Consolidated Financial Results for the Fiscal Year Ended March 31, 2020
(Japanese Accounting Standards)

May 14, 2020

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, Managing Executive Officer
Scheduled date of ordinary shareholder's meeting: June 24, 2020
Scheduled date for filing of annual securities report: June 24, 2020
Scheduled commencement date of dividend payment: June 10, 2020
Supplementary documents for quarterly financial results: Yes
Financial results briefing: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020(April 1,2019 – March 31,2020)

(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, 2020	26,108	4.8	2,210	21.9	1,988	16.4	704	(41.3)
Year ended March 31, 2019	24,915	3.7	1,814	21.1	1,709	9.2	1,201	36.9

(Note) Comprehensive income: Year ended March 31, 2020 -46 million yen (－%)
Year ended March 31, 2019 523 million yen (-75.7%)

	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, 2020	44.24	43.93	2.9	6.6	8.5
Year ended March 31, 2019	75.54	74.99	5.0	5.6	7.3

(Reference) Equity in earnings of affiliates: Year ended March 31, 2020 None
Year ended March 31, 2019 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, 2020	29,834	23,936	79.7	1,491.81
Year ended March 31, 2019	30,161	24,383	80.4	1,524.92

(Reference) Shareholder's equity: Year ended March 31, 2020 23,786 million yen
Year ended March 31, 2019 24,250 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, 2020	1,942	(1,768)	(224)	4,218
Year ended March 31, 2019	1,468	(1,519)	(844)	4,318

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 31,2019	-	8.00	-	15.00	23.00	365	30.4	1.5
Year ended March 31,2020	-	10.00	-	16.00	26.00	414	58.8	1.7
Year ending March 31,2021 (Forecasts)	-	-	-	-	-		-	

(Notes) The dividend forecast for the fiscal year ending March 31, 2021 is yet to be determined at the current point in time.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021. (April 1, 2020– March 31, 2021)

Our results forecast for the fiscal year ending March 31, 2021 is yet to be determined given the fact it is difficult at the current stage to reasonably calculate the impact of the novel coronavirus.

We will announce the results forecast as soon as it is possible to disclose our results forecast.

*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, 2020: 16,114,089 shares
  - As of March 31, 2019: 16,114,089 shares
- (b) Number of shares of treasury stock at end of period
  - As of March 31, 2020: 169,076 shares
  - As of March 31, 2019: 211,210shares
- (c) Average number of shares during the period
  - As of March 31, 2020: 15,932,658 shares
  - As of March 31, 2019: 15,901,943 shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	17,373	6.8	469	0.4	1,518	69.9	1,183	56.3
Year ended March 31, 2019	16,267	3.3	467	(1.8)	893	(7.0)	757	(6.6)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2020	74.30	73.78
Year ended March 31, 2019	47.64	47.30

(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, 2020	26,274	21,792	82.5	1,359.43
Year ended March 31, 2019	25,560	21,285	82.8	1,331.02

(Reference) Shareholder's equity: Year ended March 31, 2020 21,676 million yen
Year ended March 31, 2019 21,167 million yen

*The consolidated financial results are not subject to review by a certified public accountant or an audit firm.

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

Our results forecast for the fiscal year ending March 31, 2021 is yet to be determined given the fact it is difficult at the current stage to reasonably calculate the impact of the novel coronavirus.

We will announce the results forecast as soon as it is possible to disclose our results forecast.

For details, please refer to "1. Overview of Business Results, etc. (4) Future Outlook on Page 4 of the Accompanying Materials.

Accompanying Materials－Contents

1. Overview of Business Results, etc.

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

(Overview)

During the consolidated fiscal year under review, the global economy continued its modest growth trend centered on industrialized countries, despite turmoil stemming from issues including trade friction between the US and China, and the UK's withdrawal from the EU (Brexit). The Japanese economy progressed on a moderate recovery trend against a backdrop of improvements in corporate earnings and the employment and income environment, but at the start of 2020 the novel coronavirus outbreak started to spread globally, and the future prospects for the global economy became uncertain.

In the dental industry, competition throughout the entire industry is becoming increasingly intense, while CAD/CAM-related markets have continued to grow as digitalization in dentistry progresses. On the other hand, bright materials have also been seen, such as increasing expectations for dental care to increase healthy life expectancy.

Against this backdrop, in the second year of the third medium-term management plan, the Company Group implemented initiatives under a basic strategy of reinforcing the business platform of the domestic business and expanding business overseas. Specifically, we strengthened our business in the digital dentistry field, mainly in Japan, and overseas we have been proactively implementing measures targeting future growth, including promoting the establishment of a manufacturing subsidiary in Vietnam with the aim of efficiently relocating production bases in response to global demand, as well as expanding our sales network around the world, including in emerging countries.

As a result of these factors, net sales during the consolidated fiscal year under review increased by 1,193 million yen (4.8%) over the previous year to a record high of 26,108 million yen.

Operating income increased by 396 million yen (21. 9%) to 2,210 million yen due to a decrease in selling, general, and administrative expenses as well as an effect of higher sales, set a record high for the first time in 20 years.

Although factors such as the negative impact of exchange rates led to a reduction in income growth, ordinary income amounted to 1,988 million yen, an increase of 279 million yen (16.4%) from the previous year, like operating profit, set a record high for the first time in 20 years. However, due to the posting of an 800 million yen extraordinary loss as an impairment loss on goodwill and intangible assets booked when shares of Merz Dental GmbH were acquired, profit attributable to owners of parent declined 496 million yen (41.3%) from the previous year to 704 million yen.

(Dental business)

Domestically, the "EyeSpecial C-IV," a digital oral cavity photography device, and "SHOFU BLOCK HC SUPER HARD," a resin material for dental cutting processing, to the market. Our mainstay product group, including artificial teeth, struggled, but machines and equipment, including CAD/CAM-related products, performed well, resulting in a year-on-year increase in sales.

Looking overseas, although impacted by foreign currency exchange rates, sales of abrasives and dental restorative materials for dental clinical materials were strong, which helped push up sales overseas in each region, resulting in a year-on-year increase in sales.

As a result of these factors, net sales of the dental business increased 1,219 million yen (5.4%) from the previous fiscal year to 23,665 million yen, and operating income increased 286 million yen (15.9%) to 2,083 million yen.

(Nail care business)

Domestically, sales of our mainstay gel nail products "LED gel Presto" and "ageha" grew steadily due to factors including the enhancement of our own brand's product lineup and by actively holding seminars, resulting in a year-on-year increase in sales.

Looking overseas, sales of gel nail products were strong due to promotion activities utilizing social networking sites (SNS) in the US, but in Taiwan aggressive actions by competitors remained intense, and sales declined versus the previous fiscal year.

As a result of these factors, net sales in the nail care business decreased by 16 million yen (0.7%) from the previous fiscal year to 2,355 million yen. Operating income achieved profitability of 107 million yen, a year-on-year increase of 112 million yen, owing to a reduction in selling, general, and administrative expenses.

(Other businesses)

In other businesses, although we worked to strengthen sales activities, including reviewing our sales tools, demand for industrial abrasives slumped due to the impact of the trade friction between the US and China, the consumption tax increase, and other factors. This resulted in a struggle on the whole.

As a result of these factors, net sales in the other business decreased by 9 million yen (10.0%) from the previous fiscal year to 87 million yen, and operating income decreased 2 million yen (15.4%) to 13 million yen.

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

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

Total assets decreased by 327 million yen from the end of the previous fiscal year to 29,834 million yen. Due to a decrease in goodwill and intangible assets due to impairment.

Liabilities increased by 119 million yen to 5,897 million yen. The primary factor was an increase in accounts payable-trade and long-term loans payable.

Net assets decreased by 446 million yen to 23,936 million yen. The primary factor was due to decrease in valuation difference on available-for-sale securities due to market price decline.

As a result of the above, the capital-to-assets ratio rose to 79.7% (80.4% at the end of the previous 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 fell 99 million yen to 4,218 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	1,468	1,942	473
Cash flows from investing activities	(1,519)	(1,768)	(249)
Cash flows from financing activities	(844)	(244)	620
Effect of exchange rate changes on cash and cash equivalents	(55)	(87)	(31)
Net increase (decrease) in cash and cash equivalents	(950)	(138)	812
Cash and cash equivalents at the beginning of the period	5,268	4,318	(950)
Cash and cash equivalents at the end of the period	4,318	4,218	(99)

(a) Cash flows from operating activities

Net cash provided by operating activities was 1,942 million yen (an increase of 473 million yen). This figure primarily reflects net income before income and other taxes and minority interests of 1,184 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 1,768 million yen (a decrease of 249 million yen). This figure primarily reflects purchase of property, plant and equipment of 1,452 million yen.

(c) Cash flows from financing activities

Net cash provided by financing activities was 224 million yen (an increase of 620 million yen). This figure primarily reflects cash dividends paid by the parent of 397 million yen.

(4) Future Outlook

The novel coronavirus has been spreading throughout the world, and while both the pace of future expansion and the timing of when the novel coronavirus will end are uncertain, significant downward pressure is being exerted on the economy, and this downward pressure is expected to become even more severe.

Under such circumstances, the future outlook is yet to be determined because there is insufficient information available to reasonably calculate forecasts both in Japan and overseas, and it is difficult to calculate them at this stage. We will announce our future outlook as soon as it is possible to disclose our results forecast.

(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 consist of an ordinary dividend of 16 yen per share. Together with the midterm dividend of 10 yen per share, which has already been paid, the total annual dividend will be 26 yen per share.

The per share annual dividend for the upcoming fiscal year is yet to be determined at the current stage. As soon as it is possible to disclose our results forecast, we will quickly announce our per share annual dividend for the upcoming fiscal year along with the results forecast.

2. Basic Approach to the Selection of Accounting Standards

Out of consideration to time period comparability of consolidated financial statements and comparability with other corporations, the Company Group takes an approach of producing consolidated 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 and Primary Notes

(1) Consolidated Balance Sheets

（Millions of yen）

	Previous fiscal year (as of March 31,2019)	Fiscal year under review (as of March 31,2020)
Assets		
Current assets		
Cash and deposits	4,890	4,862
Notes and accounts receivable-trade	3,354	3,187
Securities	5	5
Merchandises and finished goods	4,347	4,713
Work in process	911	1,045
Raw materials and supplies	949	972
Other	574	646
Allowance for doubtful accounts	(58)	(16)
Total current assets	14,975	15,416
Noncurrent assets		
Property,plant and equipment		
Buildings and structures	8,237	8,692
Accumulated depreciation	(5,377)	(5,575)
Buildings and structures, net	2,859	3,116
Machinery, equipment and vehicles	4,021	4,152
Accumulated depreciation	(3,314)	(3,398)
Machinery, equipment and vehicles, net	707	753
Land	2,147	2,325
Construction in progress	617	800
Other	4,019	3,916
Accumulated depreciation	(3,251)	(3,224)
Other, net	767	691
Total property,plant and equipment	7,100	7,689
Intangible assets		
Goodwill	274	-
Other	857	310
Total intangible assets	1,132	310
Investments and other assets		
Investment securities	6,026	5,648
Deferred tax assets	98	96
Net defined benefit asset	530	361
Other	311	321
Allowance for doubtful accounts	(13)	(10)
Total investments and other assets	6,953	6,417
Total non-current assets	15,186	14,417
Total assets	30,161	29,834

(Millions of yen)

	Previous fiscal year (as of March 31,2019)	Fiscal year under review (as of March 31,2020)
Liabilities		
Current liabilities		
Accounts payable-trade	669	831
Short-term loans payable	-	433
Current portion of long-term loans payable	849	125
Income taxes payable	242	202
Provision for directors' bonuses	42	50
Other	2,016	2,037
Total current liabilities	3,820	3,680
Noncurrent liabilities		
Long-term loans payable	125	678
Deferred tax liabilities	999	674
Net defined benefit liability	222	236
Other	610	628
Total noncurrent liabilities	1,957	2,216
Total liabilities	5,778	5,897
Net assets		
Shareholders' equity		
Capital stock	4,474	4,474
Capital surplus	4,576	4,586
Retained earnings	12,589	12,840
Treasury shares	(231)	(185)
Total shareholders' equity	21,409	21,715
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,797	2,465
Foreign currency translation adjustment	(196)	(495)
Remeasurements of defined benefit plans	239	100
Total accumulated other comprehensive income	2,841	2,071
Subscription rights to shares	118	116
Non-controlling interests	14	33
Total net assets	24,383	23,936
Total liabilities and net assets	30,161	29,834

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

（Millions of yen）

	Previous fiscal year (from April 1,2018 to March 31,2019)	Fiscal year under review (from April 1,2019 to March 31,2020)
Net sales	24,915	26,108
Cost of sales	10,469	11,423
Gross profit	14,445	14,685
Selling, general, and administrative expenses	12,631	12,474
Operating profit	1,814	2,210
Non-operating income		
Interest income	9	16
Dividend income	95	107
Membership fee income	124	107
Other	153	87
Total non-operating income	382	320
Non-operating expenses		
Interest expenses	8	11
Sales discounts	162	174
Membership fee	159	157
Foreign exchange losses	55	135
Other	100	64
Total non-operating expenses	487	542
Ordinary profit	1,709	1,988
Extraordinary income		
Gain on sales of investment securities	-	42
Total extraordinary income	-	42
Extraordinary loss		
Impairment loss	-	846
Total extraordinary losses	-	846
Profit before income taxes	1,709	1,184
Income taxes-current	530	584
Income taxes-deferred	(18)	(123)
Total Income taxes	512	460
Profit	1,196	723
Profit (loss) attributable to non-controlling interests	(4)	18
Profit attributable to owners of parent	1,201	704

Consolidated Statements of Comprehensive Income

（Millions of yen）

	Previous fiscal year (from April 1,2018 to March 31,2019)	Fiscal year under review (from April 1,2019 to March 31,2020)
Profit	1,196	723
Other comprehensive income		
Valuation difference on available-for-sale securities	(485)	(331)
Foreign currency translation adjustment	(199)	(298)
Remeasurements of defined benefit plans, net of tax	11	(139)
Total other comprehensive income	(672)	(769)
Comprehensive income	523	(46)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	528	(65)
Comprehensive income attributable to non-controlling interests	(4)	18

(3) Consolidated Statements of Changes in Net Assets
Previous fiscal year (from April 1, 2018 to March 31, 2019)

(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	11,707	(236)	20,522
Cumulative effects of changes in accounting policies					-
Restated balance	4,474	4,576	11,707	(236)	20,522
Changes of items during period					
Dividends of surplus			(318)		(318)
Profit attributable to owners of parent			1,201		1,201
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(0)	5	4
Change in scope of consolidation					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	882	4	887
Balance at end of current period	4,474	4,576	12,589	(231)	21,409

	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	3,282	2	228	3,513	101	19	24,157
Cumulative effects of changes in accounting policies							-
Restated balance	3,282	2	228	3,513	101	19	24,157
Changes of items during period							
Dividends of surplus							(318)
Profit attributable to owners of parent							1,201
Purchase of treasury shares							(0)
Disposal of treasury shares							4
Change in scope of consolidation							-
Net changes of items other than shareholders' equity	(485)	(199)	11	(672)	16	(4)	(660)
Total changes of items during period	(485)	(199)	11	(672)	16	(4)	226
Balance at end of current period	2,797	(196)	239	2,841	118	14	24,383

Fiscal year under review (from April 1, 2019 to March 31, 2020)

（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	12,589	(231)	21,409
Cumulative effects of changes in accounting policies			(16)		(16)
Restated balance	4,474	4,576	12,573	(231)	21,393
Changes of items during period					
Dividends of surplus			(397)		(397)
Profit attributable to owners of parent			704		704
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		9	(0)	46	55
Change in scope of consolidation			(39)		(39)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	9	266	46	322
Balance at end of current period	4,474	4,586	12,840	(185)	21,715

	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	2,797	(196)	239	2,841	118	14	24,383
Cumulative effects of changes in accounting policies							(16)
Restated balance	2,797	(196)	239	2,841	118	14	24,367
Changes of items during period							
Dividends of surplus							(397)
Profit attributable to owners of parent							704
Purchase of treasury shares							(0)
Disposal of treasury shares							55
Change in scope of consolidation							(39)
Net changes of items other than shareholders' equity	(331)	(299)	(139)	(770)	(2)	18	(753)
Total changes of items during period	(331)	(299)	(139)	(770)	(2)	18	(430)
Balance at end of current period	2,465	(495)	100	2,071	116	33	23,936

(4) Consolidated Statements of Cash Flows

（Millions of yen）

	Previous fiscal year (from April 1,2018 to March 31,2019)	Fiscal year under review (from April 1,2019 to March 31,2020)
Net cash provided by (used in) operating activities		
Profit before income taxes	1,709	1,184
Depreciation	862	949
Impairment loss	-	846
Amortization of goodwill	31	29
Increase (decrease) in allowance for doubtful accounts	28	(42)
Increase (decrease) in net defined benefit liability	139	(31)
Interest and dividend income	(105)	(124)
Interest expenses	8	11
Foreign exchange losses (gains)	20	32
Loss (gain) on sales of investment securities	-	(42)
Decrease (increase) in notes and accounts receivable - trade	(89)	118
Decrease (increase) in inventories	(422)	(637)
Increase (decrease) in notes and accounts payable - trade	(44)	212
Other, net	48	(55)
Subtotal	2,185	2,450
Interest and dividend income received	105	124
Interest expenses paid	(8)	(9)
Income taxes paid	(813)	(623)
Net cash provided by (used in) operating activities	1,468	1,942
Cash flows from investing activities		
Payments into time deposits	(533)	(594)
Proceeds from withdrawal of time deposits	425	516
Purchase of securities	(5)	(5)
Proceeds from redemption of securities	5	5
Purchase of property, plant and equipment	(1,269)	(1,452)
Proceeds from sales of property, plant and equipment	3	5
Purchase of intangible assets	(70)	(97)
Purchase of investment securities	(60)	(219)
Proceeds from sales of investment securities	-	81
Payments of loans receivable	(24)	(14)
Collection of loans receivable	12	10
Other, net	(3)	(5)
Net cash provided by (used in) investing activities	(1,519)	(1,768)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	429
Repayments of lease obligations	(25)	(82)
Proceeds from long-term loans payable	-	689
Repayments of long-term loans payable	(500)	(862)
Decrease (increase) in treasury shares	(0)	(0)
Cash dividends paid	(318)	(397)
Proceeds from exercise of share options	0	0
Net cash provided by (used in) financing activities	(844)	(224)
Effect of exchange rate change on cash and cash equivalents	(55)	(87)
Net increase (decrease) in cash and cash equivalents	(950)	(138)
Cash and cash equivalents at beginning of period	5,268	4,318

Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	38
Cash and cash equivalents at end of period	4,318	4,218

(5) Notes to Consolidated Financial Statements

(Notes Relating to Assumptions for the Going Concern)

Not applicable.

(Changes in accounting policy)

Subsidiaries which adopt the International Financial Reporting Standards have adopted IFRS 16 Leases (hereinafter referred to as "IFRS 16") since the first quarter of the consolidated fiscal year under review. As a result, lessees have recorded all leases, in principle, as assets and liabilities on the balance sheet. The adoption of IFRS 16 is subject to transitional treatment, and the cumulative effect of the change in the accounting principles was recorded in retained earnings at the beginning of the first quarter of the consolidated fiscal year under review.

As a result, in the Consolidated Balance Sheets for the consolidated fiscal year under review, "Intangible assets" increased by 53 million yen, "Other" under "Current liabilities" increased by 39 million yen, and "Other" under "Noncurrent liabilities" increased by 28 million yen.

The impact on the Consolidated Statements of Income and Per Share Information for the consolidated fiscal year under review is immaterial.

The cumulative effect was reflected in net assets at the beginning of the fiscal year under review. As a result, the balance of retained earnings on the Consolidated Statements of Changes in Net Assets as of the beginning of the fiscal year under review decreased by 16 million yen.

On the Consolidated Statements of Cash Flows for the fiscal year under review, net cash used in operating activities increased 69 million yen, while cash flows from financing activities decreased by the same amount.

(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."

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

Previous fiscal year under review (April 1, 2018 － March 31, 2019)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	22,446	2,372	96	24,915	-	24,915
(2) Internal sales or transfers	0	0	7	7	(7)	-
Total	22,446	2,372	104	24,923	(7)	24,915
Segment profit (loss)	1,797	(5)	16	1,807	6	1,814
Segment assets	22,146	1,315	142	23,604	6,557	30,161
Other items						
Depreciation expense	792	60	9	862	-	862
Amortization of goodwill	31	-	-	31	-	31
Impairment loss	-	-	-	-	-	-
Increase in property, plant, and equipment and intangible assets	1,314	84	3	1,403	-	1,403

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

(2) The 6,557 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	274	-	-	274	-	274

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

Fiscal year under review (April 1, 2019 — March 31, 2020)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	23,665	2,355	87	26,108	-	26,108
(2) Internal sales or transfers	-	-	6	6	(6)	-
Total	23,665	2,355	93	26,114	(6)	26,108
Segment profit	2,083	107	13	2,204	6	2,210
Segment assets	22,203	1,412	100	23,715	6,118	29,834
Other items						
Depreciation expense	897	45	6	949	-	949
Amortization of goodwill	29	-	-	29	-	29
Impairment loss	846	-	-	846	-	846
Increase in property, plant, and equipment and intangible assets	1,566	34	0	1,601	-	1,601

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

(2) The 6,118 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.

*3 With respect to goodwill and intangible assets related to consolidated subsidiary Merz Dental GmbH, the Company recognized an impairment loss of 800 million yen based on the fact that profits which were initially assumed in the business plan being considered at the time the shares were purchased can no longer be expected. Also, due to the fact that the recoverability of business assets can no longer be expected as a result of the decline in profitability for a portion of noncurrent assets for sales promotion, the book value was reduced to the recoverable amount, and this reduction amount has been recognized as a 46 million yen impairment loss.

(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	-	-	-	-	-	-

(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, 2018 - March 31, 2019)	Fiscal year under review (April 1, 2019 - March 31, 2020)
Net assets per share	1,524.92 yen	1,491.81 yen
Net income per share	75.54 yen	44.24 yen
Fully diluted net income per share	74.99 yen	43.93 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, 2018 - March 31, 2019)	Fiscal year under review (April 1, 2019 - March 31, 2020)
Net income per share		
Net income attributable to owners of parent (millions of yen)	1,201	704
Amount not belonging to ordinary shareholders (millions of yen)	-	-
Net income attributable to owners of parent related to common stock(millions of yen)	1,201	704
Average number of shares during the fiscal year (1,000 shares)	15,901	15,932
Fully diluted net income		
Adjustments to net income attributable to owners of parent (millions of yen)	-	-
Increase in common stock (thousands of shares)	115	112
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, 2018 - March 31, 2019	Fiscal year under review (April 1, 2019 - March 31, 2020
Total assets (millions of yen)	24,383	23,936
Amount excluded from total assets (millions of yen)	133	150
Year-end net assets attributable to common stock (millions of yen)	24,250	23,786
Number of common stock shares at year end used to calculate net assets per share (thousands of shares)	15,902	15,945

(Important Subsequent Events)

Conclusion of Business and Capital Tie-up, Issuance of New Shares through a Third-Party Allotment and Acquisition of Shares (Conversion into Equity-Method Affiliate)

The Company, Mitsui Chemicals Inc. ("MCI") and Sun Medical Co., Ltd. ("Sun Medical"), a subsidiary of MCI, concluded a basic agreement on May 20, 2009, for a business and capital tie-up. Under this agreement, the three parties have worked together to strengthen their business operations in the dental materials business through the business and capital tie-up. In order to further enhance their business and capital tie-up ("this enhanced business and capital tie-up") between the three companies, at a Board of Directors meeting held on May 14, 2020, the Company resolved to conclude a business and capital tie-up agreement with MCI, and this business and capital tie-up agreement was concluded on the same day.

In conjunction with this enhanced business and capital tie-up, at the Board of Directors meeting held on May 14, 2020, the Company resolved to issue new shares to MCI through a third-party allotment, and purchase 20,000 shares of Sun Medical (20% of the total number of issued shares) through a bilateral transaction from MCI, and make Sun Medical an equity-method affiliate. After the capital increase by way of third-party allotment, MCI will hold 20.01% of the Company's issued shares (holding ratio at the time of acquisition), and the Company will become an equity-method affiliate of MCI.

Ⅰ.Overview of Business and Capital Tie-Up

1.Purpose and Reason

As a general manufacturer of dental materials and equipment, the Company has a high level of research and development capability to go along with a comprehensive distribution network. The Company is striving to increase its presence in the global dental market, thereby bringing to fruition the corporate philosophy of "Contribution to dentistry through innovative business activities." MCI, meanwhile, is positioned as a chemical manufacturer with a high level of research and development capability in the field of materials, and also has subsidiaries such as Sun Medical and Kulzer GmbH, whose dental materials businesses span the globe and which aim to contribute to improving people's health and quality of life through dental care by providing the innovative products and services sought by dental care professionals.

Through this enhanced business and capital tie-up, the Company and MCI aim to tap into the strengths of each of the three companies with the goal of making their research and development, sales and marketing, and production functions more robust in the materials field, thereby increasing their presence in the dental materials market and improving corporate value of both companies.

2.Content of Business Tie-up

The specific details of the business tie-up are due to be determined through further consultation between the Company and MCI going forward. The three parties intend to create synergies by leveraging their management resources and thereby achieve growth in the businesses of all three companies. The content of the business tie-up envisioned at this stage is as follows:

① Promoting new product development using technologies in areas of strength.
② Enhancing product ranges by complementing products.
③ Pursuing synergies by tapping into domestic and overseas distribution networks.
④ Studying ways to complement and share production functions.

Furthermore, the Company, MCI and Sun Medical intend to engage in discussions concerning further enhancement of the tie-up between the Company and Sun Medical within Japan. The Company and MCI plan to subsequently discuss further enhancement of the tie-up between the two companies in their global dental materials businesses.

3.Content of Capital Tie-up

The Company and MCI have concluded this business and capital tie-up agreement, under which the Company will allocate 1,780,000 new shares (11.05% of the total number of issued shares) to MCI through a third-party allotment, which MCI will acquire. As a result, MCI's shareholding will increase from 1,800,000 shares at present to 3,580,000 shares, taking the proportion of the total issued shares (17,894,089 shares) held by MCI from the current level of 11.17% to 20.21% following the capital increase via third-party allocation

In addition, under this business and capital tie-up agreement, the Company will simultaneously acquire from MCI 20.00% of MCI's 70.00% shareholding in Sun Medical. As a result, MCI will own 50.00% of the shares in Sun Medical, while NISSIN DENTAL PRODUCTS INC. will hold 30.00% and the Company will hold 20.00%.

4.Dispatch of Officers

In undertaking this enhanced business and capital tie-up, the parties have agreed that the Company and Sun Medical, the Company and MCI, will have reciprocal rights to nominate one part-time director to each other's boards. The Company intends to propose the election of the candidate nominated by MCI as part-time director of its Ordinary Shareholders' Meeting, which is scheduled to take place on June 24, 2020.

5.Schedule

May 14, 2020	Conclusion of the business and capital tie-up agreement
June 15, 2020	Payment date for capital increase through a third-party allotment of shares in the Company
June 15, 2020	Acquisition of shares of Sun Medical (scheduled)

Ⅱ.Issuance of New Shares Through a Third-Party Allotment

1.Purpose and Reason

As stated in "Ⅰ.Overview of Business and Capital Tie-Up, 1.Purpose and Reason" above, this capital increase through third-party allotment will take place as a part of this tie-up. New shares will be issued for the purpose of raising funds in order to make business investments targeting future growth, and the decision was made to allot the shares to MCI.

2.Uses of Raised Funds

The issuance of new shares by way of third-party allotment is intended to further strengthen the business and capital tie-ups among the three companies. Specifically, the Company will use the funds for the promotion of research and development of new products by utilizing the technology of each of the three companies' respective areas of expertise, the expansion and strengthening of overseas production functions, and the acquisition of shares of Sun Medical by the Company. It will be useful for strengthening the Company Group's business base and expanding and growing the business. In addition, the Company plans to use its own funds to cover the difference between the approximate amount of net proceeds and the planned amount of expenditure.

3.Overview of Issuance

(1) Class and number of shares allocated: 1,780,000 shares of common stock
(2) Payment amount: 1,679 yen per share
(3) Total payment amount: 2,988,620,000 yen
(4) Amount of increase in capital: 1,494,310,000 yen
(5) Amount of increase in capital reserve: 1,494,310,000 yen
(6) Subscription method: Third-party allotment.
(7) Payment period: June 15, 2020
(8) Allotment counterparty and number of allotted shares: Mitsui Chemicals Inc., 1,780,000 shares

Ⅲ.Share Acquisition (Conversion to equity-method affiliate)

1.Purpose and Reason

As stated in "Ⅰ.Overview of Business and Capital Tie-Up, 1.Purpose and Reason" above, the acquisition of shares is a part of this tie-up. The Company will acquire 20,000 shares (20.00% of the total number of issued shares) of Sun Medical from MCI and convert Sun Medical into an equity-method affiliate, thereby deepening the relationship between the two companies and thus enhancing the business and capital tie-up between the three companies.

2.Profile of Sun Medical

Name: Sun Medical Co., Ltd.

Address: 571-2 Furutaka-cho, Moriyama, Shiga

Name and title of representative: Takayuki INAGAKI, President & CEO

Business: Manufacturing, sales, and import and export of dental materials and other medical devices

Capital: 100 million yen

Established: February 21, 1981

3.Agreement Conclusion Date and Stock Acquisition Date

Agreement conclusion date: May 14, 2020

Stock acquisition date: June 15, 2020 (scheduled)

4.Number of Shares to be Acquired and Shareholding After Acquiring Shares

Number of Shares to be Acquired: 20,000 shares (Number of voting rights: 20,000)

Number of Held Shares after Acquisition: 20,000 shares (Number of voting rights: 20,000; Ratio of voting rights held: 20.00%)