Consolidated Financial Results for the Fiscal Year Ended March 31, 2017
(Japanese Accounting Standards)

May 12, 2017

Company name:	SHOFU INC.	
Listing:	Tokyo Stock Exchange (First section)	
Code number:	7979	
URL:	http://www.shofu.co.jp/	
Representative:	Noriyuki Negoro, President	
Contact:	Takahiro Umeda, General Manager of Finance Department	
Scheduled date of ordinary shareholders' meeting:		June 27, 2017
Scheduled date for filing of annual securities report:		June 27, 2017
Scheduled commencement date of dividend payment:		June 6, 2017
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, 2017 (April 1, 2016 – March 31, 2017)

(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, 2017	22,305	△2.9	1,382	△11.9	1,141	△18.1	836	6.0
Year ended March 31, 2016	22,975	16.7	1,568	35.3	1,393	25.0	789	35.8

(Note) Comprehensive income: Year ended March 31, 2017 1,194 million yen (–%)
Year ended March 31, 2016 △15 million yen (–%)

	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, 2017	52.61	52.29	3.8	4.0	6.2
Year ended March 31, 2016	49.43	49.15	3.7	4.8	6.8

(Reference) Equity in earnings of affiliates: Year ended March 31, 2017 None
Year ended March 31, 2016 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, 2017	28,853	22,296	76.9	1,396.74
Year ended March 31, 2016	28,305	21,500	75.7	1,340.00

(Reference) Shareholder's equity: Year ended March 31, 2017 22,185 million yen
Year ended March 31, 2016 21,414 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, 2017	2,308	△1,052	△835	4,652
Year ended March 31, 2016	1,511	748	△2,152	4,283

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 31,2016	-	8.00	-	10.00	18.00	287	36.4	1.3
Year ended March 31,2017	-	8.00	-	12.00	20.00	317	38.0	1.5
Year ending March 31,2018 (Forecasts)	-	8.00	-	12.00	20.00		33.1	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2018. (April 1, 2017 – March 31, 2018)

(% 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 30,2017 (cumulative)	11,713	6.0	657	△17.9	618	21.5	392	30.3	24.70
Year ending March 31,2018	23,970	7.5	1,488	7.7	1,403	23.0	959	14.6	60.38

*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: None

(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, 2017: 16,114,089 shares

As of March 31, 2016: 16,114,089 shares

(b) Number of shares of treasury stock at end of period

As of March 31, 2017: 230,355 shares

As of March 31, 2016: 132,879 shares

(c) Average number of shares during the period

As of March 31, 2017: 15,906,346 shares

As of March 31, 2016: 15,975,879shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(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, 2017	14,999	△3.3	434	△39.8	746	△63.2	497	△71.5
Year ended March 31, 2016	15,507	2.5	722	21.5	2,028	137.1	1,744	198.8

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2017	31.28	31.09
Year ended March 31, 2016	109.21	108.58

(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, 2017	24,846	19,830	79.4	1,242.64
Year ended March 31, 2016	24,451	19,194	78.2	1,196.49

(Reference) Shareholder's equity: Year ended March 31, 2017 19,737 million yen
Year ended March 31, 2016 19,121 million yen

*The consolidated financial results are not subject to auditing

*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, 2018" section on page 4.

Accompanying Materials－Contents

1. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year under Review

(Overview)

Over the consolidated fiscal year under review, business conditions particularly in the US, basically remained strong despite the continued uncertainty in the global economic outlook, due to factors including concerns over an economic slowdown in emerging nations including China, the uncertainty regarding the policies of the new US administration as well as the effects of the UK's decision to leave the EU. As for Japanese economy, it was on a moderate recovery trend on the whole, as we saw steadiness in corporate earnings, employment and income conditions.

In the dental industry, the business environment continued to be strict with the progress of digitalization changing the market environment significantly, and competition among companies intensifying at a worldwide level.

Against this backdrop, the Company Group entered its second year of the second medium-term management plan and undertook measures to achieve further growth in the future, with the expansion of businesses overseas and reinforcing the business platform domestically. In order to increase sales in the overseas market, initiatives were taken to strengthen the sales base in growth markets, such as establishing a sales subsidiary in Sao Paulo, Brazil, and taking measures to establish a sales subsidiary in India. Furthermore, we have constructed a manufacturing plant for ceramic material on the premise of our Company headquarters, and reinforced our production system in order to achieve a stable supply of products in response to a future increase in overseas demand, starting with China.

However, net sales during the consolidated fiscal year under review decreased 670 million yen (2.9%) over the previous year to 22,305 million yen due to the effects of foreign exchange resulting from a stronger yen.

Operating income fell to 1,382 million yen, a decrease of 186 million yen (11.9%) due to the impact of decreased sales and an increase in expenses associated with aggressive sales promotion activities. Although ordinary income amounted to 1,141 million yen, a year-on-year decrease of 252 million yen, or 18.1% due to an increase in non-operating expenses such as foreign exchange losses, a decrease in tax expenses led to an increase in profit attributable to owners of parent to 836 million yen, a year-on-year increase of 47 million yen (6.0%).

(Dental business)

Domestically, “Block HC Cem,” a dental adhesive resin cement and “PEN Bright,” a dental polymerization light irradiator were introduced to the market. In addition to these new products, the Company's focus areas, dental restorative materials and CAD/CAM-related products also contributed to sales, however with the intensification of competition in the market, sales decreased from the corresponding period of the previous consolidated fiscal year, as the existing mainstay products including artificial teeth fell below our sales projection.

Looking overseas, proactive strategies taken to expand sales resulted in solid sales performance in North America and China, however, sales decreased year on year due to the effects of foreign exchange resulting from a stronger yen.

As a result of these factors, net sales of the dental business decreased by 732 million yen (3.5%) from the previous fiscal year to 20,267 million yen, and operating income decreased 134 million yen (8.9%) from the previous fiscal year to 1,380 million yen.

(Nail care business)

While the market scale of the nail care industry is continuing its gradual expansion trend, the entire industry takes on the aspect of a price war against the backdrop of an increase in low-end users, therefore the market conditions in the nail care business continue to be harsh.

Domestically, sales trended at low levels with weak sales in our mainstay LED gel “Presto”, despite aggressive marketing efforts such as newly releasing a new color lineup of color gels and holding seminars throughout Japan to appeal the superiority of our products.

Overseas sales were robust as our gel nail products gained recognition in US and Taiwan through aggressive sales promotion activities.

As a result of these factors, net sales of the nail care business increased by 50 million yen (2.7%) from the previous fiscal year to 1,944 million yen. Concerning profits, however, an increase in selling, general and administrative expenses resulted in operating loss of 25 million yen, a year-on-year decrease of 47 million yen.

(Other businesses)

SHOFU PRODUCTS KYOTO INC., a Group company, uses its dental abrasives manufacturing technology to manufacture and sell industrial abrasives. Net sales in the “other businesses” segment for the first nine months of the consolidated fiscal year under review increased 10 million yen (12.8%) from the corresponding period of the previous consolidated fiscal year to 93 million yen, and operating income remained largely unchanged from the corresponding period of the previous consolidated fiscal year at 22 million yen.

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

(2) Overview of Financial Position for the Fiscal Year under Review

Factors including an increase in investment securities due to higher stock prices caused an increase of 548 million yen in assets over the previous fiscal year to 28,853 million yen.

Liabilities decreased by 248 million yen to 6,556 million yen due to decreases in long-term loans payable and other factors.

Net assets increased by 796 million yen over the previous fiscal year to 22,296 million yen due to increases in retained earnings and valuation difference on available-for-sale securities and others.

As a result of the above, the capital-to-assets ratio was 76.9%.(75.7% at the end of the previous consolidated fiscal year)

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review rose 369 million yen to 4,652 million yen. 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	1,511	2,308	797
Cash flows from investing activities	748	(1,052)	(1,801)
Cash flows from financing activities	(2,152)	(835)	1,316
Effect of exchange rate changes on cash and cash equivalents	(32)	(51)	(18)
Net increase (decrease) in cash and cash equivalents	74	369	294
Cash and cash equivalents at the beginning of the period	4,208	4,283	74
Cash and cash equivalents at the end of the period	4,283	4,652	369

(a) Cash flows from operating activities

Net cash provided by operating activities was 2,308 million yen (an increase of 797 million yen). This figure primarily reflects net income before income and other taxes and minority interests of 1,141 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 1,052 million yen (a decrease of 1,801 million yen). This figure primarily reflects purchase of property, plant and equipment of 823 million yen.

(c) Cash flows from financing activities

Net cash provided by financing activities was 835 million yen (an increase of 1,316 million yen). This figure primarily reflects repayment of long-term loans payable of 385 million yen, and cash dividends paid by the parent of 286 million yen.

(4) Future Outlook

In the dental industry, while there are some positive factors such as the growing needs for aesthetic and preventive dentistry in the domestic market, there is little room left for product differentiation with the maturation of the market, and the competition in both technology and price is intensifying. On the contrary, we believe dentistry demands in the overseas markets will continue to grow backed by the existence of a huge market in Europe and US, along with the movement toward expansion in demand which can be seen associated with the increase in middle-class consumers in emerging countries.

Against this backdrop, the Company Group will undertake a variety of measures that will lead to the future, with the aim to realize its long-term vision by 2022, the year that marks the 100th anniversary of the company's founding.

Our outlook for performance during the upcoming fiscal year follows.

(Overall outlook)

(Unit: Millions of yen, %)

	Results for the fiscal year ended March 31, 2017	Outlook for the fiscal year ending March 31, 2018	Change	Change (%)
Sales	22,305	23,970	1,665	7.5
Operating income	1,382	1,488	106	7.7
Ordinary income	1,141	1,403	262	23.0
Profit attributable to owners of parent	836	959	122	14.6

Major exchange rates: US Dollar: 108.00 yen; Euro: 119.00 yen; British Pound: 145.00 yen; Chinese Yuan: 16.20 yen

（Dental business）

In the dental business, we will promote initiatives to improve our research efficiency, shorten our development period, and strengthen our Group's production system in order to meet global demand. In Japan, we will enhance our sales promotion activities in our major focus areas and provide information activities towards dental professionals. Also looking overseas, we will continue to expand our sales networks, and accelerate the speed of our overseas business development by strengthening our collaboration with other companies, etc.

We expect sales in the dental business in the next fiscal year to increase 1,461 million yen (7.2%) to 21,729 million yen and operating income to increase 65 million yen (4.8%) to 1,445 million yen.

（Nail care business）

In the nail care business, we will launch a new brand in Japan and expand our sales channel for gel nail products targeted for mass consumption, while working towards enhancing our sales activities in Asian markets, where further future growth can be expected.

We expect sales in the nail care business in the next fiscal year to increase 193 million yen (9.9%) to 2,137 million yen and operating income to increase 57 million yen to 31 million yen.

(Other businesses)

In the “other businesses” segment, we will develop products by utilizing the Company Group’s technological capabilities and also strive to increase sales among existing customers and cultivate new customers, in order to achieve an increase in revenue.

We expect sales in the “other businesses” segment to increase 10 million yen (11.3%) to 103 million yen and operating income to fall 10 million yen (48.0%) to 11 million yen.

(5) 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 while striving to increase corporate value (shareholder value) over the long term and return profits to shareholders. While we strive to achieve a consolidated dividend payout 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 our businesses overseas and develop new products

The year-end dividend for the fiscal year under review will be 12 yen per share, consisting of an ordinary dividend of 10 yen per share and a dividend of 2 yen per share as a dividend paid at the end of the fiscal year to commemorate the 95th anniversary of the Company’s founding. Together with the midterm dividend of 8 yen per share, which has already been paid, the total annual dividend will be 20 yen per share.

In addition to the payment of a planned annual dividend of 18 yen per share as an ordinary dividend, a dividend of 2 yen per share as a dividend paid at the end of the fiscal year to commemorate the 95th anniversary of the Company’s founding is planned for a total planned annual dividend of 20 yen per share and a consolidated-basis dividend ratio of 33.1%.

2. Basic Approach to the Selection of Accounting Standards

Out of consideration to time period comparability of consolidated financial statements and com parability with other corporations, the Company Group takes an approach of producing consolidat ed financial statements according to Japanese standards.

Regarding application of IFRS (International Financial Reporting Standards), the Company Group’s approach is to comply with IFRS as appropriate considering various circumstances domestic and international.

3. Consolidated Financial Statements

(1)Consolidated Balance Sheets

（Millions of yen）

	Previous fiscal year (as of March 31,2016)	Fiscal year under review (as of March 31,2017)
Assets		
Current assets		
Cash and deposits	4,413	4,997
Notes and accounts receivable-trade	3,185	3,138
Short term investment securities	80	5
Merchandises and finished goods	3,885	3,666
Work in process	863	882
Raw materials and supplies	872	817
Deferred tax assets	552	484
Other	528	386
Allowance for doubtful accounts	△ 114	△93
Total current assets	14,265	14,286
Noncurrent assets		
Property,plant and equipment		
Buildings and structures	7,982	8,099
Accumulated depreciation	△4,715	△4,919
Buildings and structures, net	3,266	3,179
Machinery, equipment and vehicles	3,663	3,823
Accumulated depreciation	△2,846	△2,981
Machinery, equipment and vehicles, net	816	842
Land	1,937	1,933
Construction in progress	32	46
Other	3,510	3,594
Accumulated depreciation	△2,836	△2,912
Other, net	674	681
Total property, plant and equipment	6,727	6,682
Intangible assets		
Goodwill	649	558
Other	1,113	980
Total intangible assets	1,762	1,538
Investments and other assets		
Investment securities	4,508	5,304
Deferred tax assets	48	21
Net defined benefit asset	669	710
Other	332	317
Allowance for doubtful accounts	△9	△8
Total investments and other assets	5,549	6,345
Total non-current assets	14,039	14,566
Total assets	28,305	28,853

(Millions of yen)

	Previous fiscal year (as of March 31,2016)	Fiscal year under review (as of March 31,2017)
Liabilities		
Current liabilities		
Accounts payable-trade	647	612
Current portion of long-term loans payable	385	505
Income taxes payable	115	312
Provision for directors' bonuses	44	30
Other	1,856	1,753
Total current liabilities	3,049	3,215
Noncurrent liabilities		
Long-term loans payable	1,729	1,225
Deferred tax liabilities	1,119	1,236
Net defined benefit liability	177	198
Other	728	682
Total noncurrent liabilities	3,755	3,341
Total liabilities	6,804	6,556
Net assets		
Shareholders' equity		
Capital stock	4,474	4,474
Capital surplus	4,576	4,576
Retained earnings	10,600	11,150
Treasury shares	△ 122	△252
Total shareholders' equity	19,530	19,949
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,781	2,318
Foreign currency translation adjustment	137	△176
Remeasurements of defined benefit plans	△ 34	93
Total accumulated other comprehensive income	1,884	2,235
Subscription rights to shares	73	92
Non-controlling interests	11	18
Total net assets	21,500	22,296
Total liabilities and net assets	28,305	28,853

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

（Millions of yen）

	Previous fiscal year (from April 1,2015 to March 31,2016)	Fiscal year under review (from April 1,2016 to March 31,2017)
Net Sales	22,975	22,305
Cost of sales	9,798	9,357
Gross profit	13,177	12,947
Selling,general & administrative expenses	11,608	11,564
Operating income	1,568	1,382
Non-operating income		
Interest income	10	6
Dividends income	64	74
Membership fee income	105	118
Other	130	112
Total non-operating income	312	312
Non-operating expenses		
Interst expenses	18	12
Sales discounts	163	162
Membership fee	147	162
Foreign exchange losses	125	153
Other	33	61
Total non-operating expenses	488	554
Ordinary profit	1,393	1,141
Extraordinary income		
Gain on sales of non-current assets	21	-
Gain on sales of investment securities	35	-
Total extraordinary income	56	-
Extraordinary loss		
Loss on sales of investment securities	25	-
Expenses for voluntary recall	72	-
Total extraordinary losses	98	-
Profit before income taxes	1,352	1,141
Income taxes-current	390	352
Income taxes-deferred	167	△53
Total income taxes	557	299
Profit	794	841
Profit attributable to non-controlling interests	4	5
Profit attributable to owners of parent	789	836

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (from April 1,2015 to March 31,2016)	Fiscal year under review (from April 1,2016 to March 31,2017)
Profit	794	841
Other comprehensive income		
Valuation difference on available-for-sale securities	△ 300	536
Foreign currency translation adjustment	△ 204	△ 312
Remeasurements of defined benefit plans net of tax	△ 305	128
Total other comprehensive income	△ 810	352
Comprehensive income	△ 15	1,194
Comprehensive income attributable to:		
Comprehensive income attributable to owner of the parent	△ 19	1,187
Comprehensive income attributable to non-controlling interests	3	6

(3) Consolidated Statements of Changes in Net Assets
Previous fiscal year(from April 1, 2015 to March 31, 2016)

（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	10,102	△146	19,007
Changes of items during period					
Dividends of surplus			△287		△287
Profit attributable to owners of parent			789		789
Purchase of treasury shares				△0	△0
Disposal of treasury shares			△3	24	20
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	498	24	522
Balance at end of current period	4,474	4,576	10,600	△122	19,530

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	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	2,082	340	271	2,693	72	8	21,781
Changes of items during period							
Dividends of surplus							△287
Profit attributable to owners of parent							789
Purchase of treasury shares							△0
Disposal of treasury shares							20
Net changes of items other than shareholders' equity	△300	△202	△305	△809	1	3	△803
Total changes of items during period	△300	△202	△305	△809	1	3	△281
Balance at end of current period	1,781	137	△34	1,884	73	11	21,500

Fiscal year under review (from April 1, 2016 to March 31, 2017)

(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	10,600	△122	19,530
Changes of items during period					
Dividends of surplus			△286		△286
Profit attributable to owners of parent			836		836
Purchase of treasury shares				△133	△133
Disposal of treasury shares			△0	3	2
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	549	△130	419
Balance at end of current period	4,474	4,576	11,150	△252	19,949

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	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	1,781	137	△34	1,884	73	11	21,500
Changes of items during period							
Dividends of surplus							△286
Profit attributable to owners of parent							836
Purchase of treasury shares							△133
Disposal of treasury shares							2
Net changes of items other than shareholders' equity	536	△313	126	351	19	6	376
Total changes of items during period	536	△313	126	351	19	6	796
Balance at end of current period	2,318	△176	93	2,235	92	18	22,296

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (from April 1,2015 to March 31,2016)	Fiscal year under review (from April 1,2016 to March 31,2017)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,352	1,141
Depreciation	1,007	888
Amortization of goodwill	56	50
Increase (decrease) in allowance for doubtful accounts	17	△22
Increase (decrease) in net defined benefit liability	△66	167
Interest and dividend income	△75	△81
Interest expenses	18	12
Foreign exchange losses (gains)	36	25
Loss (gain) on sales of property, plant and equipment	△21	-
Loss (gain) on sales of investment securities	△9	-
Decrease (increase) in notes and accounts receivable - trade	△191	△7
Decrease (increase) in inventories	△154	157
Increase (decrease) in notes and accounts payable - trade	△97	△39
Other, net	△16	53
Subtotal	1,853	2,345
Interest and dividend income received	75	81
Interest expenses paid	△18	△12
Income taxes paid	△399	△106
Net cash provided by (used in) operating activities	1,511	2,308
Cash flows from investing activities		
Payments into time deposits	△92	△287
Proceeds from withdrawal of time deposits	778	72
Purchase of securities	△36	△27
Proceeds from redemption of securities	84	144
Purchase of property, plant and equipment	△495	△823
Proceeds from sales of property, plant and equipment	78	1
Purchase of intangible assets	△134	△50
Purchase of investment securities	-	△44
Proceeds from sales of investment securities	197	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	357	-
Purchase of shares of subsidiaries	-	△36
Payments of loans receivable	△0	△11
Collection of loans receivable	10	8
Other, net	△0	1
Net cash provided by (used in) investing activities	748	△1,052

Cash flows from financing activities		
Decrease in short-term loans payable	△3,595	-
Repayments of lease obligations	△34	△29
Proceeds from long-term loans payable	2,000	-
Repayments of long-term loans payable	△234	△385
Decrease (increase) in treasury shares	△0	△133
Cash dividends paid	△287	△286
Proceeds from exercise of share options	0	0
Net cash provided by (used in) financing activities	△2,152	△835
Effect of exchange rate change on cash and cash equivalents	△32	△51
Net increase (decrease) in cash and cash equivalents	74	369
Cash and cash equivalents at beginning of period	4,208	4,283
Cash and cash equivalents at end of period	4,283	4,652

(5) Notes to Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Changes to Accounting Policies)

In line with revisions to the Corporation Tax Act, the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force (PITF) No. 32; June 17, 2016) has been applied from the fiscal year under review, and the method of depreciation for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The effect of the above change on consolidated financial statements for the current consolidated fiscal year was insignificant.

(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.”

As stated in Changes to Accounting Policies, in line with revisions to the Corporation Tax Act, the method of depreciation for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method. Therefore, the method for depreciation in business segments has been changed in the same manner.

The effect of this change on segment profit (loss) is insignificant.

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

Previous year under review (April 1, 2015－March 31, 2016)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	20,999	1,893	82	22,975	-	22,975
(2) Internal sales or transfers	-	0	5	5	(5)	-
Total	20,999	1,894	88	22,981	(5)	22,975
Segment profit (loss)	1,515	22	22	1,559	8	1,568
Segment assets	22,195	1,157	130	23,483	4,821	28,305
Other items						
Depreciation expense	958	36	13	1,007	-	1,007
Amortization of goodwill	56	-	-	56	-	56
Increase in property, plant, and equipment and intangible assets	2,253	32	5	2,291	-	2,291

*1 (1) The 8 million yen adjustment to segment profit serves to cancel out transactions between segments.

(2) The 4,821 million yen 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.

(Information relating to amortization of goodwill and unamortized balances by reporting segment)

	Dental Business	Nail care business	Other businesses	Total	Adjustment	Consolidated financial statements
Balance at end of current period	649	-	-	649	-	649

(Note) As identical information regarding amortization of goodwill is disclosed in segment information, it has been omitted here.

Fiscal year under review (April 1, 2016－March 31, 2017)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	20,267	1,944	93	22,305	-	22,305
(2) Internal sales or transfers	0	0	6	7	(7)	-
Total	20,267	1,944	100	22,312	(7)	22,305
Segment profit (loss)	1,380	(25)	22	1,376	5	1,382
Segment assets	21,747	1,216	176	23,140	5,713	28,853
Other items						
Depreciation expense	838	36	12	888	-	888
Amortization of goodwill	50	-	-	50	-	50
Increase in property, plant, and equipment and intangible assets	836	30	8	875	-	875

*1 (1) The 5 million yen adjustment to segment profit serves to cancel out transactions between segments.

(2) The 5,713 million yen 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.

(Information relating to amortization of goodwill and unamortized balances by reporting segment)

	Dental Business	Nail care business	Other businesses	Total	Adjustment	Consolidated financial statements
Balance at end of current period	558	-	-	558	-	558

(Note) As identical information regarding amortization of goodwill is disclosed in segment information, it has been omitted here.

(Per Share Information)

	Previous fiscal year (April 1, 2015 - March 31, 2016)	Fiscal year under review (April 1, 2016 - March 31, 2017)
Net assets per share	1,340.00 yen	1,396.74 yen
Net income per share	49.43 yen	52.61 yen
Fully diluted net income per share	49.15 yen	52.29 yen

(Notes) 1. The basis for calculating net income per share and fully diluted net income per share is as follows:

	Previous fiscal year (April 1, 2015 - March 31, 2016)	Fiscal year under review (April 1, 2016 - March 31, 2017)
Net income per share		
Net income attributable to owners of parent (millions of yen)	789	836
Amount not belonging to ordinary shareholders (millions of yen)	-	-
Net income attributable to owners of parent related to common stock(millions of yen)	789	836
Average number of shares during the fiscal year (1,000 shares)	15,975	15,906
Fully diluted net income		
Adjustments to net income attributable to owners of parent (millions of yen)	-	-
Increase in common stock (thousands of shares)	91	96
Overview of residual shares not included in the calculation of fully diluted net income per share due to a lack of dilution effects	-	-

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

	Previous fiscal year (April 1, 2015 - March 31, 2016)	Fiscal year under review (April 1, 2016 - March 31, 2017)
Total assets (millions of yen)	21,500	22,296
Amount excluded from total assets (millions of yen)	85	110
Year-end net assets attributable to common stock (millions of yen)	21,414	22,185
Number of common stock shares at year end used to calculate net assets per share (thousands of shares)	15,981	15,883

(Important Subsequent Events)

Not applicable.