Consolidated Financial Results for the Fiscal Year Ended March 31, 2014
(Japanese Accounting Standards)

May 12, 2014

Company name: SHOFU INC.
Listing: Tokyo Stock Exchange (First section)
Code number: 7979
URL: http://www.shofu.co.jp/
Representative: Noriyuki Negoro, President
Contact: Wataru Fujishima, Managing Director (Finance, Personnel, General Affairs and Nail care business)
Scheduled date of ordinary shareholders' meeting: June 26, 2014
Scheduled date for filing of annual securities report: June 26, 2014
Scheduled commencement date of dividend payment: June 5, 2014
Supplementary documents for quarterly financial results: Yes
Financial results briefing: 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, 2014 (April 1, 2013 – March 31, 2014)

(1) 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, 2014	18,258	13.9	987	36.1	978	33.6	506	-
Year ended March 31, 2013	16,028	0.3	725	(27.3)	732	(23.9)	18	(96.3)

(Note) Comprehensive income: Year ended March 31, 2014 1,361 million yen (112.0%)
Year ended March 31, 2013 642 million yen (34.9%)

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2014	31.77	31.61	2.6	4.2	5.4
Year ended March 31, 2013	1.17	1.16	0.1	3.2	4.5

(Reference) Equity in earnings of affiliates: Year ended March 31, 2014 None
Year ended March 31, 2013 None

(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, 2014	24,039	19,747	81.9	1,235.34
Year ended March 31, 2013	22,817	18,662	81.6	1,169.09

(Reference) Shareholder's equity: Year ended March 31, 2014 19,687 million yen
Year ended March 31, 2013 18,623 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, 2013	823	(441)	(1,305)	3,727
Year ended March 31, 2012	383	(1,201)	(477)	4,520

2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31,2013	-	8.00	-	11.00	19.00	303	1623.9	1.6
Year ended March 31,2014	-	8.00	-	10.00	18.00	286	56.7	1.5
Year ending March 31,2015 (Forecasts)	-	8.00	-	10.00	18.00		50.8	

(Notes) Year-end dividends for the fiscal year ended March 31, 2013, include a commemorative dividend of 1.0 yen. (For the 90th anniversary of company's founding)

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2015. (April 1, 2014 – March 31, 2015)

(% indicates changes from previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30,2014 (cumulative)	9,177	6.2	389	(3.5)	316	(23.5)	149	(34.1)	9.36
Year ending March 31,2015	18,838	3.2	1,048	6.2	925	(5.5)	565	11.6	35.46

*Notes

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

(2) Changes in accounting principles, procedures, or indication methods:
- (a) Changes in accounting standards: Yes
- (b) Changes other than (a) above: Yes
- (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, 2014: 16,114,089 shares
  - As of March 31, 2013: 16,114,089 shares
- (b) Number of shares of treasury stock at end of period
  - As of March 31, 2014: 177,030 shares
  - As of March 31, 2013: 184,497 shares
- (c) Average number of shares during the period
  - As of March 31, 2014: 15,935,561 shares
  - As of March 31, 2013: 16,032,109 shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)

(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, 2014	14,006	10.4	457	78.9	659	31.0	467	77.8
Year ended March 31, 2013	12,688	(1.4)	255	(50.6)	503	(27.8)	262	(38.5)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2014	29.33	29.18
Year ended March 31, 2013	16.40	16.35

(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, 2014	19,767	16,467	83.0	1,029.50
Year ended March 31, 2013	19,513	15,952	81.5	998.92

(Reference) Shareholder's equity: Year ended March 31, 2014 16,407 million yen
Year ended March 31, 2013 15,912 million yen

*Implementation status of audit procedures

This earnings report is not subject to audit procedures under the Financial Instruments and Exchange Act. At the time of disclosing these consolidated financial statements, audit procedures specified in the Financial Instruments and Exchange Act have not been completed with respect to the financial statements.

*Explanation concerning the appropriate use of business forecasts, and other special items

The 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 for a variety of reasons. With respect to the preconditions for the forecasts, please refer to the "Outlook for fiscal year ending March 31, 2015" section on page 3.

Accompanying Materials－Contents

1. Results of Operations

(1) Analysis of Operating Results

[1] Overview of performance for the consolidated fiscal year under review

(Overview)

Despite being affected by lingering credit problems in Europe and slowing economic activity in emerging nations, the Japanese economy showed signs of recovery during the consolidated fiscal year under review thanks to factors including an upturn in consumer spending and increased public investment.

However, the outlook for the economy remains clouded by a number of potentially destabilizing factors, including concerns over the impact on consumer spending of the hike in Japan’s consumption tax rate, which took effect in April 2014; the inevitable reversal in the rush demand it had spurred; continuing uncertainty about economic conditions in China and other emerging nations; and the tenuous political situation in Ukraine.

Although dental expenditures are rising and conditions in the Japanese dental industry as a whole are showing signs of gradual recovery, competition remains intense in the dental materials and dental equipment sales segments in which we conduct our business, forcing us to bolster business activities to compete successfully in the demanding environment.

We have pursued a variety of measures in order to place the Group on a footing that will allow it to steadily increase profits even if conditions remain as challenging as they are at present. Specifically, we have actively introduced new products that have been developed based on the customer’s perspective to meet latent needs, and we have worked to expand sales by directly promoting these products’ advantages to customers. At the same time, in addition to improving production efficiency by reviewing production systems and methods, we have strived to build mechanisms that will allow us to accommodate customer needs in a timely manner while avoiding missing out on sales opportunities.

As a result of these activities and initiatives as well as the effects of a weak yen and brisk sales of new products, sales during the consolidated fiscal year under review increased ¥2,230 million (13.9%) over the previous year to ¥18,258 million.

Operating income rose ¥261 million (36.1%) over the previous year to ¥987 million as the impact of increased sales made up for increases in selling, general and administrative expenses spurred by a continued program of aggressive investments in future growth.

Ordinary income rose ¥246 million (33.6%) from the previous year to ¥978 million.

Net income rose ¥487 million (2,602.4%) from the previous year to ¥506 million.

The Shofu Group discloses performance data by segment for its dental business, nail care business, and other businesses (industrial grinding and polishing materials). An overview of operating results for each of these segments follows.

(Dental business)

We introduced a number of new products in the domestic market, including the Eye Special C-II, a small digital camera designed exclusively for dentistry, and Beauti Cem SA, a fluoride releasing self-adhesive resin cement. Other products also contributed to sales, including Airflow Master Piezon, an ultrasonic therapy unit designed for multipurpose endodontic and periodontic use and Argon Caster-i, a dental high-frequency casting machine during the previous fiscal year. Following the launch of these new products, we sought to actively strengthen our sales platform by focusing resources on enhancing efforts to sell directly to end users, increasing brand recognition, and promoting our products’ superiority.

Overseas, we worked to expand sales channels by developing structures capable of implementing sales strategies that meet the different needs of different regions worldwide in a fine-grained manner, in addition to reorganizing our sales office in Singapore as a subsidiary and strengthening its sales functions. The effects of exchange rates augmented these activities and led to general growth.

As a result of these and other factors, sales in the dental business totaled ¥16,378 million, an increase of ¥2,061 million (14.4%) over the previous year, while operating income rose ¥175 million (23.4%) to ¥925 million.

(Nail care business)

Despite a gradual expansion in the size of the market, intense price and quality competition remain hallmarks of the nail care business. To improve our ability to respond rapidly to market conditions such as these, we have created a new Nail Care Division, and we are working to build administrative structures extending from product development to manufacturing and sales. We have also actively entered overseas markets, starting with the Asian market, which is expected to grow in the coming years.

As a result of these and other factors, sales in the nail care business totaled ¥1,792 million, an increase of ¥159 million (9.8%) over the previous year. Operating income rose ¥77 million to ¥24 million due in part to a one-time amortization of goodwill during the previous fiscal year.

(Other businesses)

Group company Shoken Inc. manufactures and sells industrial polishing materials by applying production technology originally designed for dental polishing materials. Sales in this “other businesses” segment totaled ¥87 million, an increase of ¥8 million (11.3%) over the previous year. Operating income rose ¥7 million (34.1%) to ¥29 million.

Note: Segment sales do not include internal sales between segments.

[2] Outlook for the upcoming fiscal year

The Group’s business performance is recovering thanks to the weakening of the yen and the ongoing economic recovery. However, we have not yet achieved our goal of being able to steadily increase profits regardless of the external environment, and we believe that our recovery remains a work in progress. We have established the ambitious goal of achieving ¥50.0 billion in consolidated sales and ¥7.5 billion in consolidated operating income in 2022, a year during which we will mark the 100th anniversary of the company’s founding, and we will undertake a variety of measures to achieve those goals and ensure the future health of the Group.

Our outlook for performance during the upcoming fiscal year follows.

(Overall outlook)

(Unit: Millions of yen, %)

	Results for the fiscal year ended March 31, 2014	Outlook for the fiscal year ending March 31, 2015	Change	Change (%)
Sales	18,258	18,838	579	3.2
Operating income	987	1,048	60	6.2
Ordinary income	978	925	(53)	(5.5)
Net income	506	565	58	11.6

(Dental business)

In the dental business, in addition to pursuing product development based on each segment's business strategy, we will focus on strengthening our domestic sales capabilities, which are founded on sales activities that target dealers and those that target end users; strengthening sales capabilities in order to take advantage of overseas growth; and fostering the development of the employees who will be responsible for implementing those capabilities. Elsewhere, in addition to pursuing construction of a new plant with a high level of production efficiency while simultaneously reviewing conventional manufacturing methods in an effort to accommodate the growth in sales volume that will be spurred by this strengthening of sales capabilities even as we limit increase in costs, we will develop new business segments such as sales of semi-finished products for use in dental procedures using CAD/CAM.

We expect sales in the dental business to increase ¥562 million (3.4%) to ¥16,941 million and operating income to increase ¥61 million (6.6%) to ¥986 million.

(Nail care business)

In the nail care business, in addition to working to further build our business in countries where market growth is expected, for example in Taiwan, South Korea, and China, we will redouble our efforts to boost sales, for example by actively introducing products featuring Sanrio characters, which are also popular in these countries, both in Japan and overseas.

We expect sales in the dental business to increase ¥8 million (0.5%) to ¥1,800 million and operating income to increase ¥26 million (105.6%) to ¥50 million.

(Other businesses)

We expect sales in the "other businesses" segment to increase ¥8 million (10.0%) to ¥95 million and operating income to fall ¥18 million (64.4%) to ¥10 million.

(2) Analysis of Financial Position

[1] Assets, Liabilities, and Net Assets

Factors including increased product inventory, acquisition of physical fixed assets, and increases in the current value of investment securities spurred an increase of ¥1,222 million in assets over the previous fiscal year to ¥24,039 million.

Liabilities rose ¥137 million to ¥4,291 million as increases in deferred tax liability and other accounts offset a decline in short-term borrowing.

Net assets increased ¥1,085 million to ¥19,747 million due in part to increases in valuation difference on available-for-sale securities and foreign currency translation adjustment.

As a result of the above, the capital-to-assets ratio rose to 81.9% (compared to 81.6% for the previous fiscal year).

[2] Cash Flows

Cash and cash equivalents at the end of the fiscal year under review fell ¥792 million to ¥3,727 million. Cash flows during the fiscal year under review and associated factors are described below.

(Unit: Millions of yen)

	Previous fiscal year	Fiscal year under review	Change
Cash flows from operating activities	383	823	440
Cash flows from investing activities	(1,201)	(441)	760
Cash flows from financing activities	(477)	(1,305)	(827)
Effect of exchange rate changes on cash and cash equivalents	129	129	0
Net increase (decrease) in cash and cash equivalents	(1,166)	(792)	373
Cash and cash equivalents at the beginning of the period	5,686	4,520	(1,166)
Cash and cash equivalents at the end of the period	4,520	3,727	(792)

(a) Cash flows from operating activities

Net cash provided by operating activities was ¥823 million (an increase of ¥440 million). This figure primarily reflects net income before income and other taxes and minority interests of ¥978 million.

(b) Cash flows from investing activities

Net cash used in investing activities was ¥441 million (an increase of ¥760 million). This figure primarily reflects payments of ¥616 million for property, plant, and equipment.

(c) Cash flows from financing activities

Net cash used in financing activities was ¥1,305 million (a decrease of ¥827 million). This figure primarily reflects expenditures associated with repayment of short-term borrowing of ¥980 million.

(Changes in cash flow-related indexes)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Capital-to-asset ratio (%)	81.3	80.5	80.8	81.6	81.9
Current value-basis capital-to-asset ratio (%)	51.4	53.5	61.6	64.4	58.1
Debt repayment period (years)	0.9	0.9	0.8	2.6	-
Interest coverage ratio (times)	63.6	67.7	82.0	20.1	84.2

Note: Capital-to-asset ratio: Shareholders' equity / total assets
Current value-basis capital-to-asset ratio: Current market value of shares / total assets
Debt repayment period: Interest-bearing debt / cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities / interest payments

* Indexes have been calculated based on consolidated-basis financial figures.
* The current market value of shares was calculated by multiplying the closing share price at the end of the fiscal year by the number of outstanding shares at the end of the fiscal year (exclusive of treasury stock).
* The figure for cash flows from operating activities has been taken from the consolidated cash flows statement. Interest-bearing debt includes all liabilities on the consolidated balance sheet for which the company pays interest. Interest payment figures have been taken from the consolidated cash flows statement.

(3) Basic Policy on the Payment of Dividends and Dividends for the Fiscal Year under Review and Upcoming Fiscal Year

Shofu's basic policy consists of maintaining and continuing consistent dividend payments in order to increase corporate value (shareholder value) over the long term and return profits to shareholders. While we strive to achieve a consolidated-basis dividend ratio of at least 30%, actual payments reflect the need to ensure adequate capital to actively develop our businesses going forward, for example though R&D investment to expand our businesses overseas and develop new products while simultaneously working to strengthen the company's management foundation and financial strength.

The year-end dividend for the fiscal year under review will consist of an ordinary dividend of ¥10 per share. Together with the midterm dividend of ¥8 per share, which has already been paid, the total annual dividend will be ¥18 per share.

We plan to pay an annual dividend of ¥18 per share as an ordinary dividend during the upcoming fiscal year for a consolidated-basis dividend ratio of 50.8%.

2. Management Policy

This document omits the following sections because there have been no material changes to the information disclosed in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2012, (which was released on May 11, 2012): **(1) Basic Corporate Management Policy, (2) Management Index Targets, (3) Medium and Long-term Management Strategies, and (4) Issues Facing the Group.**

That document can be viewed online at the following URLs:

Shofu website
http://www.shofu.co.jp/ir/contents/hp1112/index.php?No=1489&CNo=1112

Tokyo Stock Exchange website (listed company information search page)
http://www.tse.or.jp/listing/compsearch/index.html

3. Consolidated Financial Statements

(1)Consolidated Balance Sheets

（Millions of yen）

	Previous fiscal year (as of March 31,2013)	Fiscal year under review (as of March 31,2014)
Assets		
Current assets		
Cash and deposits	5,511	5,266
Notes and accounts receivable-trade	2,649	2,910
Short term investment securities	350	117
Merchandises and finished goods	2,330	2,803
Work in process	675	615
Raw materials and supplies	688	750
Deffered tax assets	458	591
Other	378	339
Allowance for doubtful accounts	(78)	(96)
Total current assets	12,965	13,298
Noncurrent assets		
Property,plant and equipment		
Buildings and structures	6,348	6,544
Accumulated depreciation	(4,038)	(4,175)
Buildings and structures, net	2,310	2,369
Machinery and equipment, vehicles	2,467	2,856
Accumulated depreciation	(2,007)	(2,150)
Machinery and equipment, vehicles, net	459	706
Land	2,048	2,050
Construction in progress	9	382
Other	2,827	2,984
Accumulated depreciation	(2,483)	(2,612)
Other, net	344	372
Total property,plant and equipment	5,171	5,881
Intangible assets	167	161
Investments and other assets		
Investment securities	3,177	3,622
Deffered tax assets	49	54
Net defined benefit asset	-	551
Other	1,294	480
Allowance for doubtful accounts	(9)	(10)
Total investments and other assets	4,512	4,698
Total noncurrent assets	9,851	10,741
Total assets	22,817	24,039

(Millions of yen)

	Previous fiscal year (as of March 31,2013)	Fiscal year under review (as of March 31,2014)
Liabilities		
Current liabilities		
Accounts payable-trade	576	501
Short-term loans payable	980	-
Income taxes payable	114	356
Provision for directors' bonuses	3	53
Other	1,295	1,890
Total current liabilities	2,969	2,801
Noncurrent liabilities		
Deffered tax liabilities	105	440
Provision for retirement benefits	120	-
Net defined benefit liability	-	110
Other	959	939
Total noncurrent liabilities	1,185	1,490
Total liabilities	4,154	4,291
Net assets		
Shareholders' equity		
Capital stock	4,474	4,474
Capital surplus	4,576	4,576
Retained earnings	9,495	9,697
Treasury stock	(169)	(162)
Total shareholders' equity	18,377	18,586
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	644	968
Foreign currency translation adjustment	(398)	43
Remeasurements of defined benefit plans	-	88
Total accumulated other comprehensive income	245	1,101
Stock acquisition rights	39	60
Total net assets	18,662	19,747
Total liabilities and net assets	22,817	24,039

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

（Millions of yen）

	Previous fiscal year (from April 1,2012 to March 31,2013)	Fiscal year under review (from April 1,2013 to March 31,2014)
Net Sales	16,028	18,258
Cost of sales	7,184	8,229
Gross profit	8,843	10,028
Selling,general & administrative expenses	8,118	9,041
Operating income	725	987
Non-operating income		
Interest income	17	19
Dividends income	54	55
Annual fee and seminar fee income	102	121
Foreign exchange profits	70	88
Other	78	74
Total non-operating income	324	359
Non-operating expenses		
Interst expenses	19	9
Sales discounts	149	161
Operating expenses for seminars hosted by the company	121	152
Other	26	43
Total non-operating expenses	316	367
Ordinary income	732	978
Extraordinary loss		
Impairment loss	267	-
Loss on valuation of investment securities	93	-
Loss on retirement of noncurrent assets	15	-
Total extraordinary losses	375	-
Income before income taxes	356	978
Income taxes-current	252	465
Income taxes-deferred	85	7
Income taxes	338	472
Income before minority interests	18	506
Net income	18	506

Consolidated Statements of Comprehensive Income

（Millions of yen）

	Previous fiscal year (from April 1,2012 to March 31,2013)	Fiscal year under review (from April 1,2013 to March 31,2014)
Income before minority interests	18	506
Other comprehensive income		
Valuation difference on available-for-sale securities	345	324
Foreign currency translation adjustment	277	442
Remeasurements of defined benefit plans net of tax	-	88
Total other comprehensive income	623	855
Comprehensive income	642	1,361
Comprehensive income attributable to:		
Comprehensive income attributable to owner of the parent	642	1,361
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets

Previous fiscal year (from April 1, 2012 to March 31, 2013)

（Millions of yen）

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,474	4,576	9,774	(55)	18,769
Cumulative effects of changes in accounting policies			28		28
Restated balance	4,474	4,576	9,802	(55)	18,798
Changes of items during period					
Dividends of surplus			(321)		(321)
Net income			18		18
Purchase of treasury shares				(122)	(122)
Disposal of treasury shares			(4)	9	4
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	(307)	(113)	(420)
Balance at end of current period	4,474	4,576	9,495	(169)	18,377

	Accumulated other comprehensive income				Subscription rights to shares	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	298	(647)	-	(349)	19	18,439
Cumulative effects of changes in accounting policies		(28)		(28)		-
Restated balance	298	(675)	-	(377)	19	18,439
Changes of items during period						
Dividends of surplus						(321)
Net income						18
Purchase of treasury shares						(122)
Disposal of treasury shares						4
Net changes of items other than shareholders' equity	345	277	-	623	20	644
Total changes of items during period	345	277	-	623	20	223
Balance at end of current period	644	(398)	-	245	39	18,662

Fiscal year under review (from April 1, 2013 to March 31, 2014)

（Millions of yen）

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4474	4576	9495	(169)	18377
Changes of items during period					
Dividends of surplus			(302)		(302)
Net income			506		506
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(1)	7	5
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	201	6	208
Balance at end of current period	4474	4576	9697	(162)	18586

	Accumulated other comprehensive income				Subscription rights to shares	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	644	(398)	-	245	39	18662
Changes of items during period						
Dividends of surplus						(302)
Net income						506
Purchase of treasury shares						(0)
Disposal of treasury shares						5
Net changes of items other than shareholders' equity	324	442	88	855	20	876
Total changes of items during period	324	442	88	855	20	1085
Balance at end of current period	968	43	88	1101	60	19747

(4) Consolidated Statements of Cash Flows

（Millions of yen）

	Previous fiscal year (from April 1,2012 to March 31,2013)	Fiscal year under review (from April 1,2013 to March 31,2014)
Net cash provided by (used in) operating activities		
Income before income taxes	356	978
Depreciation and amortization	571	656
Impairment loss	267	-
Amortization of goodwill	89	-
Increase (decrease) in allowance for doubtful accounts	(21)	19
Increase (decrease) in provision for retirement benefits	(32)	203
Increase (decrease) in net defined benefit liability	-	(304)
Interest and dividends income	(72)	(75)
Interest expenses	19	9
Foreign exchange losses (gain)	(51)	(0)
Loss (gain) on sale fixed assets	17	-
Loss (gain) on sales of investment securities	93	-
Decrease (increase) in notes and accounts receivable-trade	(67)	(172)
Decrease (increase) in inventories	(262)	(291)
Increase (decrease) in notes and account payable	(99)	(170)
Other	(94)	131
Subtotal	714	984
Interest and dividends income received	72	76
Interest expenses paid	(19)	(9)
Interest taxes paid	(384)	(227)
Net cash provided by (used in) operating activities	383	823
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,851)	(1,074)
Proceeds from withdrawal of time deposits	1,873	1,061
Purchase of short-term investment securities	(363)	(110)
Proceeds from redemption of securities	380	360
Purchase of property, plant and equipment	(1,156)	(616)
Proceeds from sales of property, plant and equipment	3	0
Purchase of intangible assets	(49)	(83)
Payments of loans receivable	(10)	(19)
Collection of loans receivable	12	11
Other	(40)	28
Net cash provided by (used in) investing activities	(1,201)	(441)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(10)	-
Decrease in short-term loans payable	-	(980)
Repayments of lease obligations	(23)	(21)
Purchase of treasury stock	(122)	0
Cash dividends paid	(321)	(302)
Proceeds from exercise of stock option	0	0
Net cash provided by (used in) financing activities	(477)	(1,305)
Effect of exchange rate change on cash and cash equivalents	129	129
Net increase (decrease) in cash and cash equivalents	(1,166)	(792)
Cash and cash equivalents at beginning of period	5,686	4,520
Cash and cash equivalents at end of period	4,520	3,727

(5) Notes to Consolidated Financial Statements

(Notes relating to assumptions for the going concern)

Not applicable.

(Changes to Accounting Policies)

(Changes to the method used to convert overseas subsidiaries' profits and expenses into yen)

Although in the past overseas consolidated subsidiaries' profits and expenses have been converted into yen using the spot exchange rate as of the closing date of the accounting period in question, the increasing importance of those subsidiaries triggered a decision that conversion of profits and expenses over a particular period using the average exchange rate for that period instead of the spot exchange rate as of a particular point in time would allow the company to disclose information in a more accurate and appropriate manner. Consequently, we have changed the method used to convert those figures into yen so that the average exchange rate during the period in question is used, starting with the consolidated fiscal year under review.

Because the restatement of past results that would be involved in applying this change retroactively more than 10 years in the past is impossible from an operational standpoint due to rules requiring that financial statements and other documents be retained for a period of 10 years, the change to conversion using the average exchange rate for the period in question took effect on April 1, 2003.

This change in the company's accounting policies has been applied retroactively and is reflected in the consolidated financial statements for the previous consolidated fiscal year.

As a result, sales for the previous consolidated fiscal year fell ¥356 million, gross margin on sales ¥312 million, operating income ¥147 million, and ordinary income and net income before income and other taxes and minority interests ¥17 million each due to the retroactive application of the change.

Additionally, retroactive application of the change in the company's accounting policies caused a cumulative impact on the balance of net assets at the beginning of the fiscal year, resulting an increase of ¥28 million in the balance of retained earnings and a decrease of ¥28 million in the balance of foreign currency translation adjustments at the beginning of the previous consolidated fiscal year.

The impact on per-share information is addressed in the appropriate section of this document.

(Method used to account for retirement benefits)

We began applying the Accounting Standard for Retirement Benefits (Corporate Accounting Standards No. 26, dated May 17, 2012) and the Application Policies for Accounting Standards for Retirement Benefits (Corporate Accounting Standards Application Policies No. 25, dated May 17, 2012) starting at the end of the consolidated fiscal year under review (with the exception of the provisions outlined in Articles 35 and 67 of the standard). As a result, we have changed the method used to account for retirement benefits so that the amount obtained be deducting pension assets from projected benefit obligations is posted as a retirement benefit liability (or so that the amount obtained by deducting projected benefit obligations from pension assets is posted as a retirement benefit asset). As a result, unrecognized actuarial gain or loss and unrecognized prior service costs have been posted as retirement benefit assets.

In applying the new standard and associated guidelines, we have observed the transitional treatment of figures set forth in Article 37 so that the impact associated with this change has been added to, or subtracted from, the cumulative adjustment to retirement benefits portion of accumulated other comprehensive income as of the end of the consolidated fiscal year under review.

As a result, retirement benefit assets of ¥551 million were posted at the end of the consolidated fiscal year under review. Additionally, the financial results reflect the addition of accumulated other comprehensive income of ¥88 million.

The impact on per-share information is addressed in the appropriate section of this document.

(Segment Information)

1. Reportable Segments

Financial statements that break out the company's reportable segments are available, and those segments are targeted for regular examination as the Board of Directors allocates management resources and to evaluate business performance.

The Group's businesses include the dental business, nail care business, and other businesses (manufacture and sale of industrial materials and equipment). We develop comprehensive domestic and overseas strategies for each of these businesses and conduct associated operations accordingly.

Consequently, we use the dental business, nail care business, and other businesses as our reportable segments.

The dental business segment consists of the manufacture, sale, and repair of dental materials and equipment. The nail care business segment consists of the manufacture and sale of beauty and health devices related to nail care and cosmetics as well as associated service operations. The other businesses segment consists of the manufacture and sale of industrial materials and equipment.

2. Methods used to calculate sales, gains (losses), assets, liabilities, and other figures for the reportable segments

The accounting policies for the reportable segments are basically the same as those described in "Important considerations in the preparation of consolidated financial statements."

Reportable segment profit is provided on an operating income basis.

(Changes to the method used to convert overseas consolidated subsidiaries' profits and expenses into yen)

As described in "Changes to Accounting Policies," overseas consolidated subsidiaries' profits and expenses in the past have been converted into yen using the spot exchange rate as of the closing date of the period in question, but the increasing importance of those subsidiaries triggered a decision that conversion of profits and expenses over a particular period using the average exchange rate for that period instead of the spot exchange rate as of a particular point in time would allow the company to disclose information in a more accurate and appropriate manner. Consequently, we have changed the method used to convert those figures into yen so that the average exchange rate during the period in question is used, starting with the consolidated fiscal year under review.

This change in the company's accounting policies has been applied retroactively and is reflected in the segment information for the previous consolidated fiscal year.

As a result, sales in the dental business and the nail care business for the previous consolidated fiscal year fell ¥353 million and fell ¥3 million, respectively, due to the retroactive application of the change. Segment profit and loss figures fell ¥147 million in the dental business and rose ¥0 million in the nail care business.

3. Information regarding sales, gains (losses), assets, liabilities, and other figures by reportable segment

Previous fiscal year (April 1, 2012－March 31, 2013)

(Millions of yen)

	Dental business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	14,317	1,632	78	16,028	—	16,028
(2) Internal sales or transfers	—	0	5	5	(5)	—
Total	14,317	1,633	83	16,033	(5)	16,028
Segment profit (loss)	750	(52)	21	718	6	725
Segment assets	16,329	1,075	79	17,484	5,333	22,817
Other items						
Amortization of goodwill	—	89	—	89	—	89
Depreciation	530	36	4	571	—	571
Impairment loss	—	267	—	267	—	267
Increase in property, plant, and equipment and intangible assets	1,158	45	4	1,209	—	1,209

*1 (1) The ¥6 million adjustment to segment profit/loss serves to cancel out transactions between segments.

(2) The ¥5,333 million adjustment to segment assets includes companywide assets that are not allocated to any single segment, primarily surplus operating funds (cash and deposits) and long-term investment funds (investment securities, etc.).

*2 Segment profit (loss) equals the operating income on consolidated financial statements.

Fiscal year under review (April 1, 2013－March 31, 2014)

(Millions of yen)

	Dental business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	16,378	1,792	87	18,258	—	18,258
(2) Internal sales or transfers	0	0	4	5	(5)	—
Total	16,379	1,793	91	18,263	(5)	18,258
Segment profit	925	24	29	979	7	987
Segment assets	17,496	1,070	81	18,648	5,390	24,039
Other items						
Depreciation	626	30	3	659	(2)	656
Increase in property, plant, and equipment and intangible assets	1,241	39	0	1,282	—	1,282

*1 (1) The ¥7 million adjustment to segment profit/loss serves to cancel out transactions between segments.

(2) The ¥5,390 million adjustment to segment assets includes companywide assets that are not allocated to any single segment, primarily surplus operating funds (cash and deposits) and long-term investment funds (investment securities, etc.).

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

(Per Share Information)

	Previous fiscal year (April 1, 2012 - March 31, 2013)	Fiscal year under review (April 1, 2013 - March 31, 2014)
Net assets per share	1,169.09 yen	1,235.34 yen
Net income per share	1.17 yen	31.77 yen
Fully diluted net income per share	1.16 yen	31.61 yen

(Note) 1. As described in “Changes to Accounting Policies,” overseas consolidated subsidiaries’ profits and expenses in the past have been converted into yen using the spot exchange rate as of the closing date of the period in question, but the increasing importance of those subsidiaries triggered a decision that conversion of profits and expenses over a particular period using the average exchange rate for that period instead of the spot exchange rate as of a particular point in time would allow the company to disclose information in a more accurate and appropriate manner. Consequently, we have changed the method used to convert those figures into yen so that the average exchange rate during the period in question is used, starting with the consolidated fiscal year under review.

This change in the company’s accounting policies has been applied retroactively and is reflected in the current term net income per share and the current term fully diluted net income per share for the previous consolidated fiscal year.

As a result, current term net profit per share and current term fully diluted net income per share for the previous consolidated fiscal year fell ¥0.70 and ¥0.71, respectively, due to the retroactive application of the change.

2. As described in “Changes to Accounting Policies,” we have applied the Accounting Standard for Retirement Benefits and associated guidelines, and we have observed the transitional treatment of figures set forth in Article 37 of the standard.
As a result, net assets per share for the consolidated fiscal year under review increased ¥5.56.

3. The basis for calculating net income per share and fully diluted net income per share is as follows:

	Previous fiscal year (April 1, 2012 - March 31, 2013)	Fiscal year under review (April 1, 2013 - March 31, 2014)
Net income per share		
Net income (millions of yen)	18	506
Amount not belonging to ordinary shareholders (millions of yen)	—	—
Net income in attributable to common stock (millions of yen)	18	506
Average number of shares during the fiscal year (1,000 shares)	16,032	15,935
Fully diluted net income		
Current net income adjustment (millions of yen)	—	—
Increase in common stock (thousands of shares)	51	82
Overview of residual shares not included in the calculation of fully diluted net income per share due to a lack of dilution effects	—	—

4. The basis for calculating net assets per share is as follows:

	Previous fiscal year (April 1, 2012 - March 31, 2013)	Fiscal year under review (April 1, 2013 - March 31, 2014
Total assets (millions of yen)	18,662	19,747
Amount excluded from total assets (millions of yen)	39	60
Year-end net assets attributable to common stock (millions of yen)	18,623	19,687
Number of common stock shares at year end used to calculate earnings and assets per share (thousands of shares)	15,929	15,937

(Important Subsequent Events)

Not applicable.