



[Code Number: 7979]

Briefing Materials

Financial Results and Forecasts

for 3Q FY March 2024

February 2, 2024



Proven Products for Better Dentistry

SHOFU INC.

Consolidated Financial Results for 1-3Q FY March 2024

Financial Forecasts for
FY March 2024

TOPICS
(Oct-Dec 2023)



Highlights

Financial Results for 1-3Q FY March 2024

Net sales	¥25,403mn	(Overseas sales ratio 57.4%)
Operating income	¥3,409mn	

【YoY】

- Sales rose 7.0% following the launch of next-gen dental cameras, sales growth in existing products overseas, and forex effects
- Operating income turned up YoY, rising 3.6% despite a sharp increase in SG&A due to upfront investments and efforts to bolster marketing, on the back of the sales growth.

【 FY March 2024 outlook】

Expecting record-high sales and profits for the third straight year

- The achievement rate (vs the revised plan on October 24, 2023) for sales and operating income is 72.8% and 79.1% respectively.
- Chemical product supply shortages and order backlogs were an ongoing issue since the previous fiscal year, but were largely resolved during 3Q. Efforts to improve profitability by capturing steady overseas demand were stepped up. We also focused on expanding sales in the domestic market of dental cutting resin materials and related products (newly covered by insurance), as well as self-care toothpaste (exclusively sold at dental offices), and other new products.



Key earnings highlights for 1-3Q FY March 2024

Units: ¥mn, %

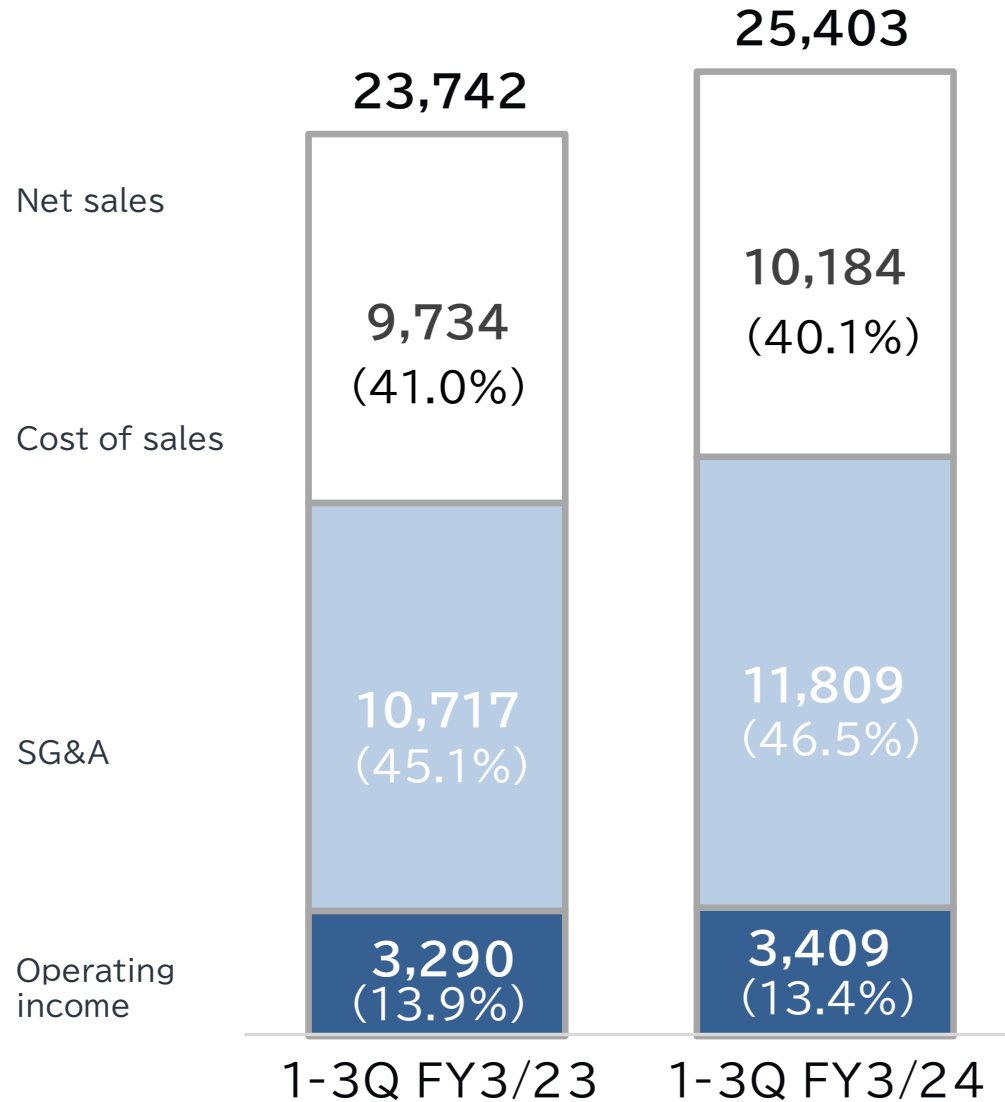
	1-3Q FY3/23 (% of sales)	1-3Q FY3/24 (% of sales)	Change From Previous Period (% change)	FY3/24 Forecast (% of sales)
Net sales	23,742 (100.0)	25,403 (100.0)	1,661 (7.0)	34,888 (72.8)
(Domestic sales)	10,772 (45.4)	10,812 (42.6)	39 (0.4)	14,851 (72.8)
(Overseas sales)	12,969 (54.6)	14,590 (57.4)	1,621 (12.5)	20,037 (72.8)
Gross profit	14,008 (59.0)	15,219 (59.9)	1,211 (8.6)	20,614 (73.8)
(SG&A expenses)	10,717 (45.1)	11,809 (46.5)	1,091 (10.2)	16,306 (72.4)
Operating income	3,290 (13.9)	3,409 (13.4)	119 (3.6)	4,308 (79.1)
Ordinary income	3,664 (15.4)	3,692 (14.5)	28 (0.8)	4,572 (80.8)
Net income	2,796 (11.8)	2,747 (10.8)	- 48 (-1.7)	3,204 (85.7)
Net income per share	157.29	154.97	-2.32	180.70
Return on shareholders' equity	8.2%	7.4%	-0.8P	8.8%
Forex				
USD	135.40	142.76	7.36	141.31
EUR	140.42	155.19	14.77	153.51
RMB	19.32	19.65	0.33	19.65

- * Effect of forex fluctuations [Change from previous period]: Net sales +¥802mn
- * Net income in the table refers to "net income attributable to owners of parent".
- * Full-year forecast for FY3/2024 is the revised plan announced on 10/24/2023.



Operating income (YoY)

Units: ¥mn, (% of total)



Net sales: +¥1,661mn (+7.0%)

Overseas sales growth and forex effects.

Operating income: +¥119mn (+3.6%)

OP increased due to sales growth
OPM fell slightly due to higher SG&A,
(particularly personnel expenses)

Cost of sales ratio: -0.9pt

Improved sales mix, yen depreciation.

SG&A ratio: +1.4pt

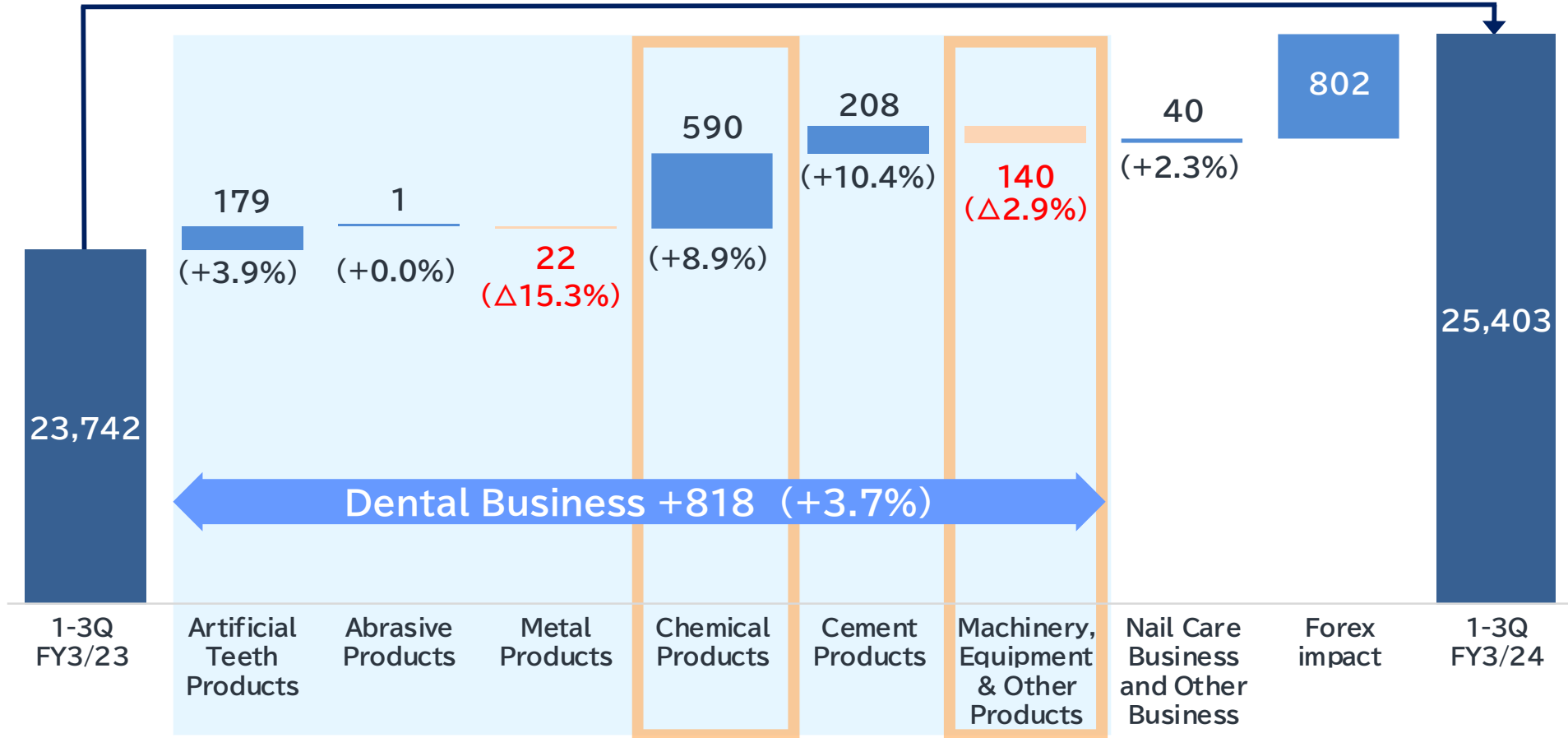
Higher SG&A ratio due to growth
investment and bolstered marketing.



Sales by product category (YoY)

Net sales +1,661 (+7.0%)

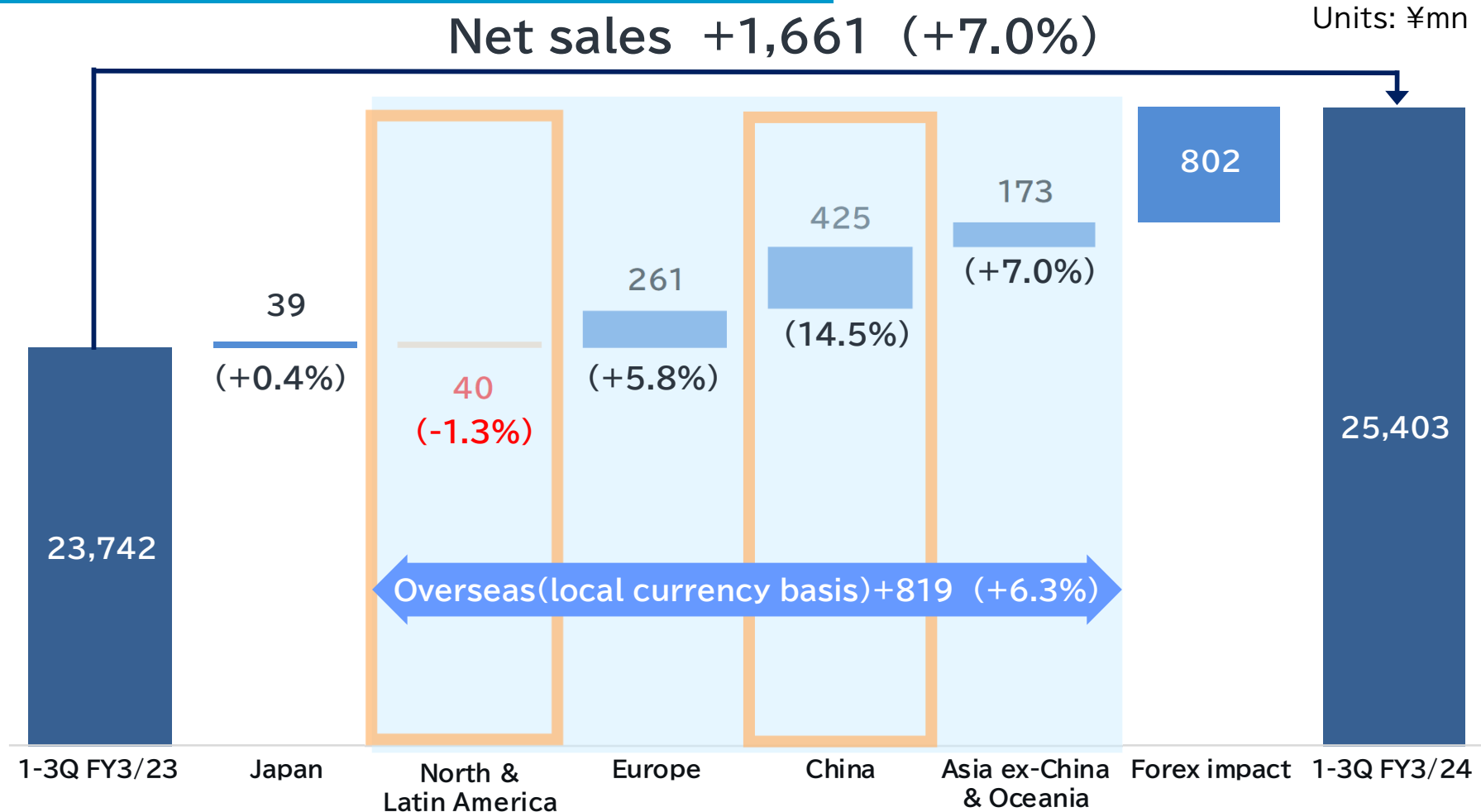
Units: ¥mn



- ✓ Resumption of aggressive sales promotions for chemical products as supply constraints eased.
- ✓ Special demand in the previous year for new CAD/CAM equipment in Japan fell back.
- ✓ Favorable inquiries for various new products including “EyeSpecial C-V” (digital dental cameras)



Sales by region (YoY)

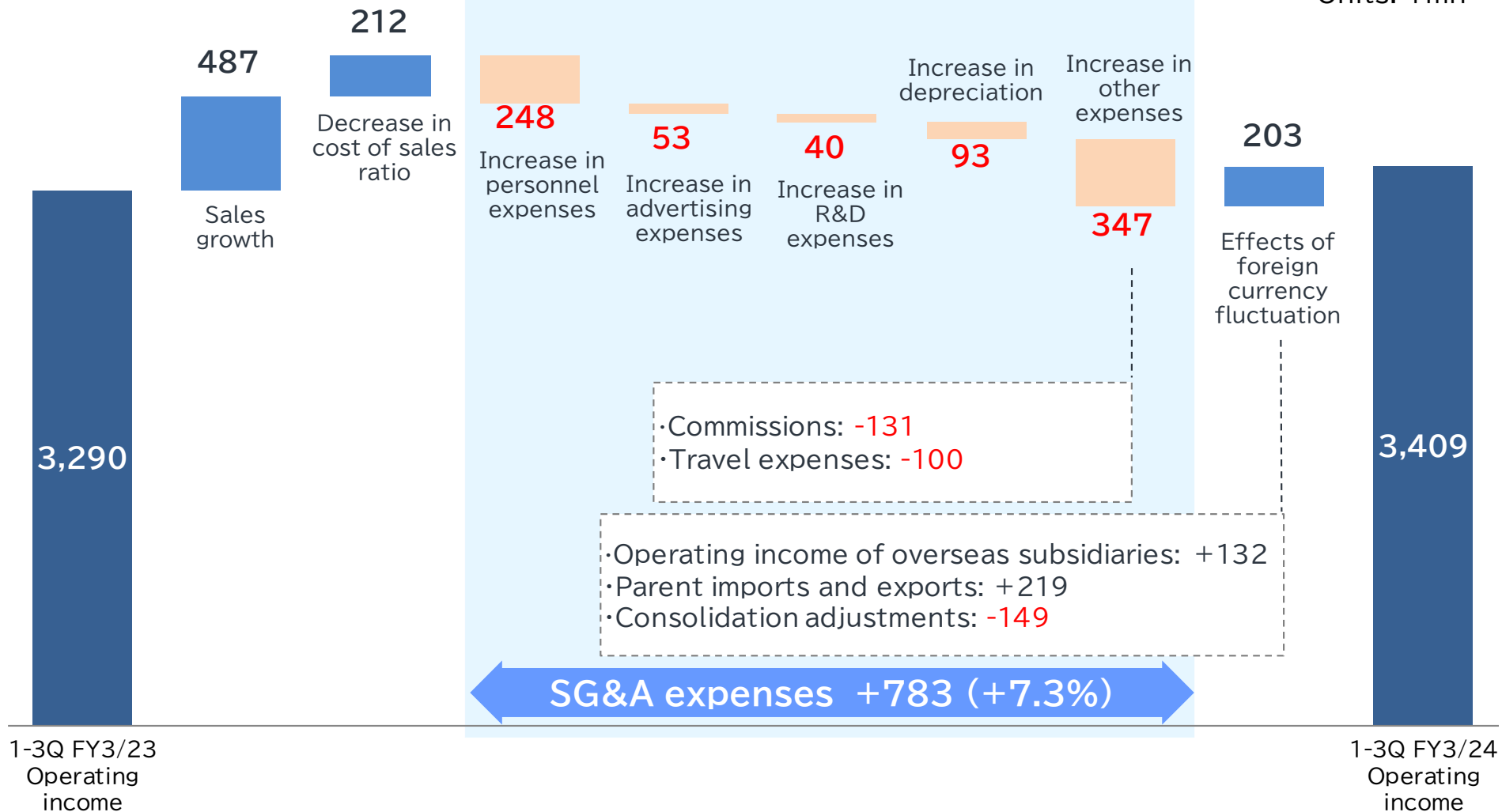


- ✓ North & Latin America on a recovery track since 3Q FY3/24. Sales recovered to flat YoY due to sales growth in “EyeSpecial C-V” (digital dental cameras) and chemical products, despite inventory adjustments in abrasive products.
- ✓ Exports from Japan to India, temporarily suspended from this fiscal year, resumed as regulatory approval filings were completed.



Operating income swing factors (YoY)

Units: ¥mn

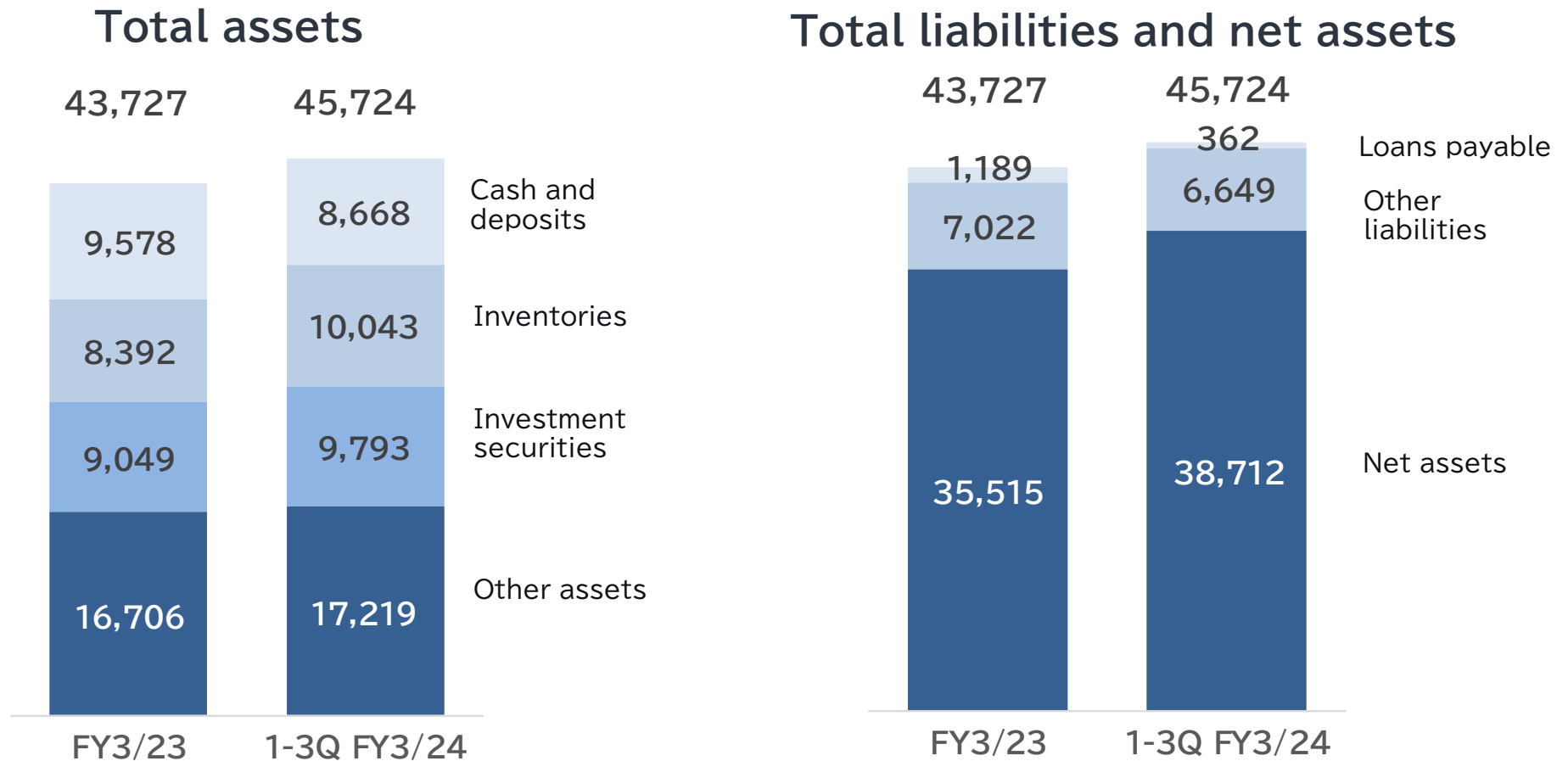


- ✓ Improvement in cost of sales ratio due to higher overseas sales ratio and better sales mix
- ✓ Ongoing upfront investments for growth, such as bolstering personnel and more R&D initiatives



Balance Sheet

Units: ¥mn



Maintained strong financial position and high equity ratio (84.3%)

- ✓ Total assets (+1,997) : More inventories, increase in investment securities amid rising market prices.
- ✓ Net assets (+3,197) : Higher valuation difference on securities and larger foreign currency translation adjustment.

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Summary of Full-Year Forecasts

- Expect global dental market growth and strong demand, particularly in emerging countries
- Look for expansion in overseas business and improving sales mix
 - Sales and income to reach a record high for the third consecutive year
- Aggressive investment in R&D, human resource development and facilities to enhance corporate value,
- Strengthening sales activities amid normalization of global economic activity
- Rising costs due to higher raw material and energy prices
 - Continue to invest for future business growth
 - Measures to address high costs include improving production and sales efficiency and revising product prices.
- Expect to clear backorders taken in the previous fiscal year, when production could not keep up with the surge in demand, in the current fiscal year.
 - Establish a system to deal with future demand growth and address business risks.



Comparison of key metrics

Units: ¥mn, %

	FY3/23 Actual (% of sales)		FY3/24 Forecast (% of sales)		Change From Previous Period (% change)	
Net sales	31,678	(100.0)	34,888	(100.0)	3,209	(10.1)
(Domestic sales)	14,282	(45.1)	14,851	(42.6)	568	(4.0)
(Overseas sales)	17,396	(54.9)	20,037	(57.4)	2,641	(15.2)
Gross profit	18,699	(59.0)	20,614	(59.1)	1,914	(10.2)
(SG&A expenses)	14,874	(47.0)	16,306	(46.7)	1,431	(9.6)
Operating income	3,824	(12.1)	4,308	(12.3)	483	(12.6)
Ordinary income	4,238	(13.4)	4,572	(13.1)	333	(7.9)
Net income	3,135	(9.9)	3,204	(9.2)	68	(2.2)
Net income per share	176.10		180.70		4.60	
Return on shareholders' equity	9.2%		8.8%		-0.4P	
Forex						
USD	134.95		141.31		6.36	
EUR	141.24		153.51		12.27	
RMB	19.38		19.65		0.27	

*Effect of forex fluctuations (YoY): Net sales +¥940mn

*Net income = net income attributable to owners of parent



Segment forecasts (net sales & operating income)

Units: ¥mn

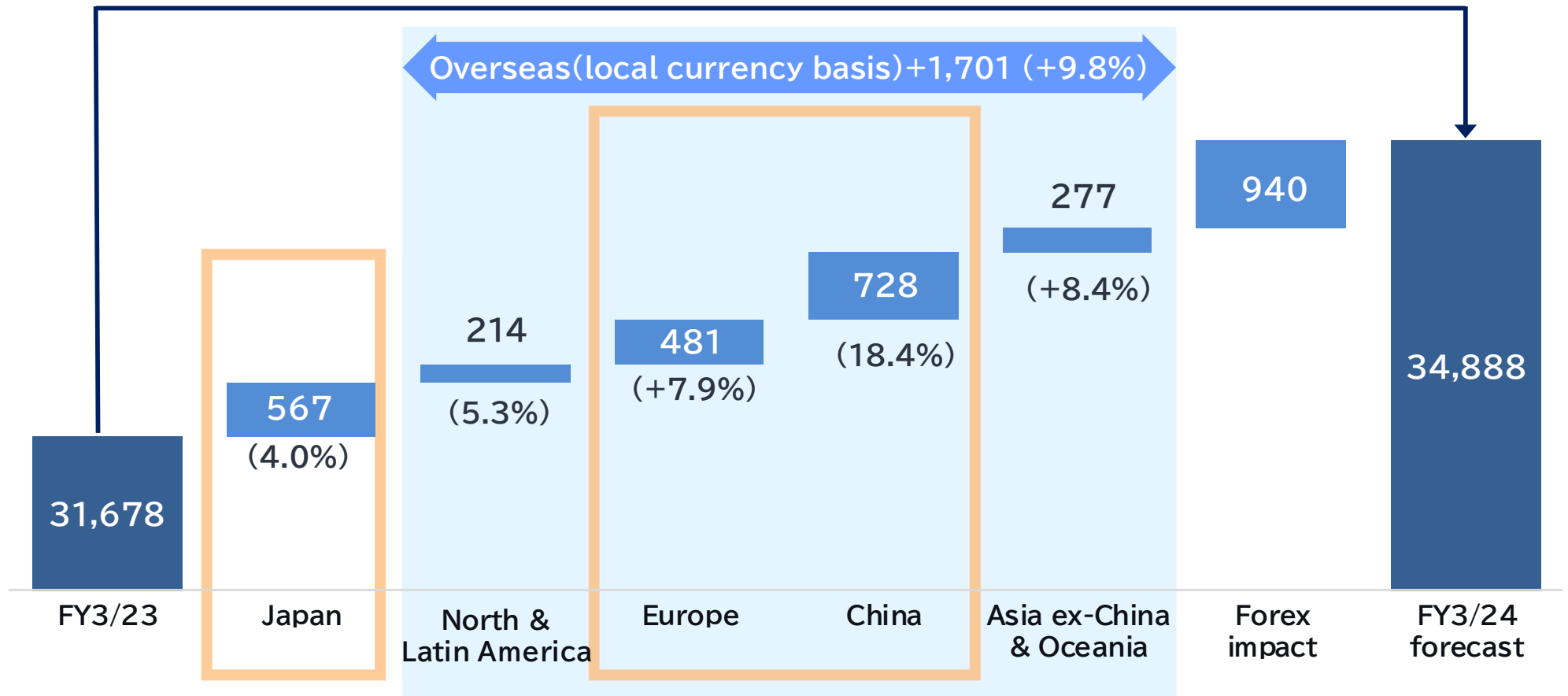
		FY3/23 Actual	FY3/24 Forecast	Change from Previous Period
		Amount (% of sales)	Amount (% of sales)	
Dental Business	Net sales	29,238	32,325	3,087
	Operating income (Operating income margin)	3,719 (12.7)	—	—
Nail Care Business	Net sales	2,345	2,460	115
	Operating income (Operating income margin)	93 (4.0)	—	—
Other Businesses	Net sales	100	102	2
	Operating income (Operating income margin)	5 (5.4)	—	—
Total before consolidation adjustment	Net sales	31,684	34,888	3,204
	Operating income (Operating income margin)	3,818 (12.1)	—	—
Consolidated	Net sales	31,678	34,888	3,209
	Operating income (Operating income margin)	3,824 (12.1)	4,308 (12.3)	483 (0.3)



Sales by region (YoY)

Units: ¥mn

Net sales +3,209 (+10.1%)



- ✓ Domestic sales to remain solid amid stable demand
- ✓ Expect organic growth of ¥1,701mn (+9.8%) YoY for overseas sales (currency-neutral basis)
- ✓ Steady business growth in China and Europe (& Middle East) expected to contribute to overseas sales



Forex impact

FY3/24 Forecast

(Units: ¥mn)

	Forex rate		Consolidated earnings impact		Per yen of yen strength	
	FY3/23	FY3/24 Forecast	Sales	Operating income	Sales	Operating income
USD	134.95	141.31	255	132	-40	-17
EUR	141.24	153.51	517	221	-42	-17
RMB	19.38	19.65	64	10	-240	-150

- ✓ FY3/24 forex assumption used are actual rates from 2Q FY3/24 (USD: ¥6.36 depreciation YoY)
- ✓ Overseas sales ratio is increasing so yen depreciation has a positive impact on earnings

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Dividend forecast revised

We revised our annual dividend forecast for FY3/2024 as follows (Feb 2, 2024)

	Dividends per share			Consolidated dividend payout ratio	DOE
	End of second quarter	Year-end	Annual		
Previous forecast <small>(Released on May 10, 2023)</small>		¥27.00	¥47.00	26.0%	
Current forecast		¥38.00	¥58.00	32.1%	
FY3/2024	¥20.00				
FY3/2023	¥15.00	¥42.00	¥57.00	32.4%	3.0%

(Notes) Year-end dividends for FY3/2023 included a commemorative dividend of ¥10.00 (100th anniversary of company's founding)

Annual dividend forecast raised by ¥11 vs previous forecast

(May 10, 2023)

Policy: Maintain stable dividends on an ongoing basis
 Target: Consolidated dividend payout ratio of 30% or more
 Dividend on equity (DOE) ratio of 1.7%

SHOFU BLOCK PEEK

Material for CAD/CAM crowns (V) now covered by health insurance

■ TOPICS



SHOFU BLOCK PEEK can be used for all molars

Scope of crown restorations using CAD/CAM crowns covered by health insurance expanded (from Dec. 1, 2023)



SHOFU BLOCK
PEEK

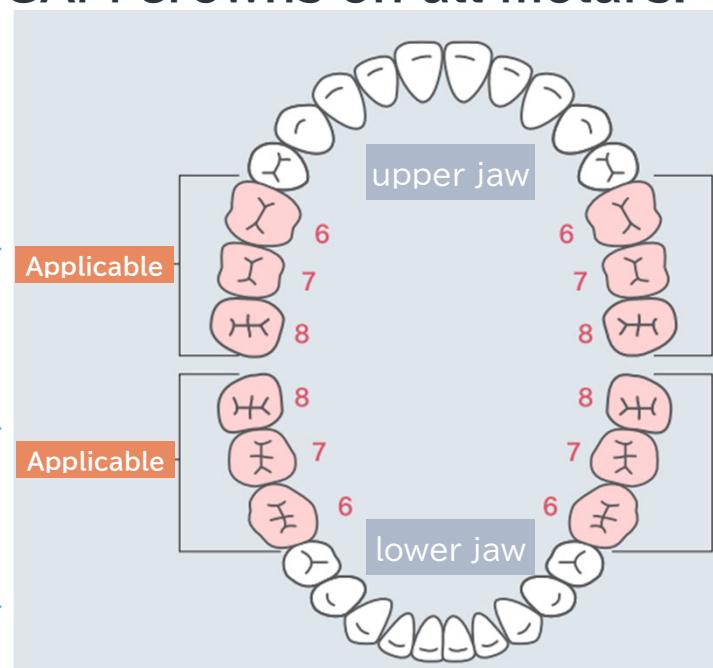
Only **SHOFU BLOCK PEEK** approved for health insurance for CAD/CAM crowns on all molars.

Features

Reduced risk of failure
High toughness

Exceptional
Biocompatibility

Gentle on natural teeth
Thin structure



PEEK: Poly Ether Ether Ketone

A high-performance engineering thermoplastic that belongs to the family of polyketones



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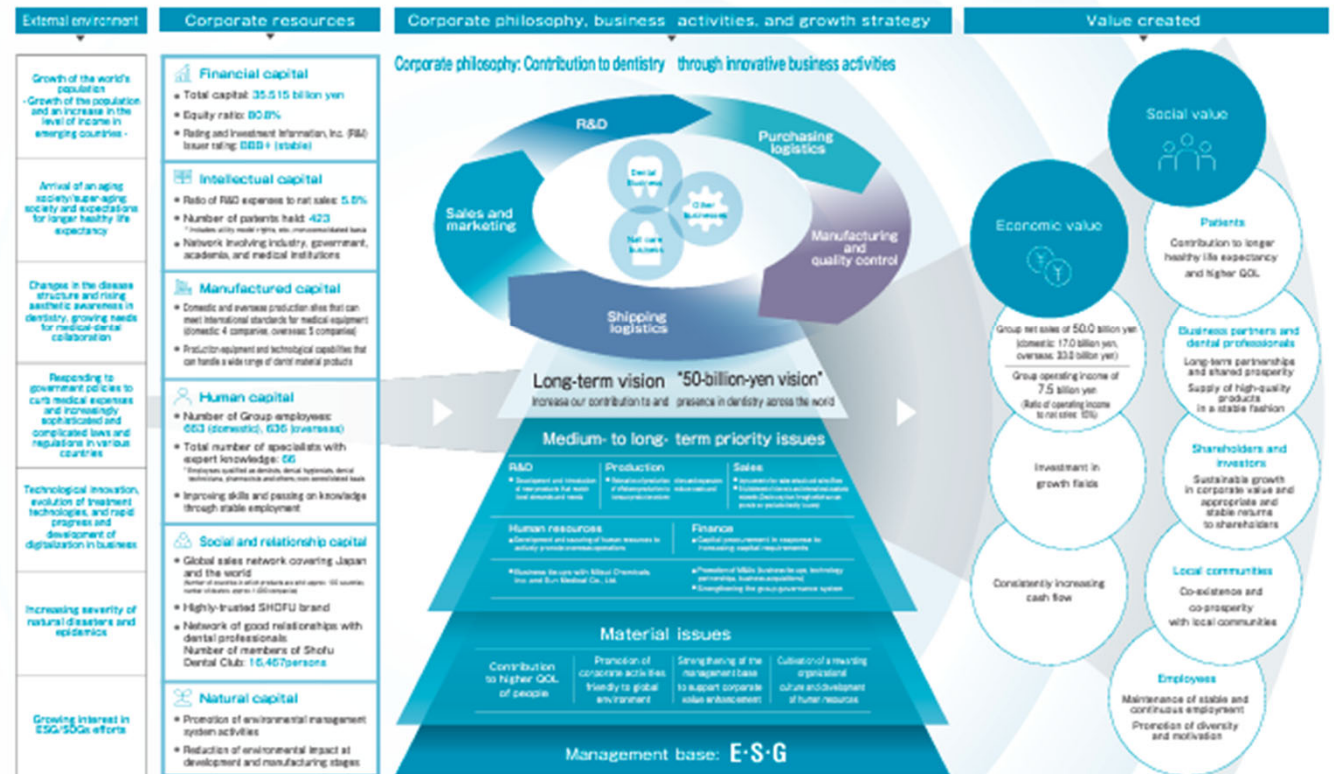
SHOFU INC. Integrated Report 2023

<https://pdf.irpocket.com/C7979/gX9u/T6Wc/MyGh.pdf>



Shofu's Value Creation Process

Based on our corporate philosophy of "Contribution to dentistry through innovative business activities," we aim to create economic and social value by pursuing business activities that utilize our wealth of resources and robust business foundation.



Forecasts in this document are based on information and data available at the time of release as well as on assumptions concerning uncertain factors that might affect the company's future business performance.

Depending on various factors, actual business performance could differ substantially from the forecasts contained in this document.

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