

# Briefing Materials

## Financial Results and Forecasts for 3Q FYE March 2025

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February 5, 2025



Proven Products for Better Dentistry

**SHOFU INC.**

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## Financial Summary

Consolidated Financial Results for  
FYE March 2025 3Q YTD

Financial Forecasts for FYE March 2025

Reference



## FYE 3/25 3Q results

Net sales                      ¥28,845mn    (Overseas sales 58.6%)  
Operating income            ¥4,295mn

- Net sales increased 13.5% YoY due to sales expansion of existing products overseas, a pickup in CAD/CAM-related products in Japan and the impact of forex (yen depreciation)
- Operating income increased 26.0% YoY due to sales growth, which more than offset rising SG&A, as well as the effects of yen depreciation

## FYE 3/25 outlook

Net sales                      ¥38,395mn    (Overseas sales 58.6%)  
Operating income            ¥5,293mn

- Fourth consecutive fiscal year of sales and profit growth, expecting to mark a record high
- The achievement rate of sales and operating income as of 3Q YTD was 75.1% and 81.1% respectively.
- Bolstering domestic and overseas sales activities and production systems due to strong demand

## 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 in accordance with the policy

\* The Company conducted a two-for-one stock split with a record date of 1 October 2024. The dividend forecast of ¥88/share is based on a pre-split basis.

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# Key earnings highlights for FYE 3/25 3Q YTD

(¥mn, %)

Revised plan announced on August 2, 2024

	FYE 3/24 3Q YTD Actual		FYE 3/25 3Q YTD Actual		Change YoY		FYE 3/25 Forecast	
	(% of sales)		(% of sales)		(% change)		(% of progress)	
Net sales	25,403	( 100.0)	28,845	( 100.0)	3,442	( 13.5)	38,395	( 75.1)
(Domestic sales)	10,812	( 42.6)	11,939	( 41.4)	1,126	( 10.4)	15,912	( 75.0)
(Overseas sales)	14,590	( 57.4)	16,906	( 58.6)	2,315	( 15.9)	22,483	( 75.2)
Gross profit	15,219	( 59.9)	17,177	( 59.5)	1,958	( 12.9)	23,081	( 74.4)
(SG&A)	11,809	( 46.5)	12,881	( 44.7)	1,072	( 9.1)	17,787	( 72.4)
Operating income	3,409	( 13.4)	4,295	( 14.9)	885	( 26.0)	5,293	( 81.1)
Ordinary income	3,692	( 14.5)	4,490	( 15.6)	798	( 21.6)	5,604	( 80.1)
Net income	2,747	( 10.8)	3,484	( 12.1)	737	( 26.8)	4,434	( 78.6)
EPS	77.48		98.08		20.60		124.87	
ROE	7.4%		8.3%		0.9ppt		10.4%	
<b>Forex</b>								
\$	142.76		152.87		10.11		145.09	
€	155.19		164.91		9.72		155.65	
RMB	19.65		20.94		1.29		20.11	

\*Effect of forex fluctuations: Net sales +¥1,001mn (vs previous FY)

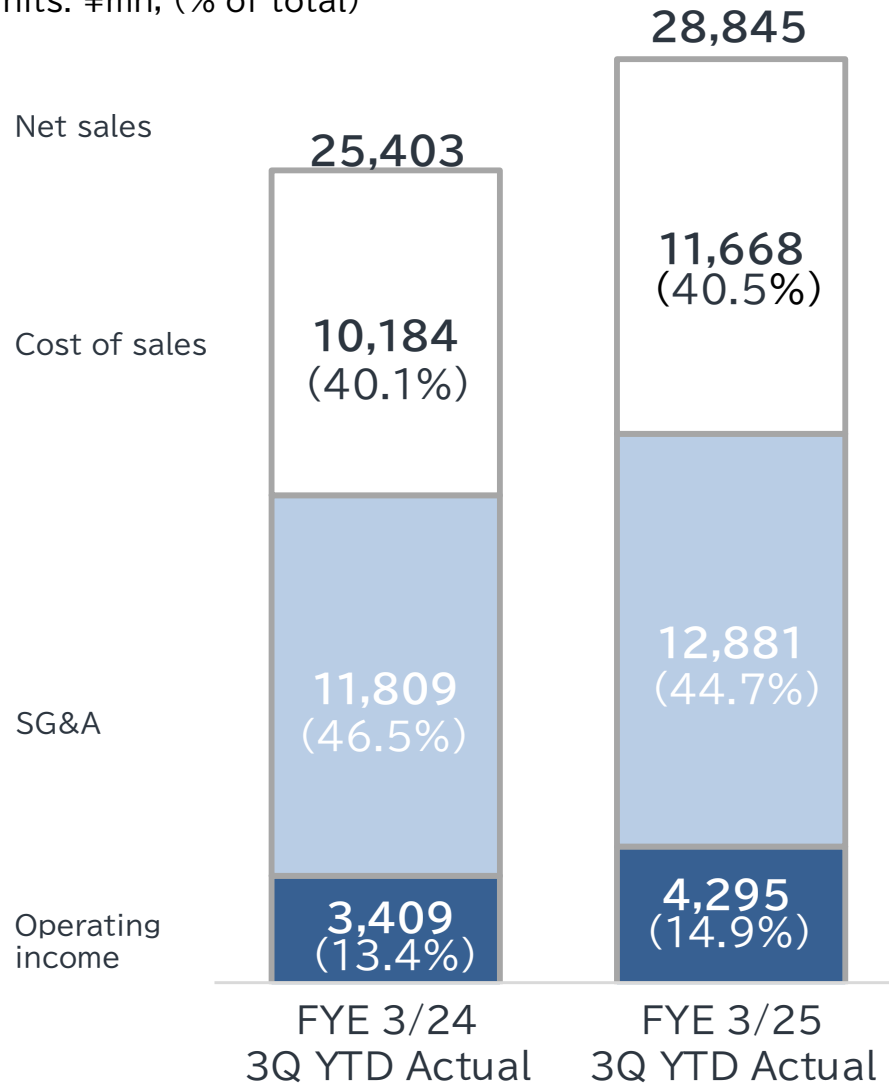
\*Net income = net income attributable to owners of parent

\*EPS was calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year.



# Operating income (YoY)

Units: ¥mn, (% of total)



**Net sales: +¥3,442mn (+13.5%)**

Net sales growth and forex effects.

**Operating income: +¥885mn (+26.0%)**

Increased sales growth and yen depreciation absorbed higher cost of sales ratio and SG&A expenses

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

Cost of sales ratio increased slightly due to effects of forex fluctuations on unrealized gains/losses and write offs of inventories.

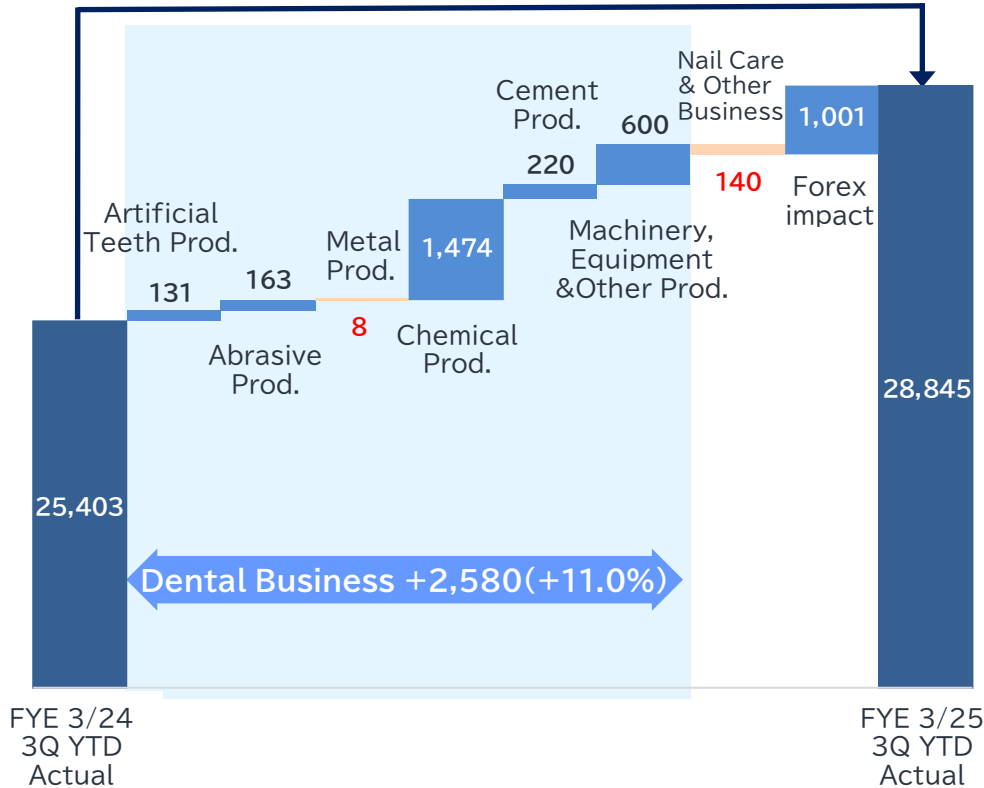
**SG&A ratio: -1.8ppt**

SG&A ratio decreased due to revenue increase.



# Net sales by product category (YoY)

Net sales +3,442 (+13.5%) (¥mn)

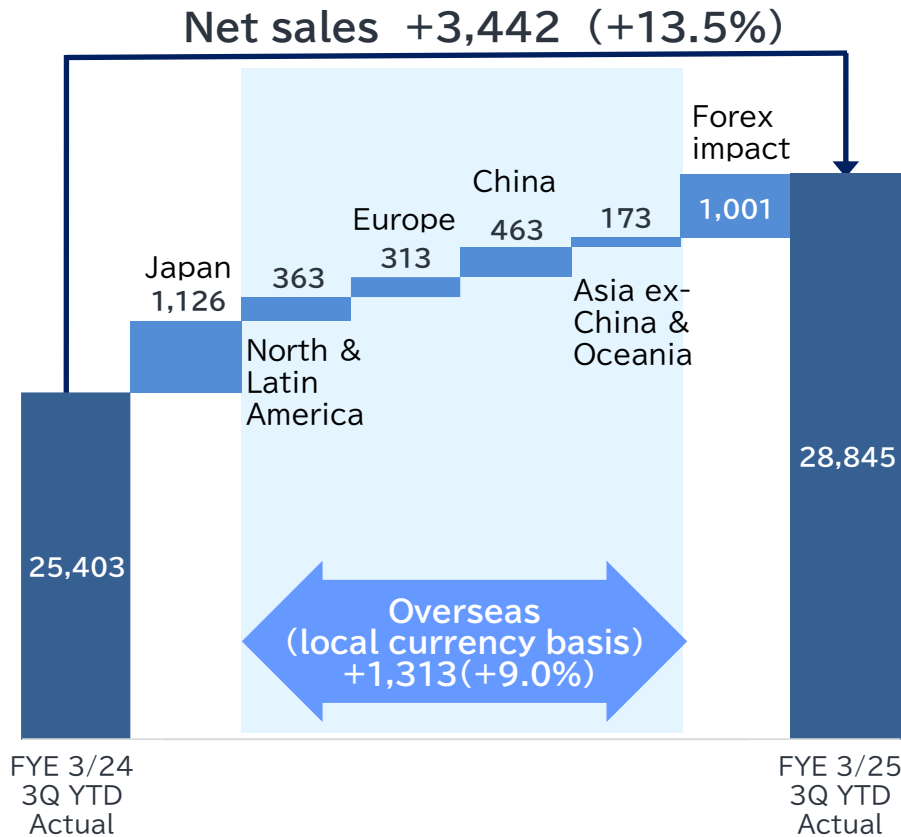


	FYE 3/25 3Q YTD		Change YoY(%)	
	Actual	Composition	¥ basis	LCY basis
Artificial Teeth Products	5,350	18.5%	107.4%	2.6%
Abrasive Products	4,224	14.6%	108.3%	4.2%
Metal Products	115	0.4%	93.1%	-6.9%
Chemical Products	9,408	32.8%	124.8%	19.6%
Cement Products	2,605	9.0%	114.6%	9.7%
Machinery, Equipment & Other Products	5,400	18.7%	114.1%	12.7%
<b>Dental Business total</b>	<b>27,104</b>	<b>94.0%</b>	<b>115.1%</b>	<b>11.0%</b>
Nail Care & Other Business	1,740	6.0%	93.9%	-7.6%
<b>Total</b>	<b>28,845</b>	<b>100.0%</b>	<b>113.5%</b>	<b>9.6%</b>

- ✓ Excluding forex impact, the real growth rate of net sales in the dental business as a whole was +11.0%.
- ✓ Sales of filling and restoration materials increased significantly, especially overseas (all regions). In Japan, demand for *SHOFU Block PEEK*, which is now covered by health insurance for CAD/CAM crowns for all molars, was strong.
- ✓ Demand for CAD/CAM machinery in Japan recovered. Sales of intraoral scanner and digital dental cameras were also strong.



# Net sales by region (YoY)



(¥mn)

	FYE 3/25 3Q YTD		Change YoY(%)	
	Actual	Composition	¥ basis	LCY basis
Japan	11,939	41.4%	110.4%	10.4%
Overseas	16,906	58.6%	115.9%	9.0%
North & Latin America	3,787	13.1%	119.0%	11.4%
Europe	5,951	20.6%	112.9%	5.9%
China	4,127	14.3%	121.0%	13.6%
Asia ex-China & Oceania	3,039	10.5%	111.4%	6.4%
<b>Total</b>	<b>28,845</b>	<b>100.0%</b>	<b>113.5%</b>	<b>9.6%</b>

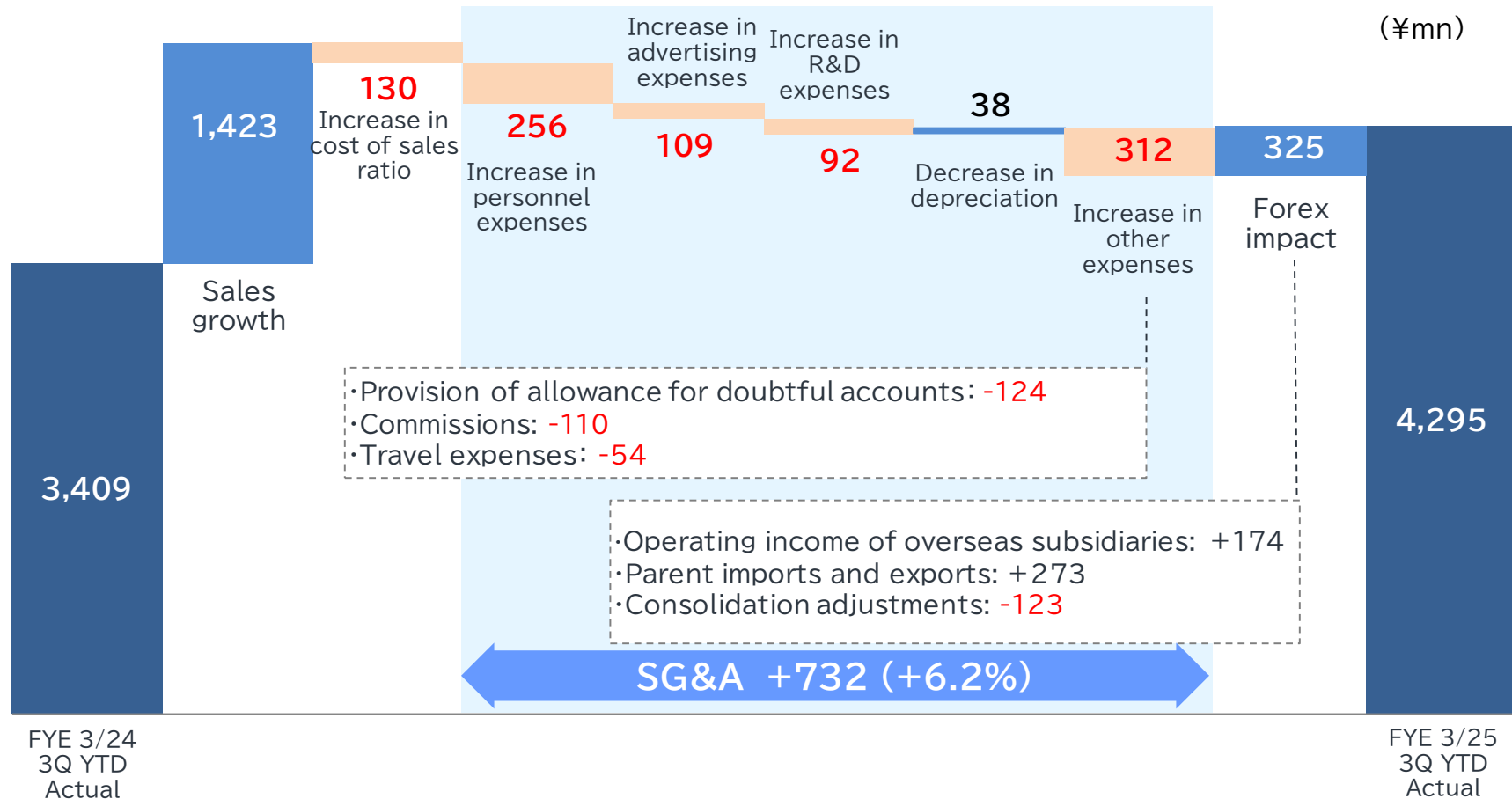
\*Europe : Includes Middle East and Africa

- ✓ **Japan:** Solid demand for *SHOFU Block PEEK* and CAD/CAM related machinery.
- ✓ **North & Latin America:** Demand recovered for abrasive products to normal levels. Sales expansion of filling and restoration materials and direct sales to laboratories also contributed to sales growth.
- ✓ **Europe:** Germany (hard resins for crowns) and Italy (CAD/CAM zirconia disk) performed well. Business in the Middle East also on track for expansion.
- ✓ **China:** Significant YoY increase mainly in hard resins for crowns and filling and restorative materials (chemical products).





# Operating income variance factors (YoY)



- ✓ Production capacity utilization rate has remained at a high level. Cost to sales ratio increased slightly due to liquidation of some inventories.
- ✓ SG&A expenses increased 6.2% YoY due to business expansion. In particular, personnel expenses and advertising expenses increased due to strengthening business.

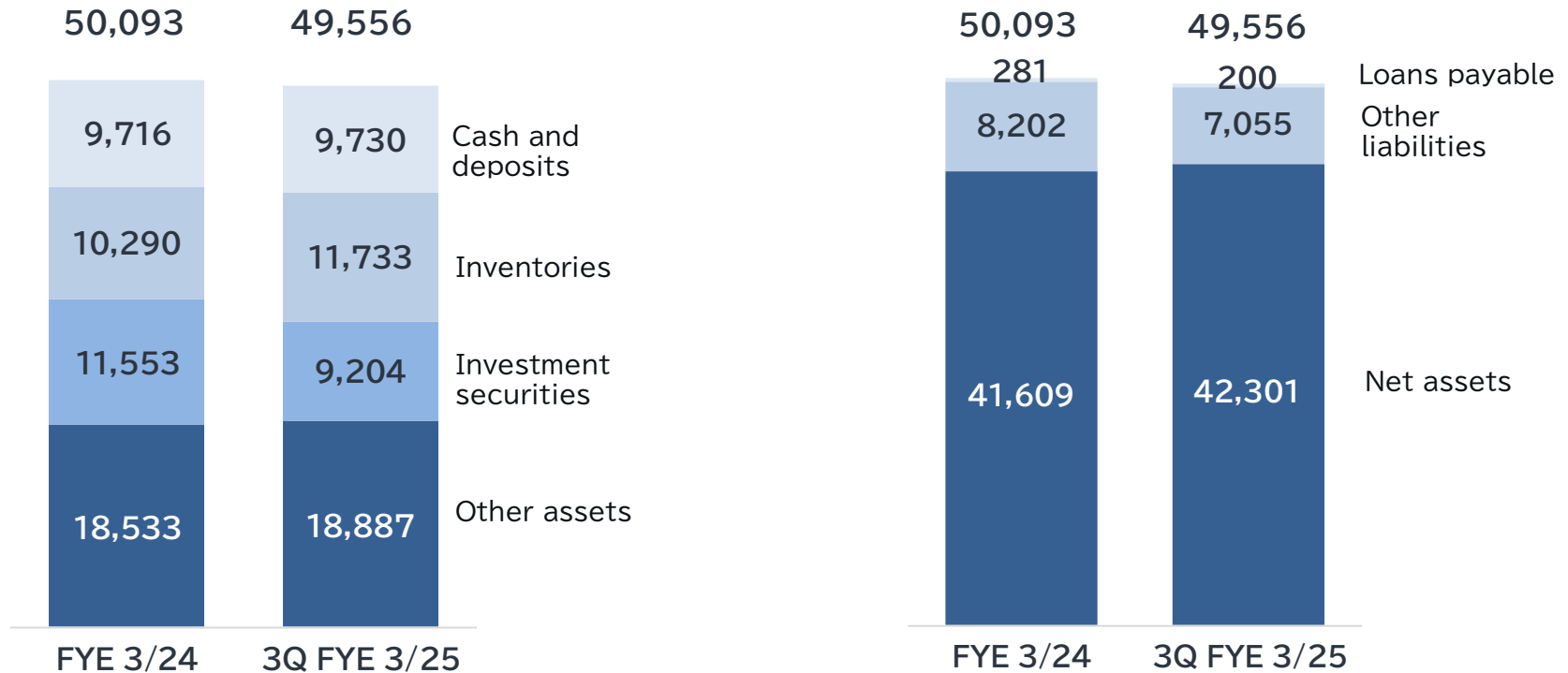


# Balance sheet

(¥mn)

## Assets

## Liabilities and net assets



### High equity ratio (85.1%):

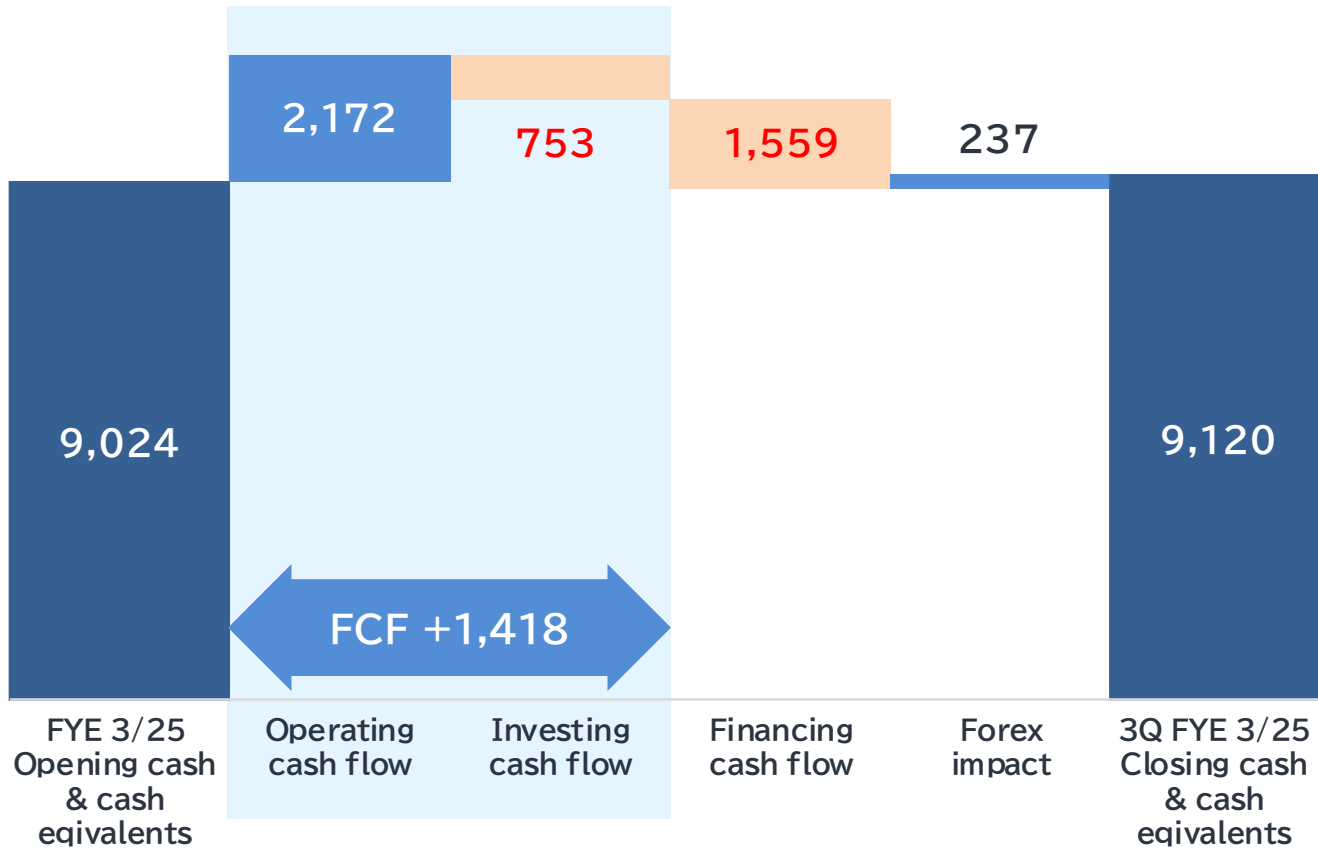
Aim to achieve capital efficiency-conscious management and maintain strong financial position

- ✓ Total assets (-¥536mn): Decrease in investment securities due to sale of cross-shareholdings and decline in market value of stock holdings and increase in inventories.
- ✓ Net assets (+¥691mn): Increase in retained earnings and foreign currency translation adjustment.



# Cash flows

(¥mn)



## Operating cash flow

Income before income taxes	+4,869
Depreciation and amortization	+769
Income taxes paid	-1,370
Increase in inventories	-1,337

## Investing cash flow

Sales of investment securities	+484
Acquisition of fixed assets	-819

## Financing cash flow

Dividends paid	-1,385
Repayment of debt	-81

- ✓ Increase in inventories due to expansion of business development areas and boosting promotion of strategic products
- ✓ Proceed with sale of cross-shareholdings. For investment securities, look at capital efficiency and business synergy effects as appropriate
- ✓ Actively return profits to shareholders through dividend payments

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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
- We 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	103.09		124.87		- (*)	
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

\*EPS was calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

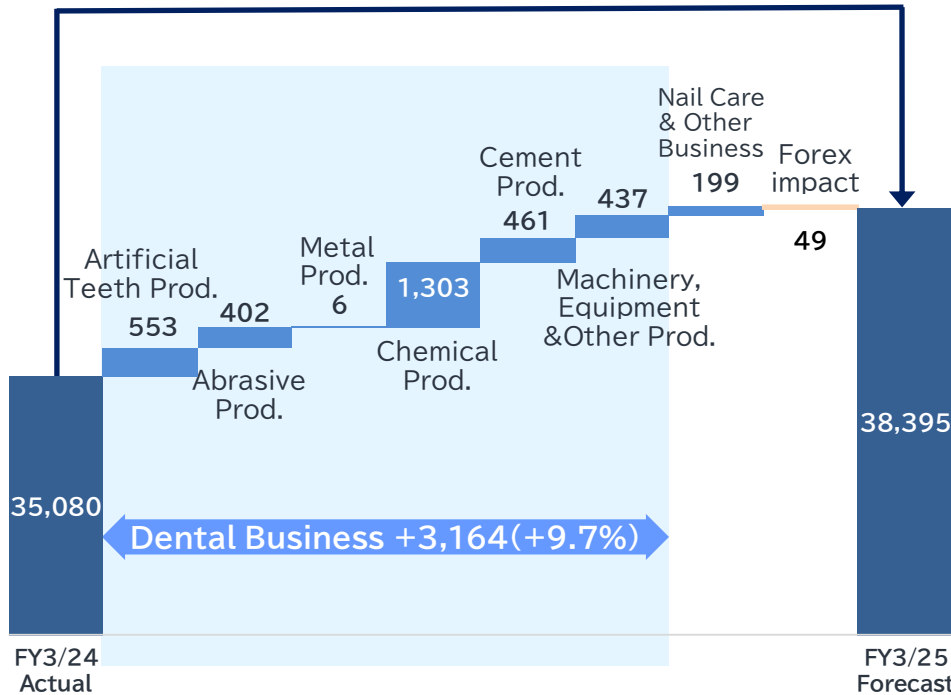
\*FY3/25 Forecast = revised plan announced on August 2, 2024.



# Net sales by product category (YoY)

Units: ¥mn

Net sales +3.315 (+9.4%)



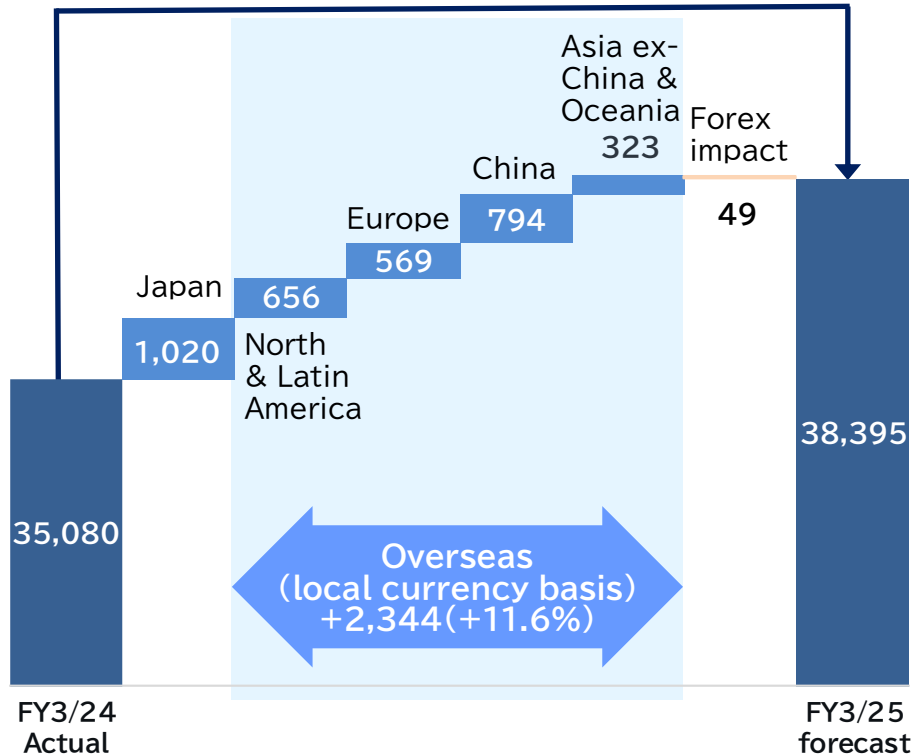
	FYE 3/25		Change YoY	
	Forecast	Composition	¥ basis	LCY basis
Artificial Teeth Products	7,400	19.3%	8.1%	8.1%
Abrasive Products	5,666	14.8%	7.7%	7.7%
Metal Products	167	0.4%	4.2%	4.2%
Chemical Products	11,912	31.0%	12.5%	12.3%
Cement Products	3,553	9.3%	14.8%	14.9%
Machinery, Equipment & Other Products	7,099	18.5%	6.5%	6.6%
Dental Business total	35,799	93.2%	9.7%	9.7%
Nail Care & Other Business	2,595	6.8%	5.7%	8.1%
Total	38,395	100.0%	9.4%	9.6%

- ✓ 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	LCY basis
Japan	15,912	41.4%	6.8%	6.8%
Overseas	22,483	58.6%	11.4%	11.6%
North & Latin America	4,986	13.0%	15.5%	15.2%
Europe	7,737	20.2%	7.0%	7.9%
China	5,650	14.7%	18.5%	16.7%
Asia ex-China & Oceania	4,107	10.7%	6.1%	8.4%
<b>Total</b>	<b>38,395</b>	<b>100.0%</b>	<b>9.4%</b>	<b>9.6%</b>

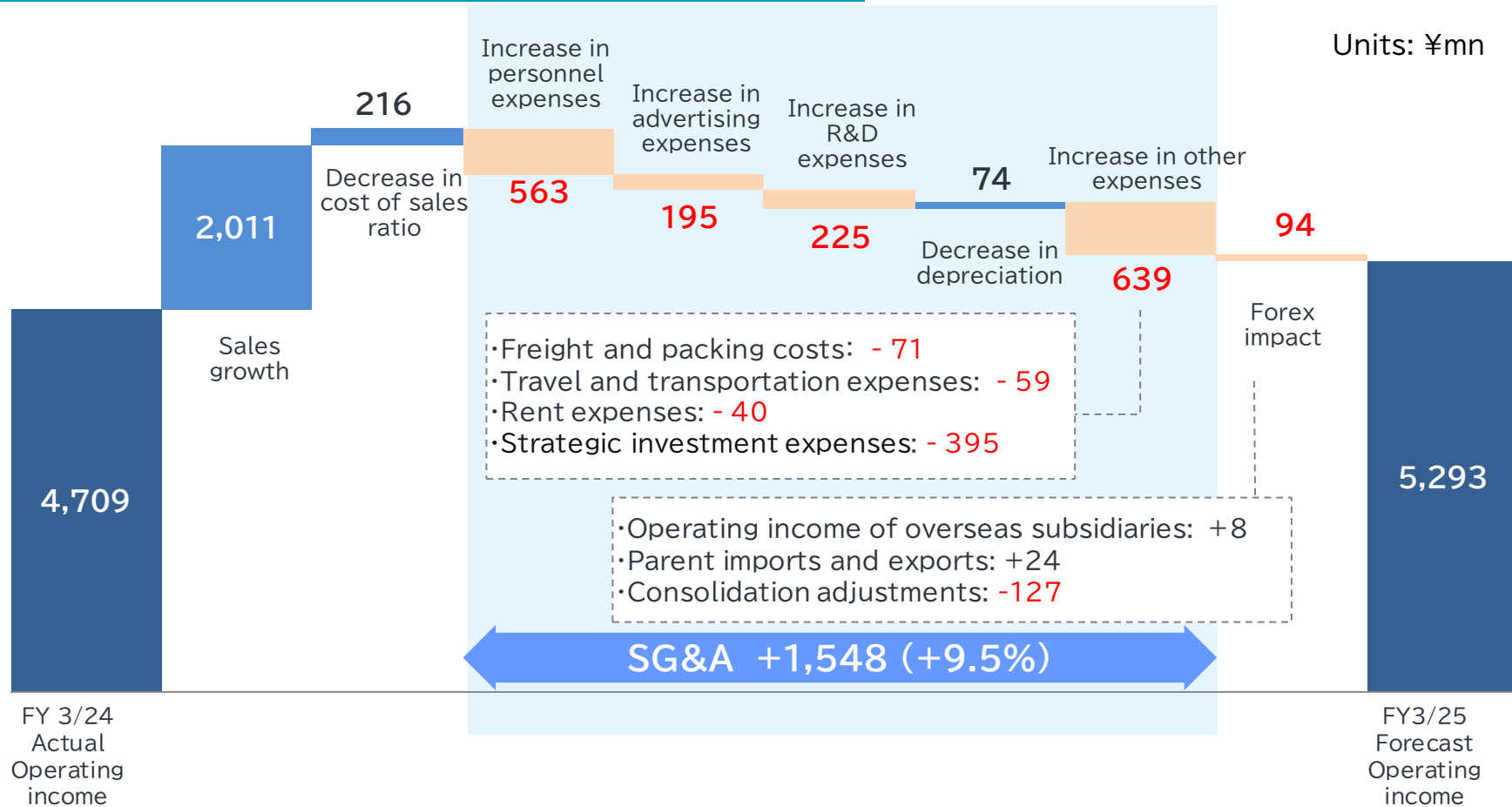
\*Europe : Includes Middle East and Africa

- ✓ **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 variance 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 boosting 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 full year forecasts of the fiscal year ending March 2025 are the average rates for the period, based on the actual average rates in the first quarter (¥156.53/\$, ¥168.37/€, ¥20.54/RMB) and on the assumptions of ¥140/\$, ¥150/€, and ¥19/RMB from the second quarter of the fiscal year ending March 2025 (unchanged from August, 2, 2024).
- ✓ Overseas sales ratio is on an upward trend; yen appreciation will have a negative impact on performance (\$: Every ¥1 of yen appreciation vs. \$ hits sales by ¥43mn and operating income by ¥21mn)

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# Net sales and operating income by business segment



Units: ¥mn

		FY3/24 3Q YTD Actual Amount (% of sales)	FY3/25 3Q YTD Actual Amount (% of sales)	Change YoY (% change)
<b>Dental Business</b>	Net sales	23,550	27,104	3,554
	Operating income (Operating income margin)	3,384 ( 14.4)	4,363 ( 16.1)	979 ( 1.7)
<b>Nail Care Business</b>	Net sales	1,795	1,668	-127
	Operating income (Operating income margin)	11 ( 0.7)	-84 ( -5.1)	-96 ( -5.8)
<b>Other Business</b>	Net sales	62	75	13
	Operating income (Operating income margin)	9 ( 14.9)	12 ( 16.3)	2 ( 1.3)
<b>Total before consolidation adjustment</b>	Net sales	25,408	28,849	3,440
	Operating income (Operating income margin)	3,405 ( 13.4)	4,291 ( 14.9)	885 ( 1.5)
<b>Consolidated</b>	Net sales	25,403	28,845	3,442
	Operating income (Operating income margin)	3,409 ( 13.4)	4,295 ( 14.9)	885 ( 1.5)

# CAPEX, Depreciation and R&D



Units: ¥mn

	FYE 3/24 Actual	medium-term management plan				FYE 3/25 Forecasts
		FYE 3/25	FYE 3/26	FYE 3/27	FYE 3/28	
CAPEX	1,282	2,963	5,051	5,060	2,508	1,743
Depreciation	1,168	1,093	1,340	1,549	1,603	1,105
R&D	1,927	2,101	2,298	2,528	2,810	2,167
Forex						
\$	144.40	140.00	140.00	140.00	140.00	145.09
€	156.80	150.00	150.00	150.00	150.00	155.65
RMB	19.80	19.00	19.00	19.00	19.00	20.11

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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