensive income: Nine Months ended December 31, 2023 4,259 million yen (32.9%)  
 Nine Months ended December 31, 2022 3,206 million yen (30.3%)

	Third quarter net income (loss) per share	Third quarter fully diluted net income (loss) per share
	Yen	Yen
Nine months ended December 31, 2023	154.97	154.25
Nine months ended December 31, 2022	156.89	156.23

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	45,724	38,712	84.3	2,173.06
As of March 31, 2023	43,727	35,515	80.8	1,996.64

(Reference) Shareholder's equity: Nine Months ended December 31, 2023 38,557 million yen  
 Year ended March 31, 2023 35,342 million yen

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31,2023	—	15.00	—	42.00	57.00
Year ending March 31,2024	—	20.00	—	—	—
Year ending March 31,2024 (Forecasts)	—	—	—	38.00	58.00

(Notes) Revision to the dividend forecast during the current quarter: Yes

(Notes) 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)

3. Estimate of Consolidated Operating Results for Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)  
(% 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
Year ending March 31, 2024	34,888	10.1	4,308	12.6	4,572	7.9	3,204	2.2	180.70

(Notes) Revision during the current quarter to previously disclosed consolidated forecasts: None

\*Notes

(1) Changes in significant subsidiaries during the period (Changes in Specified Subsidiaries resulting in change in scope of consolidation): None

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

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

- (a) Changes in accounting policies: None
- (b) Changes in accounting policies due to other reasons: None
- (c) Changes in accounting estimates: None
- (d) Retrospective restatements: None

(4) Number of shares outstanding (common stock)

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

As of December 31, 2023: 17,894,089 shares

As of March 31, 2023: 17,894,089 shares

(b) Number of treasury stock at end of period

As of December 31, 2023: 150,924 shares

As of March 31, 2023: 192,907 shares

(c) Average number of shares during the period (cumulative from the beginning of the year)

As of December 31, 2023: 17,728,277 shares

As of December 31, 2022: 17,822,476 shares

\* These quarterly earnings reports are not subject to quarterly review by a certified public accountant or an audit firm.

\*Explanation about the appropriate use of earnings forecasts, and other special matters

Consolidated earnings 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 due to known or unknown factors. With regards assumptions behind the forecasts, please refer to the “Future Forecasts including Consolidated Business Results Forecasts” section on page 3.

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## 1. Qualitative information related to financial results for the period under review

### (1) Business Results

During the nine months of the consolidated fiscal year under review, the global economy showed signs of a recovery as a result of economic policies of various countries, but the outlook remained uncertain due to concerns about accelerating global inflation and prolonged monetary tightening in the US and European countries. The domestic economy also showed a gradual recovery as socio-economic activities normalized. However, lingering uncertainty remained regarding the outlook owing to downside risks in overseas economies and the impact of rising prices.

The Company Group posted net sales of ¥25,403 million for the nine months under review, an increase of ¥1,661 million (7.0%) from the corresponding period in the previous consolidated fiscal year. The overseas portion of net sales increased by ¥1,621 million (12.5%) to ¥14,590 million (57.4% of net sales).

Operating income increased by ¥119 million (3.6%) year-on-year to ¥3,409 million, due to the effect of higher sales, despite an increase in selling, general, and administrative expenses.

Ordinary income increased by ¥28 million (0.8%) year-on-year to ¥3,692 million despite a decline in net non-operating items as a result of a decrease in foreign exchange gains and an increase in club membership costs.

Despite an extraordinary gain of ¥285 million booked on the sale of investment securities, net income attributable to owners of parent fell by ¥48 million (1.7%) year-on-year to ¥2,747 million due to a rise in tax expenses.

#### (Dental Business)

In Japan, the intraoral digital camera “EyeSpecial C-V”, the self-adhesive resin cement “BeautiLinkSA” launched in the period under review, and CAD/CAM-related products contributed to sales, but demand for machinery and equipment hit a lull, resulting in lower sales compared to the same period last year. Overseas, sales increased year-on-year due to solid sales expansion of existing products, especially in Europe and Asia, as well as the positive impact of exchange rate fluctuations.

As a result, net sales for the nine months under review increased by ¥1,600 million (7.3%) year-on-year to ¥23,550 million, and operating income increased by ¥161 million (5.0%) to ¥3,384 million, despite a rise in selling, general, and administrative expenses.

#### (Nail Care Business)

In Japan, the domestic professional market, especially for exhibitions, is recovering to levels prior to the coronavirus pandemic, and sales of mainstay gel nail products increased, resulting in an increase in sales compared to the corresponding period of the previous fiscal year. Overseas, although sales in the US decreased year-on-year due to the decline in consumption stemming from inflation, sales in Taiwan rose year-on-year thanks to strong sales of consumer products.

Overall, net sales for the nine months under review increased by ¥75 million (4.4%) year-on-year to ¥1,795 million, but operating income decreased by ¥45 million (79.2%) year-on-year to ¥11 million due to a rise in the cost of sales ratio and an increase in selling, general, and administrative expenses.

#### (Other Businesses)

Group company SHOFU PRODUCTS KYOTO INC. uses dental abrasives manufacturing technology to manufacture and sell industrial abrasives. Net sales in the “Other Businesses” segment for the nine months under review decreased by ¥14 million (20.6%) year-on-year to ¥57 million, but operating income increased by ¥3 million (62.5%) to ¥9 million.

### (2) Financial Position

Total assets at the end of the third quarter under review increased by ¥1,997 million from the previous fiscal year end to ¥45,724 million. This was primarily due to a rise in merchandise and finished goods, as well as higher

market prices for investment securities.

Liabilities fell by ¥1,199 million from the previous fiscal year end to ¥7,011 million. This was primarily due to a decrease in current liabilities such as current portion of long-term loans payable and accounts payable - facilities.

Net assets increased by ¥3,197 million from the previous fiscal year end to ¥38,712 million. This was primarily due to rises in retained earnings, valuation difference on securities and foreign currency translation adjustment.

As a result, the equity ratio rose to 84.3%, an increase of 3.5 points from the end of the previous consolidated fiscal year.

### (3) Future Forecasts including Consolidated Financial Forecasts

We have not revised our earnings forecast announced on October 24, 2023 for the fiscal year ending March 31, 2024.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2023)	End of Third Quarter of Fiscal 2024 (as of December 31, 2023)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,578	8,668
Notes and accounts receivable-trade	3,493	3,742
Merchandise and finished goods	5,854	7,153
Work in process	1,413	1,662
Raw materials and supplies	1,124	1,227
Other	775	885
Allowance for doubtful accounts	(19)	(50)
<b>Total current assets</b>	<b>22,220</b>	<b>23,289</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	11,501	11,718
Accumulated depreciation	(6,249)	(6,518)
Buildings and structures, net	5,252	5,200
Other	12,463	13,005
Accumulated depreciation	(7,720)	(8,060)
Other, net	4,743	4,944
Total property, plant and equipment	9,995	10,144
Intangible assets	462	483
Investments and other assets		
Investment securities	9,049	9,793
Net defined benefit asset	1,316	1,308
Other	686	711
Allowance for doubtful accounts	(5)	(6)
Total investments and other assets	11,047	11,807
<b>Total non-current assets</b>	<b>21,506</b>	<b>22,434</b>
<b>Total assets</b>	<b>43,727</b>	<b>45,724</b>

	(Millions of yen)	
	Previous fiscal year (as of March 31, 2023)	End of Third Quarter of Fiscal 2024 (as of December 31, 2023)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	1,011	1,116
Current portion of long-term loans payable	907	162
Income taxes payable	780	805
Provision for directors' bonuses	64	46
Other	3,185	2,482
<b>Total current liabilities</b>	5,949	4,613
<b>Non-current liabilities</b>		
Long-term loans payable	281	200
Net defined benefit liability	207	208
Other	1,773	1,989
<b>Total non-current liabilities</b>	2,262	2,398
<b>Total liabilities</b>	8,211	7,011
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,968	5,968
Capital surplus	6,142	6,134
Retained earnings	18,406	20,055
Treasury shares	(379)	(297)
<b>Total shareholders' equity</b>	30,138	31,861
<b>Accumulated other comprehensive income</b>		
Valuation difference on securities	3,201	3,875
Foreign currency translation adjustment	1,348	2,228
Remeasurements of defined benefit plans	655	591
<b>Total accumulated other comprehensive income</b>	5,204	6,695
<b>Subscription rights to shares</b>	99	79
<b>Non-controlling interests</b>	73	76
<b>Total net assets</b>	35,515	38,712
<b>Total liabilities and net assets</b>	43,727	45,724

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

(Millions of yen)

	Third Quarter of Fiscal 2023 (from April 1, 2022 to December 31, 2022)	Third Quarter of Fiscal 2024 (from April 1, 2023 to December 31, 2023)
<b>Net sales</b>	23,742	25,403
<b>Cost of sales</b>	9,734	10,184
<b>Gross profit</b>	14,008	15,219
<b>Selling, general, and administrative expenses</b>	10,717	11,809
<b>Operating income</b>	3,290	3,409
<b>Non-operating income</b>		
Interest income	28	43
Dividend income	139	167
Club membership income	78	108
Foreign exchange gains	168	128
Other	119	157
<b>Total non-operating income</b>	535	606
<b>Non-operating expenses</b>		
Interest expenses	9	16
Club membership costs	124	242
Share of loss of entities accounted for using equity method	1	11
Other	26	53
<b>Total non-operating expenses</b>	161	323
<b>Ordinary income</b>	3,664	3,692
<b>Extraordinary income</b>		
Gain on sales of investment securities	59	285
Settlement income	112	-
<b>Total extraordinary income</b>	171	285
<b>Net income before income taxes</b>	3,836	3,977
<b>Income taxes</b>	1,020	1,212
<b>Net income</b>	2,815	2,765
<b>Net income attributable to non-controlling interests</b>	19	18
<b>Net income attributable to owners of parent</b>	2,796	2,747

**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Third Quarter of Fiscal 2023 (from April 1, 2022 to December 31, 2022)	Third Quarter of Fiscal 2024 (from April 1, 2023 to December 31, 2023)
<b>Net income</b>	2,815	2,765
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(214)	674
Foreign currency translation adjustment	676	883
Remeasurements of defined benefit plans, net of tax	(71)	(63)
<b>Total other comprehensive income</b>	390	1,496
<b>Comprehensive income</b>	3,206	4,259
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,186	4,238
Comprehensive income attributable to non-controlling interests	19	21



### (3) Quarterly Consolidated Financial Statements

(Notes on Assumptions for Going Concern)

Not applicable.

(Notes on Material Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of Special Accounting Processing in the Compilation of Quarterly Financial Statements)

(Calculation of tax expenses)

To calculate tax expenses, we make a reasonable estimate of the effective tax rate after the application of tax accounting to current net income before tax for the current consolidated fiscal year and then multiply the current net income before tax for the period under review by this estimated effective tax rate. However, where use of this estimated effective tax rate to calculate tax expenses results in an unreasonable figure, we use the legal effective tax rate instead.

(Segment Information)

#### 1. Information regarding sales, profits (losses) by reportable segment and revenue breakdown

For the nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

(Millions of yen)

	Reporting segments				Adjustment *1	Consolidated financial statements *2
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Sales to external customers	21,949	1,719	72	23,742	-	23,742
Internal sales or transfers	-	-	3	3	(3)	-
Total	21,949	1,719	76	23,746	(3)	23,742
Segment income	3,222	57	5	3,286	4	3,290

\*1. The ¥4 million adjustment to segment income/loss serves to cancel out transactions between segments.

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

(Millions of yen)

	Reporting segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Domestic	10,310	981	72	11,365
North and Latin America	2,753	207	-	2,961
Europe	4,718	-	-	4,718
Asia	4,166	530	-	4,697
Revenue from contracts with customers	21,949	1,719	72	23,742
Other revenue	-	-	-	-
Sales to external customers	21,949	1,719	72	23,742

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

For the nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

(Millions of yen)

	Reporting segments				Adjustment *1	Consolidated financial statements *2
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Sales to external customers	23,550	1,795	57	25,403	-	25,403
Internal sales or transfers	-	-	4	4	(4)	-
Total	23,550	1,795	62	25,408	(4)	25,403
Segment income	3,384	11	9	3,405	4	3,409

\*1. The ¥4 million adjustment to segment profit/loss serves to cancel out transactions between segments.

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

(Millions of yen)

	Reporting segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Domestic	10,255	1,042	57	11,355
North and Latin America	2,946	171	-	3,117
Europe	5,473	-	-	5,473
Asia	4,874	581	-	5,456
Revenue from contracts with customers	23,550	1,795	57	25,403
Other revenue	-	-	-	-
Sales to external customers	23,550	1,795	57	25,403

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