Consolidated Financial Results for the Fiscal Year Ended March 31, 2015
(Japanese Accounting Standards)

May 14, 2015

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, Senior Managing Director
Scheduled date of ordinary shareholders' meeting: June 25, 2015
Scheduled date for filing of annual securities report: June 25, 2015
Scheduled commencement date of dividend payment: June 4, 2015
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, 2015 (April 1, 2014 – March 31, 2015)

(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, 2015	19,688	7.8	1,159	17.5	1,114	13.9	581	14,8
Year ended March 31, 2014	18,258	13.9	987	36.1	978	33.6	506	-

(Note) Comprehensive income: Year ended March 31, 2015 2,169 million yen (59.3%)
Year ended March 31, 2014 1,273 million yen (98.3%)

	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, 2015	36.45	36.22	2.8	4.2	5.9
Year ended March 31, 2014	31.77	31.61	2.6	4.2	5.4

(Reference) Equity in earnings of affiliates: Year ended March 31, 2015 None
Year ended March 31, 2014 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, 2015	29,442	21,781	73.7	1,360.19
Year ended March 31, 2014	24,039	19,747	81.9	1,235.34

(Reference) Shareholder's equity: Year ended March 31, 2015 21,701 million yen
Year ended March 31, 2014 19,687 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, 2015	710	(3,139)	2,810	4,208
Year ended March 31, 2014	823	(441)	(1,305)	3,727

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 31,2014	-	8.00	-	10.00	18.00	286	56.7	1.5
Year ended March 31,2015	-	8.00	-	10.00	18.00	287	49.4	1.4
Year ending March 31,2016 (Forecasts)	-	8.00	-	10.00	18.00		47.2	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2016. (April 1, 2015 – March 31, 2016)

(% 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 30,2015 (cumulative)	11,518	17.3	549	(42.2)	468	(47.9)	228	(64.1)	14.34
Year ending March 31,2016	23,526	19.5	1,418	22.3	1,246	11.8	608	4.7	38.13

*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, 2015: 16,114,089 shares
As of March 31, 2014: 16,114,089 shares
(b) Number of shares of treasury stock at end of period
As of March 31, 2015: 159,400 shares
As of March 31, 2014: 177,030 shares
(c) Average number of shares during the period
As of March 31, 2015: 15,950,863 shares
As of March 31, 2014: 15,935,561shares

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)

(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, 2015	15,127	8.0	594	29.9	855	29.7	583	24.9
Year ended March 31, 2014	14,006	10.4	457	78.9	659	31.0	467	77.8

	Net income per share	Fully diluted net income per share
	Yen	Yen
Year ended March 31, 2015	36.60	36.38
Year ended March 31, 2014	29.33	29.18

(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, 2015	24,715	18,016	72.6	1,124.71
Year ended March 31, 2014	19,767	16,467	83.0	1,029.50

(Reference) Shareholder’s equity: Year ended March 31, 2015 17,944 million yen
Year ended March 31, 2014 16,407 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, 2016” 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)

The Japanese economy over the consolidated fiscal year under review was affected by external factors including frequent global discord, the depreciation of the yen, and rapidly falling crude oil prices, as well as internal factors such as a reactionary decline in demand following the rush in demand before the increase in the consumption tax rate. However, business conditions were on an overall trend toward recovery as a result of government’s economic measures, the Bank of Japan’s monetary easing, and active investment activities by corporations, and combined with a rise in stock prices, consumer demand also remained steady.

Dental expenditures are continuing to follow an upward trend and conditions in the Japanese dental industry environment as a whole are showing signs of gradual recovery. However, in order to navigate the changing waves of the business environment, we believe that it is necessary to continue efforts to understand needs as they diversify and to turn this understanding into products. To accomplish this, increased sales and appropriate increases in profit must be generated through investment and a structure must be in place that can smoothly and rapidly implement such measures.

Against this backdrop, the SHOFU Group has pursued a variety of measures in order to place the Group on a footing that will allow it to steadily increase profits. Specifically, we introduced new products as well as CAD/CAM-related products to the market, and these were major contributors to revenue.

For the Company to realize significant growth in the future, measures were adopted to address the urgent matter of the upgrading of domestic and overseas manufacturing facilities, such as the new construction and relocation of plants for subsidiary Shoken Inc. and its renaming to SHOFU PRODUCTS KYOTO INC., as well as the expansion of SHIGA SHOFU INC.’s factories in order to produce denture-related and other products. Additionally, we determined to acquire all shares of the German artificial tooth manufacturer Merz Dental GmbH and make it a subsidiary, and concluded a stock purchase agreement.

As a result of these activities and initiatives, net sales during the consolidated fiscal year under review increased 1,429 million yen (7.8%) over the previous year to 19,688 million yen.

Operating income rose 172 million yen (17.5%) over the previous year to 1,159 million yen as the impact of increased sales made up for increases in selling, general and administrative expenses thanks to aggressive investments.

Although a decline in non-operating income such as foreign exchange profits led to a smaller increase in income, ordinary income amounted to 1,114 million yen, a year-on-year increase of 135 million yen, or 13.9%. Impairment loss and other losses were recorded as extraordinary losses on noncurrent assets that are scheduled to be sold, resulting in net income of 581 million yen, a year-on-year increase of 75 million yen, or 14.8%.

(Dental business)

Domestic sales in the dental business increased year on year as a result of a product introduced to the market in the previous fiscal year, “SOLIDEX HARDURA,” light-cured hard resin for dental crowns; “PRG Protect Seal” high polymer material for dental temporary sealing; the continued strong sales of "Eye Special C-II," a small digital camera designed exclusively for dentistry; and CAD/CAM-related new products, which continued to contribute to sales.

Overseas sales in the dental business also increased year on year due to steady progress in every region, especially in North America, Central and South America and China, in addition to a favorable effect from the weakening yen.

As a result of these factors, net sales in the dental business increased 1,471 million yen or 9.0% from the previous year to 17,850 million yen, resulting in operating income of 1,153 million yen, a year-on-year increase of 227 million yen or 24.6%.

(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. The Company released “by Nail Labo,” the Company’s first new gel nail system for general consumers in the fiscal year under review. Also, sales of “Presto Bambina,” a gel nail system, contributed to sales, whereas sales of the flagship product “Nail de Dance” decreased.

Overseas, we established a joint venture company in Taiwan that handles our products.

As a result of these factors, net sales in the nail care business were 1,750 million yen, a decrease of 42 million yen or 2.4% from the previous year, resulting in an operating loss of 24 million yen, a year-on-year decrease of 49 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 increased by 0.7 million yen or 0.8% from the previous year to 87 million yen, whereas operating income decreased by 6 million yen or 22.3% year on year to 22 million yen.

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

[2] Outlook for the upcoming fiscal year

The Group has established the ambitious goal of achieving 50.0 billion yen in consolidated sales and 7.5 billion yen 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.

Regarding the outlook for the upcoming fiscal year, the first fiscal year for the Company’s new mid-term management plan, the Company forecasts and increase in both sales and profits as a result of contributions to performance made by new members to the Group such as Merz Dental GmbH and SHOFU BIOFIX INC. alongside the continued proactive expansion of sales activities in both domestic and overseas markets.

Our outlook for performance during the upcoming fiscal year follows.

(Overall outlook)

(Unit: Millions of yen, %)

	Results for the fiscal year ended March 31, 2015	Outlook for the fiscal year ending March 31, 2016	Change	Change (%)
Sales	19,688	23,526	3,838	19.5
Operating income	1,159	1,418	258	22.3
Ordinary income	1,114	1,246	132	11.8
Net income	581	608	27	4.7

(Dental business)

In the dental business, 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 promotion activities such as exhibitions and seminars. We will also attempt to increase the market in overseas bases through the improvement of the sales network and increasing sales and academic staff.

We expect sales in the dental business to increase 3,623 million yen (20.3%) to 21,473 million yen and operating income to increase 168 million yen (14.6%) to 1,322 million yen.

(Nail care business)

In the nail care business, we predict continued harsh market conditions, however, we aim to expand our nail care business based on our business foundation that unifies development, production, and sales and continuing to focus on the domestic market while also making proactive advances into foreign markets such as Asia.

We expect sales in the nail care business to increase 207 million yen (11.8%) to 1,957 million yen and operating income to increase 113 million yen, leading to a return to profit of 88 million yen due to factors including increased sales.

(Other businesses)

We expect sales in the "other businesses" segment to increase 6 million yen (7.9%) to 94 million yen and operating income to fall 15 million yen (66.9%) to 7 million yen.

(2) Analysis of Financial Position

[1] Assets, Liabilities, and Net Assets

Factors including increased deposits paid to the counterparty following the company's April 1, 2015 stock acquisition and increases in the current value of investment securities spurred an increase of 5,402 million yen in assets over the previous fiscal year to 29,442 million yen.

Liabilities rose 3,369 million yen to 7,660 million yen due to increases in short-term borrowing.

Net assets increased 2,033 million yen to 21,781 million yen due in part to increases in retained earnings and valuation difference on available-for-sale securities.

As a result of the above, the capital-to-assets ratio fell to 73.7% (compared to 81.9% for the previous fiscal year).

[2] Cash Flows

Cash and cash equivalents at the end of the fiscal year under review rose 481 million yen to 4,208 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	823	710	(113)
Cash flows from investing activities	(441)	(3,139)	(2,698)
Cash flows from financing activities	(1,305)	2,810	4,115
Effect of exchange rate changes on cash and cash equivalents	129	100	(29)
Net increase (decrease) in cash and cash equivalents	(792)	481	1,274
Cash and cash equivalents at the beginning of the period	4,520	3,727	(792)
Cash and cash equivalents at the end of the period	3,727	4,208	481

(a) Cash flows from operating activities

Net cash provided by operating activities was 710 million yen (a decrease of 113 million yen). This figure primarily reflects net income before income and other taxes and minority interests of 965 million yen.

(b) Cash flows from investing activities

Net cash used in investing activities was 3,139 million yen (a decrease of 2,698 million yen). This figure primarily reflects payments of 1,950 million yen for property, plant, and equipment and payments of 1,968 million yen for deposits paid associated with stock acquisitions.

(c) Cash flows from financing activities

Net cash provided by financing activities was 2,810 million yen (an increase of 4,115 million yen). This figure primarily reflects income from short-term borrowing of 3,000 million yen.

(Changes in cash flow-related indexes)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015
Capital-to-asset ratio (%)	80.5	80.8	81.6	81.9	73.7
Current value-basis capital-to-asset ratio (%)	53.5	61.6	64.4	58.1	74.5
Debt repayment period (years)	0.9	0.8	2.6	-	4.4
Interest coverage ratio (times)	67.7	82.0	20.1	84.2	142. 8

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 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 10 yen per share. Together with the midterm dividend of 8 yen per share, which has already been paid, the total annual dividend will be 18 yen per share.

We plan to pay an annual dividend of 18 yen per share as an ordinary dividend during the upcoming fiscal year for a consolidated-basis dividend ratio of 47.2%.

2. Management Policy

(1) Basic Corporate Management Policy

The Group claims for its corporate philosophy "Contribution to dentistry through innovative business activities" and takes as guidelines for its actions "Attempt to substantively grow and expand while focusing on quality in all facets of corporate activity" and "Anticipate all changes and challenge them proactively."

The Company's basic corporate management policy is to offer products that will satisfy customers and to live up to stockholders' trust and expectations through its future activities.

(2) Management Index Targets

Long-term management index targets have been set of 50.0 billion yen in consolidated sales and 7.5 billion yen in consolidated operating income on the Company's 100th anniversary since its founding (fiscal year ending March 31, 2022), and a second medium-term management plan was decided upon after defining challenges to be dealt with as well as a path to follow in order to reach these targets.

This new medium-term management plan aims for 28.5 billion yen in consolidated sales by the fiscal year ending March 31, 2018, three years from now, and target management indexes of a maintained 15% or greater proportion of sales coming from new product sales as a result of the development and introduction of new products that match demands and needs around the world (*1) as well as a 50% proportion of sales coming from overseas sales based on overseas business expansion policies (*2).

*1 The proportion of the Company's sales coming from new products released in the past 3 years
*2 The proportion of consolidated sales coming from overseas dental-related business sales

(3) Medium and Long-term Management Strategies

In order to accomplish the Company Group's newly-established long-term goals of 50.0 billion yen in consolidated sales and 7.5 billion yen in consolidated operating income, as well as the newly-established mid-term management goal of 28.5 billion yen in consolidated sales in three years in order to reach these long-term goals, the Company Group has made the following seven items into vital strategies in order to accomplish goals.

- Develop and introduce new products that match local demands and needs
- Improvement of sales networks
- Improvement of sales offices
- Construction of domestic and international academic networks
- Realignment and foreign expansion of manufacturing sites in order to reduce costs and respond to increased production volume
- Acquire and secure human resources needed for drive forward overseas expansion
- Raise funds to deal with increased capital needs

(4) Issues Facing the Group

Factors increasing the burden felt by the Japanese people such as a weakening yen and increases in consumption tax have been offset by some degree by the large drop in crude oil prices, making gradually clear a recovery in corporate performance and consumer purchasing power. However, the Company does not see this recovery as having reached a level that puts it in a situation where suitable profits can be achieved without further measures. It is in this situation that the Company achieved the sales goals set for this year ended March 31, 2015, the third year of its medium-term management plan, and that it will implement various measures for further growth in order to achieve its targets of 50.0 billion yen in consolidated sales and 7.5 billion yen in consolidated operating income in the year 2022, the Company's 100th anniversary.

Specifically, in the year ended March 31, 2015, new factories were built for the two subsidiary companies SHIGA SHOFU INC. and SHOFU PRODUCTS KYOTO INC., while SHOFU BIOFIX INC., a sales company for dental implant systems and related devices, was decided to be established on April 1, 2015. Additionally, footholds were built for the vigorous expansion of domestic and international business activities through actions such as acquiring all shares of the German company Merz Dental GmbH and adding it to the Shofu Group.

This fiscal year, the Company will stress the steady increase of profits that corresponds to these investments and sees the heightening of the Group's synergy as its highest-priority challenge.

In the nail care business, measures to steadily improve a sales base were moved forward, such as the formation of a joint venture company in Taiwan, and we plan to continue to increase our operational strength in high-growth Asian markets.

In other businesses, the Company will use detailed operational activities to move forward with a structure that will allow it to secure steady profits.

3. 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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (as of March 31,2014)	Fiscal year under review (as of March 31,2015)
Assets		
Current assets		
Cash and deposits	5,266	4,724
Notes and accounts receivable-trade	2,910	2,673
Short term investment securities	117	36
Merchandises and finished goods	2,803	3,484
Work in process	615	674
Raw materials and supplies	750	781
Deffered tax assets	591	588
Deposits paid	-	1,968
Other	339	776
Allowance for doubtful accounts	(96)	(81)
Total current assets	13,298	15,625
Noncurrent assets		
Property,plant and equipment		
Buildings and structures	6,544	7,705
Accumulated depreciation	(4,175)	(4,402)
Buildings and structures, net	2,369	3,302
Machinery and equipment, vehicles	2,856	3,080
Accumulated depreciation	(2,150)	(2,389)
Machinery and equipment, vehicles, net	706	691
Land	2,050	1,933
Construction in progress	382	51
Other	2,984	3,166
Accumulated depreciation	(2,612)	(2,629)
Other, net	372	536
Total property,plant and equipment	5,881	6,516
Intangible assets	161	229
Investments and other assets		
Investment securities	3,622	5,278
Deffered tax assets	54	46
Net defined benefit asset	551	1,065
Other	480	689
Allowance for doubtful accounts	(10)	(8)
Total investments and other assets	4,698	7,070
Total noncurrent assets	10,741	13,816
Total assets	24,039	29,442

(Millions of yen)

	Previous fiscal year (as of March 31,2014)	Fiscal year under review (as of March 31,2015)
Liabilities		
Current liabilities		
Accounts payable-trade	501	660
Short-term loans payable	-	3,000
Current portion of long-term loans payable	-	8
Income taxes payable	356	136
Provision for directors' bonuses	53	60
Other	1,890	1,645
Total current liabilities	2,801	5,510
Noncurrent liabilities		
Long-term loans payable	-	111
Deffered tax liabilities	440	1,065
Net defined benefit liability	110	106
Other	939	867
Total noncurrent liabilities	1,490	2,150
Total liabilities	4,291	7,660
Net assets		
Shareholders' equity		
Capital stock	4,474	4,474
Capital surplus	4,576	4,576
Retained earnings	9,697	10,102
Treasury stock	(162)	(146)
Total shareholders' equity	18,586	19,007
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	968	2,082
Foreign currency translation adjustment	43	340
Remeasurements of defined benefit plans	88	271
Total accumulated other comprehensive income	1,101	2,693
Subscription rights to shares	60	72
Minority interests	-	8
Total net assets	19,747	21,781
Total liabilities and net assets	24,039	29,442

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

（Millions of yen）

	Previous fiscal year (from April 1,2013 to March 31,2014)	Fiscal year under review (from April 1,2014 to March 31,2015)
Net Sales	18,258	19,688
Cost of sales	8,229	8,598
Gross profit	10,028	11,089
Selling,general & administrative expenses	9,041	9,929
Operating income	987	1,159
Non-operating income		
Interest income	19	12
Dividends income	55	62
Annual fee and seminar fee income	121	126
Foreign exchange profits	88	32
Other	74	70
Total non-operating income	359	305
Non-operating expenses		
Interst expenses	9	5
Sales discounts	161	161
Operating expenses for seminars hosted by the company	152	157
Other	43	24
Total non-operating expenses	367	349
Ordinary income	978	1,114
Extraordinary income		
Gain on sale fixed assets	-	16
Extraordinary loss		
Loss on valuation of investment securities	-	20
Loss on retirement of noncurrent assets	-	144
Total extraordinary losses	-	165
Income before income taxes	978	965
Income taxes-current	465	367
Income taxes-deferred	7	20
Income taxes	472	387
Income before minority interests	506	577
Minority interests in loss	-	(3)
Net income	506	581

Consolidated Statements of Comprehensive Income

（Millions of yen）

	Previous fiscal year (from April 1,2013 to March 31,2014)	Fiscal year under review (from April 1,2014 to March 31,2015)
Income before minority interests	506	577
Other comprehensive income		
Valuation difference on available-for-sale securities	324	1,113
Foreign currency translation adjustment	442	295
Remeasurements of defined benefit plans net of tax	-	182
Total other comprehensive income	767	1,592
Comprehensive income	1,273	2,169
Comprehensive income attributable to:		
Comprehensive income attributable to owner of the parent	1,273	2,173
Comprehensive income attributable to minority interests	-	(3)

(3) Consolidated Statements of Changes in Net Assets

Previous fiscal year(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	4,474	4,576	9,495	(169)	18,377
Cumulative effects of changes in accounting policies					-
Restated balance	4,474	4,576	9,495	(169)	18,377
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	4,474	4,576	9,697	(162)	18,586

	Accumulated other comprehensive income				Subscription rights to shares	Minority 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	644	(398)	-	245	39	-	18,662
Cumulative effects of changes in accounting policies							-
Restated balance	644	(398)	-	245	39	-	18,662
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	-	1,085
Balance at end of current period	968	43	88	1,101	60	-	19,747

Fiscal year under review (from April 1, 2014 to March 31, 2015)

（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	9,697	(162)	18,586
Cumulative effects of changes in accounting policies			114		114
Restated balance	4,474	4,576	9,811	(162)	18,700
Changes of items during period					
Dividends of surplus			(287)		(287)
Net income			581		581
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(3)	16	13
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	291	15	307
Balance at end of current period	4,474	4,576	10,102	(146)	19,007

	Accumulated other comprehensive income				Subscription rights to shares	Minority 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	968	43	88	1,101	60	-	19,747
Cumulative effects of changes in accounting policies							114
Restated balance	968	43	88	1,101	60	-	19,861
Changes of items during period							
Dividends of surplus							(287)
Net income							581
Purchase of treasury shares							(0)
Disposal of treasury shares							13
Net changes of items other than shareholders' equity	1,113	296	182	1,592	11	8	1,612
Total changes of items during period	1,113	296	182	1,592	11	8	1,919
Balance at end of current period	2,082	340	271	2,693	72	8	21,781

(4) Consolidated Statements of Cash Flows

（Millions of yen）

	Previous fiscal year (from April 1,2013 to March 31,2014)	Fiscal year under review (from April 1,2014 to March 31,2015)
Net cash provided by (used in) operating activities		
Income before income taxes	978	965
Depreciation and amortization	656	783
Impairment loss	-	144
Increase (decrease) in allowance for doubtful accounts	19	(18)
Increase (decrease) in provision for retirement benefits	203	-
Increase (decrease) in net defined benefit liability	(304)	(77)
Interest and dividends income	(75)	(75)
Interest expenses	9	5
Foreign exchange losses (gain)	(0)	(9)
Loss (gain) on sales of investment securities	-	20
Decrease (increase) in notes and accounts receivable-trade	(172)	306
Decrease (increase) in inventories	(291)	(682)
Increase (decrease) in notes and account payable	(170)	122
Other	131	(248)
Subtotal	984	1,237
Interest and dividends income received	76	74
Interest expenses paid	(9)	(4)
Interest taxes paid	(227)	(597)
Net cash provided by (used in) operating activities	823	710
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,074)	(819)
Proceeds from withdrawal of time deposits	1,061	1,647
Purchase of short-term investment securities	(110)	(33)
Proceeds from redemption of securities	360	121
Purchase of property, plant and equipment	(616)	(1,950)
Proceeds from sales of property, plant and equipment	0	36
Purchase of intangible assets	(83)	(89)
Purchase of investment securities	−	(88)
Payments of loans receivable	(19)	(12)
Collection of loans receivable	11	11
Payments of deposit	-	(1,966)
Other	28	2
Net cash provided by (used in) investing activities	(441)	(3,139)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-	3,000
Decrease in short-term loans payable	(980)	-
Repayments of lease obligations	(21)	(33)
Proceeds from long-term loans payable	-	119
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(302)	(287)
Proceeds from exercise of stock option	0	0
Proceeds from share issuance to minority shareholders	-	11
Net cash provided by (used in) financing activities	(1,305)	2,810
Effect of exchange rate change on cash and cash equivalents	129	100
Net increase (decrease) in cash and cash equivalents	(792)	481
Cash and cash equivalents at beginning of period	4,520	3,727
Cash and cash equivalents at end of period	3,727	4,208

(5) Notes to Consolidated Financial Statements

(Notes relating to assumptions for the going concern)

Not applicable.

(Changes to Accounting Policies)

(Application of Accounting Standards, etc. for Retirement Benefits)

We began applying the Accounting Standard for Retirement Benefits (Corporate Accounting Standards No. 26, May 17, 2012) and the Application Policies for Accounting Standards for Retirement Benefits (Corporate Accounting Standards Application Policies No. 25, March 26, 2015) subject to provisions stated in Article 35 of the "Accounting Standard for Retirement Benefits" and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" starting at the beginning of the consolidated fiscal year under review. Calculation methods for retirement benefit obligations were reassessed, and the method of attributing expected retirement benefits to periods has been changed from straight-line method to the benefit formula method, while the method of determining discount rates has been changed from the method where the period for bonds, which form the basis for determining the discount rate, is determined based on the approximate number of years of the average remaining periods of service for employees, to the method using various discount rates reflecting amount of retirement benefits payment for each period.

In applying the new standard and associated guidelines, we have observed the transitional treatment of figures set forth in Article 37 so that the amount of retirement benefit obligations and service expenses that were affected as a result of this change are added and subtracted to retained earnings as of the beginning of the consolidated fiscal year under review.

As a result, assets related to retirement benefits as of the beginning of the fiscal year under review increased by 176 million yen, and retained earnings increased by 114 million yen. Furthermore, operating income, ordinary income, and income before income and other taxes for the fiscal year under review each increased by 17 million yen. Furthermore, 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."

As stated in "Changes to Accounting Policies," from the fiscal year under review, the Company has changed the method of calculation of retirement benefit obligations and service expenses, and calculation methods for retirement benefit obligations and service expenses in business segments have also undergone the same change.

Due to this change, segment profit in the "Dental Business" segment increased by 17 million yen, and segment profit or loss in the "Other businesses" segment has decreased by 0 million yen for the fiscal year under review.

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

Previous fiscal year (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 yen adjustment to segment profit serves to cancel out transactions between segments.

(2) The 5,390 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.

Fiscal year under review (April 1, 2014－March 31, 2015)

(Millions of yen)

	Dental Business	Nail care business	Other businesses	Total	Adjustment *1	Consolidated financial statements *2
Net sales						
(1) Sales to external customers	17,850	1,750	87	19,688	-	19,688
(2) Internal sales or transfers	-	0	5	5	(5)	-
Total	17,850	1,750	93	19,694	(5)	19,688
Segment profit (loss)	1,153	(24)	22	1,150	8	1,159
Segment assets	21,748	1,199	164	23,112	6,330	29,442
Other items						
Depreciation	738	35	12	785	(2)	783
Impairment loss	125	-	19	144	-	144
Increase in property, plant, and equipment and intangible assets	2,211	65	107	2,383	(732)	1,650

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

(2) The 6,330 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 on Impairment Loss of Noncurrent Assets by Reportable Segment)

Previous fiscal year (April 1, 2013－March 31, 2014)

Not applicable.

Fiscal year under review (April 1, 2014－March 31, 2015)

For assets for business use, the Group conducts grouping of its assets utilizing the type of business as a standard, and asset grouping for idle assets and assets scheduled for disposal, etc., are conducted on an individual basis. As a result, in the dental business and other businesses segments, due to relocation of the head office and head office plant of SHOFU PRODUCTS KYOTO INC., a consolidated subsidiary of the Company, the book value of the land and buildings of its former head office head office plant to be disposed of was written down to the recoverable amount and the decreased amount was posted as an impairment loss under extraordinary losses.

Recorded amounts by reportable segment are as follows.

	Dental Business	Nail care business	Other businesses	Total	Adjustment	Consolidated financial statements
Impairment loss	125	-	19	144	-	144

(Per Share Information)

	Previous fiscal year (April 1, 2013 - March 31, 2014)	Fiscal year under review (April 1, 2014 - March 31, 2015)
Net assets per share	1,235.34 yen	1,360.19 yen
Net income per share	31.77 yen	36.45 yen
Fully diluted net income per share	31.61 yen	36.22 yen

(Notes) 1. 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 8.25 yen, net income per share increased 1.10 yen, and fully diluted net income per share increased by 1.09 yen.

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

	Previous fiscal year (April 1, 2013 - March 31, 2014)	Fiscal year under review (April 1, 2014 - March 31, 2015)
Net income per share		
Net income (millions of yen)	506	581
Amount not belonging to ordinary shareholders (millions of yen)	-	-
Net income in attributable to common stock (millions of yen)	506	581
Average number of shares during the fiscal year (1,000 shares)	15,935	15,950
Fully diluted net income		
Current net income adjustment (millions of yen)	-	-
Increase in common stock (thousands of shares)	82	98
Overview of residual shares not included in the calculation of fully diluted net income per share due to a lack of dilution effects	-	-

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

	Previous fiscal year (April 1, 2013 - March 31, 2014)	Fiscal year under review (April 1, 2014 - March 31, 2015)
Total assets (millions of yen)	19,747	21,781
Amount excluded from total assets (millions of yen)	60	80
Year-end net assets attributable to common stock (millions of yen)	19,687	21,701
Number of common stock shares at year end used to calculate net assets per share (thousands of shares)	15,937	15,954

(Important Subsequent Events)

Business Combination by Acquisition

At a Board of Directors meeting held on February 4, 2015, it was resolved to purchase all issued shares of Merz Dental GmbH to make it a subsidiary, and all shares were acquired on April 1, 2015.

(1) Outline of Business Combination

(i) Company name and business content of company to be acquired

Name of company to be acquired: Merz Dental GmbH

Content of business: Manufacture and sale of dental equipment and supplies in Germany

(ii) Main reasons for the business combination

Merz Dental GmbH (hereinafter “Merz Dental”) is a prestigious artificial teeth company, and possesses a well known and high quality brand for premium quality artificial teeth, a direct sales channel to customers in Germany, and a nationwide production base in Germany, with a focus on artificial teeth and related materials. We completed this acquisition because we believe that incorporating Merz Dental into our group will result in the ability to produce and develop high quality artificial teeth which will enable us to expand our business not only into German and Japanese markets but also into the world market, production capabilities for rapid response to customer needs in the European market, and in sales, improve or expand our sales activities together. Meanwhile, Merz Dental will be able to sell their products outside of the German market through our overseas networks, creating synergies, and the Company decided upon the acquisition as a result.

(iii) Date of business combination
April 1, 2015

(iv) Legal structure of business combination
Stock acquisition with cash compensation

(v) Percentage of voting rights acquired
100%

(vi) Main basis for determining company acquisition
Due to the acquisition of 100% of voting rights through a stock acquisition with cash compensation.

(2) Cost of acquiring the acquired company and breakdown of components

Compensation for acquisition (estimated)	15,106 thousand Euro (1,968 million yen)

(3) Amounts of goodwill incurred, reason for incursion, amortization method and amortization period
Undetermined at this time.