

# Briefing Materials

## Financial Results and Forecasts for 1Q FY March 2025

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August 2, 2024



Proven Products for Better Dentistry

**SHOFU INC.**

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## Financial Summary

Consolidated Financial Results for  
1Q FY March 2024

Financial Forecasts for FY March 2025



## FY3/25 1Q results

Net sales	¥9,457mn	(Overseas sales 60.5%)
Operating income	¥1,550mn	

- Net sales increased 14.4% YoY due to sales expansion of existing products overseas, a pickup in CAD/CAM-related machinery in Japan, firm demand for *SHOFU Block PEEK* which is now fully covered by health insurance and the impact of forex (yen depreciation)
- Operating income increased 35.5% YoY due to sales growth, improved gross margin covering high SG&A, and the effect of yen depreciation

## FY3/25 outlook ※Revised plan announced on August 2, 2024

Net sales	¥38,395mn	(Overseas sales 58.6%)
Operating income	¥5.293mn	

- We expect net sales to increase by 9.4% YoY due to sales expansion of existing products (mainly filling and restoration materials) overseas and increased demand for *SHOFU Block PEEK* and peripheral materials in Japan. Revised exchange rate assumptions to a weaker yen compared to the previous forecast (May 1, 2024) (Forex: ¥145.09/\$, ¥155.65/€, ¥20.11/RMB)
- **Revised earnings forecast upward on August 2, 2024. Fourth consecutive fiscal year of sales and profit growth, expecting to mark a record high**

## Shareholder returns

- Dividend policy: Payout ratio of 40%+ and DOE of 3.0%+ on a consolidated basis
- Dividend forecast for FY3/25 is ¥88/share, an increase of ¥26 YoY\*
- Dividend amounts will be reviewed as appropriate based on the policy

\*A two-for-one stock split of shares of common stock is scheduled to take effect on October 1, 2024. The dividend forecast of ¥88/share is based on a pre-split basis.

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# Key earnings highlights for 1Q FY3/25

	1Q FY3/24 Actual		1Q FY3/25 Actual		Change YoY		1-2Q FY3/25 Forecast	
	(% of sales)		(% of sales)		(% change)		(1Q % change)	
Net sales	8,265	(100.0)	9,457	(100.0)	1,192	(14.4)	18,996	(49.8)
(Domestic sales)	3,507	(42.4)	3,738	(39.5)	231	(6.6)	7,787	(48.0)
(Overseas sales)	4,757	(57.6)	5,719	(60.5)	961	(20.2)	11,209	(51.0)
Gross profit	4,942	(59.8)	5,690	(60.2)	748	(15.2)	11,459	(49.7)
(SG&A)	3,797	(45.9)	4,140	(43.8)	342	(9.0)	8,538	(48.5)
Operating income	1,144	(13.9)	1,550	(16.4)	405	(35.5)	2,921	(53.1)
Ordinary income	1,367	(16.5)	1,812	(19.2)	445	(32.6)	3,189	(56.8)
Net income	686	(8.3)	1,120	(11.8)	433	(63.2)	2,598	(43.1)
EPS	38.77		63.12		24.35		146.38	
ROE	1.9%		2.7%		0.8ppt		--	
<b>Forex</b>								
\$	138.11		156.53		18.42		149.45	
€	150.35		168.37		18.02		160.50	
RMB	19.33		20.54		1.21		21.06	

(¥mn, %)

Revised plan announced on August 2, 2024

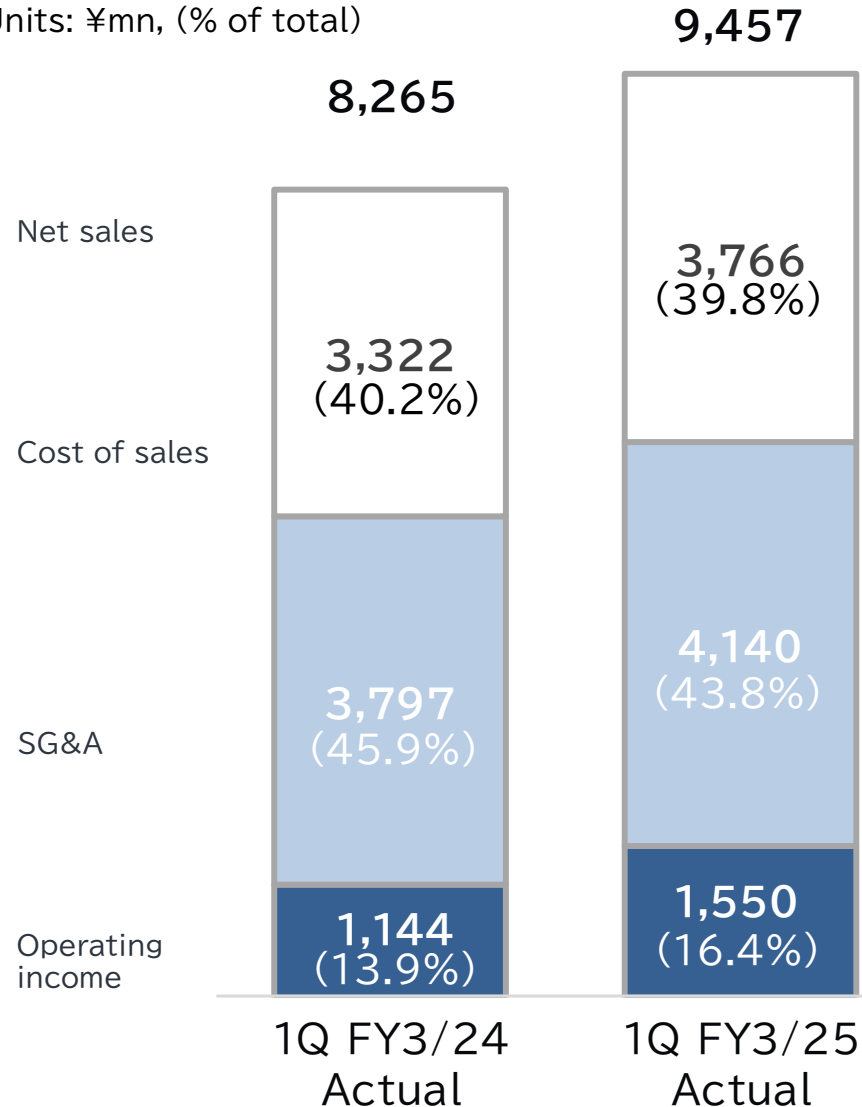
\*Effect of forex fluctuations: Net sales +¥538mn (vs previous FY)

\*Net income = net income attributable to owners of parent



# Operating income (YoY)

Units: ¥mn, (% of total)



**Net sales: +¥1,192mn (+14.4%)**

Net sales growth and forex effects.

**Operating income: +¥405mn (+35.5%)**

Increased due to sales growth  
Margin improved, absorbing an increase in SG&A expenses.

**Cost of sales ratio: -0.4ppt**

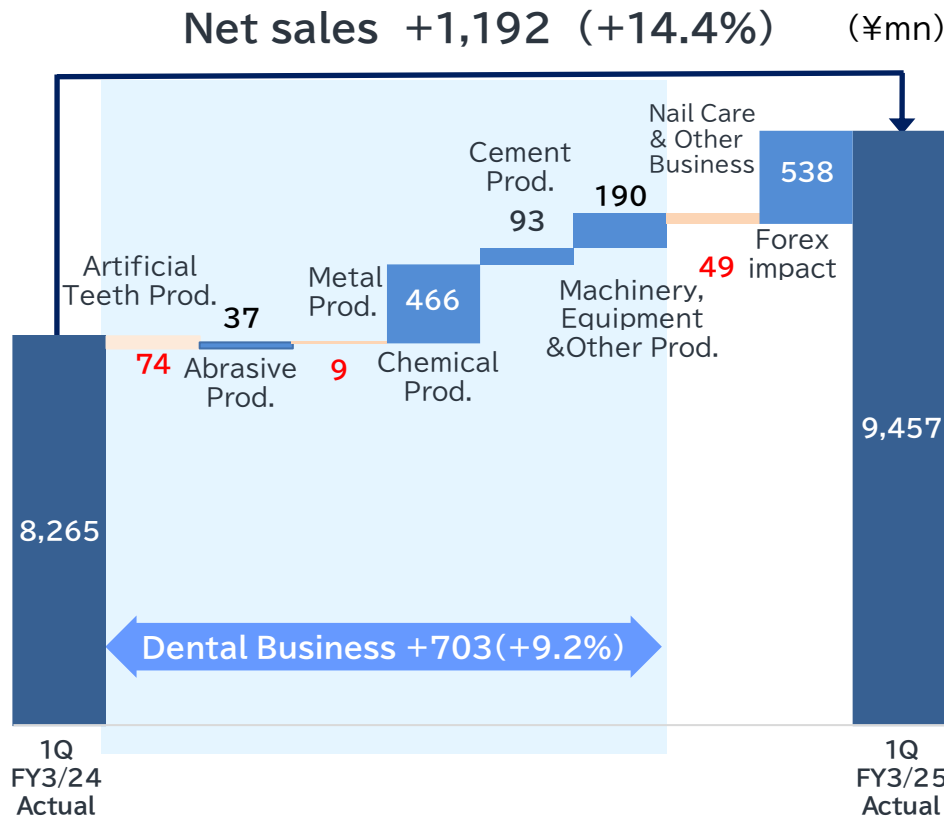
Overseas sales growth  
Improved sales mix

**SG&A ratio: -2.1ppt**

SG&A almost in line with forecast  
SG&A ratio decreased due to revenue increase



# Net sales by product category (YoY)

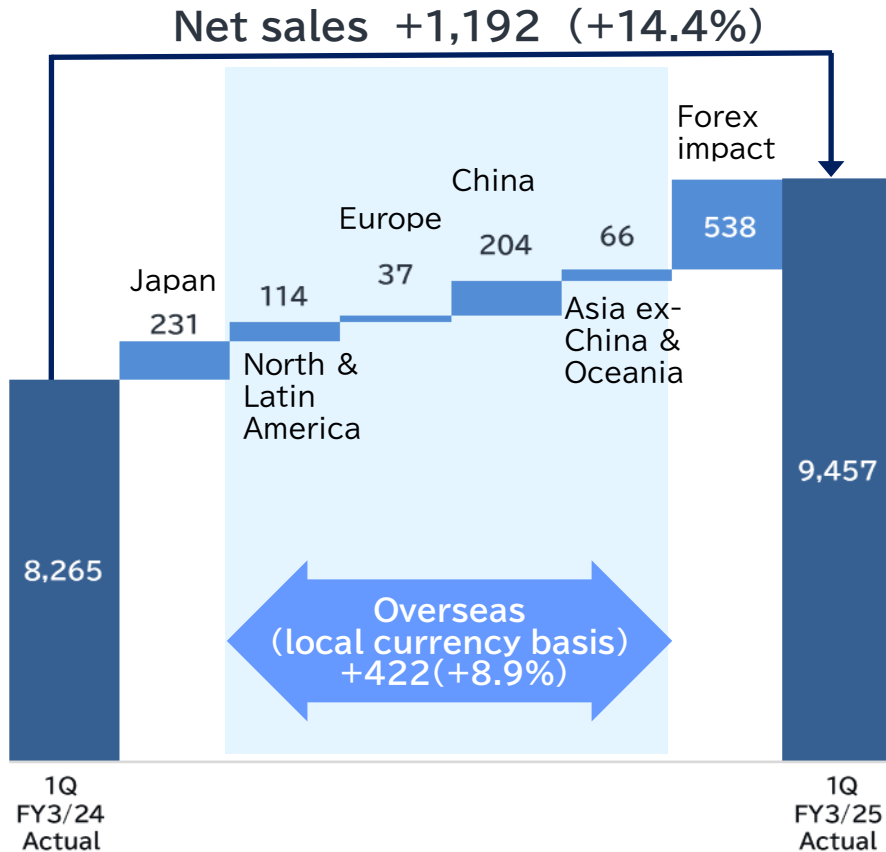


	1Q FY3/25		Change YoY(%)	
	Actual	Composition	¥ basis	Local currency basis
Artificial Teeth Products	1,771	18.7%	102.8%	95.7%
Abrasive Products	1,394	14.7%	110.3%	103.0%
Metal Products	38	0.4%	79.3%	79.3%
Chemical Products	3,079	32.6%	127.9%	119.4%
Cement Products	885	9.4%	120.2%	112.7%
Machinery, Equipment & Other Products	1,692	17.9%	116.0%	113.1%
<b>Dental Business total</b>	<b>8,862</b>	<b>93.7%</b>	<b>116.0%</b>	<b>109.2%</b>
Nail Care & Other Business	595	6.3%	95.1%	92.1%
<b>Total</b>	<b>9,457</b>	<b>100.0%</b>	<b>114.4%</b>	<b>107.9%</b>

- ✓ **Chemical Products:** Filling and restorative materials and CAD/CAM resin blocks supply constraints were resolved. Significant YoY increase due to proactive sales promotions and strong demand, especially overseas. In Japan, demand for *SHOFU Block PEEK*, which is now covered by health insurance for CAD/CAM crowns for all molars, was strong.
- ✓ **Machinery, Equipment & Other Products:** Demand for CAD/CAM machinery in Japan recovered. Sales of the *Eye Special C-V* (digital dental cameras) were also strong.



# Net sales by region (YoY)



(¥mn)

	1Q FY3/25		Change YoY(%)	
	Actual	Composition	¥ basis	Local currency basis
Japan	3,738	39.5%	106.6%	106.6%
Overseas	5,719	60.5%	120.2%	108.9%
North & Latin America	1,257	13.3%	126.0%	111.5%
Europe	2,046	21.6%	114.5%	102.1%
China	1,345	14.2%	126.7%	119.3%
Asia ex-China & Oceania	1,070	11.3%	117.3%	107.3%
<b>Total</b>	<b>9,457</b>	<b>100.0%</b>	<b>114.4%</b>	<b>107.9%</b>

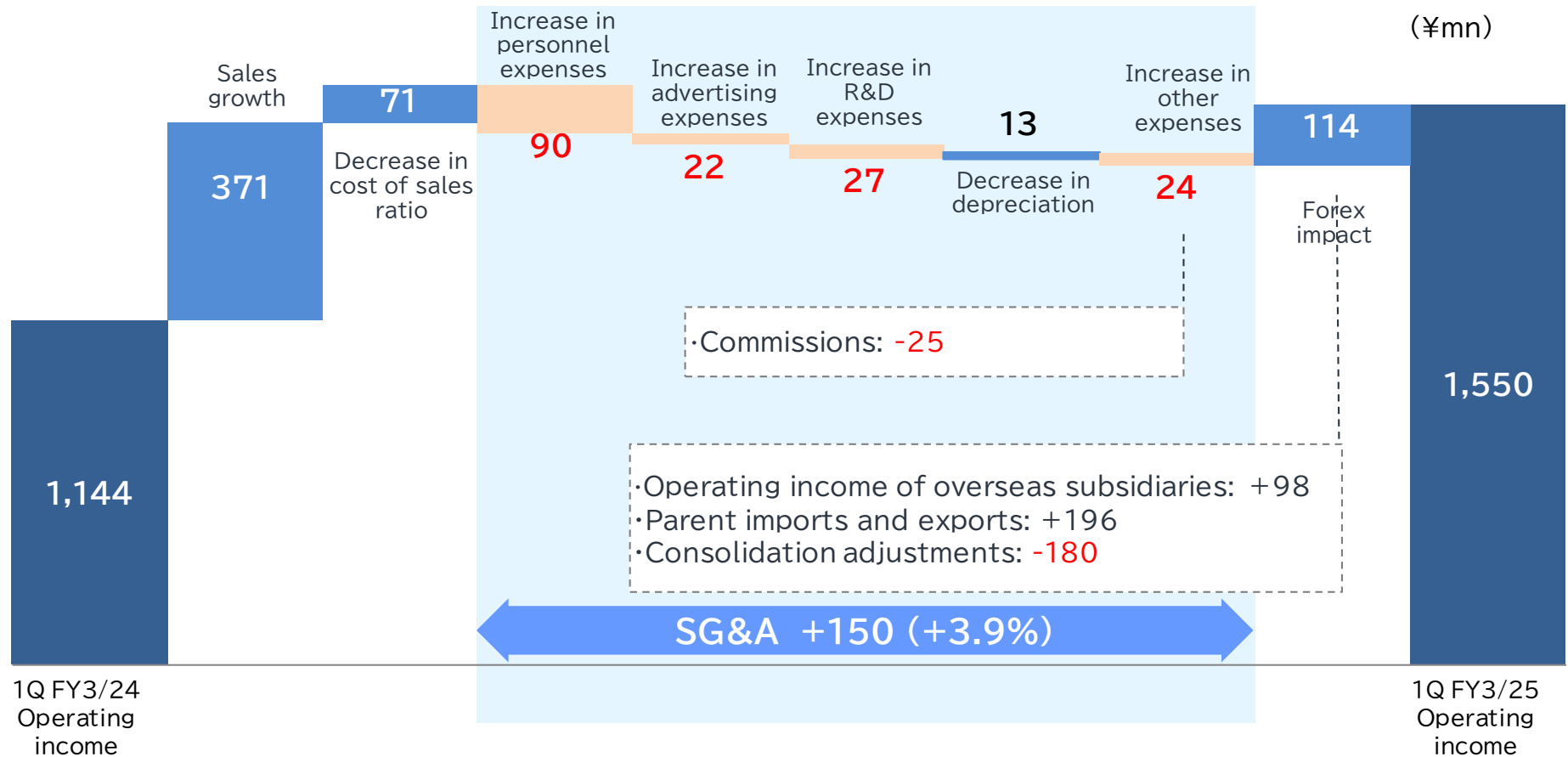
\*Europe : Includes Middle East and Africa

- ✓ **Japan:** Solid demand for *SHOFU Block PEEK* and CAD/CAM related machinery recovered
- ✓ **North & Latin America:** Temporary increase in channel inventories of abrasive products was resolved and demand recovered to normal levels. Direct sales to laboratories started in earnest.
- ✓ **Europe:** A lull in demand after initial inventory for new business development in the Middle East, which has been a focus since the previous fiscal year.
- ✓ **China:** Significant YoY increase mainly in filling and restorative materials (chemical products)





# Operating income swing factors (YoY)



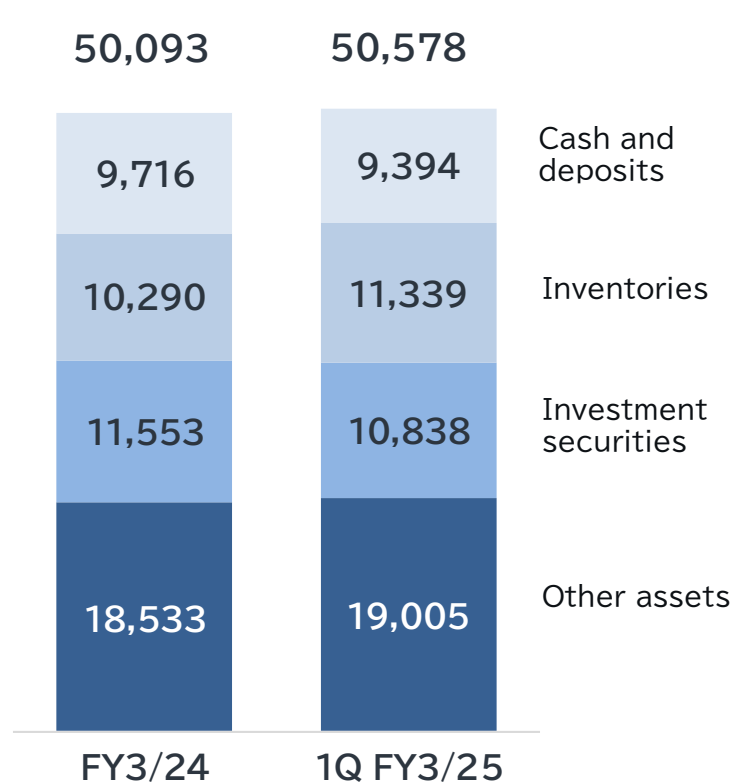
- ✓ Cost of sales ratio declined due to increase in overseas sales ratio and improvement in sales mix. Cost of sales ratio improved due to high production utilization ratio
- ✓ In line with expansion of overseas business, mainly overseas stepped-up allocation of staff
- ✓ Strengthened sales activities as well as upfront investments in R&D etc



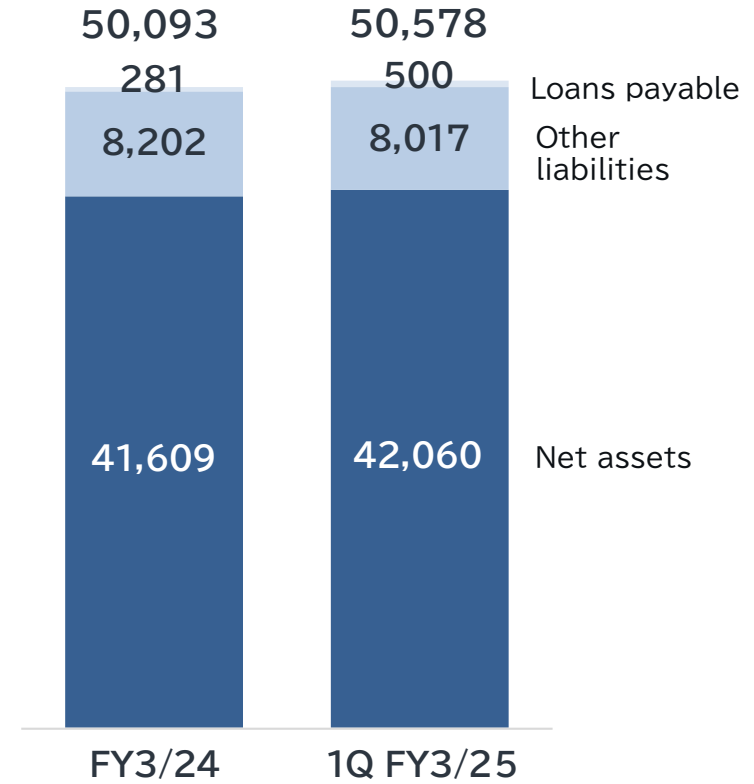
# Balance sheet

(¥mn)

## Assets



## Liabilities and net assets



### High equity ratio (82.9%):

**Aim to achieve capital efficiency-conscious management and maintain strong financial position**

- ✓ Total assets (+¥484mn): Increase in notes and accounts receivable-trade and merchandise and finished goods.
- ✓ Net assets (+¥450mn): Increase in retained earnings and foreign currency translation adjustments.

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# Summary of full-year forecasts

- Solid growth is planned for overseas operations. Capacity utilization rates are expected to remain high as in the previous year due to continued strong demand for chemical products and cement, particularly in emerging countries
- Aim to grow centered on chemical products, achieving both margin expansion and topline growth
- The yen has weakened compared to our initial assumptions, and we have revised our forex assumptions

→ On August 2, 2024 we revised up our financial forecasts, and expect our **fourth consecutive fiscal year of sales and profit growth, and to mark record highs**

- Active investment in human resource development and facilities to enhance corporate value
- Strengthen sales activities in Japan and overseas after eliminating bottlenecks in existing product supply
- Focus on cultivating new business areas and accompanying new product development (R&D)
- Set strategic investment framework to enable dynamic corporate activities

→ **Bold and continuous investment for future expansion of corporate value and business growth**

- Improve production efficiency in light of opportunity losses due to supply constraints in FY3/24
- Establish a production system capable of speedily increasing production when demand surges
- Establish an organization that is able to flexibly respond to change in pharmaceutical regulations and policies in various countries and regions, and avoid business gaps

→ **Establish a system and structure that can respond to future increases in demand and business risks**



# Comparison of key metrics

Revised plan announced on August 2, 2024

(¥mn, %)

	FY3/24 Actual		FY3/25 Forecast		Change YoY	
	(% of sales)		(% of sales)		(% change)	
Net sales	35,080	( 100.0)	38,395	( 100.0)	3,315	( 9.4)
(Domestic sales)	14,892	( 42.5)	15,912	( 41.4)	1,020	( 6.8)
(Overseas sales)	20,188	( 57.5)	22,483	( 58.6)	2,295	( 11.4)
Gross profit	20,995	( 59.8)	23,081	( 60.1)	2,086	( 9.9)
(SG&A)	16,286	( 46.4)	17,787	( 46.3)	1,501	( 9.2)
Operating income	4,709	( 13.4)	5,293	( 13.8)	584	( 12.4)
Ordinary income	5,118	( 14.6)	5,604	( 14.6)	486	( 9.5)
Net income	3,655	( 10.4)	4,434	( 11.5)	778	( 21.3)
EPS	206.18		170.87		- (*)	
ROE	9.5%		10.4%		0.9ppt	
<b>Forex</b>						
\$	144.40		145.09		0.69	
€	156.80		155.65		-1.15	
RMB	19.80		20.11		0.31	

Effect of forex fluctuations (YoY): Net sales -¥49mn

Net income = net income attributable to owners of parent

FY3/25 EPS forecast on a pre-stock-split basis would be ¥249.74

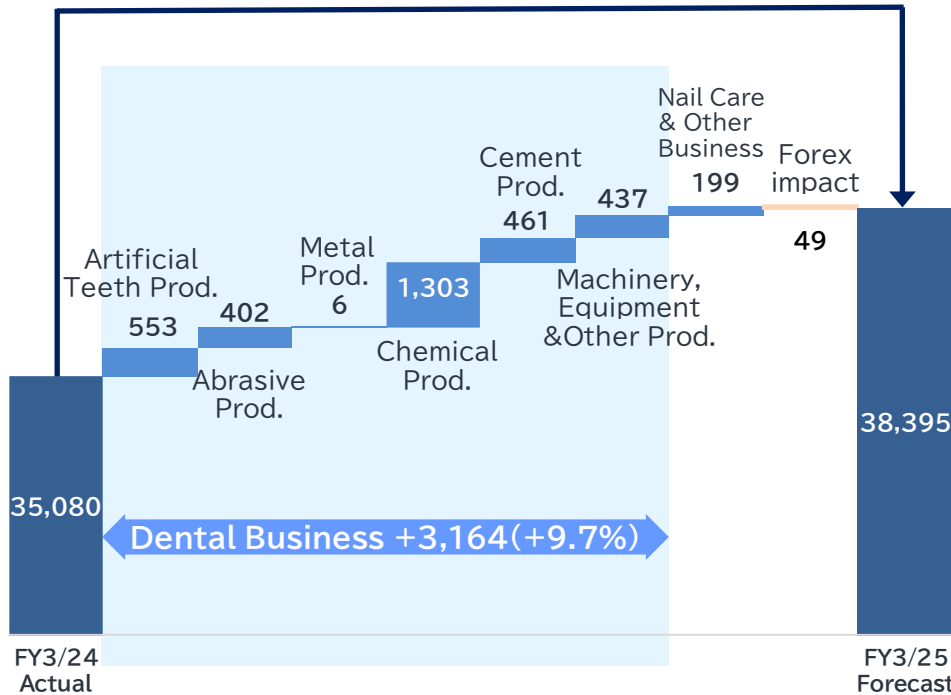
FY3/25 Forecast = revised plan announced on August 2, 2024.



# Net sales by product category (YoY)

Units: ¥mn

Net sales +3.315 (+9.4%)



	FY3/25		Change YoY	
	Forecast	Composition	¥ basis	Local currency basis
Artificial Teeth Products	7,400	19.3%	108.1%	108.1%
Abrasive Products	5,666	14.8%	107.7%	107.7%
Metal Products	167	0.4%	104.2%	104.2%
Chemical Products	11,912	31.0%	112.5%	112.3%
Cement Products	3,553	9.3%	114.8%	114.9%
Machinery, Equipment & Other Products	7,099	18.5%	106.5%	106.6%
<b>Dental Business total</b>	<b>35,799</b>	<b>93.2%</b>	<b>109.7%</b>	<b>109.7%</b>
<b>Nail Care &amp; Other Business</b>	<b>2,595</b>	<b>6.8%</b>	<b>105.7%</b>	<b>108.1%</b>
<b>Total</b>	<b>38,395</b>	<b>100.0%</b>	<b>109.4%</b>	<b>109.6%</b>

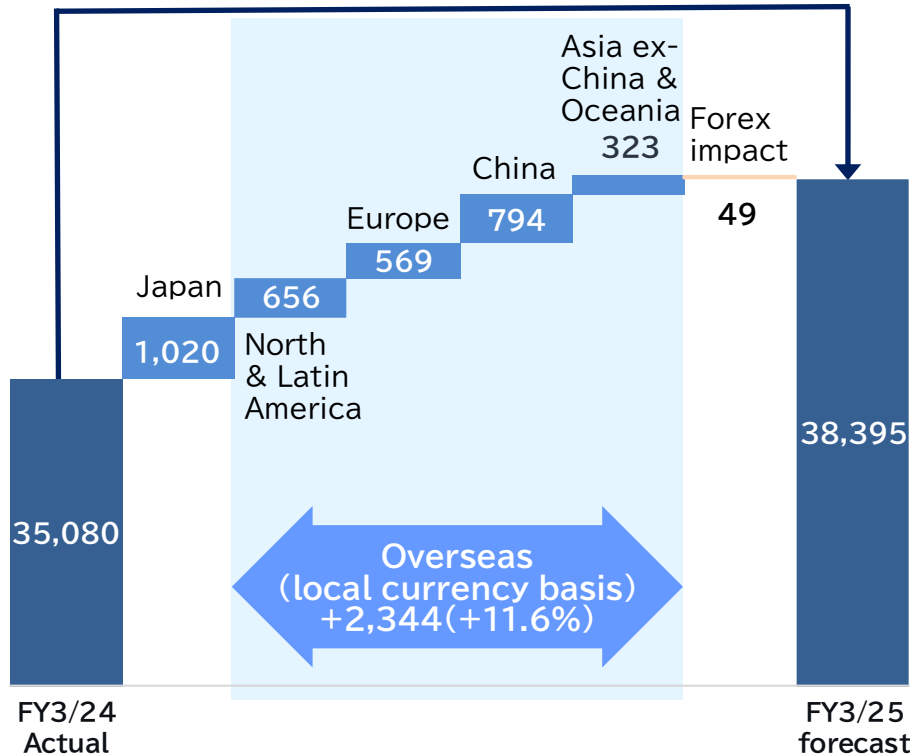
- ✓ Solid growth in all businesses and product categories. Notably expect 10% growth in real terms (excluding forex) for chemical products and cement
- ✓ Full-scale integrated production of the Diamond Point series, a mainstay abrasive product at Vietnam production subsidiary. Shipments to US and Asia, where demand is expected to recover after the completion of channel inventory adjustments
- ✓ Expect sales expansion of machinery and equipment (*SHOFU S-WAVE* CAD/CAM system) following the broadening of the scope of CAD/CAM crown insurance coverage in FY3/24



# Net sales by region (YoY)

Net sales +3,315 (+9.4%)

Units: ¥mn



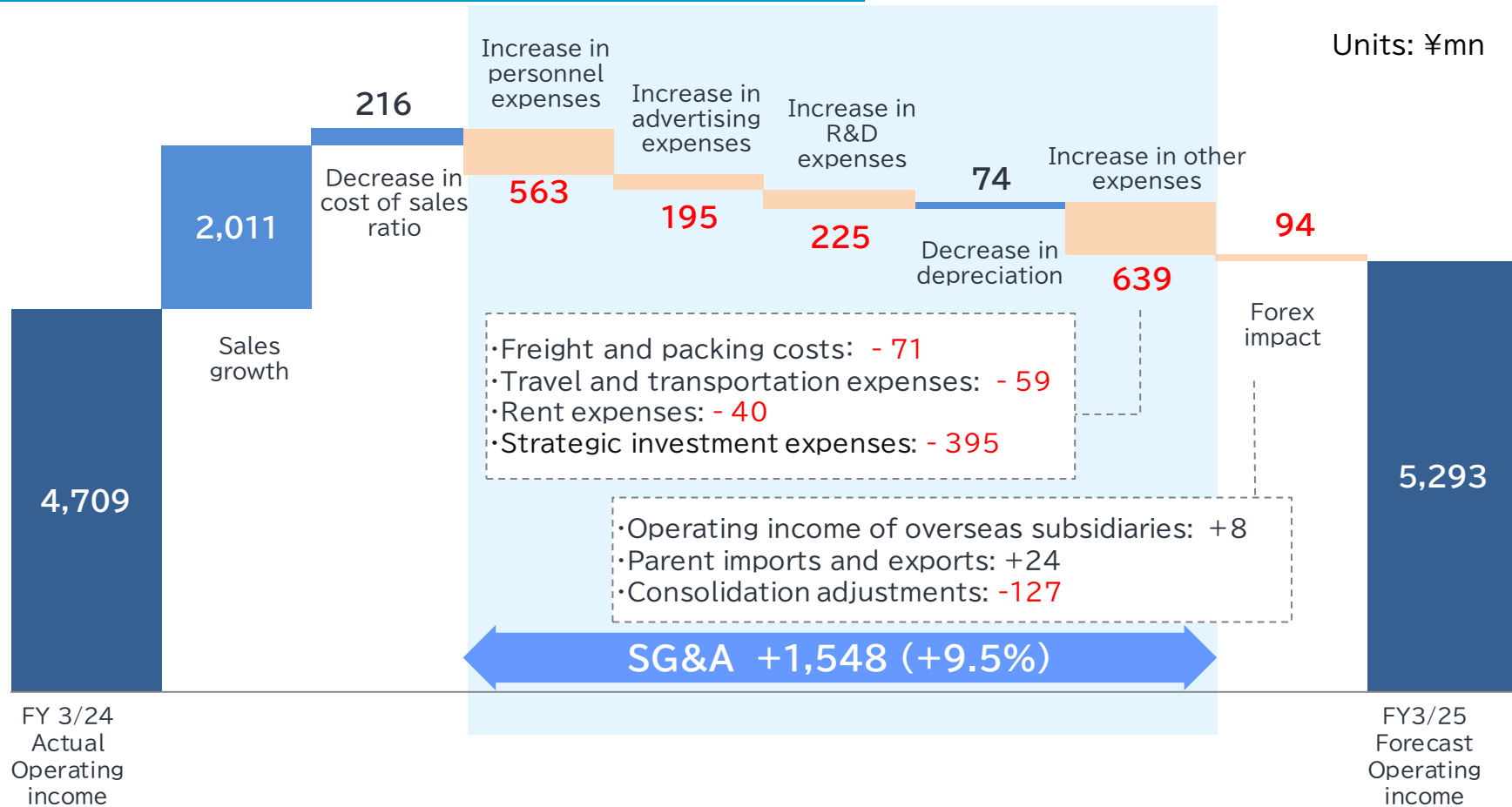
	FY3/25		Change YoY(%)	
	forecast	Composition	¥ basis	Local currency basis
Japan	15,912	41.4%	106.8%	106.8%
Overseas	22,483	58.6%	111.4%	111.6%
North & Latin America	4,986	13.0%	115.5%	115.2%
Europe	7,737	20.2%	107.0%	107.9%
China	5,650	14.7%	118.5%	116.7%
Asia ex-China & Oceania	4,107	10.7%	106.1%	108.4%
<b>Total</b>	<b>38,395</b>	<b>100.0%</b>	<b>109.4%</b>	<b>109.6%</b>

\*Europe : Includes Middle East and Africa

- ✓ **Japan:** Expect further growth in *SHOFU Block PEEK* (CAD/CAM crowns for all molars) and related peripheral materials and instruments
- ✓ **North & Latin America:** Complete adjustment of abrasive materials channel inventory, plan to strengthen sales of filling and restorative materials
- ✓ **China:** High demand, mainly for filling and restorative materials is expected to continue this year against a backdrop of high market growth rates
- ✓ **India (Other Asia):** Particularly strong demand for ceramic materials (artificial teeth) and cement. Aim to increase market share there by strengthening our production system



# Operating income swing factors (YoY)



- ✓ Improved sales mix due to a higher proportion of overseas sales and high margin products (chemical products) and an improved cost of sales ratio due to high production capacity utilization of the back of strong product demand
- ✓ Active investment in growth, including the recruitment and utilization of global human resources, advertising and promotional expenditure for the purpose of strengthening sales, and R&D for the development of next generation products. Set strategic investment framework to enable dynamic corporate activities





# Forex impact

## FY3/25 Forecast

※Revised plan announced on August 2, 2024

Units: ¥mn

	Forex rate		Consolidated earnings impact		Per yen of yen strength	
	FY3/24	FY3/25 Forecast	Sales	Operating income	Sales	Operating income
USD	144.40	145.09	29	44	-43	-21
EUR	156.80	155.65	-51	11	-44	-16
RMB	19.80	20.11	85	-2	-275	-179

- ✓ The main forex assumptions for the second quarter (cumulative) and the full year forecasts of the fiscal year ending March 2025 are the average rates for the period, based on the previously announced assumptions of ¥140/\$, ¥150/€, and ¥19/RMB from the second quarter of the fiscal year ending March 2025.
- ✓ Overseas sales ratio is on an upward trend; yen appreciation will have a negative impact on performance (\$: Every ¥1 of yen appreciation hits sales by ¥43mn and operating income by ¥21mn)

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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