



Fiscal Year Ended March 2020 (148th Business Year) Financial Analyst Meeting

May 21, 2020



Tokyo Stock Exchange
(1st Section)
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Contents of Today's Presentation

- ➡ **Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020**
- ➡ **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2021**
- ➡ **Future Business Environment and Medium- and Long-term Business Strategies**

Noriyuki Negoro, President and CEO

The background of the slide features a stylized, black-and-white line drawing of a mountain range with jagged peaks and valleys.

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2021

Future Business Environment and Medium- and Long-term Business Strategies

Summary of Business Performance (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



■ Positive factors ■ Negative factors

P/L

⇒ Net Sales totaled 26,108 million yen (an increase of 4.8%) **[Record high]**

Domestic net sales totaled 14,608 million yen (an increase of 7.3%)

- In the dental business, although mainstay products such as artificial teeth struggled, new products and equipment, including CAD/CAM products, saw growth. As a result, domestic sales **rose 8.2%**.
- Domestic sales in the nail care business **rose 0.8%** due to the solid performance of gel nail products on the back of efforts to augment the lineup of own-brand products and to proactively hold seminar activities.

Overseas net sales totaled 11,499 million yen (an increase of 1.8%)

- Overseas sales in the dental business **rose 2.2%** due to higher sales in all regions on a local currency basis, offsetting the negative impact of foreign exchange rates resulting from a strong yen.
- Overseas sales in the nail care business **decreased by 3.5%** due to a drop in sales in Taiwan, where competitors are taking increasingly aggressive actions, despite strong sales in America.

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In the consolidated fiscal year ended in March 2020, sales were up and income down compared to the previous year, and both sales and income were down compared to our forecasts. Operating income and ordinary income rose relative to both the previous year and forecasts. Slide No. 4 shows the factors behind these changes over the previous year.

Net sales increased 4.8% for a total of 26,108 million yen, a record high. Domestic net sales rose by 7.3%, to 14,608 million yen. Overseas net sales increased by 1.8%, to 11,499 million yen.

In our domestic dental business, sales increased by 8.2%. This was due to new products, such as the dental digital camera EyeSpecial C-IV, which meets market needs as the dental care sector becomes increasingly digitized, and SHOFU Block HC Super Hard, a resin material for dental cutting processing. Another factor was the substantial growth in sales of equipment, such as CAD/CAM products.

Domestic sales in our nail care business increased by 0.8% due to solid sales of gel nail products such as the mainstay gel nail brand L•E•D Gel Presto and the ageha gel nail brand, a tie-up with a famous nail artist. These strong sales can be attributed to efforts to augment our product lineup and to proactively hold seminars.

In the overseas dental business, despite the negative foreign exchange effect from the strong yen, which amounted to 433 million yen, an aggressive sales promotion strategy was successful, and sales were strong in all regions on a local currency basis. As a result, sales rose 2.2%.

In the overseas nail care business, sales of gel nail products in America were strong due to promotional activities using SNS, but sales fell in the Asia and Oceania region, which includes Taiwan. As a result, overseas sales in the nail care business decreased by 3.5%.

Summary of Business Performance (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



■ Positive factors ■ Negative factors

P/L

⇒ Operating income totaled 2,210 million yen **[Record high]**,
and Ordinary income totaled 1,988 million yen **[Record high]**

■ The cost of sales ratio rose, but operating income **rose 21.9%** due to the effect of higher sales and a decrease in selling, general and administrative expenses.

■ Ordinary income **increased by 16.4%**, even though the extent of the increase was lower than that of operating income due to the negative impact of exchange rates.

⇒ Net income totaled 704 million yen

■ Net income **fell 41.3%** due to the posting of impairment losses on goodwill when shares in Merz Dental GmbH were acquired and the posting of impairment losses related to intangible assets.

* "Net income" figures are figures for "Net income attributable to owners of parent" after the application of the Accounting Standard for Business Combinations, etc.

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In terms of income, the cost of sales ratio increased because equipment with low profitability rates accounted for a higher proportion of sales and losses on inventory disposal were incurred due to changes in the pharmaceutical approval organization in Europe as a result of Brexit developments. However, the effect of higher sales and a reduction in selling, general and administrative expenses led to a 21.9% increase in operating income.

Despite a loss from foreign exchange due to the strong yen in non-operating costs and a lower increase in income, ordinary income rose 16.4%. Both ordinary income and operating income reached record highs.

However, net income decreased by 41.3% to 704 million yen because an 800 million yen extraordinary loss was posted for an impairment loss on goodwill for the acquisition of shares of Merz Dental GmbH, which became a subsidiary from April 2015, and on intangible assets.

Summary of Business Performance for the Current Fiscal Year

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



⇒ Sales increased and net profits decreased compared to the previous period/ Sales and net income decreased compared to the forecast.

Units: millions
of yen, %

	Fiscal March 2019 (Results) (% of sales)	Fiscal March 2020 (Forecast) (% of sales)	Fiscal March 2020 (Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Net sales	24,915 (100.0)	26,190 (100.0)	26,108 (100.0)	1,193 (4.8)	-81 (-0.3)
(Domestic sales)	13,619 (54.7)	14,408 (55.0)	14,608 (56.0)	988 (7.3)	199 (1.4)
(Overseas sales)	11,295 (45.3)	11,781 (45.0)	11,499 (44.0)	204 (1.8)	-281 (-2.4)
Operating income	1,814 (7.3)	2,056 (7.9)	2,210 (8.5)	396 (21.9)	154 (7.5)
Ordinary income	1,709 (6.9)	1,941 (7.4)	1,988 (7.6)	279 (16.4)	47 (2.5)
Net income	1,201 (4.8)	1,377 (5.3)	704 (2.7)	-496 (-41.3)	-672 (-48.8)
Net income per share	75.54yen	86.61yen	44.24yen	-31.30yen	-42.37yen
Return on equity	5.0%	5.6%	2.9%	-2.0P	-2.6P
Foreign exchange rates					
US dollar	110.69	105.00	109.10	-1.59	4.10
Euro	128.43	125.00	121.14	-7.29	-3.86
Pound sterling	145.68	145.00	138.51	-7.17	-6.49
Renminbi	16.69	16.50	15.85	-0.84	-0.65

SHOFU INC. *Diluted earnings per shares for fiscal March 2019 results is 43.93 yen.

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Slide No. 6 shows major items of profit and loss in comparison to the previous period and the forecasts.

In this slide, we explain the comparison to the forecasts.

Net sales were 81 million yen, or 0.3%, below the forecast, which was a modest shortfall.

In the domestic business, sales were 128 million yen below forecast in nail care business and 25 million yen below forecast in other business, but sales in the dental business, where equipment sales were strong, were 353 million yen higher than forecast. As a result, overall, sales were 199 million yen higher than forecast, up by 1.4%.

In the overseas business, sales were up 75 million yen in nail care business, but in the dental business, sales were 357 million yen below forecast due to struggles in the US and Europe and a 159 million yen negative foreign exchange impact from a strong yen. As a result, overall sales were 281 million yen, or 2.4%, below forecast.

In terms of income, operating income was 154 million yen, or 7.5%, above forecast due to a decrease in selling, general and administrative expenses. Despite a contraction in income gains due to a negative foreign exchange impact from a strong yen, ordinary income was 47 million yen, or 2.5%, above forecast.

As previously explained, we posted an 800 million yen extraordinary loss for an impairment loss on goodwill for Merz Dental GmbH and on intangible assets. As a result, net income was 672 million yen, or 48.8%, below forecast.

Sales by Product Category (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2019 (Results)	Fiscal March 2020 (Results)	Change from previous period		
				Domestic	Overseas
Artificial teeth	4,418	4,259	-159 (-3.6)	-69	-89
Abrasives	4,145	4,169	23 (0.6)	11	11
Metal products	237	240	3 (1.4)	3	-0
Chemical products	5,210	5,297	86 (1.7)	-18	104
Cements and others	2,181	2,147	-34 (-1.6)	-36	1
Equipment and others	6,251	7,551	1,299 (20.8)	1,095	204
Dental business total	22,446	23,665	1,219 (5.4)	986	232
Nail care business	2,372	2,355	-16 (-0.7)	12	-28
Other	96	87	-9 (-10.0)	-9	-
Total	24,915	26,108	1,193 (4.8)	988	204

*The effect of foreign currency fluctuations (U.S. dollar (USD), Euro (EUR), British pound (GBP), Chinese yuan (CNY), Indian Rupee (INR) and New Taiwan dollar (NTD)) on overseas net sales was -448 million yen. (Dental business -433 million yen, Nail care business -15 million yen)

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Slide No. 7 shows net sales by product category in comparison to the previous period.

Overall, sales rose 1,193 million yen, of which sales in the dental business increased by 1,219 million yen, sales in the nail care business decreased by 16 million yen, and sales of industrial abrasives in the other business decreased by 9 million yen.

In the domestic dental business, despite difficulties for mainstay artificial teeth and chemical products, sales of equipment, including CAD/CAM-related products, saw significant growth. This resulted in an overall sales increase of 986 million yen, or 8.2%.

In our overseas dental business, despite the negative foreign exchange impact of the strong yen, favorable sales of our mainstay product lines in all regions, particularly equipment and chemical products, led to an overall sales increase of 232 million yen, or 2.2%.

The nail care business performed as previously explained.

Sales by Product Category (Comparison with Forecast)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2020 (Forecast)	Fiscal March 2020 (Results)	Change from Forecast		
				Domestic	Overseas
Artificial teeth	4,663	4,259	-403 (-8.7)	-115	-288
Abrasives	4,140	4,169	29 (0.7)	-5	35
Metal products	248	240	-7 (-3.2)	-8	0
Chemical products	5,546	5,297	-248 (-4.5)	-155	-92
Cements and others	2,211	2,147	-64 (-2.9)	-51	-13
Equipment and others	6,859	7,551	692 (10.1)	689	2
Dental business total	23,669	23,665	-3 (-0.0)	353	-357
Nail care business	2,408	2,355	-52 (-2.2)	-128	75
Other	112	87	-25 (-22.8)	-25	-
Total	26,190	26,108	-81 (-0.3)	199	-281

*The effect of foreign currency fluctuations (U.S. dollar (USD), Euro (EUR), British pound (GBP), Chinese yuan (CNY), Indian Rupee (INR), New Taiwan dollar (NTD) and Brazilian Real (BRL)) on overseas net sales was -159 million yen. (Dental business -146 million yen, Nail care business -12 million yen)

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Domestic Sales

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



Positive factors Negative factors

Unit: Millions of yen; figures in parentheses
represent the percentage of the total

Dental business:

Year on year increase of 986 million yen (+8.2%)

Sales of new products, such as dental digital cameras and resin for dental milling and processing, and CAD/CAM products contributed significantly to sales.

Mainstay artificial teeth and chemical products struggled.

Nail care business:

Year on year increase of 12 million yen (+0.8%)

Existing and new brands of gel nail products were strong.

Other businesses:

Year on year decrease of 9 million yen (-10.0%)

Principal new products launched during recent fiscal year (dental business)

- Digital oral imaging device
EyeSpecial C-IV (Equipment and others)
- Resin material for dental cutting processing
SHOFU BLOCK HC SUPER HARD (Equipment and others)
- Ceramics for dental cutting processing
SHOFU DISK ZR LUCENT SUPRA (Equipment and others)



Overseas Sales

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020



Positive factors Negative factors

Unit: Millions of yen; figures in parentheses represent the percentage of the total

North America and Latin America:

Year-on-year increase of 14 million yen (+0.5%)

Abrasives, equipment and chemical products remained strong.

Local currency basis: Year on year increase of 58 million yen (+2.0%)

Europe: Year-on-year decrease of 105 million yen (-2.5%)

Sales of abrasives and equipment were strong, but sales overall were down due to the impact of exchange rates.

Local currency basis: Year on year increase of 139 million yen (+3.3%)

Asia and Oceania:

Year-on-year increase of 295 million yen (+7.1%)

In China, sales of almost all product lines were strong, primarily for chemical products.

In other Asian markets, sales of almost all product lines were strong. Sales fell in the nail care business in Taiwan.

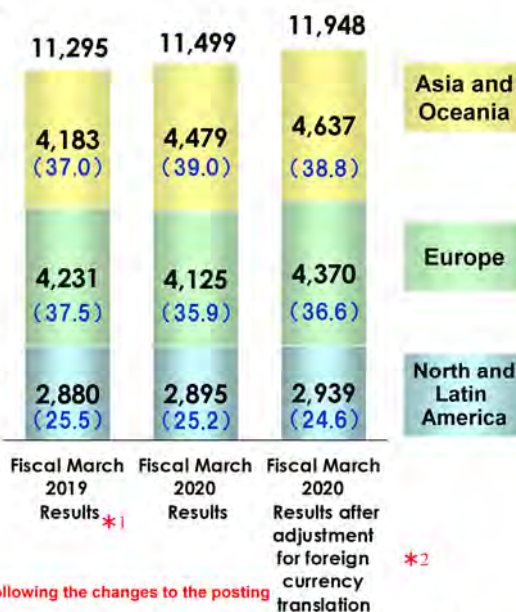
Local currency basis: Year on year increase of 453 million yen (+10.9%)

China: Year on year increase of 240 million yen (+11.0%)

Elsewhere in Asia: Year on year increase of 54 million yen (+2.7%)

(Dental business) Overseas sales ratio of 45.2%

(46.6% for the same quarter of the previous fiscal year; 46.2% after adjustment for fluctuations of foreign currency exchange rates)



*1 The results for the fiscal year ended in March 2019 were retroactively revised following the changes to the posting method for sales by region for the UK subsidiary.

*2 The results of the quarter under review after adjustment for fluctuations of foreign currency exchange rates have been calculated based on the same exchange rates used for the results of the fiscal year ended March 2019.

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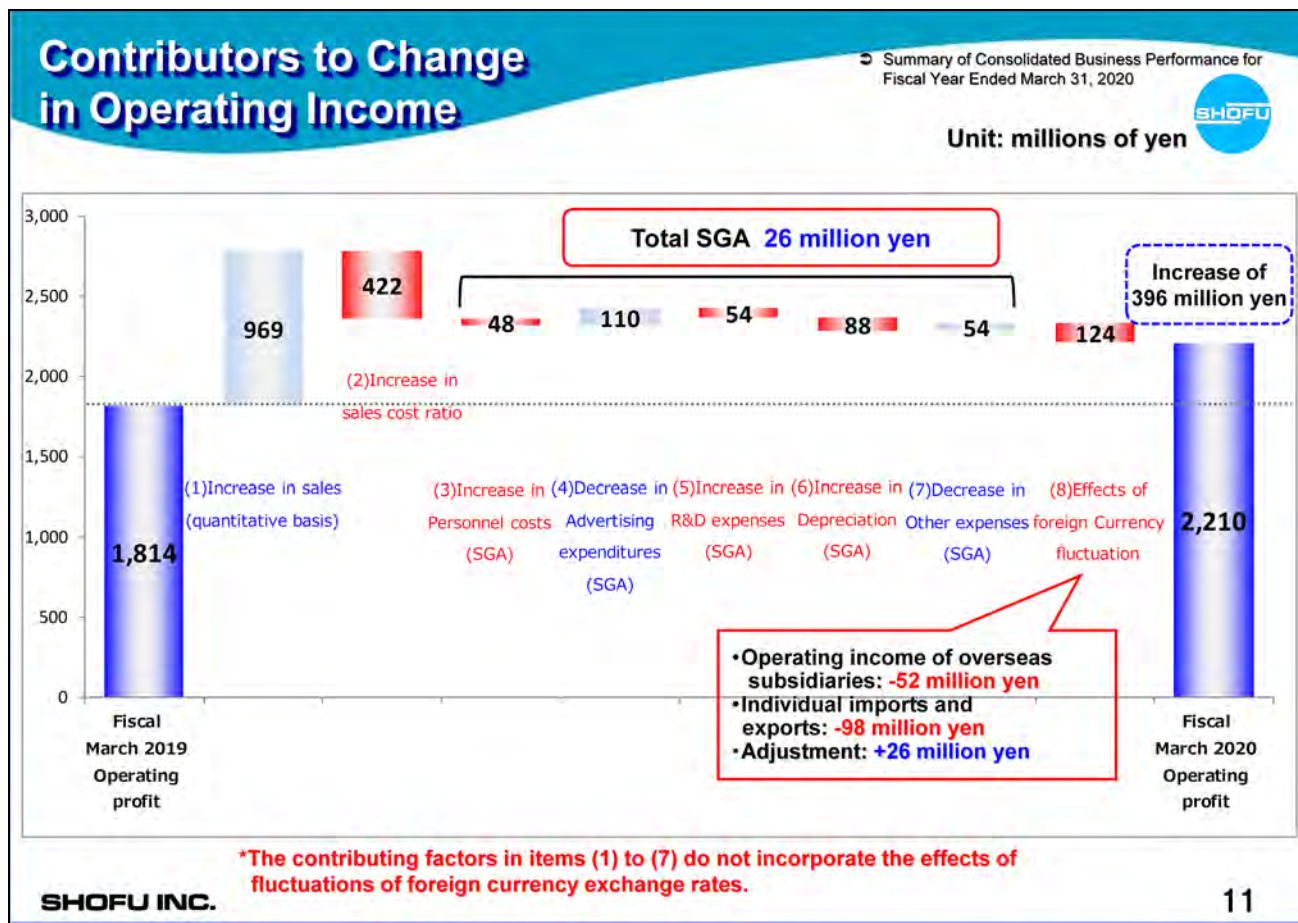
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Slide No. 10 shows the status of overseas net sales by region in comparison to the previous period.

In North America and South and Central America, sales of grinding materials, equipment such as dental digital cameras and chemical products were strong, offsetting the negative impact of exchange rates. As a result, sales rose 14 million yen, or 0.5%.

In Europe, sales of equipment, including CAD/CAM products, and abrasives were solid and sales were up on a local currency basis. However, due to the negative impact of exchange rates, sales were down 105 million yen, or 2.5%. Sales overall were up 295 million yen, or 7.1%, in Asia and Oceania. By region, sales of almost all products were strong in China, particularly chemical products, so that despite the negative effect of exchange rates, sales were up 240 million yen, or 11.0%.

In other Asian markets as well, the strong performance of almost all products offset the negative effect of exchange rates and led to a 54 million yen, or 2.7%, increase in sales.



Slide No. 11 shows the contributors to change in operating income in comparison to the previous period.

Operating income increased by 396 million yen or 21.9%.

This was primarily because, although the cost of sales ratio increased because equipment with a low profitability rate accounted for a higher proportion of sales and a change in the European pharmaceutical approval organization due to Brexit developments resulted in a loss on inventory disposal, higher sales had an effect and selling, general and administrative expenses rose only slightly.

Performance by Segment (Sales and Operating Income)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



Unit: millions of yen. Figures in parentheses represent
percentage of sales and percentage changes (unit: %)

		Fiscal March 2019 (Results)	Fiscal March 2020 (Forecast)	Fiscal March 2020 (Results)	Change from Previous Period	Change from Forecast
		Amount (% of sales)	Amount (% of sales)	Amount (% of sales)		
Dental	Net Sales	22,446	23,669	23,665	1,219	-3
	Operating expenses	20,648	21,695	21,581	932	-113
	Operating income	1,797	1,973	2,083	286	110
	(operating income margin)	(8.0)	(8.3)	(8.8)		
Nail care	Net Sales	2,372	2,408	2,355	-17	-52
	Operating expenses	2,378	2,344	2,248	-129	-96
	Operating income	-5	63	107	112	43
	(operating income margin)	(-0.2)	(2.6)	(4.5)		
Other	Net Sales	104	112	93	-10	-19
	Operating expenses	87	93	79	-8	-13
	Operating income	16	19	13	-2	-5
	(operating income margin)	(15.6)	(17.1)	(14.7)		
Total before consolidation adjustment	Net Sales	24,923	26,190	26,114	1,191	-75
	Operating expenses	23,115	24,133	23,909	794	-223
	Operating income	1,807	2,056	2,204	396	148
	(operating income margin)	(7.3)	(7.9)	(8.4)		
Consolidated	Net Sales	24,915	26,190	26,108	1,193	-81
	Operating expenses	23,101	24,133	23,897	796	-236
	Operating income	1,814	2,056	2,210	396	154
	(operating income margin)	(7.3)	(7.9)	(8.5)		

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Slide No. 12 shows net sales and operating income by segment in comparison to the previous period and the forecasts.

Net sales are as described before. Operating income increased by 396 million yen year on year, and increased by 154 million yen from the forecasts.

The increase in operating income over the previous year was due primarily to higher sales in the dental business and a decrease in selling, general and administrative expenses in the nail care business. Operating income came in above the forecast due primarily to lower selling, general and administrative expenses in the dental business and the nail care business.

Financial Condition: Major Balance Sheet Accounts

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



Unit: millions of yen

	Fiscal March 2019	Fiscal March 2020	Change	Major contributors to changes, special notes
Cash and cash in banks	4,890	4,862	-28	
Notes and accounts receivable	3,354	3,187	-167	Decrease in accounts receivable - trade
Inventories	6,208	6,731	523	Increase in merchandises and work in process
Marketable securities and Investment in securities	5,934	5,434	-499	Decrease in valuation of investment securities
Others	9,774	9,618	-156	Decrease in intangible assets, Increase in property, plant and equipment
Total Assets	30,161	29,834	-327	
Short-term loans payable and Long-term debt	974	1,236	262	Increase in short-term loans payable
Net defined benefit liability and Retirements allowance for directors and	228	243	15	
Others	4,575	4,417	-158	Decrease in net defined tax liabilities, Increase in accounts payable-trade
Total Liabilities	5,778	5,897	119	
Total net assets	24,383	23,936	-446	Increase in retained earnings and foreign currency translation adjustments, decrease in valuation difference on available-for-sale securities
Total Liabilities and net assets	30,161	29,834	-327	
Shareholders' equity ratio	80.4%	79.7%	-0.7P	
Shareholders' equity per share	1,525yen	1,492yen	-33yen	

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Slide No. 13 shows major balance sheet accounts in comparison to the end of the previous fiscal year.

Total assets decreased by 327million yen to 29,834 million yen.

Total net assets decreased by 446 million yen to 23,936 million yen. As a result, the capital adequacy ratio fell 0.7 points from the end of the previous fiscal year to 79.7%.

Capital Investments, Depreciation Expenses, R&D Expenses, etc.

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020



Unit: millions of yen

	Fiscal March 2019 (Results)	Fiscal March 2020 (Forecast)	Fiscal March 2020 (Results)	Change from Previous Period	Change from Forecast
Capital investment	1,403	1,598	1,601	198	3
Depreciation expenses	893	1,026	979	85	-47
(of which amortization of goodwill)	84	82	79	-5	-3
R&D expenses	1,492	1,553	1,537	45	-16
Foreign exchange rates					
US dollar	110.69	105.00	109.10	-1.59	4.10
Euro	128.43	125.00	121.14	-7.29	-3.86
Pound sterling	145.68	145.00	138.51	-7.17	-6.49
Renminbi	16.69	16.50	15.85	-0.84	-0.65

• The foreign exchange rates given are those in effect at the average of each term;
conversions of items in the financial statements of overseas subsidiaries all use average rates.

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Trends for Sales Ratio of New Products

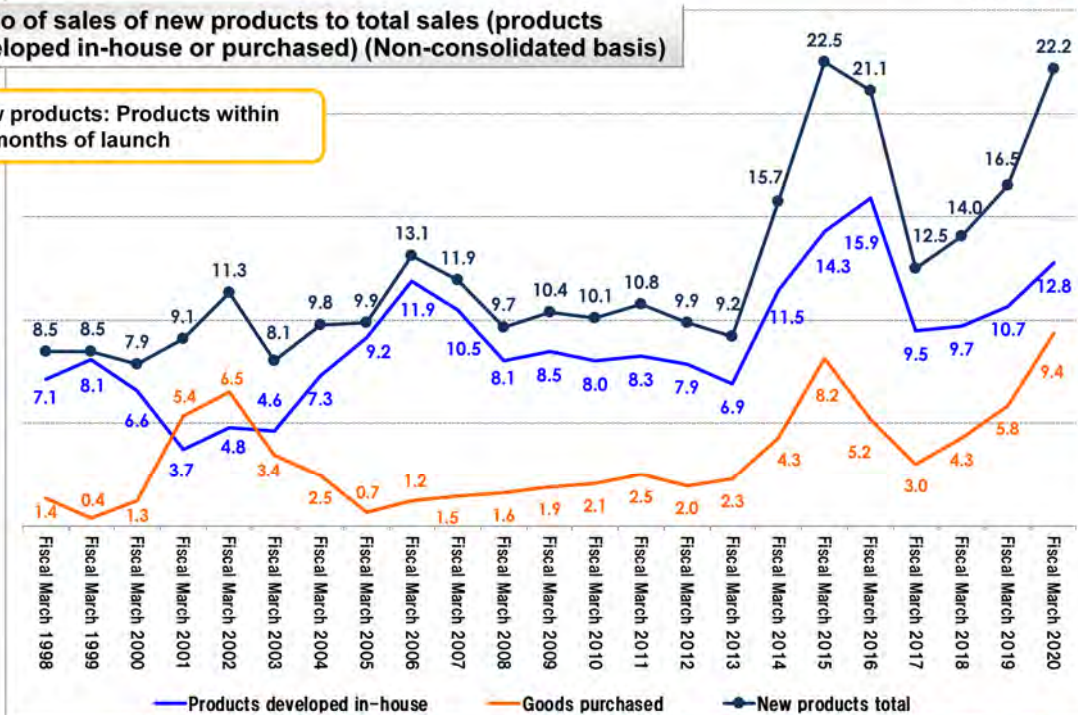
Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020



Unit: %

Ratio of sales of new products to total sales (products developed in-house or purchased) (Non-consolidated basis)

New products: Products within 36 months of launch



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* Major goods purchased: Johnson & Johnson products, EMS ultrasonic scalers and root canal treatment equipment (reamers/files)

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Slide No. 15 shows trends for the sales ratio of new products.

Shofu defines new products as products launched within the past three years. Our aim is for the sales ratio of new products to be 15% of total sales.

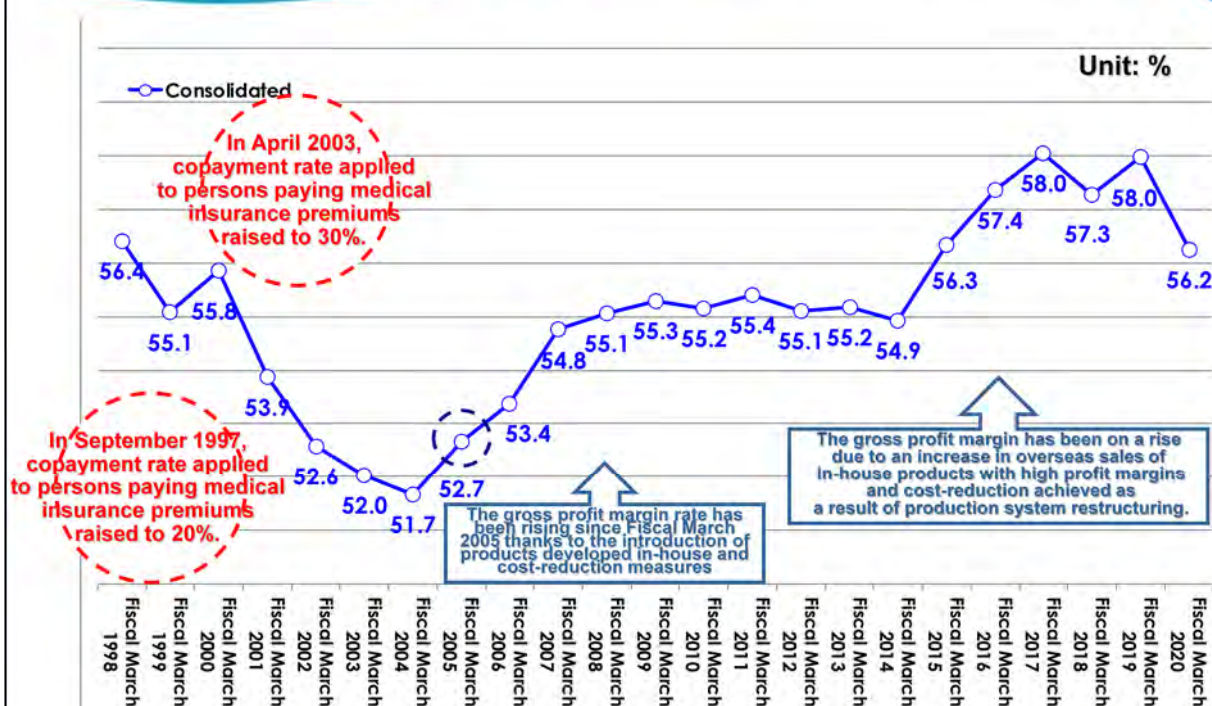
We attach importance to the expansion of new product sales as an indicator of the company's collective strength, including R&D capabilities and sales ability.

In the previous fiscal year ended in March 2020, the digital dental camera EyeSpecial C-IV, SHOFU Block HC Hard, a hybrid ceramic restorative material, and the SHOFU Disk ZR Lucent Supra, a dental milling and processing ceramic, all contributed to sales. The sales ratio for new products was 22.2%, far exceeding the 15% target.

Going forward, we will strive to maintain a ratio of 15% or higher by increasing sales of new products, especially new products developed in-house.

Trends for Gross Profit Margin Rates

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020



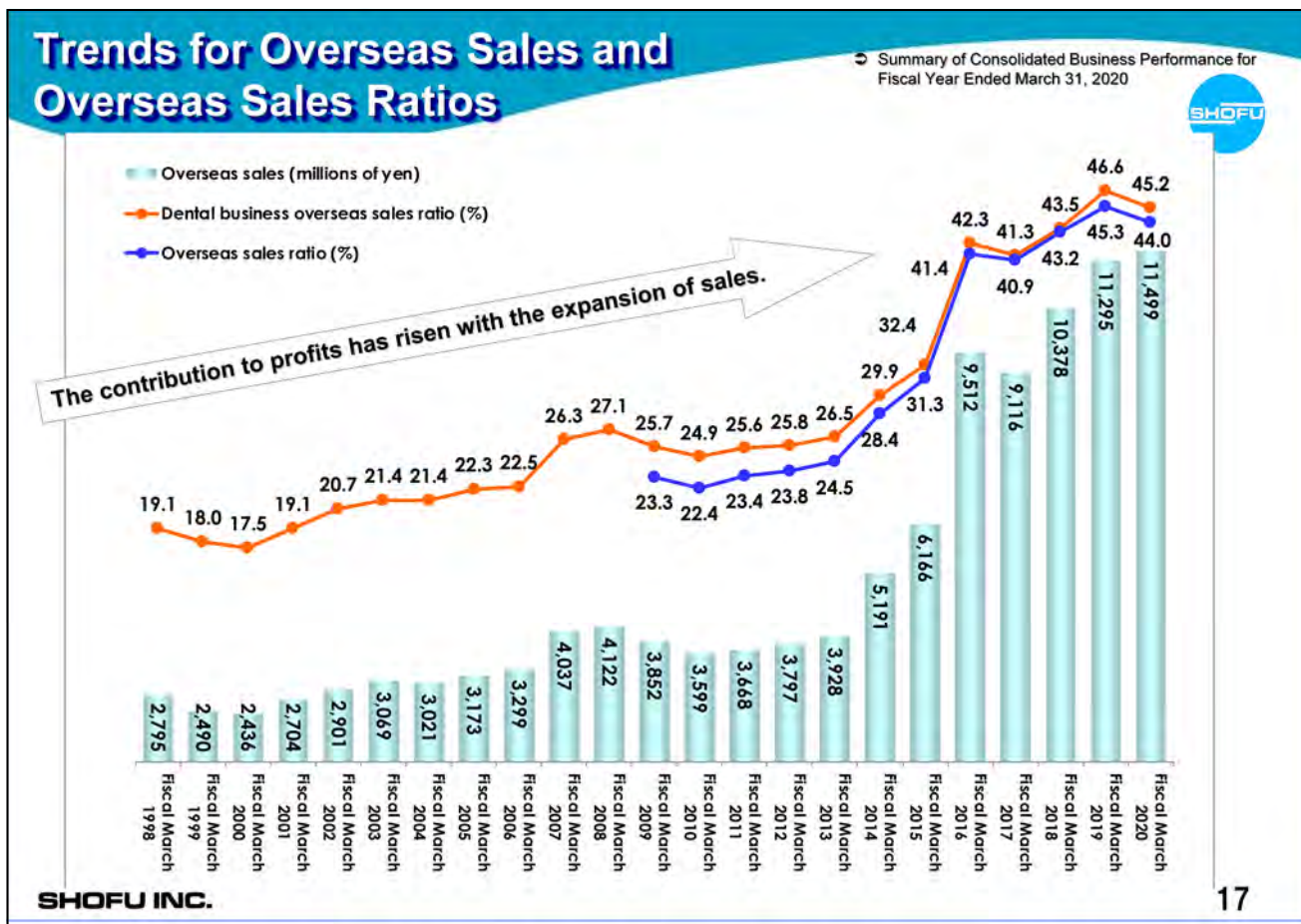
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Slide No. 16 shows trends for gross profit margin rates.

Equipment with a low profitability rate accounted for a higher proportion of sales and a change in the European pharmaceutical approval organization due to Brexit developments resulted in a loss on inventory disposal. As a result of these factors, in the fiscal year ended in March 2020, the gross profit margin rate fell 1.8 points compared to the fiscal year ended in March 2019.

However, we believe this was due to one-off factors, and we will continue to work to raise the gross profit rate with an expansion in the scale of our overseas businesses, which are expanding operations with a focus on own-brand products with a high profitability rate, the resulting volume effect, and cost-cutting by repositioning manufacturing.



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Slide No. 17 shows trends for overseas sales and overseas sales ratios.

Overseas sales have been increasing every fiscal year since the fiscal year ended March 31, 2010.

Going forward, we will continue to shift the allocation of management resources to overseas markets to a large extent with the aim of further expanding overseas sales.

This graph emphasizes the dental business overseas sales ratio, shown in orange.



Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2020

**Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2021**

Future Business Environment and
Medium- and Long-term Business Strategies

Impact on business activities

- Ban on dental treatment (US), voluntary restraint, resumption (China)
- Even in regions in which dental treatment continued, the number of patients declined
- Exhibits and academic conferences have been suspended and postponed (around the world)
- There has been no major impact at this point on manufacturing and procurement

Customers and business partners

- Voluntary restrictions on visits to customers and business partners, cuts to frequency
- Normal response to inquiries and orders

Employees

- Work at home, shift work, recommendations that sales staff travel directly between home and clients

Slide 19 shows the impact of the spread of the coronavirus.

On the business side, we are seeing an impact in all countries, and are prioritizing efforts to ensure the safety of customers, business partners and employees.

As countries impose lockdowns and issue stay-at-home advisories, dental care has been banned and governments have requested that such treatment be postponed. Even in regions where treatment can continue, appointment times are being spaced out to limit contact between patients. Such measures have resulted in a marked decline in the number of dental patients. Moreover, this is also having an effect on business activities as we are voluntarily abstaining from holding seminars and lectures, and dental shows held by related organizations and academic conferences are being cancelled or postponed.

However, dental treatment has resumed in China, restrictions on leaving home have been relaxed in other countries and economic activity is beginning to resume. As such, we are beginning to see positive signs.

Moreover, our manufacturing and procurement has not been significantly affected due to our early efforts to secure some materials that are hard to obtain, but there are still concerns that materials imported from overseas companies could be affected going forward by the prolonged decline in capacity utilization.

We are endeavoring to put safety first by restricting visits to customers and business partners and reducing their frequency, as well as by shortening the length of visits.

In addition to steps to prevent infection such as having employees wear masks and disinfecting the workplace, we are endeavoring to have employees work at home by providing an environment conducive to this, such as Web conferences, staggering the times when employees arrive and leave with shift work, and encouraging sales employees to travel directly between home and clients, among other measures.

Forecasts for consolidated earnings for year ending in March 2021

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2021



P/L

- The global spread of the coronavirus has made it difficult to rationally calculate our earnings forecasts. As a result, we have decided not to issue earnings forecasts and dividend forecasts at this point for the fiscal year ending in March 2021.
- We will cautiously examine the impact on earnings going forward, and as soon as rational calculations are possible, we plan to promptly release forecasts.
- Although we will cautiously assess the impact, we have not changed our basic medium- and long-term policies nor our dividend policy.

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Slide 20 explains our forecasts for the fiscal year ending in March 2021.

As we just explained, the global spread of the coronavirus is having a range of effects on our business activity, which makes it difficult to rationally calculate our earnings forecasts for the fiscal year ending in March 2021. As a result, we have decided not to issue earnings forecasts and dividend forecasts at this point for the fiscal year ending in March 2021.

At present, we are assessing the extent of the impact on Group companies, and cautiously examining the impact on earnings going forward. As soon as rational calculations are possible, we plan to promptly release earnings forecasts and dividend forecasts.

While we must make a cautious assessment of the impact from the coronavirus, we have not changed our basic medium- and long-term policy of expanding the overseas business by dramatically shifting the allocation of management resources to overseas markets, nor have we changed our basic dividend policy, which is to maintain stable dividend payments and target a dividend payout ratio of at least 30% on a consolidated basis.

The background of the slide features a stylized illustration of a mountain range with a cable car. The mountains are depicted with simple black outlines, and a cable car is shown on a line extending from the top right towards the center. The overall style is clean and modern.

**Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2020**

**Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2021**

**Future Business Environment and
Medium- and Long-term Business Strategies**

Domestic dental market

- **Rising demand in aesthetic and preventive fields**
- **Decrease in population and occurrence of cavities**
- **Maintenance of a certain market scale**
- **Significant growth is unlikely**

Overseas dental market

- **Existence of enormous market centered on developed nations**
- **Economic growth and rising living standards in regions worldwide, particularly developing nations**
- **Demand for dental care increasing dramatically**

Slide No. 22 shows business environment awareness in the domestic and overseas markets.

Considering the domestic market first, the present situation for dentistry is that even though the elderly population is increasing, this does not necessarily translate into increases in medical charges.

Looking ahead, rising awareness of oral health is expected to foster the spread of the aesthetic, preventive, and oral health fields and to increase demand related to periodontal disease. With the decrease in population and the occurrence of cavities, however, even if the domestic dental market were to maintain a certain market scale, significant growth is unlikely.

Overseas, however, there is a market that is currently around 14 times the size of the domestic market. In addition to this, when considering the economic growth and rising living standards in regions worldwide, including developing nations, demand for dental care is anticipated to increase dramatically.

Even accounting for the differences in price level, Shofu believes that in 10 years, the global dental market could grow to 20 times or more the size of the Japanese dental market.

Vision for our company: Medium-to Long-term Basic Policy

Future Business Environment and Medium-
and Long-term Business Strategies



Strive to expand the overseas business by dramatically shifting the allocation of management resources to overseas markets.



- **Group net sales: 50 billion yen**
<Domestic sales: 17 billion yen;
overseas sales: 33 billion yen>
- **Group operating income: 7.5 billion yen**
(Operating profit margin: 15%)

Pursue globalization in every department, function (R&D, production, and sales), personnel, and by extension the company's overall management.

SHOFU INC.

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Slide No. 23 shows the vision for our company to pursue over the medium- to long-term.

Since its establishment, Shofu has pursued its business as a comprehensive manufacturer of dental materials and equipment in line with its Corporate Philosophy of “Contribution to dentistry through innovative business activities.” However, with an overseas market at least 14 times the size of the domestic Japanese market, Shofu’s contribution and presence to date has been insufficient.

There are a variety of opinions on how to define “contribution” and “presence.” Shofu takes net sales as the barometer of “contribution” and considers “presence” as being among the top 10 in the world.

Accordingly, while maintaining and expanding our business base in Japan, we will strive to expand our overseas business by dramatically shifting the allocation of management resources to overseas markets. By so doing, we aim to achieve group net sales of 50 billion yen and operating income of 7.5 billion yen and to raise our contribution to and presence in dentistry worldwide.

Fiscal 2018 to 2020 Medium-term Management Plan : Company-wide targets

Future Business Environment and Medium- and Long-term Business Strategies



Company-wide targets for fiscal March 2021

- **Group net sales: 29.2 billion yen**
 <Domestic sales:13.5billion yen; overseas sales:12.2 billion yen; Nail care business sales:3.3 billion yen>
 <Overseas sales ratio in the dental business : 50%>
- **Group operating income: 2.34 billion yen**
 (Operating profit margin: 8.0%)
- **ROE 6.0%**

Key issues in order to achieve goals

R&D	✓ Development and introduction of new products that match the local demands	Promotion of M&As (business tie-ups, technology partnerships, business acquisitions)
Production	✓ Relocation of production base and expansion of offshore production	
Sales	✓ Improvement of our sales network / Realignment of sales offices ✓ Establishment of domestic and international academic networks	
HR	✓ Development of human resources and securing the skilled employees	

SHOFU INC.

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Based on that view, we formulated the Third Medium-term Management Plan, which covers the period up through the fiscal year ending March 2021. Slide No. 24 shows an overview of the plan.

In the fiscal year ending March 2021, the last year of the plan, our main goals are to achieve Group net sales of 29.2 billion yen, an operating profit margin of 8.0%, and an ROE of 6%.

Toward the achievement of these goals, we will principally focus on carrying out our key issues with greater speed over the next three years. As I just mentioned, we intend to actively make use of M&As and cooperation with outside organizations to increase speed.

I will now explain the specific efforts that we will make with respect to each issue.

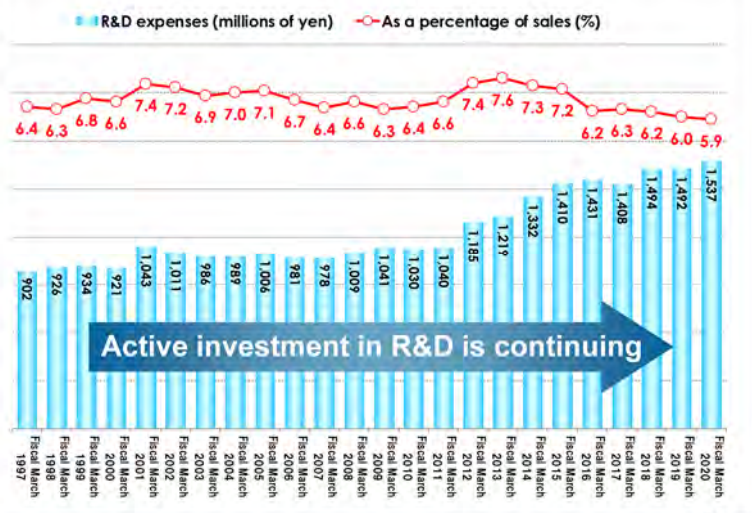
Development and introduction of new products that match the local demands

Developing products with a worldwide vision

Developing new products for regions' middle-class and high-volume segments

Developing products with the goal of creating markets in new fields

Trend in R&D investment



SHOFU INC.

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Slide No. 25 shows priority efforts related to research and development.

Shofu aims to pursue global growth as an R&D-driven company. Going forward, we will continue to develop products with a worldwide vision.

In addition to that, from here on we will also develop new products that match local demands, targeting the middle-class and high-volume segments.

In addition, as the dental industry increasingly adopts digital technology, we will open up new business fields in CAD/CAM-related products and 3D printing-related products.

✧ Relocation of production base and expansion of offshore production

Further expand the market share of our time-honored specialties such as artificial teeth and abrasives by enhancing price competitiveness and reducing costs.

➡ Effectively utilizing existing domestic factories

Domestic manufacturing Group companies



Shiga Shofu (Shiga)



Shofu products kyoto (Kyoto)



Nail Labo (Saitama)

Principal issues and purpose of repositioning of production

- 1) limited productions capacity of SHOFU Headquarters
- 2) high production costs in Japan
- 3) currency fluctuations
- 4) high shipping costs for hazardous and heavy goods
- 5) better delivery service to users
- 6) high tariff

➡ Expanding overseas production

Overseas manufacturing Group companies



Shanghai Shofu Dental Materials Co., Ltd. (China)



Advanced Healthcare Ltd. (UK)



Merz Dental GmbH (Germany)

Slide No. 26 shows priority efforts related to production.

With respect to production, we will relocate production bases by effectively utilizing existing domestic factories and expanding overseas production in an effort to enhance price competitiveness through increased production volume and cost reductions.

Specifically, at our domestic manufacturing subsidiaries, we will transition away from production at the Shofu headquarters through technology transfers and facilities enlargement as well as construction of new factories.

Overseas, meanwhile, since the acquisition of the German artificial teeth manufacturer Merz Dental and the expansion construction of the factory was completed in March 2019, we will increase its utilization as a production base in Europe while also considering the establishment of production bases in other regions.

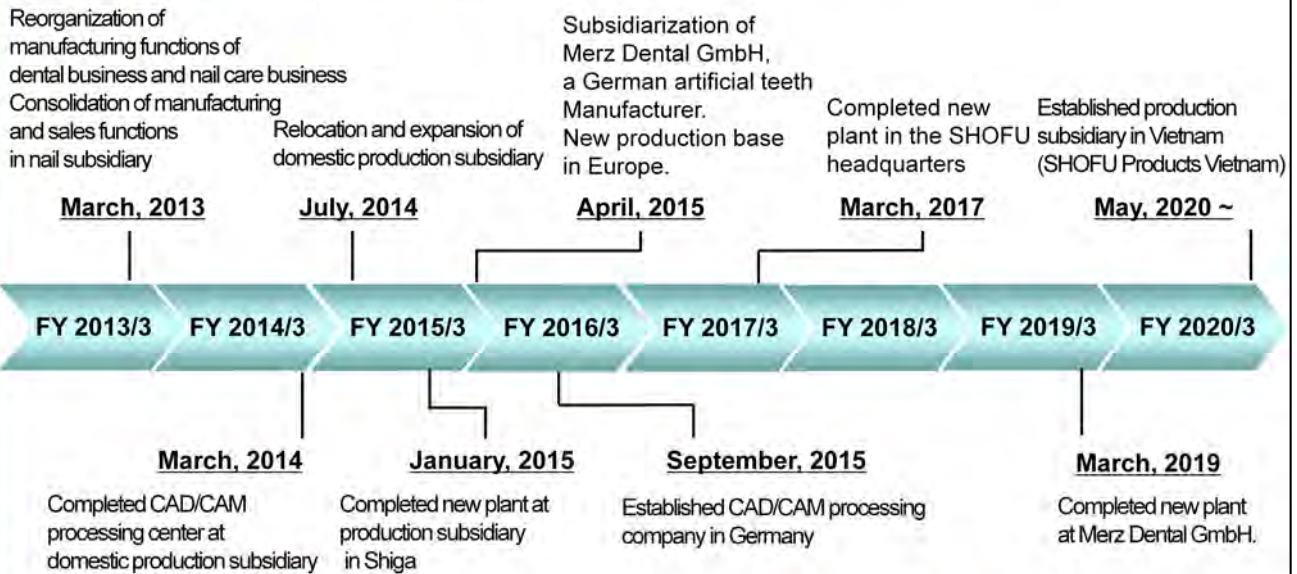
Moreover, the process will take time due to the impact of the spread of the coronavirus, but we will establish a manufacturing subsidiary in Vietnam from May 2020. Going forward, we plan to consider setting up manufacturing sites in other regions as well.

Specific Efforts – Production

Future Business Environment and Medium- and Long-term Business Strategies



✧ Relocation of production base and expansion of offshore production



SHOFU INC.

※We are gradually developing production bases in other important countries and regions.

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Specific Efforts – Sales

Future Business Environment and Medium- and Long-term Business Strategies



◆Improvement of our sales network

- Develop a network of overseas distributors.

◆Realignment of sales offices

- Establish new overseas sales bases.

◆Establishment of domestic and international academic networks

- Build an organization that can advertise the company's products and services directly to users.
- Enhance and expand MDR* activities.
*Medical dental representative

[Overseas sales Group companies]



Shofu Dental Corporation (U.S.A.)



Shofu Dental GMBH (Germany)



Shofu Dental Trading (Shanghai) Co., Ltd., (China)



Shofu Dental Asia-Pacific PTE (Singapore)



Merz Dental GmbH (Germany)

[Other overseas bases]

Sales company: Mexico, Brazil, India

Sales base : England, Taiwan, Italy

➤Improve our customer service

SHOFU INC.

➤Enhance academic activities

➤Speed up the product registration work

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Slide No. 28 shows priority efforts related to sales.

The most important challenge both in the domestic and overseas markets, is the need to establish a system for Shofu's products to earn firm recognition among the dental care workers who are our end customers.

Since 2012, established sales subsidiaries in Singapore, Mexico, Brazil and India, established sales bases in Italy and Taiwan, and made Merz Dental GmbH, which has its own sales network, a subsidiary. The network has been improved.

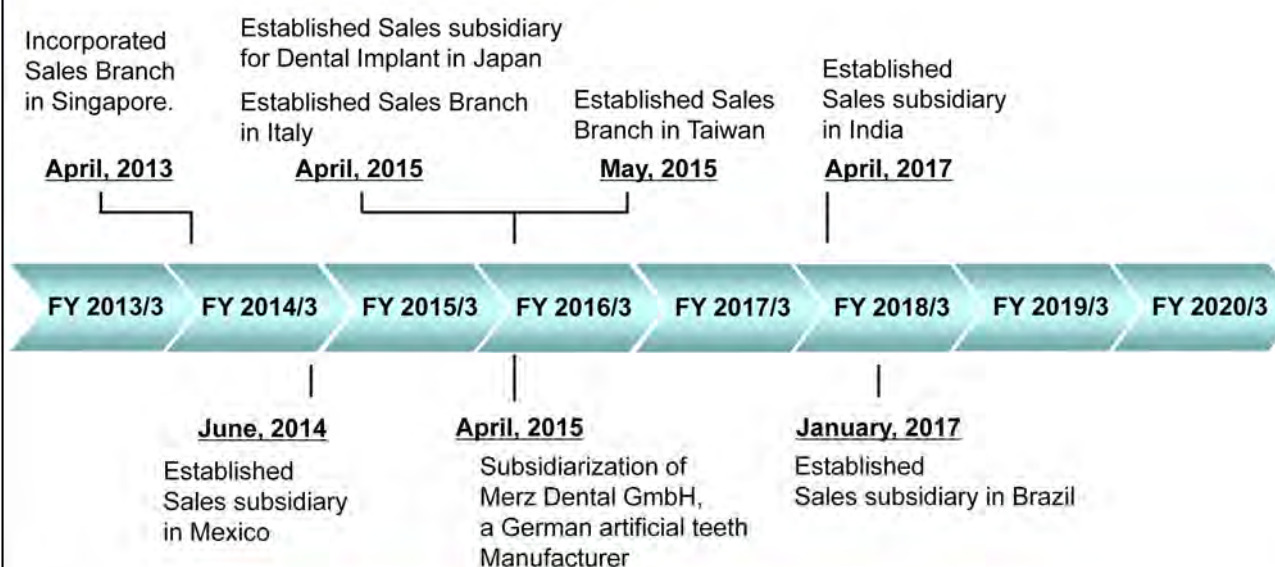
Going forward, we will gradually develop and enhance our sales network in key countries and regions.

Specific Efforts – Sales

Future Business Environment and Medium- and Long-term Business Strategies



◇ Realignment of sales offices



SHOFU INC.

* We are planning to establish sales bases in other important countries / regions.

Specific Efforts – Nail Care Business

Future Business Environment and Medium- and Long-term Business Strategies



■ Basic Policy

- ✧ Work to expand the nail care business by taking advantage of the R&D and production engineering capabilities the company has developed in the dental materials business.
- ✧ Ensuring profitability by improvement of in-house products ratio
- ✧ Expanding sales channels in overseas markets
 - U.S., Europe, Taiwan, South Korea, China



■ Specific Efforts

- ✧ Capturing share in the LED gel market with improved Presto
- ✧ Improving competitiveness and profitability by integrating operations from product planning to sales
- ✧ Released self nail gel nail “by Nail Labo” (August 2014)
- ✧ Established joint venture in Taiwan (December 2014), began operation in January 2015
- ✧ Launched new “ageha Gel” brand of gel nail products for nail salons (June 2017)



SHOFU INC.

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Slide No. 30 shows our basic policy and priority efforts related to the nail care business.

Price competition is becoming increasingly intense in today's business environment compared to when we entered the nail care business in earnest in 2008. While the business has not reached the scale we had initially imagined, we have built an integrated system for working on everything from product development to manufacturing and sales, and we are striving to stabilize our management base and streamline operations.

Moreover, in addition to offering products to professional manicurists, we are developing products for general consumers, and have established a joint venture in Taiwan, launched a collaboration with a noted manicurist, and are making other efforts to develop the market from both the product development and sales angles.

Trends for Sales by Region —North and Latin America, Europe

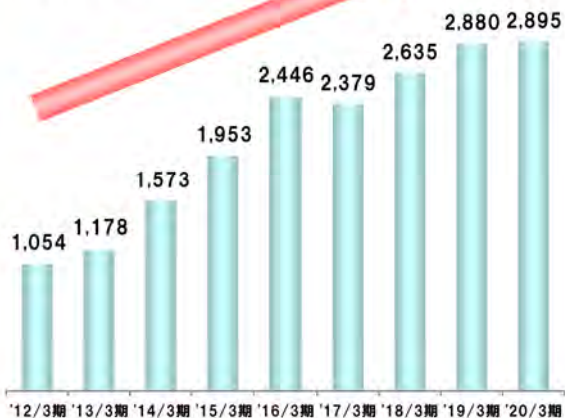
Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

North and Latin America

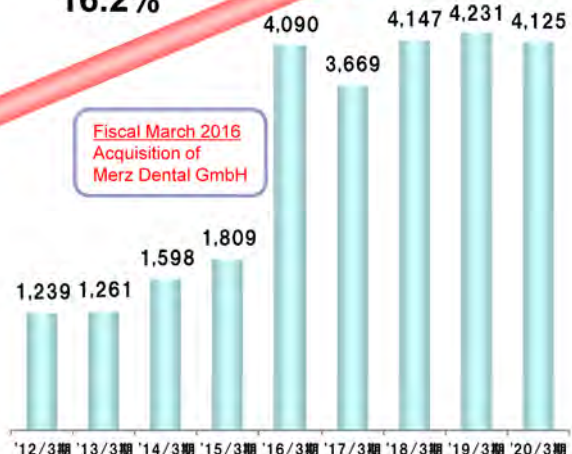
CAGR
13.5%



SHOFU INC.

Europe

CAGR
16.2%



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Slides No. 31 to No. 32 shows fluctuations in sales by overseas region.

Sales remain strong due to efforts to reinforce sales activities in each region.

Trends for Sales by Region —China, Elsewhere in Asia

Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

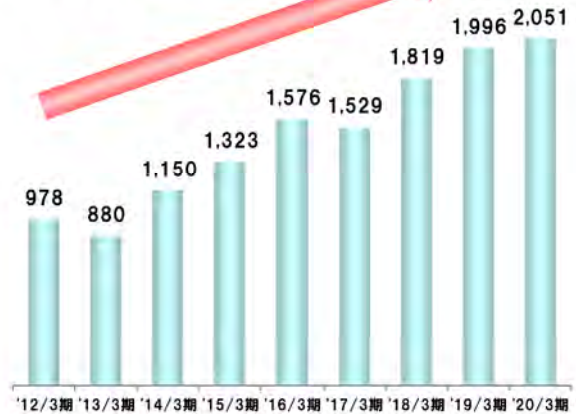
China

CAGR
21.1%



Elsewhere in Asia

CAGR
9.7%



SHOFU INC.

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Medium-term Management Plan – Principle Targets

➤ Future Business Environment and Medium- and Long-term Business Strategies



★...Record Unit: millions of yen

	Fiscal March 2018 (Results)	Mid-term Management Plan			Fiscal March 2019 (Results)	Fiscal March 2020 (Results)
		Fiscal March 2019	Fiscal March 2020	Fiscal March 2021		
Net sales	★ 24,031	★ 25,725	★ 27,419	★ 29,264	★ 24,915	★ 26,108
(Change from Previous Period)	(7.7%)	(7.1%)	(6.6%)	(6.7%)	(3.7%)	(4.8%)
(Domestic sales)	★ 13,652	★ 14,453	★ 15,085	★ 15,700	13,619	★ 14,608
(Change from Previous Period)	(3.5%)	(5.9%)	(4.4%)	(4.1%)	(-0.2%)	(7.3%)
(Overseas sales)	★ 10,378	★ 11,271	★ 12,333	★ 13,563	★ 11,295	★ 11,499
(Change from Previous Period)	(13.8%)	(8.6%)	(9.4%)	(10.0%)	(8.8%)	(1.8%)
Operating income	1,497	1,737	★ 2,056	★ 2,341	1,814	★ 2,210
(Percentage of sales)	(6.2%)	(6.8%)	(7.5%)	(8.0%)	(7.3%)	(8.5%)
Ordinary income	1,565	1,630	★ 1,946	★ 2,234	1,709	★ 1,988
(Percentage of sales)	(6.5%)	(6.3%)	(7.1%)	(7.6%)	(6.9%)	(7.6%)
Net income	877	★ 1,109	★ 1,370	★ 1,596	★ 1,201	704
(Percentage of sales)	(3.7%)	(4.3%)	(5.0%)	(5.5%)	(4.8%)	(2.7%)
Dental business Overseas sales ratio	★ 43.5%	★ 44.6%	★ 46.0%	★ 47.6%	★ 46.6%	45.2%

* "Net income" figures are figures for "Net income attributable to owners of parent" after the application of the Accounting Standard for Business Combinations, etc.

SHOFU INC.

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Slide No. 33 shows principle targets under the Medium-term Management Plan for fiscal year 2018 – 2020.

In the fiscal year ended in March 2020, sales were 1,311 million yen, or 4.8%, lower than the target for this fiscal year in the Medium-term Management Plan due to delays in our progress in the domestic business, the dental business in Europe, and the nail care business in other Asian regions. However, operating income and ordinary income targets were met due to the efforts of the parent company and Group companies to cut costs based on a careful examination of the cost-benefit effect.

Medium-term Management Plan by Segment (Sales and Operating Income)

➤ Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

	Fiscal March 2018 (Results)		Mid-Term Management Plan						Fiscal March 2019 (Results)		Fiscal March 2020 (Results)	
			Fiscal March 2019		Fiscal March 2020		Fiscal March 2021					
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Dental business	21,447	89.2	22,800	88.6	24,227	88.4	25,787	88.1	22,446	90.1	23,665	90.6
Nail care business	2,486	10.3	2,806	10.9	3,068	11.2	3,343	11.4	2,372	9.5	2,355	9.0
Other businesses	105	0.4	117	0.5	123	0.5	133	0.5	104	0.4	93	0.4
Net sales	24,038	100.0	25,725	100.0	27,419	100.0	29,264	100.0	24,923	100.0	26,114	100.0
Dental business	1,410	6.6	1,575	6.9	1,867	7.7	2,070	8.0	1,797	8.0	2,083	8.8
Nail care business	63	2.5	145	5.2	169	5.5	243	7.3	-5	-0.2	107	4.5
Other businesses	17	16.8	16	13.7	18	15.3	27	20.5	16	15.6	13	14.7
Operating income	1,491	6.2	1,737	6.8	2,056	7.5	2,341	8.0	1,807	7.3	2,204	8.4

• The foreign exchange rates given are those in effect at the average of each term;
conversions of items in the financial statements of overseas subsidiaries all use average rates.

Medium-term Management Plan Capital Investments, Depreciation Expenses, R&D Expenses

Future Business Environment and Medium-
and Long-term Business Strategies



単位:百万円

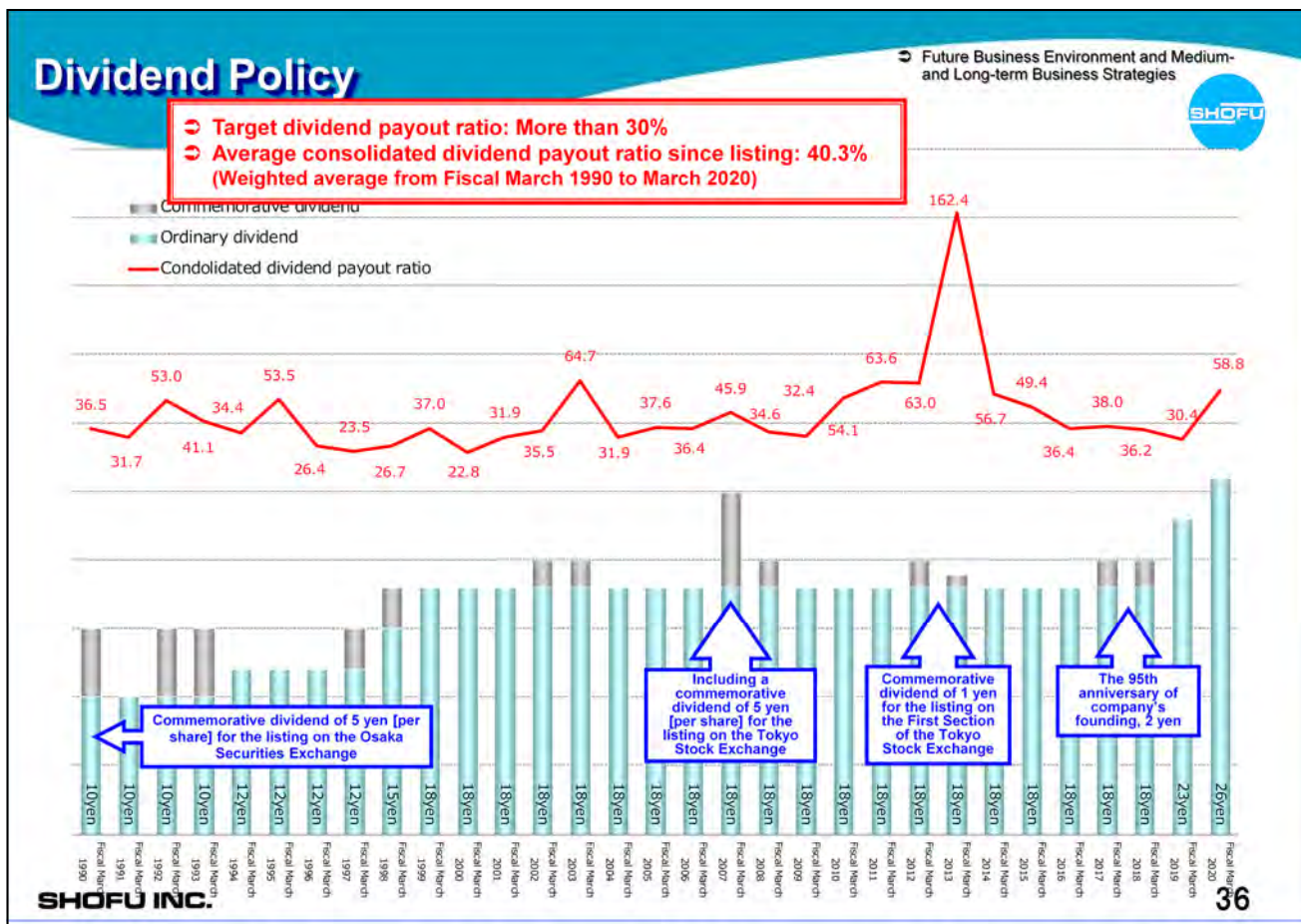
	Fiscal March 2018 (Results)	Mid-Term Management Plan			Fiscal March 2019 (Results)	Fiscal March 2020 (Results)
		Fiscal March 2019	Fiscal March 2020	Fiscal March 2021		
Capital investment	710	1,080	967	967	1,403	1,601
Depreciation expenses	975	1,003	1,003	1,003	893	979
(of which goodwill amortization)	108	108	108	108	84	79
R&D expenses	1,494	1,572	1,596	1,604	1,492	1,537

* The foreign exchange rates given are those in effect at the average of each term;
conversions of items in the financial statements of overseas subsidiaries all use average rates.

*Capital investment, depreciation expenses and R&D expenses above are recorded only for those realized
at this moment. Profit plan includes certain strategy investment expenses.

SHOFU INC.

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Slide No. 36 shows our dividend policy.

Our dividend policy aims to increase the long-term corporate value and maintain and continue stable dividend payments while returning profits to shareholders. We strive to maintain a dividend payout ratio of at least 30% on a consolidated basis.

In the fiscal year ended in March 2020, we paid ordinary dividends of 26 yen per share, as initially planned.

Enhancement of Business and Capital Tie-up with Mitsui Chemicals and Sun Medical



- Capital tie-up
 - Shofu will issue 1,780,000 new shares in a third-party allocation
MCI will receive these charges (total value of 2,988 million yen)
 - MCI's shareholdings will increase from 11.17% to 20.01%
(Shofu will become an equity-method affiliate)
 - Shofu will acquire 20% of MCI's 70% shareholding in Sun Medical
 - MCI's shareholding: 70.0% ⇒ 50.0%
 - Shofu's shareholding: 0.0% ⇒ 20.0% (Sun Medical will become Shofu's equity-method affiliate)
- Business tie-up
 - New product development
 - Expansion of product lineup
 - Use of sales networks in Japan and overseas
 - Augmentation and sharing of manufacturing functions
- Exchange of personnel
 - MCI will send one part-time director to Shofu's board
 - Shofu will send one part-time director to Sun Medical's board

SHOFU INC.

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In closing, we will explain the further enhancement of the business tie-up with Mitsui Chemicals, Inc. (MCI) and MCI's subsidiary Sun Medical Co., Ltd., a dental materials manufacturer, announced on May 14.

Since I was appointed as company president, employees have worked together to achieve sales of 50 billion yen and an operating income rate of 15%. We have worked on the research and development of new products, the production division has cut costs, the sales division has built up domestic sales, and the establishment of overseas bases and the acquisition of Merz Dental has significantly increased overseas sales.

In this process, in the business tie-up with Mitsui Chemicals and Sun Medical, which began in May 2009, we have conducted joint research in fields such as filling and restoration materials and CAD/CAM materials, sold several new products in Japan and overseas, and created synergies to some extent.

With the aim of further enhancing the tie-up between these three companies, we agreed on a capital and business tie-up on May 14.

Enhancing this business and capital tie-up will allow us to capitalize on each company's areas of expertise and continue to promote the development of new products, complement and share manufacturing capacity, utilize sales networks in Japan and overseas and expand the product lineup, among others.

The three companies plan to discuss the specific details of the business tie-up going forward, but by using the management resources of the three companies, we hope to strengthen business capacity in the dental materials field and further

reinforce international competitiveness.

Under the capital tie-up agreement, Shofu will acquire from MCI 20% of MCI's 70% shareholding in Sun Medical. This will make Sun Medical our equity-method affiliate.

In addition, the Group decided to issue 1,780,000 new shares in a third-party capital increase and allocate these to MCI as an investment in the Group's future growth. As a result, MCI's shareholdings will increase from the current 11.17% to 20.01%, making Shofu an equity-method affiliate of MCI.

In addition, Shofu will send a part-time director to Sun Medical's board and MCI will send a part-time director to Shofu's board. We believe that these personal interactions will be a major impetus in establishing the business tie-up.

Shofu will become an equity-method affiliate of MCI as a result of this enhancement of the business tie-up, but our management will remain independent, and MCI has agreed on this point.

To repeat, this business and capital tie-up is part of our effort to achieve our Corporate Philosophy of "contribution to dentistry through innovative business activities" and to quickly meet our target of 50 billion yen in Group net sales, which we are currently pursuing. To this end, we hope to work together in this affiliation of three companies proactively and with a sense of urgency.

Forecasts in this document are based on information and data available at the time of release as well as on assumptions concerning uncertain factors that might affect the company's future business performance. Depending on various factors, actual business performance could differ substantially from the forecasts contained in this document.

SHOFU INC.

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E-mail: ir@shofu.co.jp

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SHOFU INC.

The pages below are provided only for your reference.
The information on these pages will not be covered in the
financial analysis meeting.

SHOFU and Its Operations (Summary of the Company Profile and Its Businesses)

Company Profile

Company and Business Profiles



■ Company name	SHOFU Inc.	(As of March 31, 2020)
■ Representative	Noriyuki Negoro, President and CEO	
■ Address	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan	
■ Date of establishment	May 15, 1922	
■ Capital	4,474,646,614 yen	
■ Listed exchanges	First Section of Tokyo Stock Exchange	
■ Number of employees	453 (entire group: 1189, including 567 in overseas subsidiaries)	
■ Business	Manufacture and sale of dental materials and equipment	
■ Main customers	Dental institutions (via sales agencies)	
■ Number of group companies	18 (four in Japan, fourteen overseas) Dental companies: 15 (three in Japan, twelve overseas) Nail care companies: 3 (one in Japan, two overseas)	

SHOFU INC.

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Main Products

Company and Business Profiles



The company manufactures and markets a wide range of dental materials and equipment.

Artificial teeth products

Artificial tooth and implant materials

- Porcelain teeth, porcelain powder, resin teeth

Abrasives products

Materials for removing diseased areas and polishing crowns

- Diamond abrasive
- Carborundum abrasive
- Silicon polisher
- Other carving and polishing materials
- Industrial grinding and polishing materials

Metal products

Materials for use as dental crowns and as the base for implants

- Alloys for casting, silver alloys
- Other metals

Chemical products

Materials for use in a variety of applications, including implants, diseased area fillings, gums for artificial teeth, etc.

- Synthetic resins
- Impression materials
- Waxes

Cement products ,other

Materials for use in the adhesion of implants, fillings, etc.

- Dental cements
- Dental stones and investments

Machinery ,equipment & other products

Equipment and appliances for dental treatment and procedures

- Dental equipment
- Products for oral care and infection prevention
- Orthodontic materials
- Health and beauty equipment
- Other equipment and appliances

Please refer to "Product Profiles" attached to this document.

The company's products are designed for use in dental care and treatment.

Corporate History (1)

Company and Business Profiles



- 1922 Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
- 1963 Shofu shares listed on the over-the-counter market.
- 1971~
1978 Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). Established Shiga Shofu Inc. as a manufacturing facility for resin teeth.
- 1983 Changed the company name to SHOFU Inc. Commenced management reforms.
- 1989 Shofu's shares listed on the Second Section of the Osaka Securities Exchange (in November).
- 1990~
1997 Purchased a British research & development and manufacturing company. Founded a sales subsidiary in the U.K. Obtained the UK GMP (Good Manufacturing Practice) Certificate. Obtained a CE marking certificate.
- 1996 Founded Promech Inc. Established Liaison Office in Shanghai, China.
- 1997 Established the industry's largest research facility as a part of a project to commemorate Shofu's 75th anniversary.
- 2002~
2003 Celebrated the 80th anniversary of its founding. Established Liaison Office in Beijing, China. Obtained ISO 14001 (Environmental Management System) certification (both for the headquarters and all group companies).
Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China.
- 2005 Acquired Shoken Inc. as a wholly owned subsidiary through a share exchange.
Established Shofu Dental Supplies (Shanghai) Co., Ltd., a sales facility in China.
- 2006 Training Center designed to promote customers service completed (in August).
- 2007 Celebrated the 85th anniversary of its founding. Shofu's shares listed on the Second Section of the Tokyo Stock Exchange (in February).

SHOFU INC.

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- 2008**

Acquired and turned Nail Labo Co., Ltd. into a subsidiary.

Acquired 1.6 million of the company's own shares in accordance with the purchase of the company's own shares scheme in the J-NET market of the Osaka Securities Exchange.
- 2009**

Reached basic agreement concerning business and capital partnership with Mitsui Chemicals, Inc., and Sunmedical Co., Ltd.

Transferred 1.8 million shares of treasury stock to Mitsui Chemicals, Inc., through a third-party allocation.
- 2010**

Shofu Dental Trading (Shanghai) Co., Ltd., is established in China.
- 2012**

Celebrated the 90th anniversary of its founding. Listed on the First Section of the Tokyo Stock Exchange.
- 2013**

Promech Inc. is split up, with Shoken Inc. taking over its dental businesses and Nail Labo Co., Ltd., absorbing the company and its remaining operations.

The Singapore Sales Office is incorporated as the local corporation SHOFU Dental ASIA-Pacific Pte.Ltd.
- 2014**

Established joint venture in Taiwan between Nail Labo Co., Ltd. and a local sales distributor.
- 2015**

Acquired shares and made Merz Dental GmbH. a subsidiary.

Established SHOFU BIOFIX INC.

Established a subsidiary in Mexico
- 2017**

Established a subsidiary in Brazil

Established a subsidiary in India
- 2019**

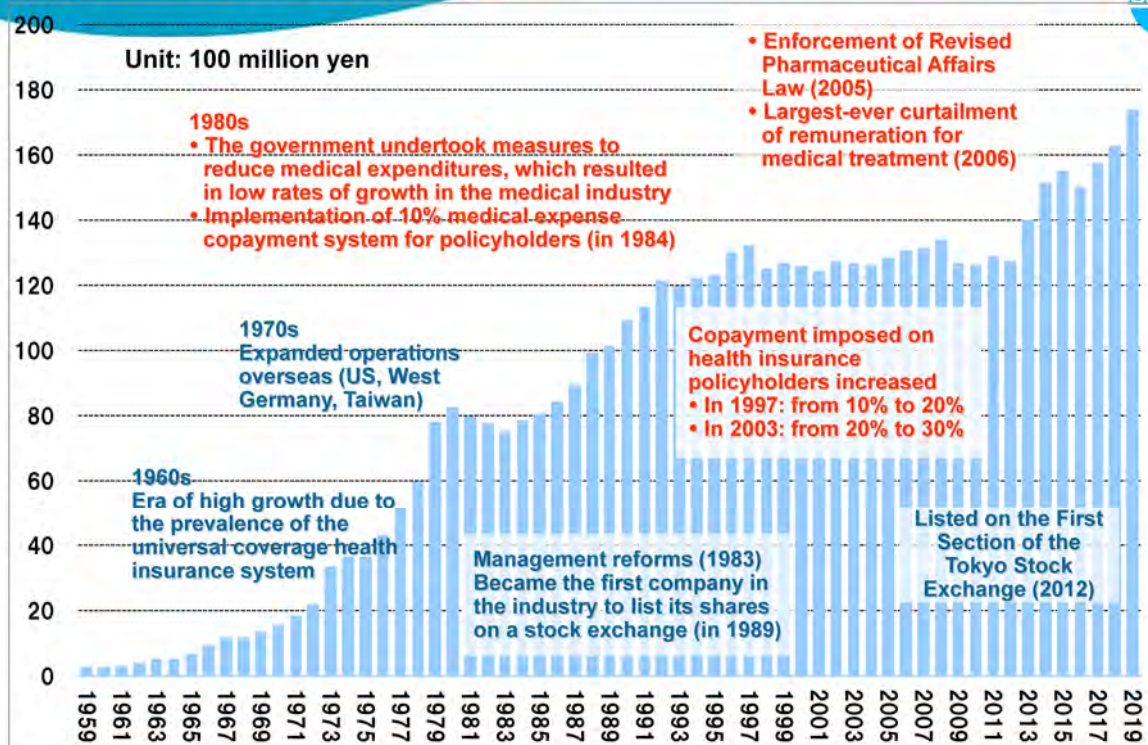
New plant for Merz Dental GmbH. completed
- 2020**

Established a subsidiary in Vietnam

Corporate History - Sales

Company and Business Profiles

SHOFU



SHOFU INC.

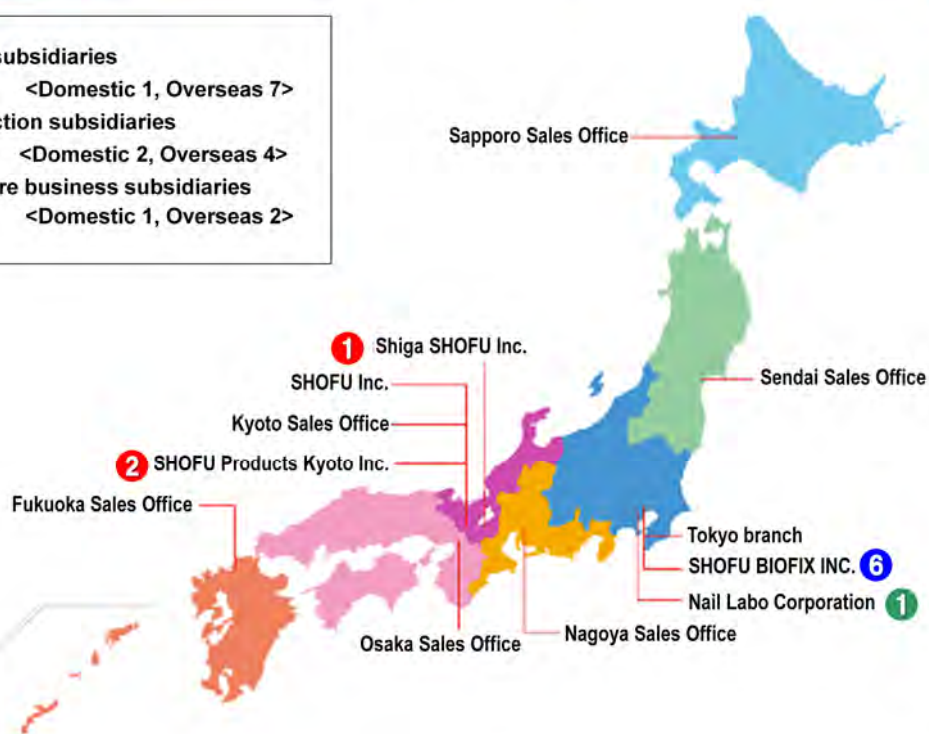
(Note) Figures shown in the graph are non-consolidated sales. 45

Group Overview[Domestic base]

Company and Business Profiles



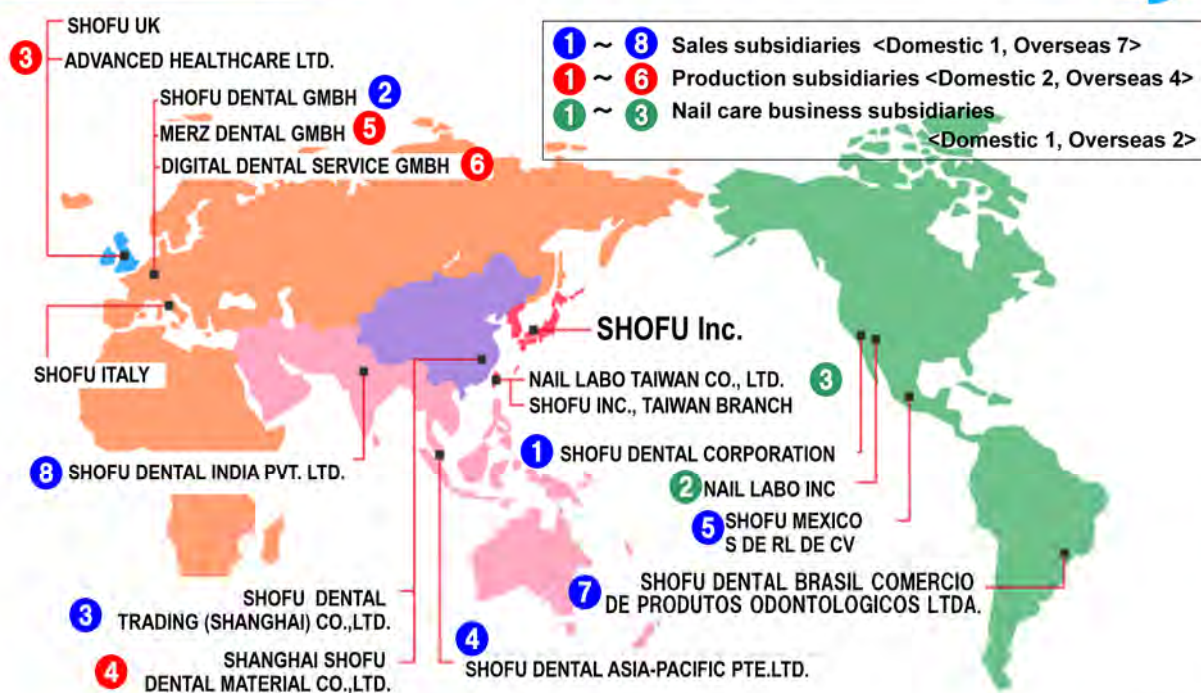
- 1 ~ 8 Sales subsidiaries**
<Domestic 1, Overseas 7>
- 1 ~ 6 Production subsidiaries**
<Domestic 2, Overseas 4>
- 1 ~ 3 Nail care business subsidiaries**
<Domestic 1, Overseas 2>



SHOFU INC.

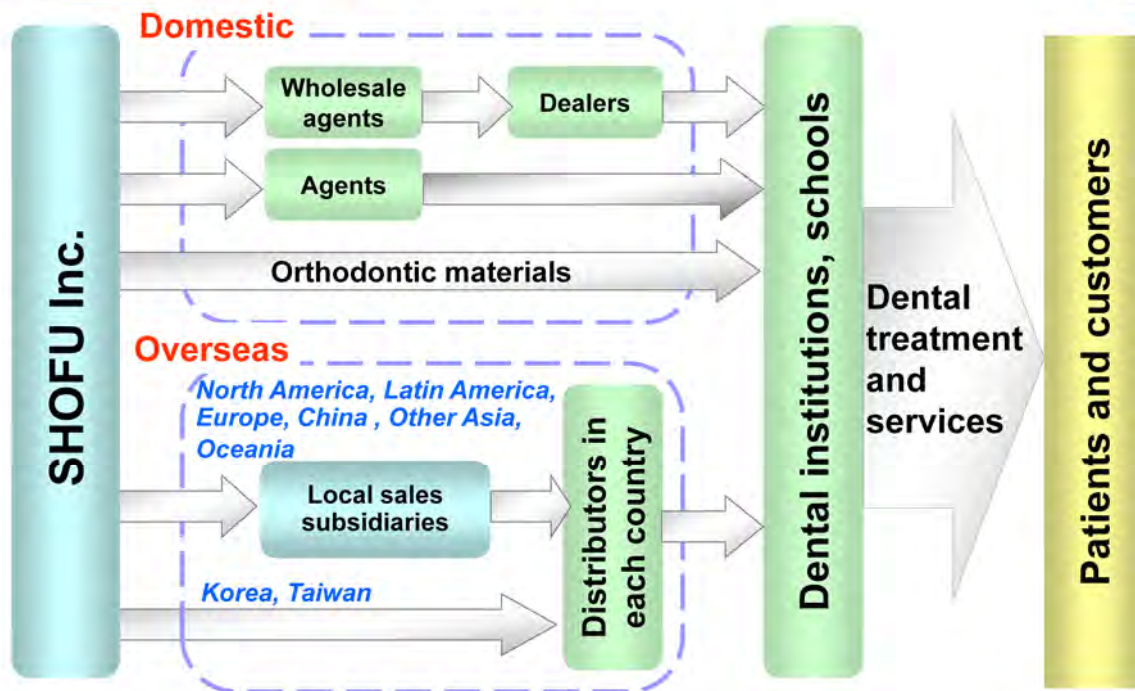
Group Overview[Overseas base]

Company and Business Profiles



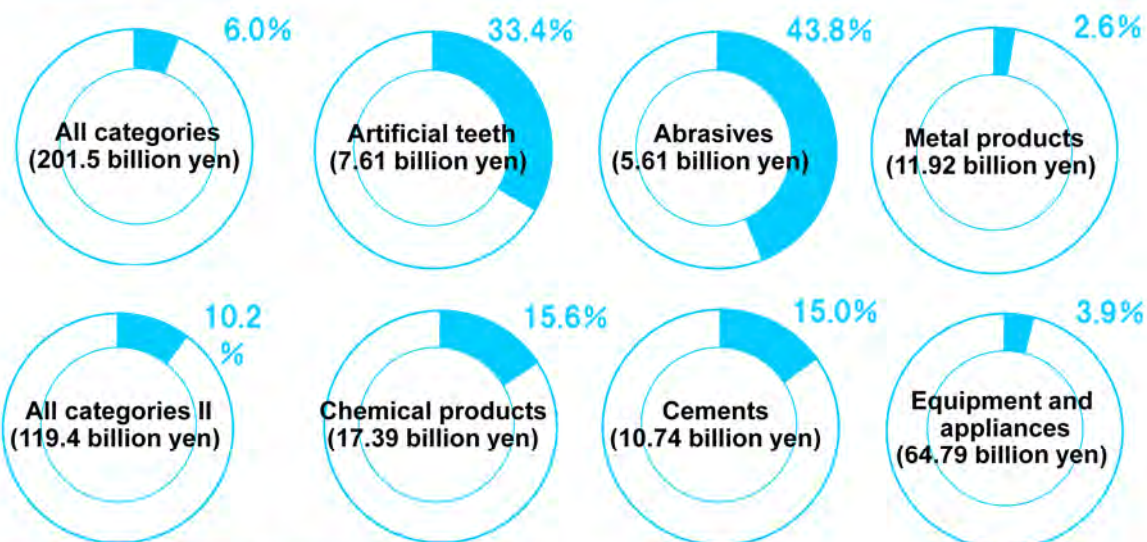
SHOFU INC.

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Market share by product category

Company and Business Profiles



"All categories" includes "gold-silver-palladium alloy" and "machines and equipment for dental clinics." "All categories II" and other categories do not include "gold-silver-palladium alloy" and "machines and equipment for dental clinics."

Source: Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), Ministry of Health, Labour and Welfare (Domestic data, Calendar Year 2016)

Figures in parentheses represent market size. (Figures rounded down to the nearest ten million yen)

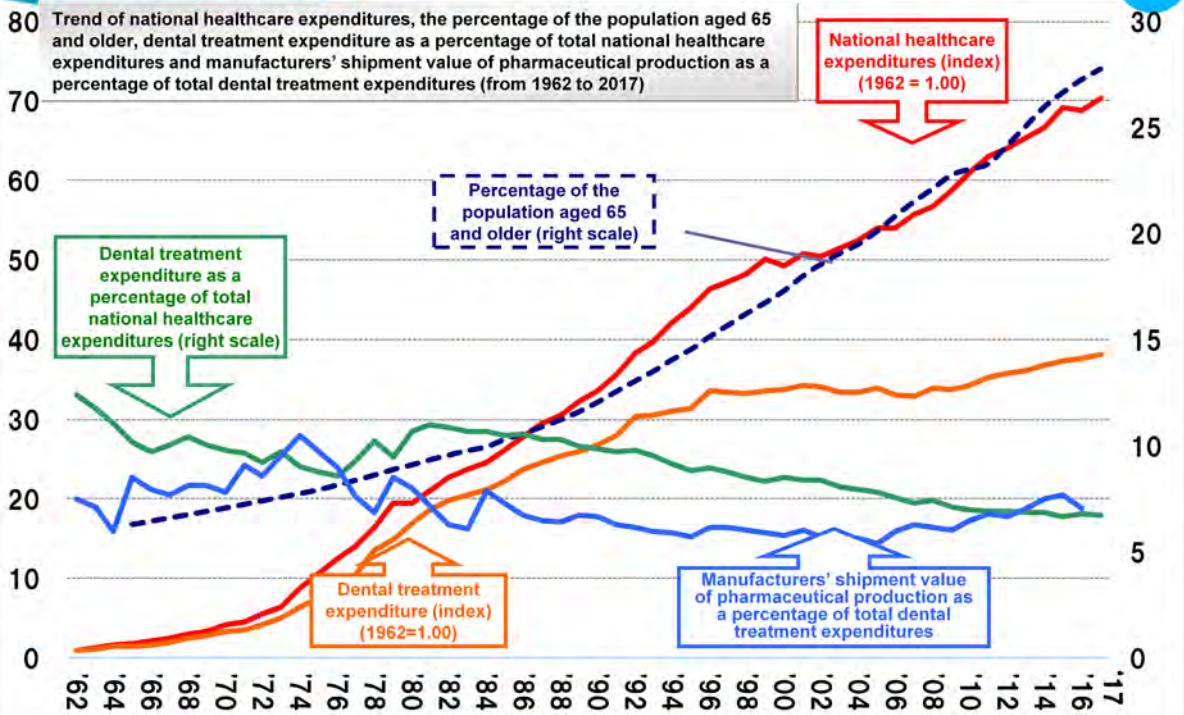
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Healthcare Expenditures by Age Group (Component Ratio)

⇒ Reference <Dentistry Data>

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Prepared using yearly data from Summary of National Healthcare Expenditures, Production Statistics issued by the Pharmaceutical Industry (Ministry of Health, Labour and Welfare)

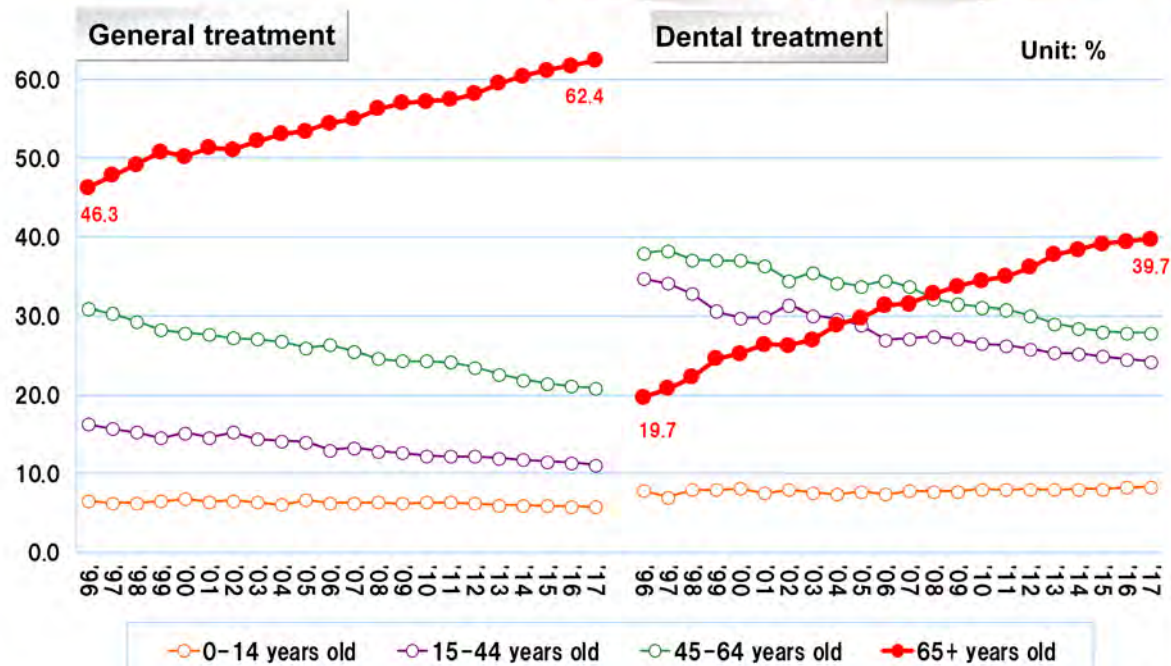
51

Healthcare Expenditures by Age Group (Component Ratio)

⇒ Reference <Dentistry Data>



People aged 65 years and older tend to place less importance on dental treatment than general medical treatment.



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Prepared using yearly data from Summary of National Healthcare Expenditures
(Ministry of Health, Labour and Welfare)

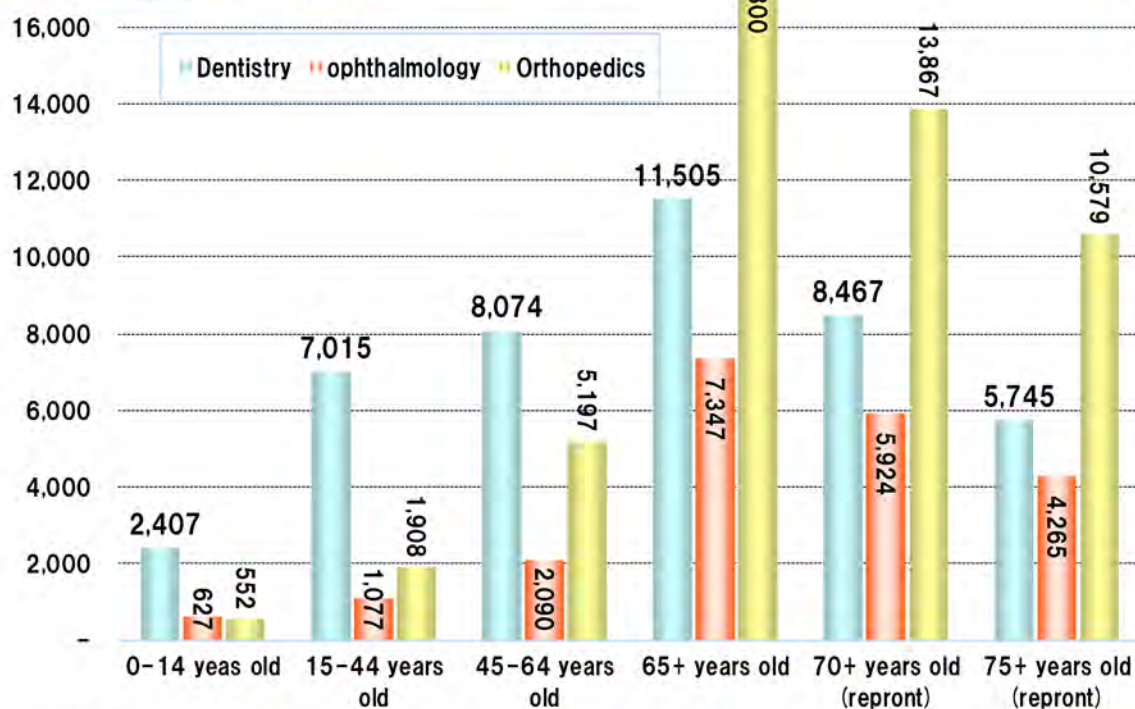
52

Comparison of Healthcare Expenditures by Age Group - Dentistry, Ophthalmology and Orthopedics

Reference <Dentistry Data>

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(Unit: 100 million yen)



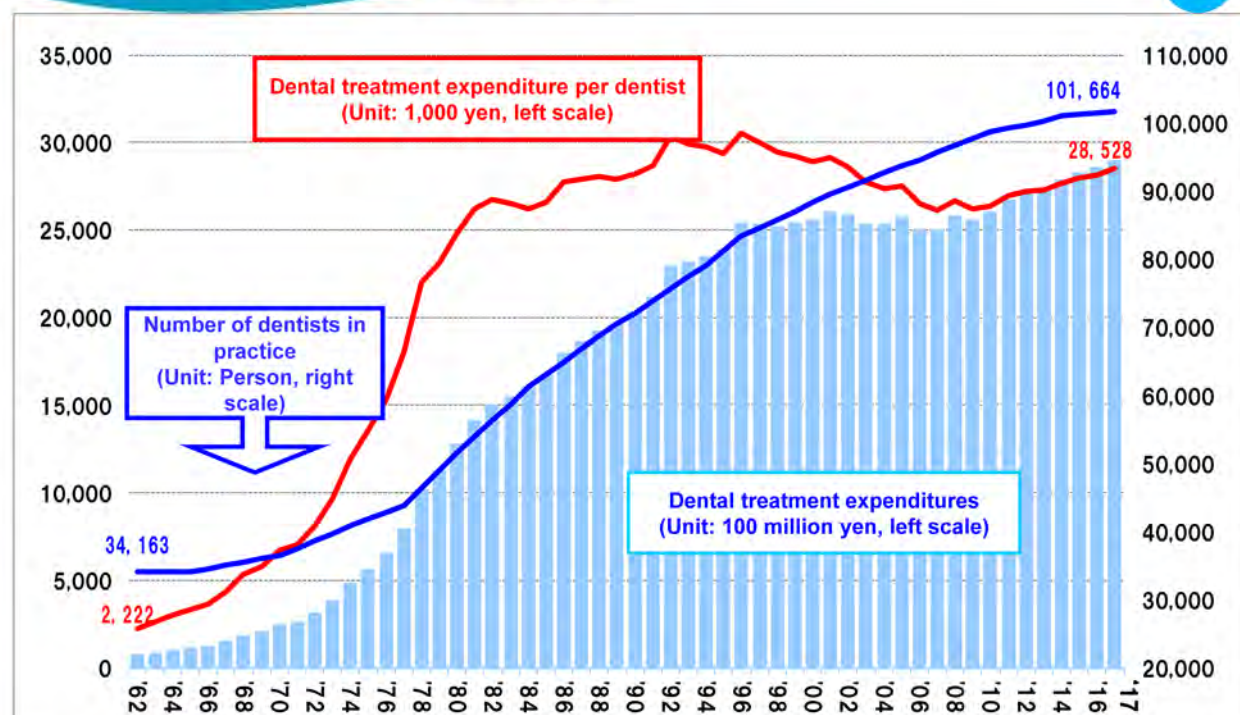
SHOFU INC.

Prepared using Summary of National Healthcare Expenditures in Fiscal Year 2017
(Ministry of Health, Labour and Welfare)

53

Trend of the Number of Dentists and Dental Treatment Expenditure

⇒ Reference <Dentistry Data>



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Prepared using yearly data from Summary of National Healthcare Expenditures, Survey on Doctors, Dentists and Pharmacists (Ministry of Health, Labour and Welfare)

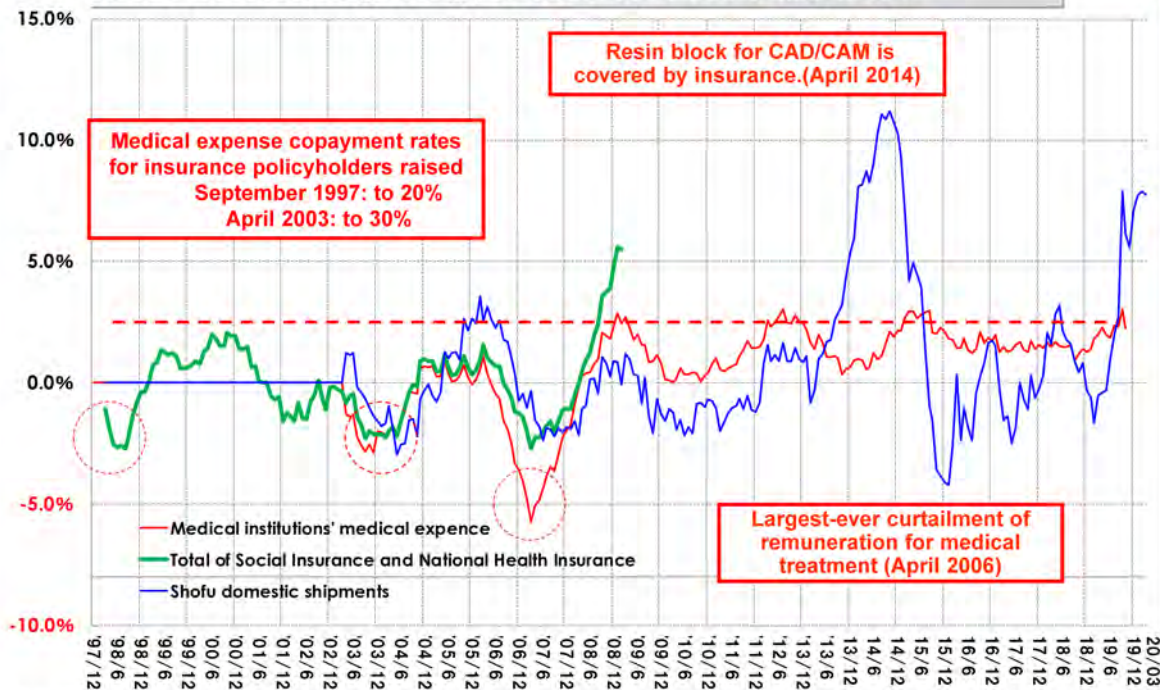
54

Dental Treatment Expenditures

Reference <Dentistry Data>



Year-on-year comparison of amount paid by dental health insurance (deviation from 12-month moving average) from December 1997 to March 2020



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Prepared using data from the Social Insurance Medical Fee Payment Fund and from the "Trend of National Health Insurance Expenditures" issued by the All-Japan Federation of National Health Insurance Organizations

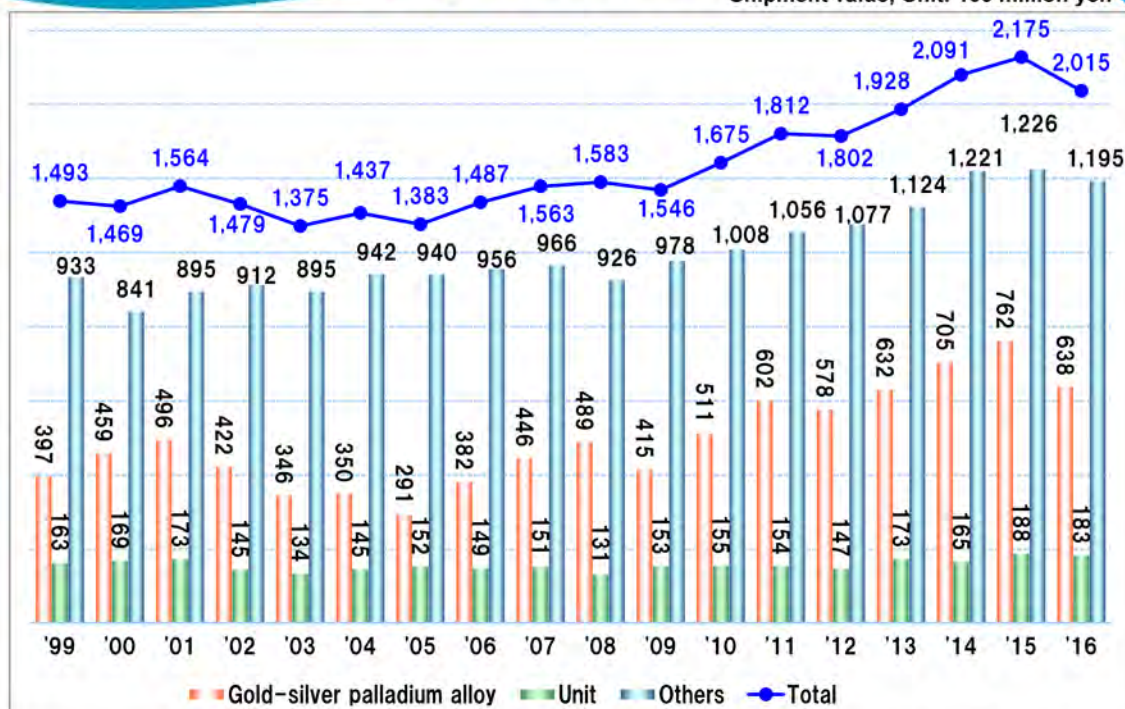
55

Trend of Shipment Value of Pharmaceutical Industry Production

Reference <Dentistry Data>



Shipment value, Unit: 100 million yen



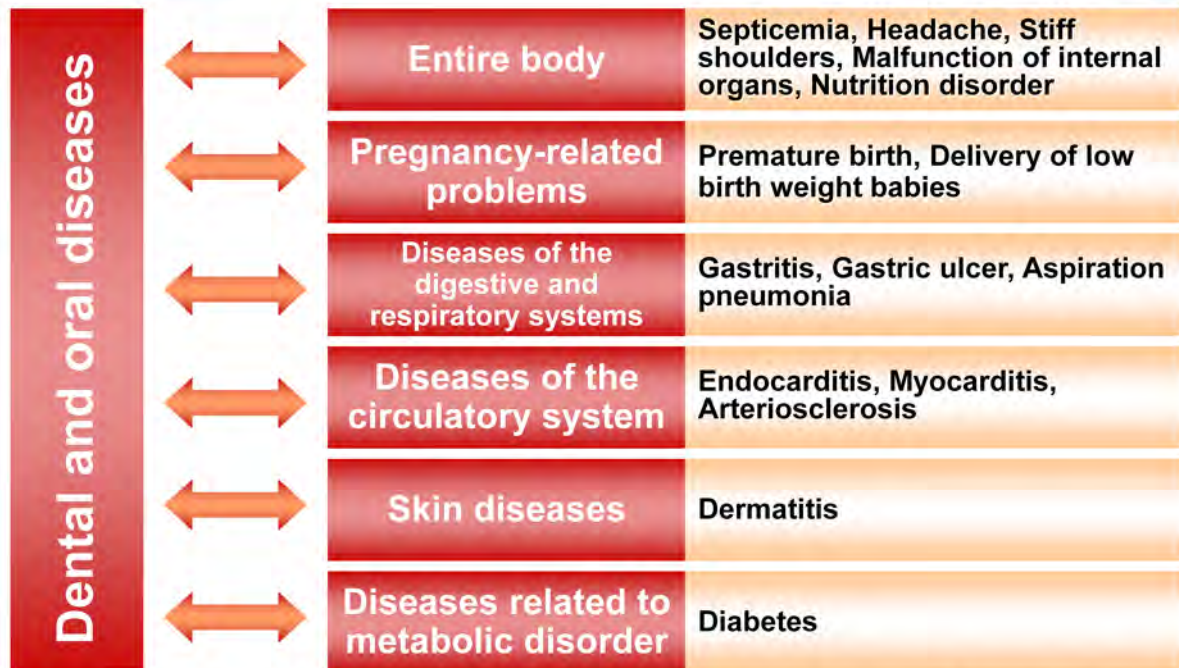
SHOFU INC.

Prepared using data from Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

56

Systemic Diseases Caused by Caries and Periodontal Disease

➡ Reference <Dentistry Data>

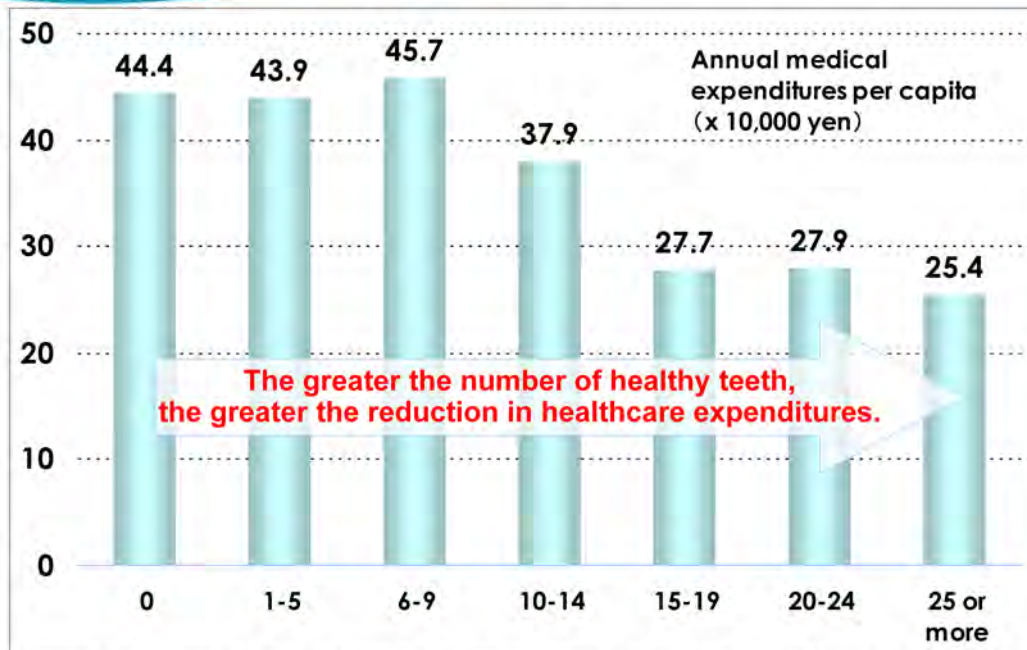


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(Reprinted from the "Archive of the 8020 and Enjoy Healthy Life" issued by Social Insurance Research Institute)

Correlation between Number of Healthy Teeth and Healthcare Expenditures

Reference <Dentistry Data>



Prepared on the basis of "Correlation between Oral Hygiene Status of Elderly Persons and Healthcare Expenditures," a paper published in 2003 by Kazumune Arikawa, a full-time instructor at the Nihon University School of Dentistry at Matsudo

Subjects surveyed: 954 persons aged 80 living independently (392 men, 562 women)

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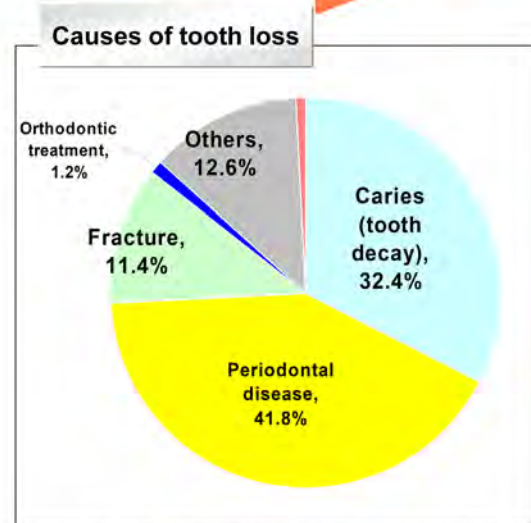
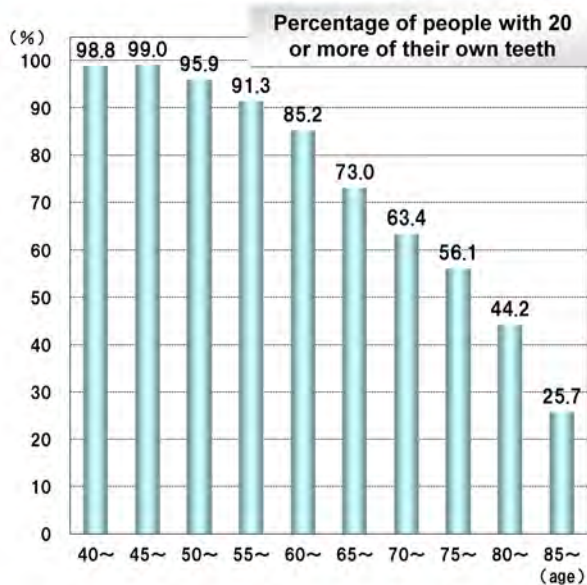
58

The 8020 Movement and Changes in Dental Diseases

⇒ Reference <Dentistry Data>



The primary target of “20% of the population achieving 8020” was reached in 2006.



(Survey by the 8020 Promotion Foundation in 2005)

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Perception of Dental and Oral Health

➡ Reference <Dentistry Data>

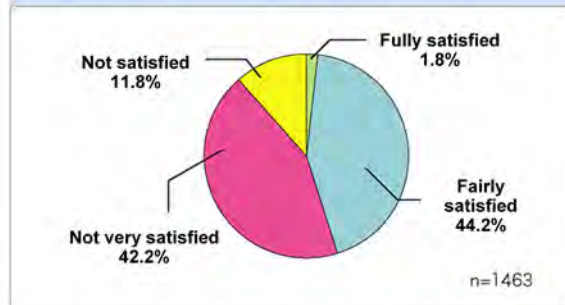
Source: Fiscal 2007's Dental Equipment Industry Vision (References)



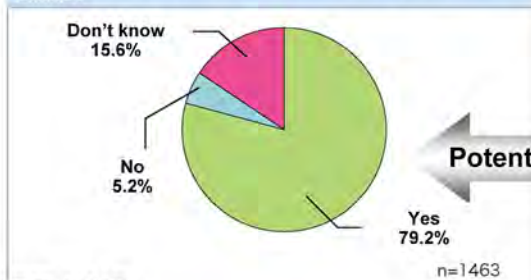
Are you satisfied with your physical health?



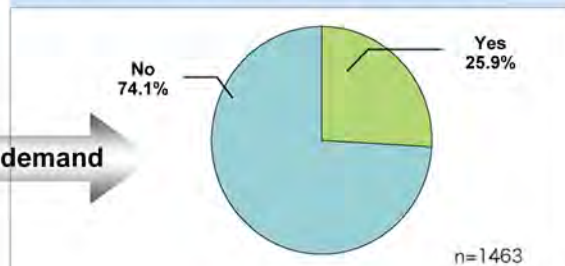
Are you satisfied with your oral health?



Do you think it necessary to receive regular dental care (checkup and cleaning) at a dental clinic?



Do you actually receive regular dental care?



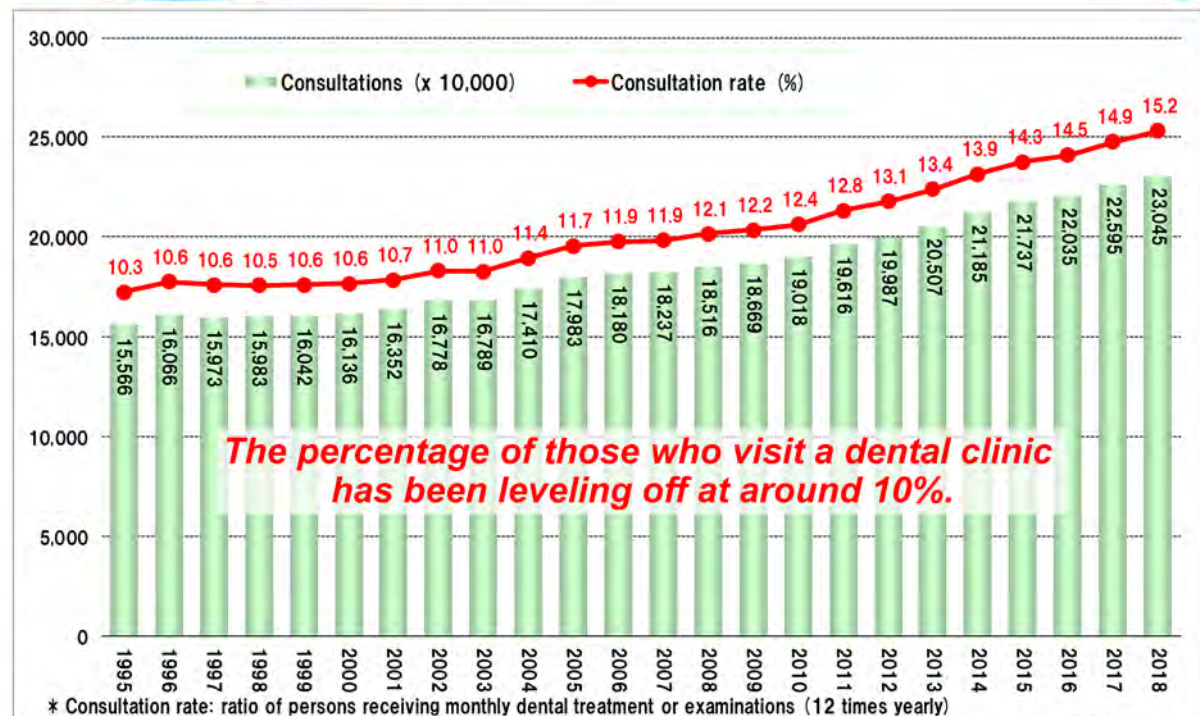
Potential demand

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60

Dental Clinic Consultation Rates

Reference <Dentistry Data>



* Consultation rate: ratio of persons receiving monthly dental treatment or examinations (12 times yearly)

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Prepared using annual data from "Recent Trends in Healthcare Expenditures (MEDIAS)" issued by the Ministry of Health, Labour and Welfare

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Trend in the North American Market

⇒ Reference <Dentistry Data>



The public developed the habit of paying regular visits to dental clinics. → Shortage of dentists

Increase in regular visits to dental clinics
→ Solution to the problem of oversupply of dentists

	North America	Japan
Percentage of those who make regular visits to dental clinics	54%	16%
Number of dentists (per 1,000 persons)	0.6 person	0.7 person
Population (per dentist)	1,670 person	1,430 person

WHO says that one dentist per 2,000 persons is the appropriate ratio.

Source:

* Health and Welfare Survey in 1999 conducted by the Ministry of Health, Labour and Welfare and a survey conducted by Colgate-Palmolive Company

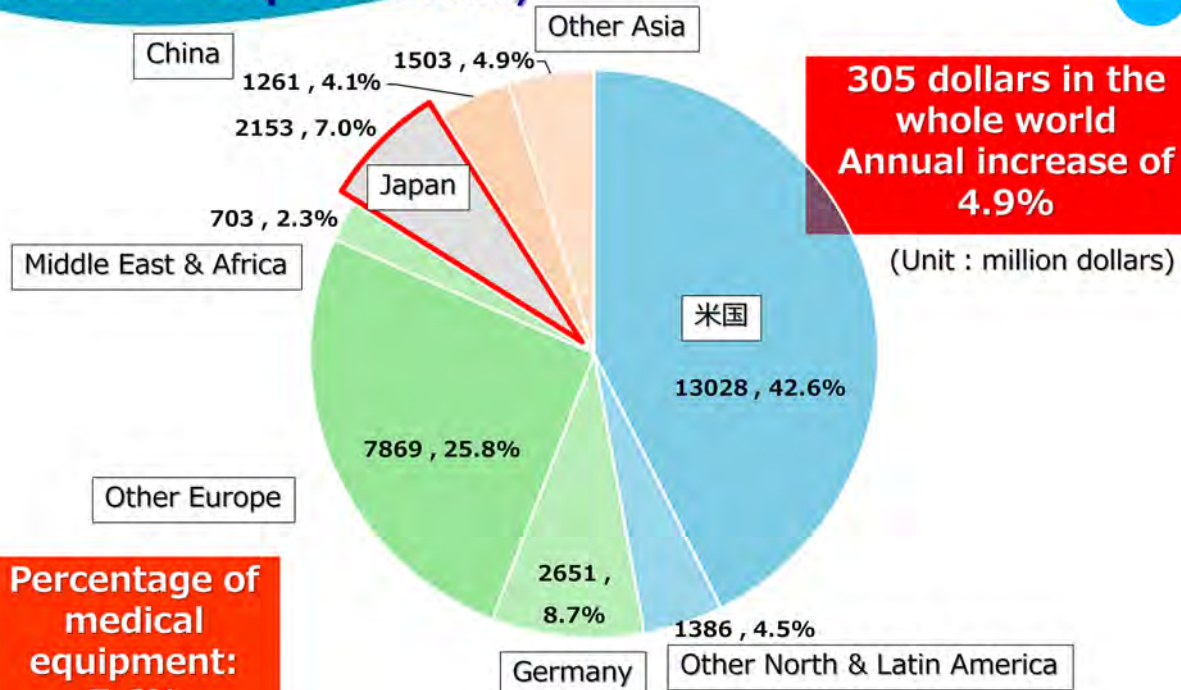
* Consulted an article titled "Reasons for the Success of the Canadian Dental Community" (DH Style, September 2007) by Ken Yaegaki DDS Ph.D., Professor and head of the Department of Oral Health, Nippon Dental University School of Life Dentistry)

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Global dental equipment market size (amount・component ratio)

Reference <Dentistry Data>



Percentage of
medical
equipment:
7.6%

Source : BMI Research

「The World Medical Markets Fact Book 2019」

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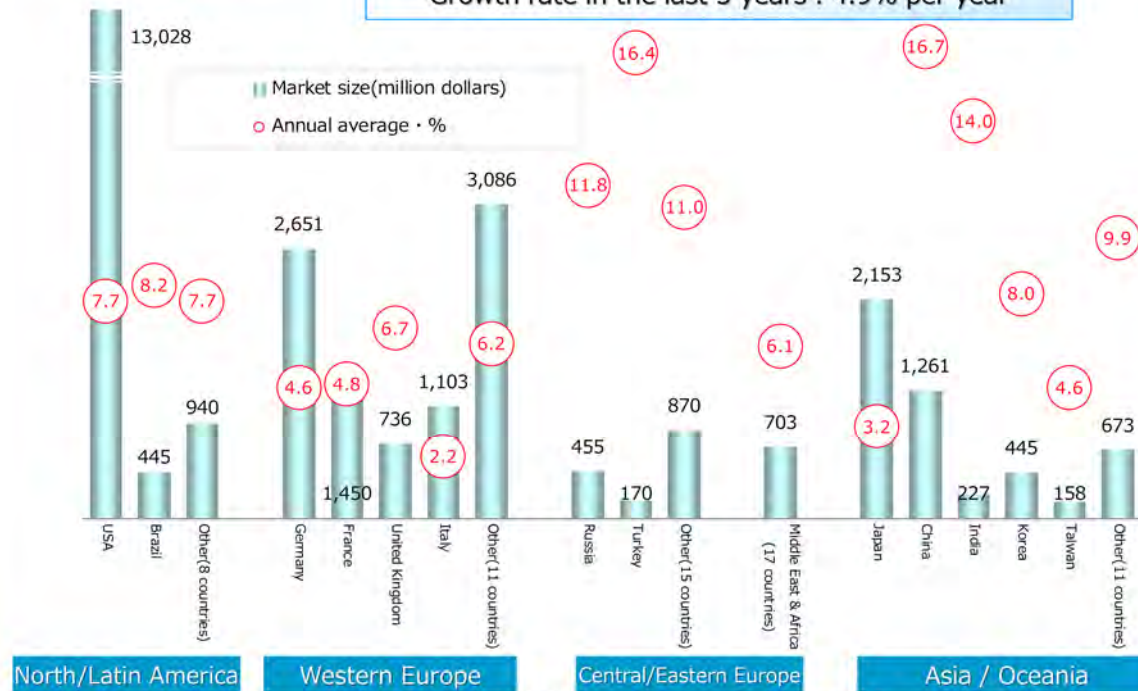
63

Global dental market— Market size and growth potential

Reference <Dentistry Data>



Global Dental Equipment Market : 30.5 billion dollars
Growth rate in the last 5 years : 4.9% per year



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◆ Source : BMI Research 「The World Medical Markets Fact Book 2019」

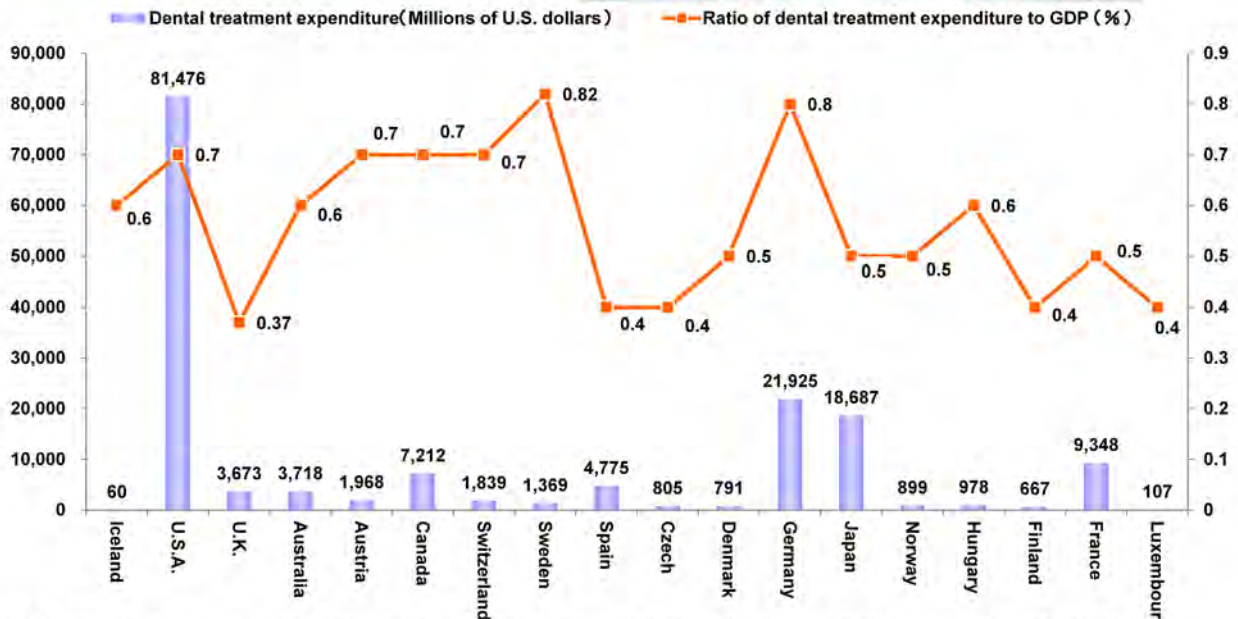
64

Relation between Dental Treatment Expenditure and GDP

Reference <Dentistry Data>



Although Japan's dental treatment expenditure is at a high level in international comparison, the ratio of Japan's dental treatment expenditure to GDP is in the middle range in international comparison.



* 1. The above chart was prepared using "Nihon-to sekai-no shikairyo—kokusaihikaku-karamita nihon-no shikairyo-no sugata (Dental Treatment in Japan and in the Rest of the World—Dental Treatment in Japan from the Perspective of International Comparison)," by Kento Taira (medical corporation Seiryokai) as reference.

2. The above data for each country is as of 2004 except for Sweden's data, which is as of 1992.

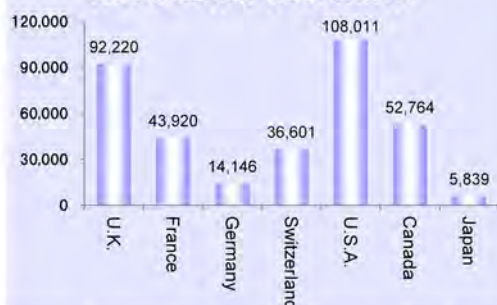
International Comparison of Dental Treatment Expenditure (Unit Price of a Treatment Session)

Reference <Dentistry Data>

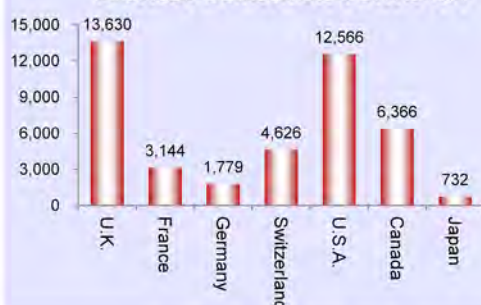
Unit: yen SHOFU

*Japan: Unit price for a treatment session according to public healthcare insurance (⇒ The patient's payment obligation is 30% of the amounts below.)

Root canal treatment



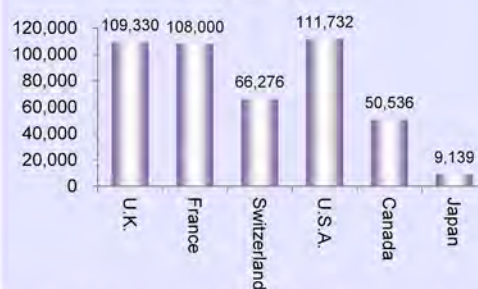
Dental calculus removal



Dental calculus removal



Metal crown

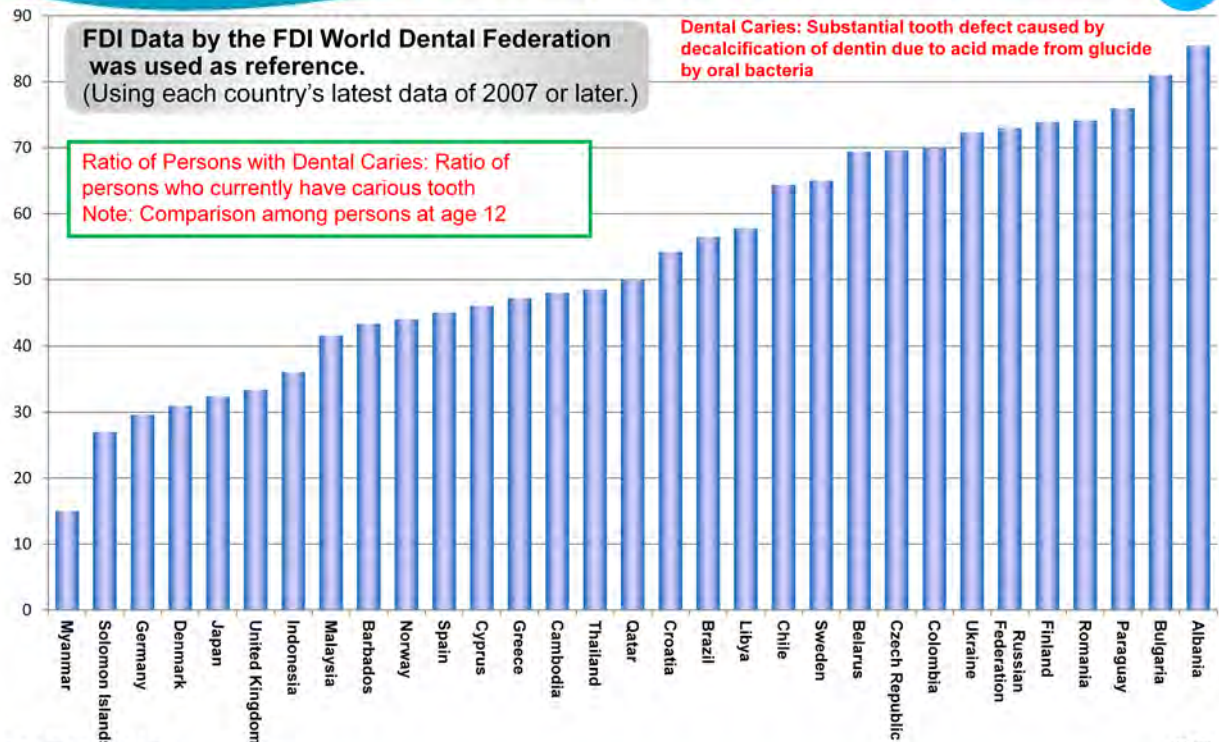


* The above chart was prepared using material from "Iryo, kaigokyufuhi suikei-ni-tsuite (On the Estimate of Medical and Nursing Care Benefit Expenses)" by Professor Kawabuchi of the Graduate School of Tokyo Medical and Dental University (submitted to the 6th meeting of the Social Security Council of Japan on July 31, 2008).

International Comparison in the Ratio of Persons with Dental Caries (at age 12)

Reference <Dentistry Data>

Unit: %



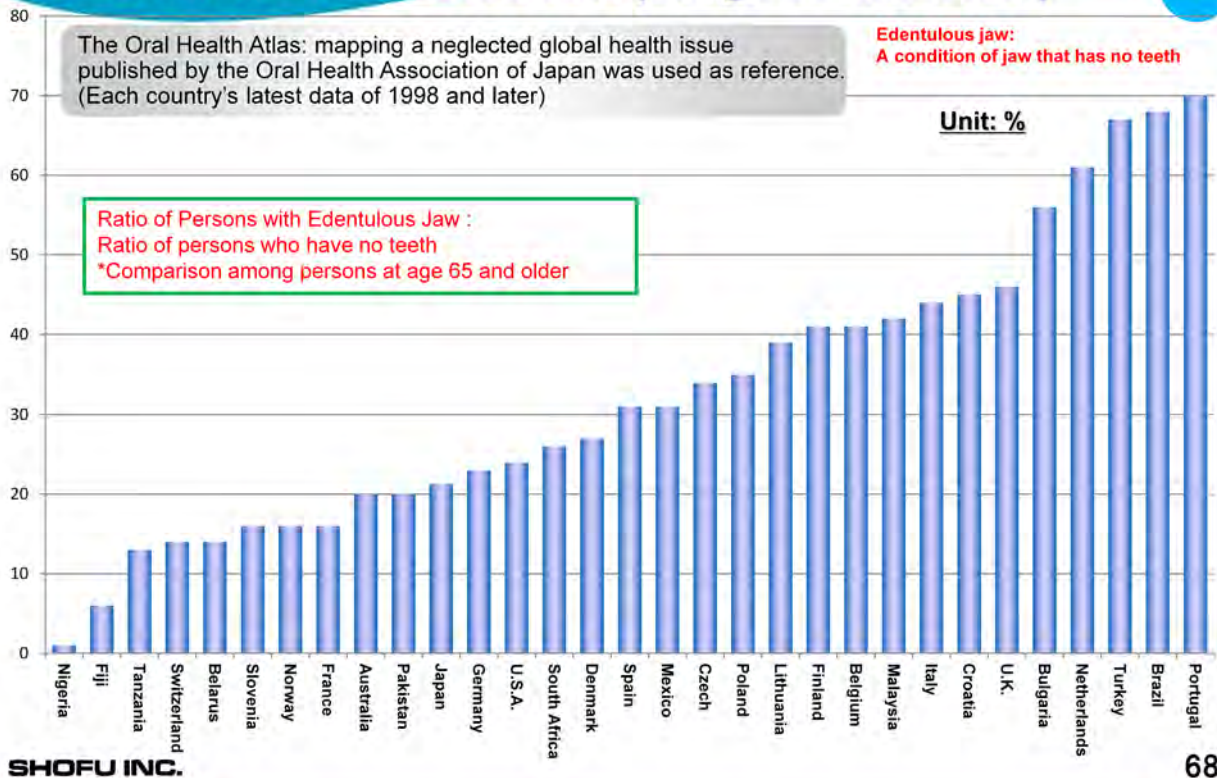
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International Comparison in the Ratio of Persons with Edentulous Jaw (at age 65 and older)

Reference <Dentistry Data>

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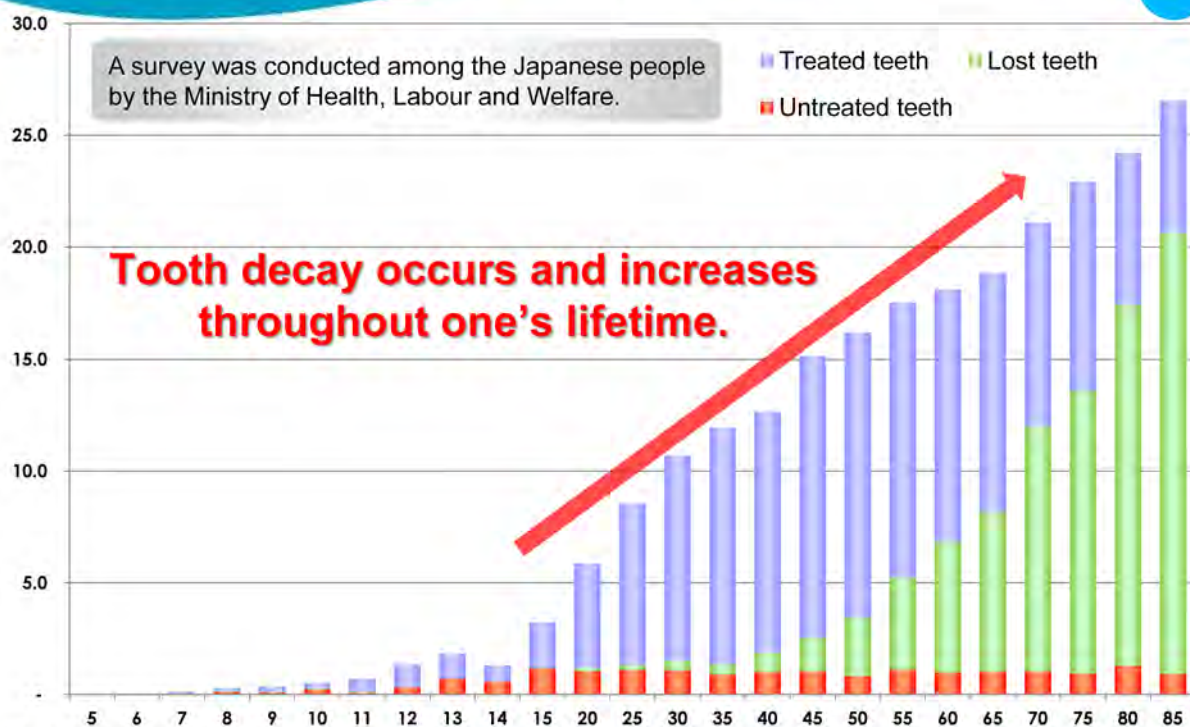


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Factual Survey of Dental Diseases

Reference <Dentistry Data>

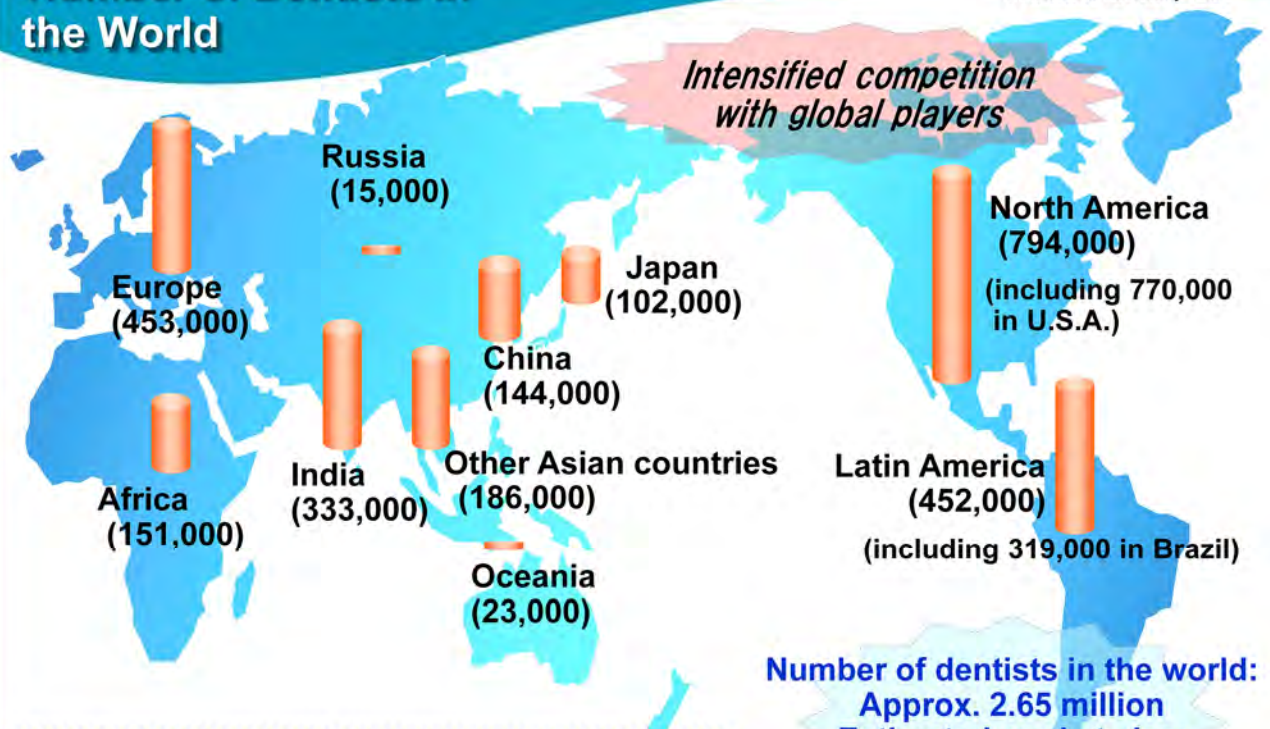


* 1. The official web site of the Hokkaido kodomo-no ha-o mamoru kai (Save the Children's Tooth Hokkaido) was used as reference
 * 2. Source: Results of the Survey of Dental Diseases in 2011 released by the Ministry of Health, Labour and Welfare

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Number of Dentists in the World

Reference <Dentistry Data>



◆Source:
Number of dentists & Estimated market size
—"The World Medical Markets Factbook 2019 " (BMIResearch)

Number of dentists in the world:
Approx. 2.65 million
Estimated market size:
Approx. 3.0 trillion yen

Term	Meaning
Impression	An imprint of teeth and other intraoral areas, created with impression material. Based on the impression mould, plaster model can be produced, onto which prosthesis is fabricated. → Dental prosthetic (page 72)
Implant (treatment)	A treatment method to replace missing tooth. An artificial root is implanted into the bone, upon which a variety of dental prostheses can be placed. In addition to conventional prosthetic treatment, implant is a new option to restore mastication and esthetics.
Caries	Tooth decay.
Occlusion	The position of the teeth when the jaws are closed.
Composite resin	Synthetic resin to fill cavity and lesion, available in a variety of shades to make the restored area harmonious with surrounding teeth of each patient. It is often used to treat decay. → Resin (page 72)
Filling	To fill resin or cement after removing a decay to restore the affected area.
Aesthetic dentistry	A variety of treatment to enhance patient's esthetic appearance, including orthodontics and whitening.
Scaler	An instrument used to remove plaque and tartar accumulated on the tooth surface.
Dental floss	A thread used to remove plaque from the spaces between teeth.
Handpiece	A handheld device to which small instruments for removing tooth decay, plaque, and tartar are attached. → Plaque (page 72)
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Term	Meaning
Nail care	Care for fingernails and the surrounding area, including attachment of artificial nails. Nail care is widely considered an important part of personal grooming in many parts of the world, and it is also growingly popular among young women in Japan, which leads to a rapid growth of the market.
PMTC	PMTC stands for Professional Mechanical Tooth Cleaning. In PMTC, a dentist or hygienist uses machines and instruments to remove plaque, tartar (calcified plaque), and other dental deposits (caused by smoking, etc).
Fluoride	A substance that accelerates re-calcification of the tooth surface and strengthens tooth structure (especially for enamel).
Plaque	Calculus deposits. Bacteria living in plaque create acids and toxins, which cause decay and periodontal disease. Thus, removing plaque helps prevent dental disease and enhance oral health.
Dental prosthetic	An artificial replacement of defective area. It includes fillings and crowns that restore patient's oral function and esthetic appearance.
Bonding (material)	A material to bond composites to natural tooth (enamel and dentin). → Composite resin (page 71)
Resin	Synthetic high polymer. Resins are popularly used for dental restoratives.