



Fiscal Year Ending March 2021 (149th Business Year) 2Q Quarter Financial Analyst Meeting

November 25, 2020



Tokyo Stock Exchange
(1st Section)
Code Number: **7979**

With no signs that coronavirus outbreaks are subsiding, we want to express our best wishes to everyone who has come down with coronavirus, as well as our deepest sorrow for those who have died of the virus.

We would also like to express our sincere appreciation for all of those medical professionals and those working for related organizations around the world who are giving their all, in these harsh conditions, to treat those infected and prevent further infections, even as they themselves are exposed to the risk of infection.

Contents of Today's Presentation

- ➔ **Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2021**
- ➔ **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

A faint, stylized map of Japan is visible in the background, with several black lines indicating specific regions or routes.

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2021

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

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

Summary of 2nd Quarter Business Performance

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2021



■ Positive factors ■ Negative factors

P/L

⇒ Net Sales totaled 11,217 million yen (a decrease of 16.4%)

Domestic net sales totaled 6,710 million yen (a decrease of 11.8%)

■ In the dental business, although new products launched in the previous fiscal period made a contribution, opportunities to visit dentists decreased and sales activities were restricted due to the impact of the coronavirus. As a result, sales **fell 12.0%**.

■ In the nail care business, gel nail products that can be used at home were strong performers, but in addition to the temporary closure of nail salons, major expositions were cancelled due to the impact of the coronavirus outbreak. This and other factors led to lower sales of products for professional nail artists. As a result, sales in this business **declined 10.4%**.

Overseas net sales totaled 4,507 million yen (a decrease of 22.4%)

■ Overseas sales in the dental business **fell 24.3%** because the coronavirus outbreak had a greater impact overseas and mandatory coronavirus measures were imposed in many countries, putting significant restrictions on sales activities.

■ Overseas sales in the nail business **rose 2.5%**, thanks to strong Internet sales achieved through proactive promotional activities using social networking sites (SNS) in the US, in addition to key gel nail products in Taiwan that drove sales.

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In the first half of the fiscal year ending in March 2021, sales and income were both down compared to the previous year, and sales and income were both up compared to our forecasts. Slide No. 4 and No. 5 shows the factors behind these changes over the previous year.

Net sales decreased 16.4% for a total of 11,217 million yen due to the harsh impact of the coronavirus in both Japan and overseas. Domestic net sales fell 11.8% to 6,710 million yen. Overseas net sales decreased 22.4% to 4,507 million yen.

In our domestic dental business, the dental digital camera launched in the previous fiscal year and new products such CAD/CAM-related materials contributed to sales, but there were fewer opportunities to provide dental care due to effects of coronavirus and restrictions were imposed on sales activities. In addition, there was last-minute demand before the imposition of a sales tax hike in the previous fiscal year. As a result, sales fell 12.0% from the same period in the previous fiscal year.

In the domestic nail care business, sales of “by Nail Labo” gel nail products were strong due to their success in capturing demand from people spending more time at home during the coronavirus pandemic. However, in addition to the temporary closure of nail salons, major expositions were cancelled, which resulted in a decline in sales of products for professional manicurists. As a result, sales fell 10.4%.

The overseas dental business was affected even more than the Japanese business was by the coronavirus, and the lockdowns, stay-at-home advisories and other mandatory coronavirus measures taken in many countries put severe restraints on our sales activities. As a result, sales fell 24.3%.

In contrast, sales in the overseas nail business increased 2.5%, thanks to the success of proactive promotional activities in the US using social networking sites (SNS), which led to strong online sales, in addition to the performance of mainstay gel nail products in Taiwan, which drove sales.

Summary of 2nd Quarter Business Performance

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2021



■ Positive factors ■ Negative factors

P/L

⇒ Operating income totaled 905 million yen

■ Due to the impact of the coronavirus outbreak, business activities declined, resulting in a decrease in selling, general and administrative expenses, but as a result of an increase in the cost of sales ratio attributable to lower sales and a drop in the utilization rate, operating income **fell 36.0%**.

⇒ Ordinary income totaled 891 million yen,
⇒ and net income totaled 568 million yen

■ Although the scale of the decrease in ordinary income was narrowed due to the subsidy income received from the government as part of its coronavirus response and posted as non-operating income, as well as a decrease in foreign exchange losses, ordinary income **fell 28.2%**.

Net income after deducting tax expenses was **down 27.8%**.

* "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 level of business activity declined in Japan and overseas due to the effect of the coronavirus, which reduced selling, general and administrative expenses, and particularly sales activity costs and R&D costs. However, sales fell heavily, and fixed costs weighed more heavily as utilization rates fell, raising the cost of sales ratio. As a result, operating income fell 36.0%. Although the scale of the decrease in ordinary income was narrowed due to the subsidy income received from the government as part of its coronavirus response and posted as non-operating income, and foreign exchange losses also fell, ordinary income fell 28.2%. Net income after deducting tax expenses was down 27.8%.

Summary of 2nd Quarter Business Performance

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2021



Net sales and profits decreased compared to the previous period / Net sales and profits increased compared to the forecast.

Units: millions of yen, %

	Fiscal March 2020 (2Q Results) (% of sales)	Fiscal March 2021 (2Q Forecast) (% of sales)	Fiscal March 2021 (2Q Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Net sales	13,421 (100.0)	10,473 (100.0)	11,217 (100.0)	-2,203 (-16.4)	744 (7.1)
(Domestic sales)	7,609 (56.7)	6,408 (61.2)	6,710 (59.8)	-899 (-11.8)	301 (4.7)
(Overseas sales)	5,811 (43.3)	4,064 (38.8)	4,507 (40.2)	-1,304 (-22.4)	442 (10.9)
Operating income	1,415 (10.5)	315 (3.0)	905 (8.1)	-510 (-36.0)	590 (187.2)
Ordinary income	1,242 (9.3)	245 (2.3)	891 (7.9)	-350 (-28.2)	645 (262.5)
Net income	788 (5.9)	51 (0.5)	568 (5.1)	-219 (-27.8)	517 (1000.4)
Net income per share	49.51yen	3.05yen	33.44yen	-16.07yen	30.39yen
Return on equity	3.2%	—	2.2%	-1.0P	—
Foreign exchange rates					
US dollar	109.00	107.74	106.68	-2.32	-1.06
Euro	121.43	119.86	121.36	-0.07	1.50
Pound sterling	136.84	132.70	135.04	-1.80	2.34
Renminbi	16.21	15.37	15.37	-0.84	0.00

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* Based on the results of the first half ended on September 30, 2020, diluted net income per share for the fiscal year ending March 2021 was 33.33 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 announced on August 4, 2020.

Net sales were 744 million yen, or 7.1%, above the forecast.

In the domestic business, the dental digital camera launched in the previous fiscal year and new products such CAD/CAM-related materials contributed to sales, putting sales in the dental business 251 million yen above forecast. CAD/CAM-related material sales were particularly strong due to the revision of medical service fees in April 2020, when the scope of treatment eligible for insurance coverage was expanded and changes to the function categories were revised. In the nail business, sales were 53 million higher than forecast due to strong sales of “by Nail Labo” gel nail products thanks to our success in capturing demand from people spending more time at home during the coronavirus pandemic. As a result, overall, sales were 301 million yen, or 4.7%, higher than forecast.

In the overseas dental business, the impact of the coronavirus in the first quarter was stronger than in Japan, but there was a natural rebound, and sales recovered sharply in the second quarter. As a result, sales were 408 million higher than our forecasts.

Sales were up 33 million yen over forecast in the overseas nail care business due to the strong performance of mainstay gel nail products in Taiwan, which drove sales. As a result, overall sales were 442 million yen, or 10.9%, above forecast.

In terms of income, operating income was 590 million yen above forecast, ordinary income was 645 million yen above forecast and net income was 517 million yen

higher than forecast because, in addition to higher sales, selling, general and administrative expenses decreased since some expenses will be posted in the second half of the fiscal year instead due to delayed progress with outsourced R&D projects as a result of the coronavirus.

Sales by Product Category (Comparison with Previous Period)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2021



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2020 (2Q Results)	Fiscal March 2021 (2Q Results)	Change from previous period		
				Domestic	Overseas
Artificial teeth	2,169	1,751	-418 (-19.3)	-71	-347
Abrasives	2,160	1,654	-506 (-23.4)	-67	-438
Metal products	125	108	-17 (-13.8)	-16	-0
Chemical products	2,743	2,110	-632 (-23.1)	-135	-496
Cements and others	1,096	886	-209 (-19.1)	-69	-140
Equipment and others	3,872	3,530	-342 (-8.8)	-450	108
Dental business total	12,168	10,042	-2,126 (-17.5)	-811	-1,314
Nail care business	1,209	1,136	-73 (-6.1)	-83	10
Other	42	38	-4 (-9.8)	-4	0
Total	13,421	11,217	-2,203 (-16.4)	-899	-1,304

*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 -71 million yen.

SHOFU INC. (Dental business -76 million yen, Nail care business +4 million yen)

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

Overall, sales fell 2,203 million yen, of which sales in the dental business decreased by 2,126 million yen, sales in the nail care business decreased by 73 million yen, and sales of industrial abrasives in the other business decreased by 4 million yen.

In the domestic dental business, new products and CAD/CAM-related products contributed to sales, but there were fewer opportunities to provide dental care due to the effects of the coronavirus and restrictions were imposed on sales activities. This resulted in a poor performance for all products.

In the overseas dental business, in the European region sales of some products were strong, such as single-use masks and gloves as well as cleansers, but overall the coronavirus had a greater impact than in Japan, and sales were weak overall.

In the domestic nail business, sales of gel nail products for general consumers that can be used at home were solid, but sales of products to professional manicurists were low. As a result, sales fell 83 million yen.

In the overseas nail care business, sales were strong in America, where promotional activities carried out using SNS were a success, and in Taiwan, where gel nail products drove sales, resulting in a 10 million yen increase in sales.

Sales by Segment (Comparison with Forecast)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2021



Unit: millions of yen
Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2021 (2Q Forecast)	Fiscal March 2021 (2Q Results)	Cange from Forecast		
				Domestic	Overseas
Dental business total	9,382	10,042	660 (7.0)	251	408
Nail care business	1,049	1,136	87 (8.3)	53	33
Other	41	38	-3 (-7.9)	-3	0
Total	10,473	11,217	744 (7.1)	301	442

*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 +11 million yen.
(Dental business +13 million yen, Nail care business -2 million yen)

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Slide No. 8 shows net sales by segment in comparison to forecast.

Overall, sales rose 744 million yen, of which sales in the dental business increased by 660 million yen, sales in the nail care business increased by 87 million yen.

Domestic Sales

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2021



Positive factors Negative factors

- **Dental business:** Year on year decrease of 811 million yen (-12.0%)

■ Sales of digital cameras for dental use and CAD/CAM-related new products contributed to sales.

■ In addition to equipment, other materials and products performed poorly overall.

- **Nail care business:** Year on year decrease of 83 million yen (-10.4%)

■ Gel nail products for general consumers that can be used at home captured demand from consumers stuck at home, resulting in strong sales.

■ Products for professional nail artists saw low sales due to the temporary closure of nail salons and the suspension of key expos.

- **Other businesses:** Year on year decrease of 4 million yen (-9.8%)

- **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**

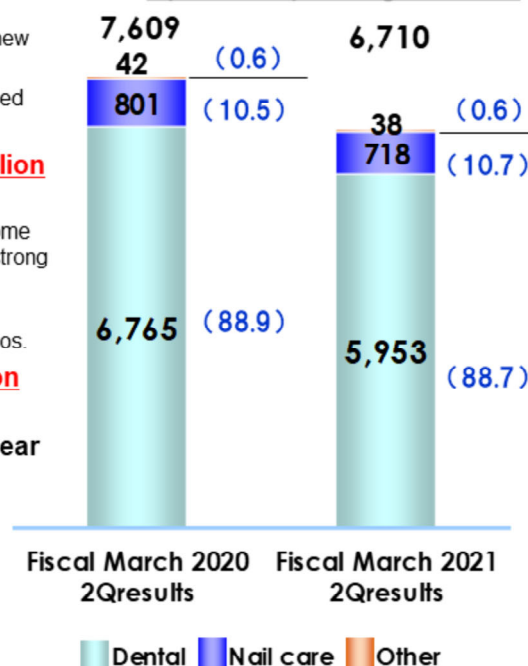
SHOFU BLOCK HC SUPER HARD

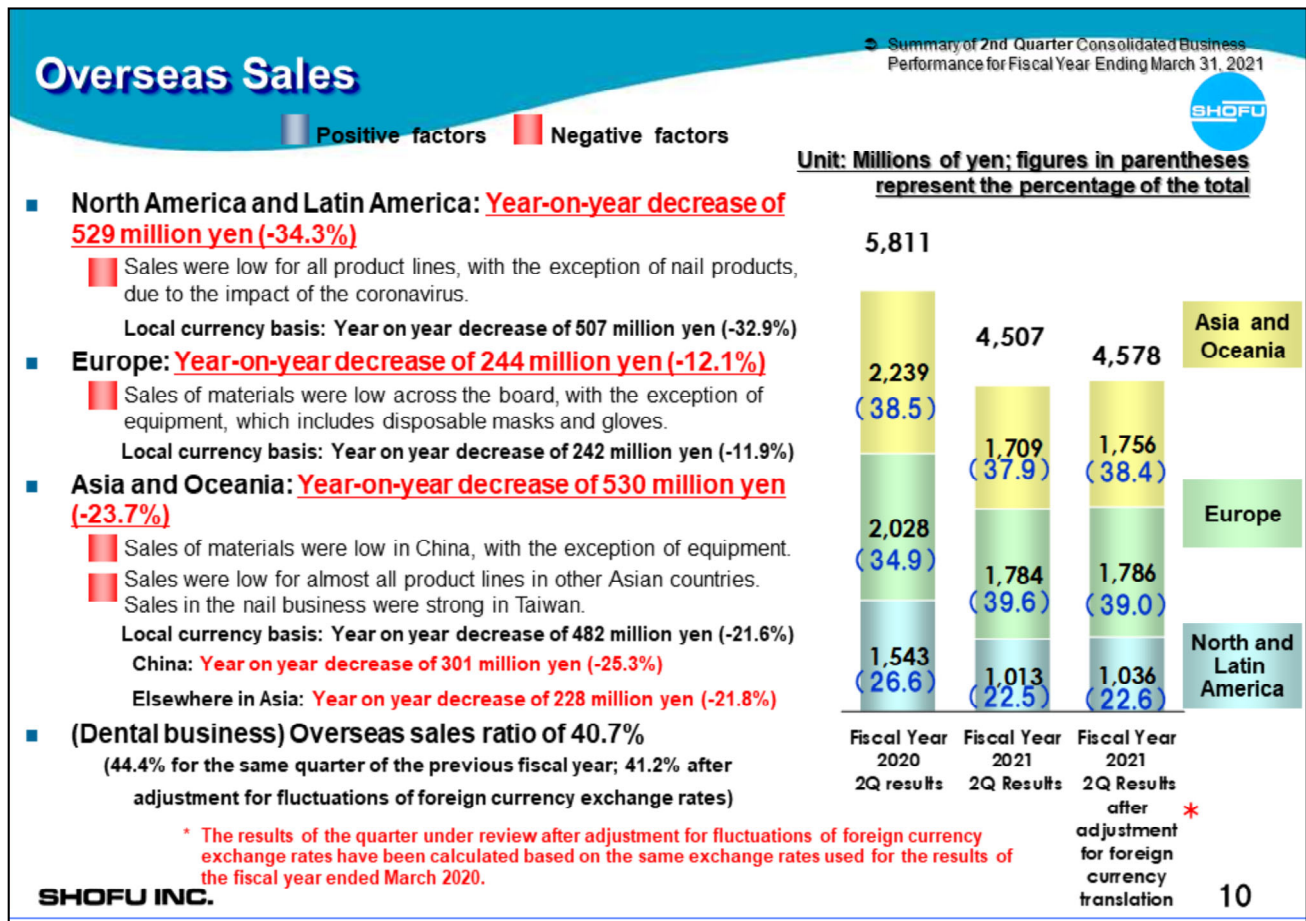
(Equipment and others)

- **Ceramics for dental cutting processing**

SHOFU DISK ZR LUCENT SUPRA (Equipment and others)

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





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

In all regions, the coronavirus had a greater impact than in Japan.

In North America and Latin America, products in the dental business, where sales activities were heavily restricted, generated poor sales, with the exception of nail products sold primarily on line and in promotions using SNS. As a result, sales were down 529 million yen, or 34.3%.

In Europe, sales of some products such as single-use masks and gloves, cleansers and anesthetics increased, but sales of other products were sluggish, and as a result, sales were down 244 million yen, or 12.1%.

Sales overall were down 530 million yen, or 23.7%, in Asia and Oceania. Of these, all product lines generated poor sales in China, and the negative effect of exchange rates was 46 million yen, so sales were down 301 million yen, or 25.3%. The fiscal year for our local subsidiary in China ends in December, so its results are for the period from January to June 2020.

Compared to other regions, China is recovering more quickly from the effects of the coronavirus.

In other Asian regions, as in other regions, sales of almost all product lines, with the exception of nail products, were poor, resulting in a 228 million yen, or 21.8%, decline in sales.

Performance by Segment (Sales and Operating Income)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2021



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

		Fiscal March 2020 (2Q Results) Amount (% of sales)	Fiscal March 2021 (2Q Forecast) Amount (% of sales)	Fiscal March 2021 (2Q Results) Amount (% of sales)	Change from Previous Period	Change from Forecast
Dental	Net Sales	12,168	9,382	10,042	-2,126	660
	Operating expenses	10,838	—	9,249	-1,589	—
	Operating income (operating income margin)	1,330 (10.9)	—	793 (7.9)	-536	—
Nail care	Net Sales	1,209	1,049	1,136	-73	87
	Operating expenses	1,132	—	1,028	-104	—
	Operating income (operating income margin)	77 (6.4)	—	108 (9.5)	30	—
Other	Net Sales	46	41	40	-5	-1
	Operating expenses	40	—	39	-1	—
	Operating income (operating income margin)	5 (12.2)	—	1 (3.8)	-4	—
Total before consolidation adjustment	Net Sales	13,424	10,473	11,219	-2,204	746
	Operating expenses	12,011	—	10,316	-1,694	—
	Operating income (operating income margin)	1,412 (10.5)	—	902 (8.0)	-509	—
Consolidated	Net Sales	13,421	10,473	11,217	-2,203	744
	Operating expenses	12,005	10,157	10,311	-1,693	153
	Operating income (operating income margin)	1,415 (10.5)	315 (3.0)	905 (8.1)	-510	590

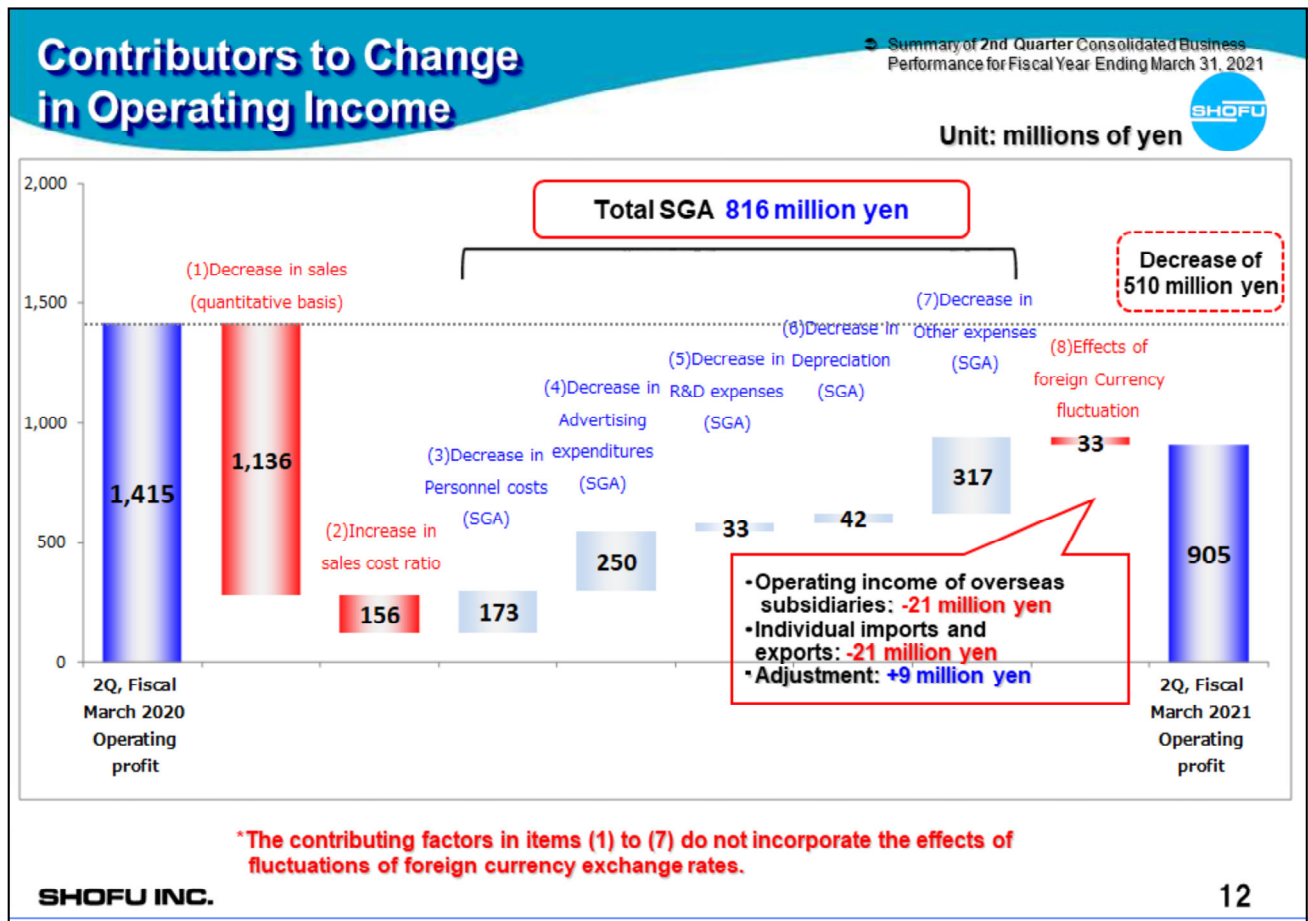
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Slide No. 11 shows net sales and operating income by segment in comparison to the previous period and the forecasts.

Net sales are as described before. Operating income decreased by 510 million yen year on year. This was primarily because sales in the dental business fell sharply due to the impact of the coronavirus.

The increase in operating income in the nail care business can be attributed to a decrease in selling, general and administrative expenses as a result of constraints on sales activities, as well as a positive shift in the sales mix thanks to strong online sales.



Slide No. 12 shows the contributors to change in operating income in comparison to the previous period.

Operating income decreased by 510 million yen or 36.0%. Sales activity costs, such as advertising costs and travel and transportation costs, which are included in “other expenses,” fell as a result of the coronavirus, and selling, general and administrative expenses also declined, particularly research costs due to delays in outsourced R&D projects. However, the main factor behind the decrease in operating income was the rise in the cost of sales ratio, attributable to lower sales and a drop in the utilization rate.

Financial Condition: Major Balance Sheet Accounts

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2021



Unit: millions of yen

	Fiscal March 2020	2Q Fiscal March 2021	Change	Major contributors to changes, special notes
Cash and deposits	4,862	5,435	573	
Notes and bills receivable, trade accounts receivable	3,187	3,071	-115	Decrease in accounts receivable-trade
Inventory	6,731	7,196	464	Increase in merchandise and finished goods, work in process
Securities, investment securities	5,653	9,319	3,665	Increase in investment securities due to the acquisition of Sun Medical shares
Others	9,399	9,529	130	Increase in property, plant and equipment, intangible assets
Assets	29,834	34,553	4,718	
Long-term and short-term borrowings	1,236	2,003	767	Increase in long-term loans payable
Reserve for retirement benefits and directors' retirement benefits	243	246	3	
Others	4,417	4,485	67	
Liabilities	5,897	6,735	837	
Net worth	23,936	27,817	3,880	Increase in capital stock and capital surplus associated with issuance of new shares by means of third-party allotment
Total liabilities and net worth	29,834	34,553	4,718	
Capital adequacy ratio	79.7%	80.0%	0.3P	
Net worth per share	1,492yen	1,557yen	65yen	

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

Total assets increased by 4,718 million yen to 34,553 million yen.

As a result of our stronger business and capital ties with Mitsui Chemicals Inc. and Sun Medical Co., Ltd., we acquired shares in Sun Medical in June, making Sun Medical our equity-method affiliate. The resulting increase in investment securities was the primary factor behind the increase in total assets.

Total net assets increased by 3,880 million yen to 27,817 million yen.

The primary factors were increase in capital stock and capital surplus associated with issuance of new shares by means of third-party allotment.

As a result, the capital adequacy ratio rose 0.3 points from the end of the previous fiscal year to 80.0%.

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

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2021



Unit: millions of yen

	Fiscal March 2020 (2Q Results)	Fiscal March 2021 (2Q Forecast)	Fiscal March 2021 (2Q Results)	Change from Previous Period	Change from Forecast
Capital investment	593	685	506	-87	-179
Depreciation expenses (of which amortization of goodwill)	477 39	442 0	429 0	-47 -39	-13 0
R&D expenses	759	802	722	-37	-80
Foreign exchange rates					
US dollar	109.00	107.74	106.68	-2.32	-1.06
Euro	121.43	119.86	121.36	-0.07	1.50
Pound sterling	136.84	132.70	135.04	-1.80	2.34
Renminbi	16.21	15.37	15.37	-0.84	0.00

• The foreign exchange rates given are those in effect at the average of each term;

SHOFU INC. conversions of items in the financial statements of overseas subsidiaries all use average rates.

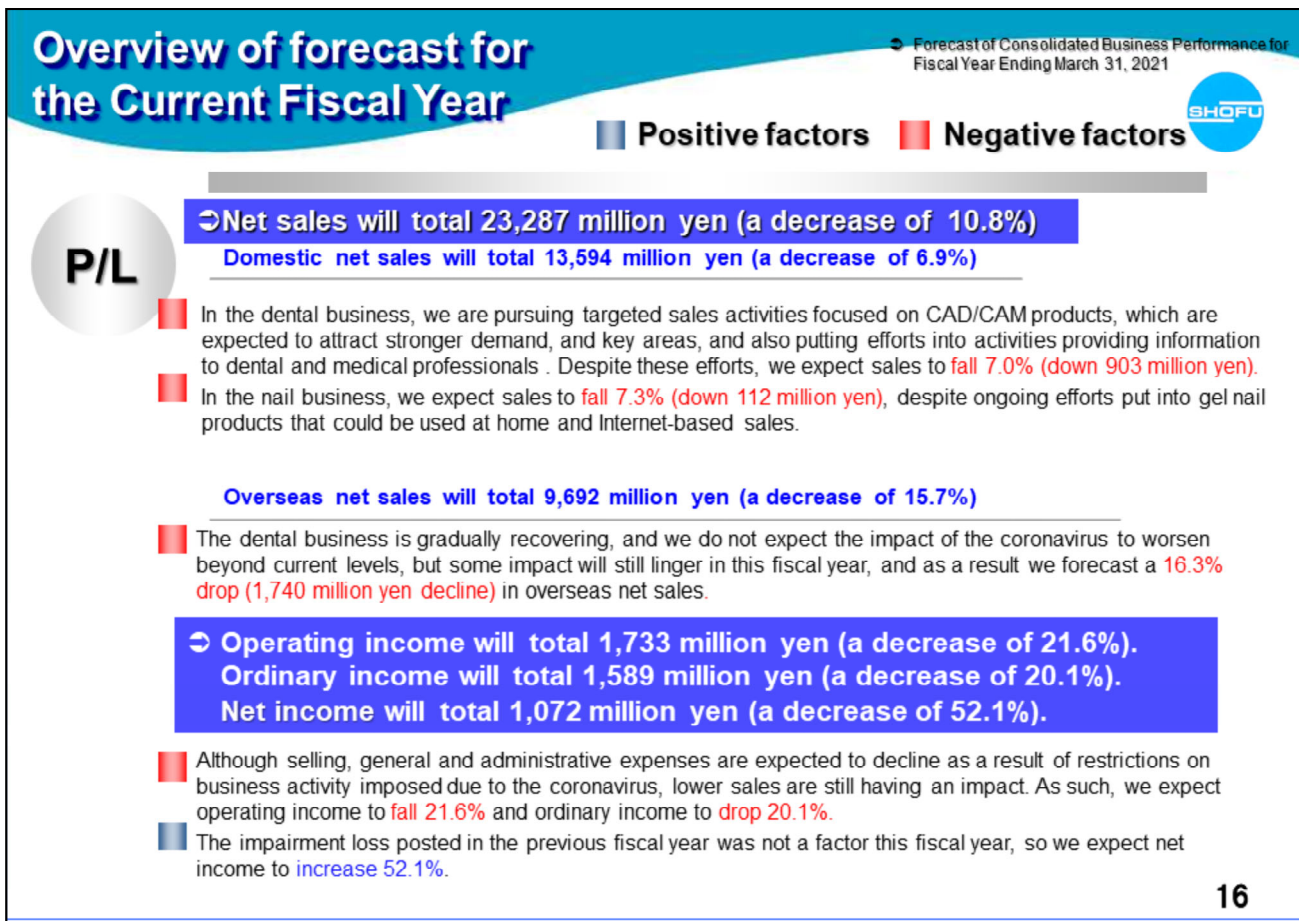
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A faint, stylized map of Japan is visible in the background, with several lines connecting the text boxes to specific regions.

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2021

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

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



Slide No. 16 shows the full-year earnings forecasts for the year ending in March 2021 compared to the previous fiscal year.

We originally released forecasts on August 4 that took into account the coronavirus's impact, but revised these forecasts to reflect the current business environment and released the new forecasts on October 28.

We assume that the impact of the coronavirus will not worsen from current levels, and that conditions will gradually recover, but with a lingering effect in this fiscal year.

We expect net sales to decline to 10.8% over the previous year to 23,287 million yen. This will include a 6.9% decrease to 13,594 million yen in domestic sales and a 15.7% decrease to 9,692 million yen in overseas sales.

In the domestic dental business, we will pursue targeted sales activities focused on CAD/CAM products, which are expected to attract demand, and key areas such as chemical products. We will also put efforts into activities providing information to dental and medical professionals, and devise a new marketing style with online seminars and other events.

In the domestic nail business, we will continue to generate sales by focusing on online sales and "by Nail Labo" gel nail products that can be used at home and capture demand from customers spending more time at home due to the coronavirus.

The overseas dental business is gradually recovering, but our forecast takes into account that conditions are unpredictable, particularly given concerns that coronavirus cases are increasing again in Europe.

On the income side, we expect selling, general and administrative expenses to

decline as a result of restrictions on business activity imposed due to the coronavirus, but lower sales are still having a heavy negative impact. As such, we expect operating income to fall 21.6% and ordinary income to drop 20.1%.

Since the 800 million yen impairment loss on goodwill for Merz Dental GmbH. and on intangible assets posted in the previous fiscal year no longer had an impact this year, we expect net income to increase 52.1%.

Comparison of Major Statistics

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



⇒ Net sales decreased and net profit increased compared to fiscal March 2020

Unit: millions of yen

	Fiscal March 2020 Results (% of sales)	Fiscal March 2021 Forecast			Year-on-year Change (% change)
		2Q Results (% of sales)	3Q-4Q Forecast (% of sales)	Yearly Forecast (% of sales)	
Net sales	26,108 (100.0)	11,217 (100.0)	12,069 (100.0)	23,287 (100.0)	-2,821 (-10.8)
(Domestic sales)	14,608 (56.0)	6,710 (59.8)	6,884 (57.0)	13,594 (58.4)	-1,014 (-6.9)
(Overseas sales)	11,499 (44.0)	4,507 (40.2)	5,185 (43.0)	9,692 (41.6)	-1,807 (-15.7)
Operating profit	2,210 (8.5)	905 (8.1)	827 (6.9)	1,733 (7.4)	-477 (-21.6)
Ordinary profit	1,988 (7.6)	891 (7.9)	697 (5.8)	1,589 (6.8)	-399 (-20.1)
Net profit	704 (2.7)	568 (5.1)	503 (4.2)	1,072 (4.6)	367 (52.1)
Net profit per share	44.24yen	33.44yen	31.51yen	61.68yen	17.44yen
Return on equity	2.9%	2.2%	—	—	—

SHOFU INC. * "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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Sales by Segment

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



Unit: millions of yen
Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2020 Results	Fiscal March 2021 Forecast			Year-on-Year Change
		2Q Results	3Q-4Q Forecast	Yearly-Forecast	
Dental business total	23,665	10,042	10,979	21,021	-2,644 (-11.2)
Nail care business	2,355	1,136	1,039	2,175	-179 (-7.6)
Other	87	38	50	89	2 (2.8)
Total	26,108	11,217	12,069	23,287	-2,821 (-10.8)

- Overseas sales decreased by 98 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi, Indian Rupee, New Taiwan dollar and Brazilian Real). (Dental business -102 million yen, Nail care business +3 million yen)

Domestic Net Sales

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



◇ Dental business:

Year-on-year decrease of 903 million yen (-7.0%)

- We will carry out sales activities focused on CAD/CAM-related products and will also develop information activities aimed at dental professionals.

◇ Nail care business:

Year-on-year decrease of 112 million yen (-7.3%)

- Sales will be generated by gel nail products that can be used at home and by Internet-based sales.

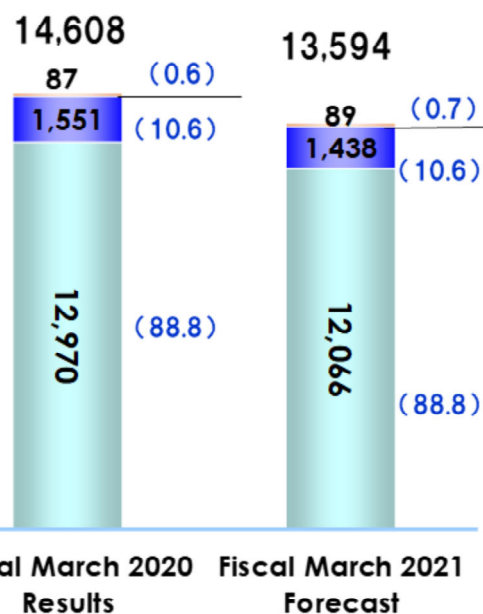
◇ Other businesses:

Year-on-year increase of 2 million yen (2.8%)

◇ Principal new products launched during the fiscal year ending March 2021.

- Dental multi-purpose ultrasonic therapy machine
MERSSAGE E-PICK 2 in 1 (Equipment and others)
- Electric Toothbrushes
Oral-B (Equipment and others)

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



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■ Dental
 ■ Nail care
 ■ Other
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Overseas Net Sales

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



Unit: millions of yen; figures in parentheses
represent component ratio (%)

Summary

- While we expect a gradual recovery, assuming that the impact of the coronavirus outbreak will not worsen more than current levels, but the impact will linger this fiscal period, and as a result we forecast a **15.7% decline** in overseas net sales overall.

Growth rates by region

*Figures in parentheses indicate the growth rate on local currency basis.

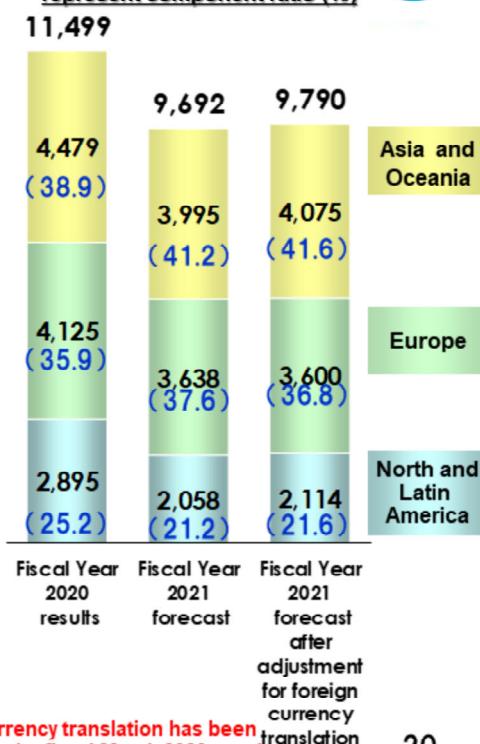
North and Latin America	-28.9%	(-27.0%)
Europe	-11.8%	(-12.7%)
China	-4.0%	(-1.2%)
Asia (Other)	-18.8%	(-18.2%)

Foreign exchange rates

- USD1=JPY106.27
(JPY109.10 in the previous fiscal year)
(Effect: **-61 million yen**)
- EUR1=JPY122.66
(JPY121.14 in the previous fiscal year)
(Effect: **+43 million yen**)
- RMB1=JPY15.39
(JPY15.85 in the previous fiscal year)
(Effect: **-68 million yen**)

(Dental business) Overseas sales ratio

42.6% (45.2% in the previous fiscal year)
(42.9% after foreign currency translation adjustment)



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* The fiscal March 2021 forecast after adjustment for foreign currency translation has been calculated based on the same foreign exchange rates used for the fiscal March 2020 results.

Impact of spread of coronavirus

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



Assumptions behind forecasts for fiscal year ending March 31, 2021

(Sales by quarter for Japan and overseas regions compared to same period in previous year and compared to forecasts before revisions [%])

	1Q Result	2Q result	1Q-2Q Result	3Q-4Q Forecast
Domestic	-9.6%	-13.7%	-11.8%	-1.6%
(Forecasts before revisions)		(-21.0%)	(-15.8%)	(-1.6%)
Overseas	-42.0%	-2.0%	-22.4%	-8.8%
(Forecasts before revisions)		(-17.6%)	(-30.1%)	(-3.6%)
North and Latin America	-65.4%	2.0%	-34.3%	-22.7%
(Forecasts before revisions)		(-22.3%)	(-45.5%)	(-9.7%)
Europe	-28.5%	5.9%	-12.1%	-11.6%
(Forecasts before revisions)		(-15.2%)	(-21.1%)	(-4.7%)
China	-57.4%	8.5%	-25.3%	16.5%
(Forecasts before revisions)		(8.3%)	(-25.4%)	(14.3%)
Asia and Oceania (Other)	-10.9%	-30.6%	-21.8%	-15.7%
(Forecasts before revisions)		(-41.5%)	(-27.9%)	(-15.3%)
Total sales	-24.5%	-8.9%	-16.4%	-4.9%
(Forecasts before revisions)		(-19.6%)	(-22.0%)	(-2.5%)

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Slide 21 shows the impact of the coronavirus as reflected in earnings forecasts for the fiscal year ending March 31, 2021 by comparing sales in Japan and overseas regions to the same period in the previous year and to the forecasts released on August 4 before revisions.

In the second quarter, the impact was modest compared to initial forecasts, and our forecasts for the second half assume that the impact will be mild compared to results in the first half, on the assumption that the impact of the coronavirus will not worsen more than current levels and that the economy will gradually recover.

That said, there are concerns that coronavirus outbreaks will spread again and that they will subside at a later point in North America and Central and South America, making it difficult to make predictions. Given this, the forecasts for these regions take into account such conditions.

Performance by Segment (Net Sales and Operating Income)

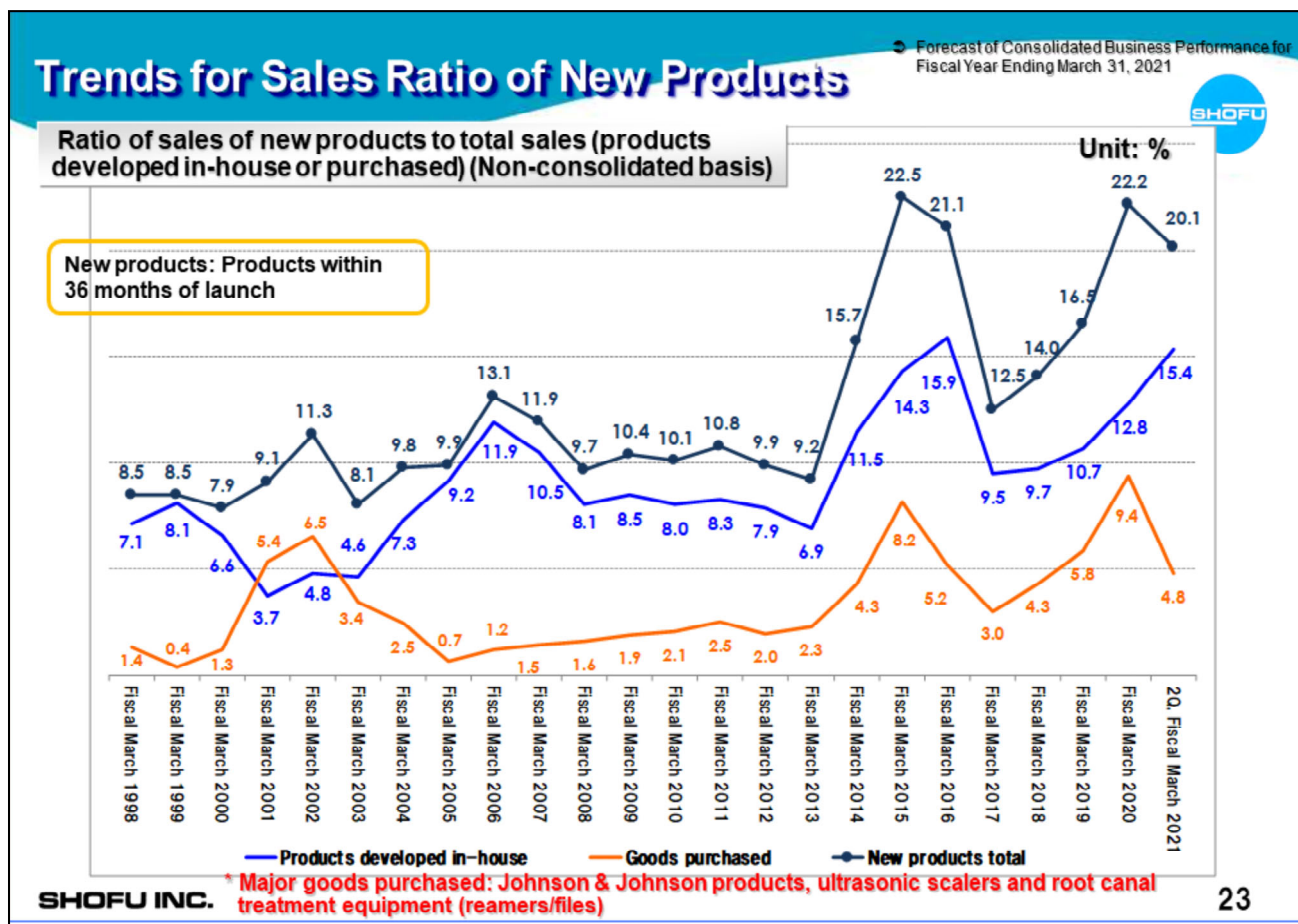
Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2021



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

		Fiscal March 2020 (Results) Amount (% of sales)	Fiscal March 2021 (Forecast) Amount (% of sales)	Change from Previous Period
Dental	Net Sales	23,665	21,021	-2,644
	Operating expenses	21,581	—	—
	Operating income (operating income margin)	2,083 (8.8)	—	—
Nail care	Net Sales	2,355	2,175	-179
	Operating expenses	2,248	—	—
	Operating income (operating income margin)	107 (4.5)	—	—
Other	Net Sales	93	89	-3
	Operating expenses	79	—	—
	Operating income (operating income margin)	13 (14.7)	—	—
Total before consolidation adjustment	Net Sales	26,114	23,287	-2,827
	Operating expenses	23,909	—	—
	Operating income (operating income margin)	2,204 (8.4)	—	—
Consolidated	Net Sales	26,108	23,287	-2,821
	Operating expenses	23,897	21,553	-2,343
	Operating income (operating income margin)	2,210 (8.5)	1,733 (7.4)	-477

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Slide No. 23 shows trends for the sales ratio of new products.

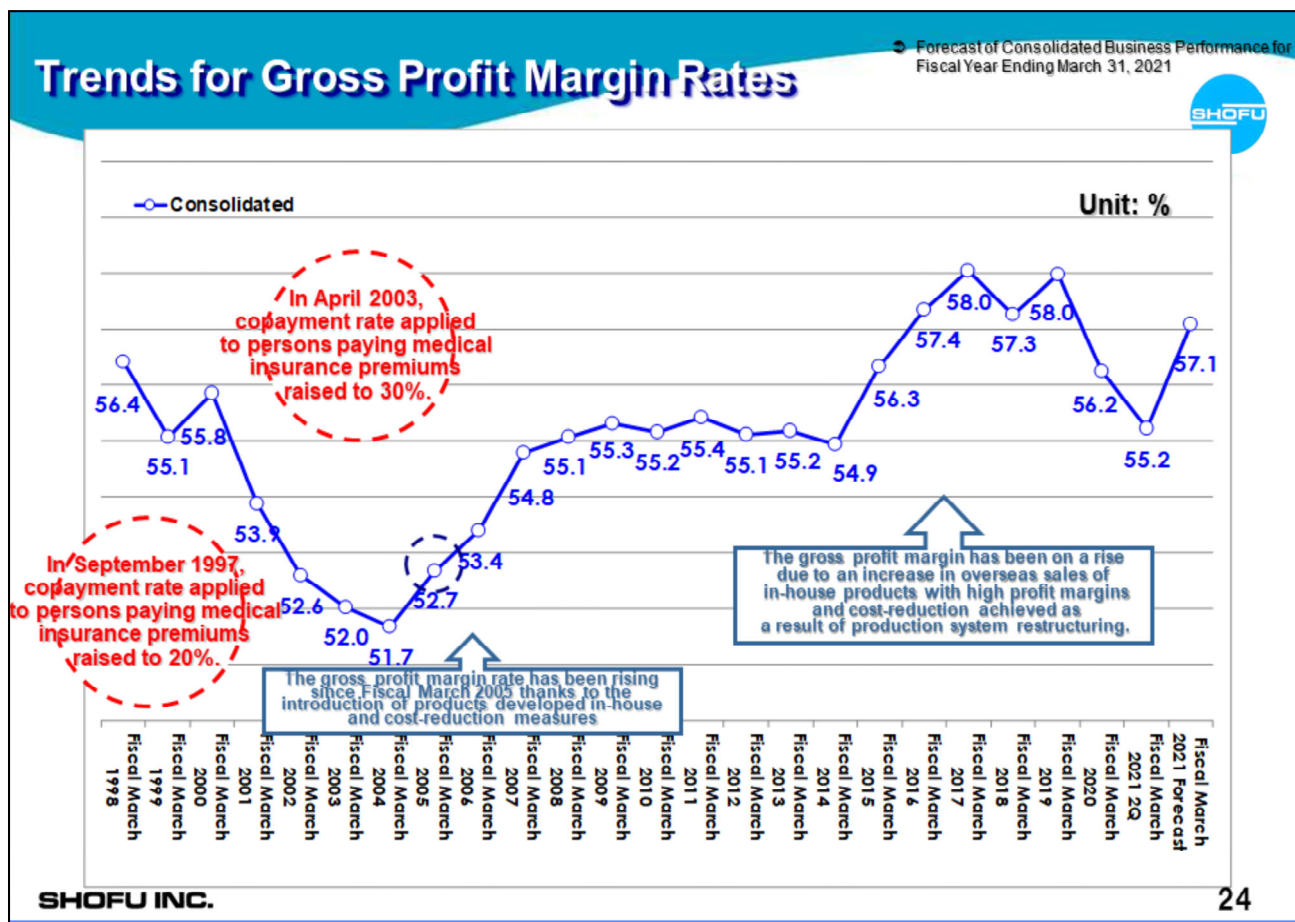
Shofu defines new products as products launched within the past three years. Our aim is for the sales ratio of new products to be 15% of total sales.

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.

In the second quarter, these products made contributions so that the sales ratio reached 20.1%, exceeding the target.

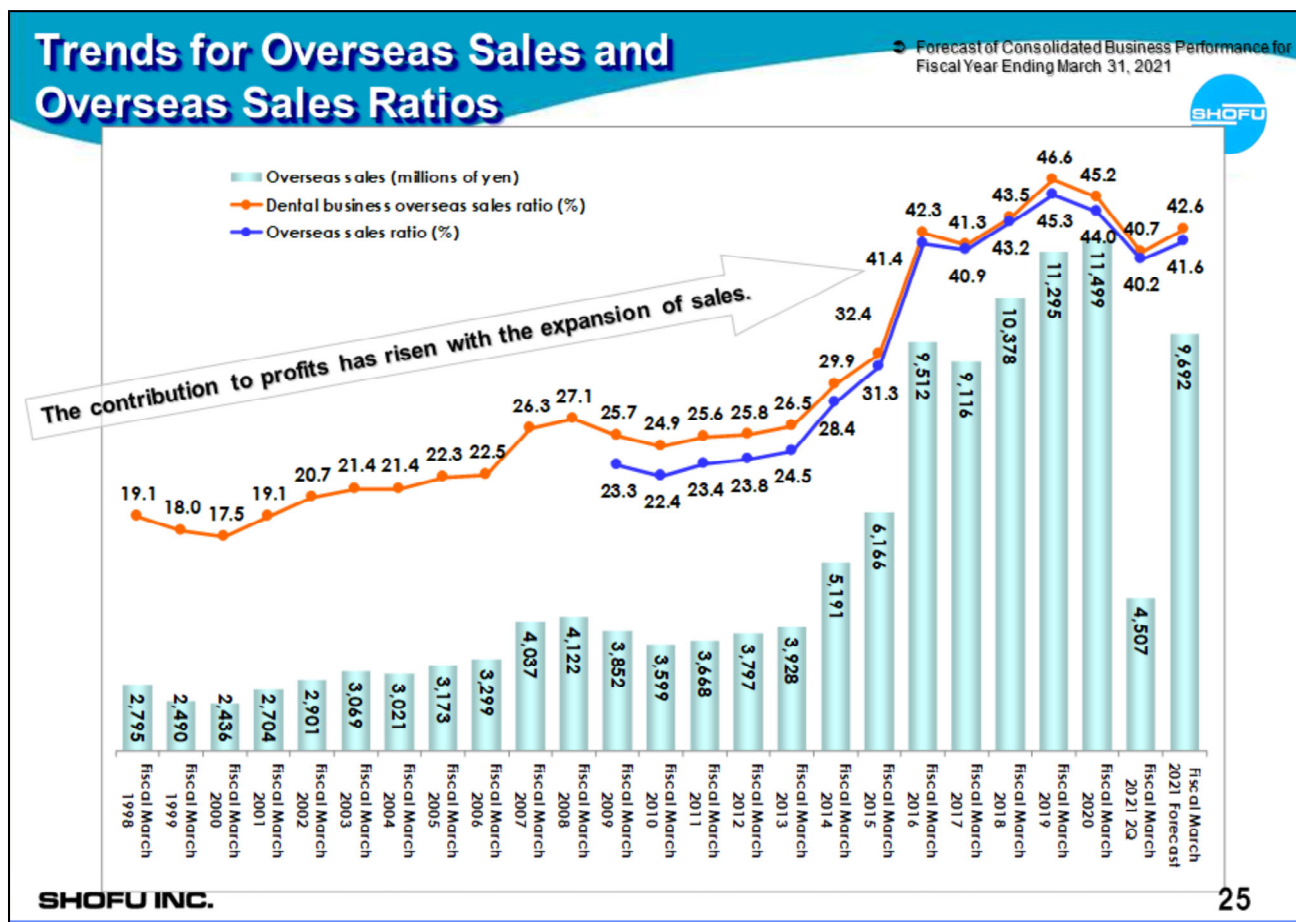
Going forward, we will strive to maintain a ratio of 15% or higher by increasing sales of new products, especially new products developed in-house.



Slide No. 24 shows trends for gross profit margin rates.

In the previous fiscal year, ended in March 2020, equipment with a low profitability rate accounted for a higher proportion of sales and a change in the European pharmaceutical approval organization in response to Brexit developments resulted in a loss on inventory disposal. In the second quarter of the fiscal year ending in March 2021, the level of business activity dropped significantly due to the effect of the coronavirus. As a result of these factors, the gross profit margin rate fell in these two periods.

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.



Slide No. 25 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 and we have continued to exceed 10 billion yen.

Overseas sales are affected by the coronavirus more than domestic sales in this fiscal year, and for this reason we expect lower sales, but given our future growth, it is essential that we expand our overseas business, and going forward we intend to shift allocations of management resources heavily overseas with the aim to boost overseas sales.

A faint, stylized world map is visible in the background of the slide, showing the outlines of continents.

**Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2021**

**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. 27 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. 28 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. 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	

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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. 29 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%.

Since the level of business activity has fallen significantly due to the impact of the coronavirus, we believe that achieving this target will be difficult, but we will work even faster to address the priority issues identified in this plan to achieve our vision, while also proactively incorporating external collaboration and M&A utilization.

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

Specific Efforts – Research and Development

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



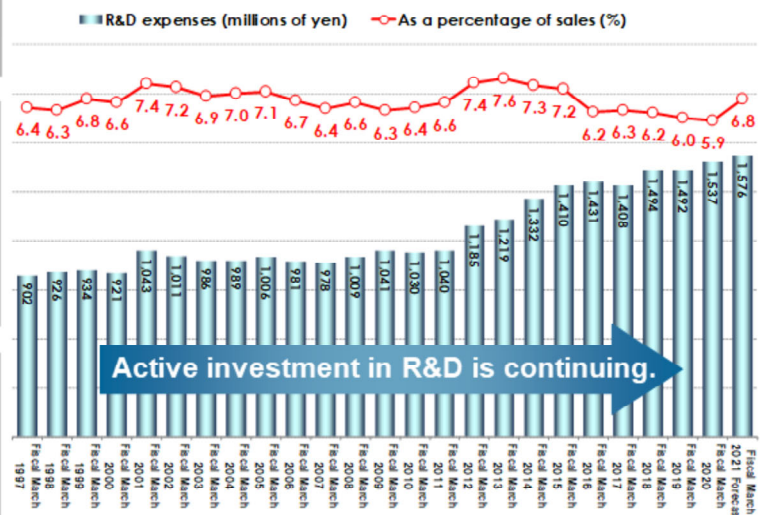
Development and introduction of new products that match the local demands

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



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Slide No. 30 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. 31 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.

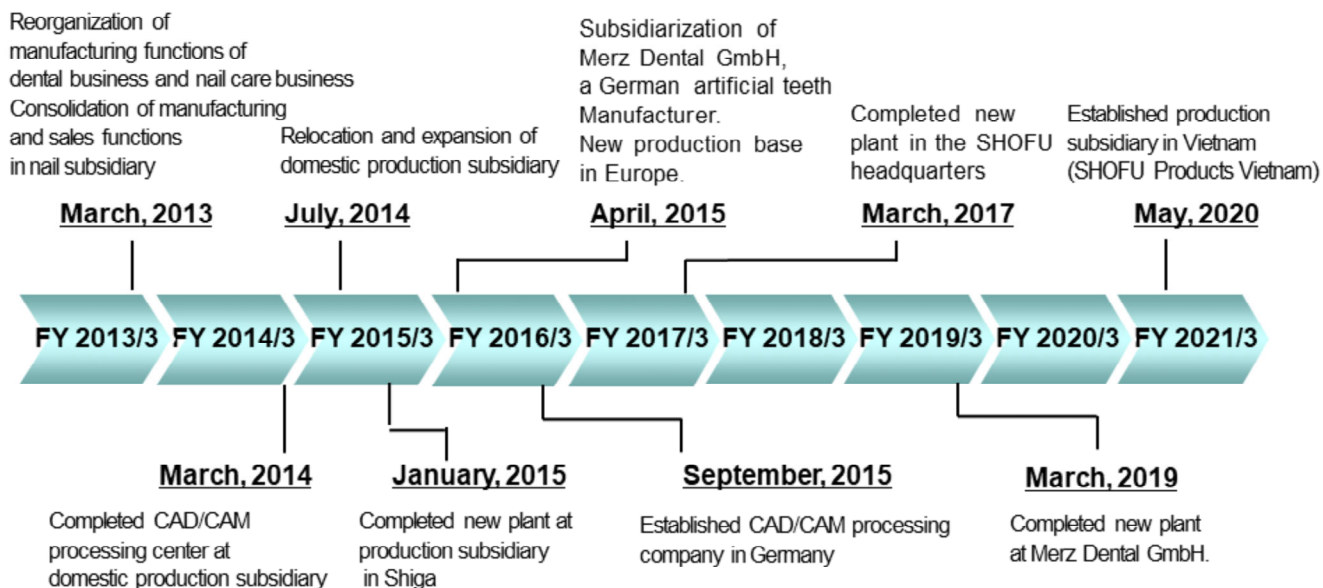
Moreover, we established a manufacturing subsidiary in Vietnam in May 2020, and will make preparations for the start of operations, such as pilot production, from the next fiscal year. Going forward, we plan to consider setting up manufacturing sites in other regions as well.

Specific Efforts – Production

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



✧ Relocation of production base and expansion of offshore production



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※ 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

➢ Enhance academic activities

➢ Speed up the product registration work

SHOFU INC.

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Slide No. 33 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.

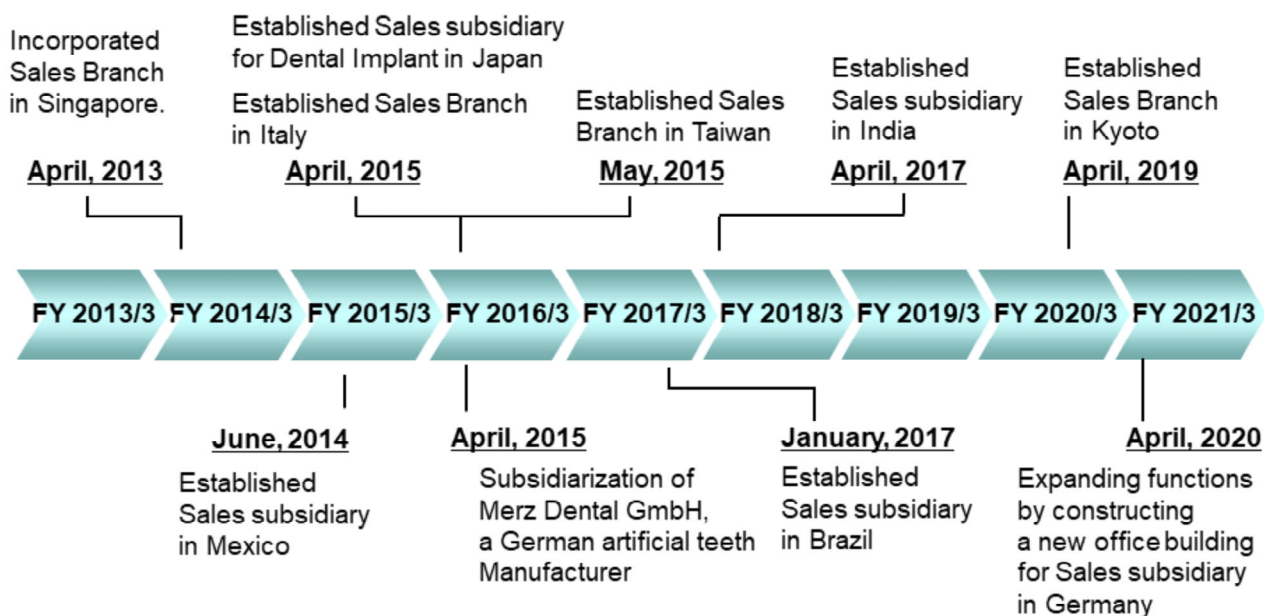
Going forward, we will gradually develop and enhance our sales network in key countries and regions.

Specific Efforts – Sales

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



✧ Realignment of sales offices



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* 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)



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Slide No. 35 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.

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

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



- **Capital tie-up**
 - Shofu issued 1,780,000 new shares in a third-party allocation
MCI received these charges (total value of 2,988 million yen)
 - MCI's shareholdings increased from 11.17% to 20.01%
(Shofu became an equity-method affiliate)
 - Shofu acquired 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 became 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 sent one part-time director to Shofu's board
 - Shofu sent one part-time director to Sun Medical's board

SHOFU INC.

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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 have formed a project team and are currently considering the specific content of this business tie-up, but we hope to strengthen business capacity in the dental materials field and further strengthen our international

competitiveness by utilizing the three companies' management resources.

Moreover, as shown on this slide, this capital tie-up means that Shofu has become an equity-method affiliate of Mitsui Chemicals and Mitsui Chemicals' subsidiary, Sun Medical, has become our equity-method affiliate.

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.

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

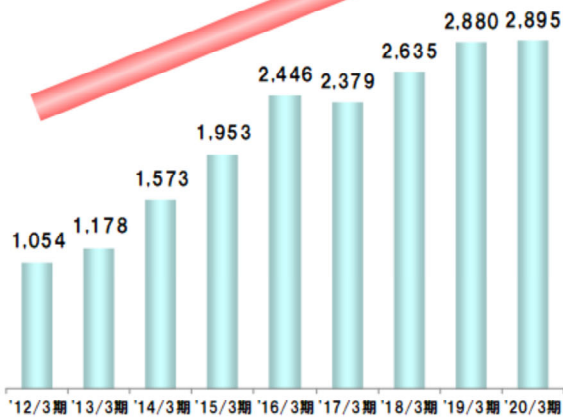
Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

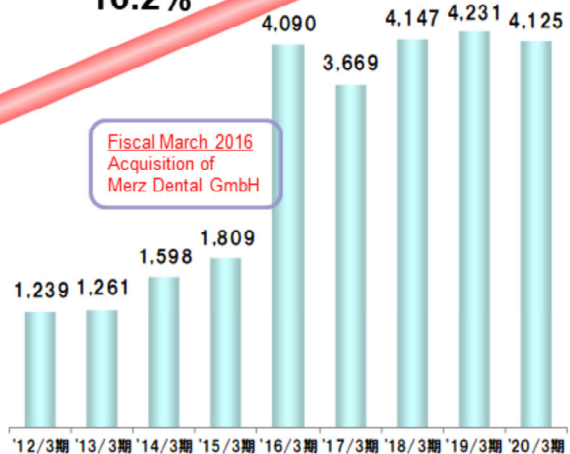
North & Latin America Sales

CAGR
13.5%



Europe Sales

CAGR
16.2%



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Slides No. 37 to No. 38 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

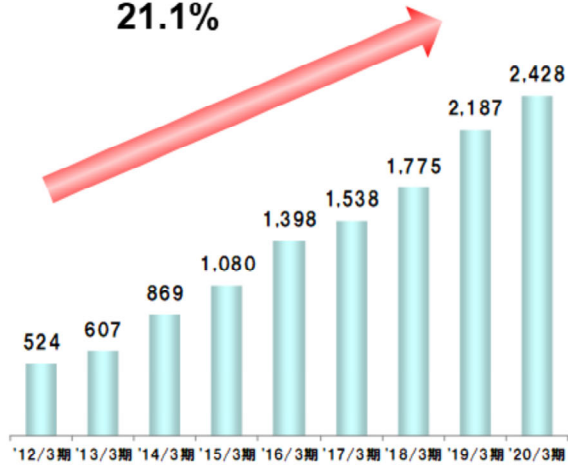
Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

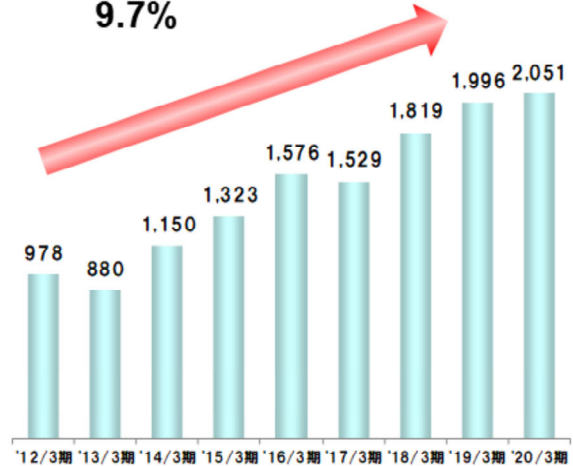
China Sales

CAGR
21.1%



Elsewhere in Asia Sales

CAGR
9.7%



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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

	Mid-term Management Plan			Fiscal March 2019 (Results)	Fiscal March 2020 (Results)	Fiscal March 2021 (Forecast)
	Fiscal March 2019	Fiscal March 2020	Fiscal March 2021			
Net sales	★ 25,725	★ 27,419	★ 29,264	★ 24,915	★ 26,108	23,287
(Change from Previous Period)	(7.1%)	(6.6%)	(6.7%)	(3.7%)	(4.8%)	(-10.8%)
(Domestic sales)	★ 14,453	★ 15,085	★ 15,700	13,619	★ 14,608	13,594
(Change from Previous Period)	(5.9%)	(4.4%)	(4.1%)	(-0.2%)	(7.3%)	(-6.9%)
(Overseas sales)	★ 11,271	★ 12,333	★ 13,563	★ 11,295	★ 11,499	9,692
(Change from Previous Period)	(8.6%)	(9.4%)	(10.0%)	(8.8%)	(1.8%)	(-15.7%)
Operating income	1,737	★ 2,056	★ 2,341	1,814	★ 2,210	1,733
(Percentage of sales)	(6.8%)	(7.5%)	(8.0%)	(7.3%)	(8.5%)	(7.4%)
Ordinary income	1,630	★ 1,946	★ 2,234	1,709	★ 1,988	1,589
(Percentage of sales)	(6.3%)	(7.1%)	(7.6%)	(6.9%)	(7.6%)	(6.8%)
Net income	★ 1,109	★ 1,370	★ 1,596	★ 1,201	704	1,072
(Percentage of sales)	(4.3%)	(5.0%)	(5.5%)	(4.8%)	(2.7%)	(4.6%)
Dental business Overseas sales ratio	★ 44.6%	★ 46.0%	★ 47.6%	★ 46.6%	45.2%	42.6%

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

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

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



Unit: millions of yen

	Mid-Term Management Plan						Fiscal March 2019 (Results)		Fiscal March 2020 (Results)		Fiscal March 2021 (Forecast)	
	Fiscal March 2019		Fiscal March 2020		Fiscal March 2021							
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Dental business	22,800	88.6	24,227	88.4	25,787	88.1	22,446	90.1	23,665	90.6	21,021	90.3
Nail care business	2,806	10.9	3,068	11.2	3,343	11.4	2,372	9.5	2,355	9.0	2,175	9.3
Other businesses	117	0.5	123	0.5	133	0.5	104	0.4	93	0.4	89	0.4
Net sales	25,725	100.0	27,419	100.0	29,264	100.0	24,923	100.0	26,114	100.0	23,287	100.0

Dental business	1,575	6.9	1,867	7.7	2,070	8.0	1,797	8.0	2,083	8.8	-	-
Nail care business	145	5.2	169	5.5	243	7.3	-5	-0.2	107	4.5	-	-
Other businesses	16	13.7	18	15.3	27	20.5	16	15.6	13	14.7	-	-
Operating income	1,737	6.8	2,056	7.5	2,341	8.0	1,807	7.3	2,204	8.4	1,733	7.4

• 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

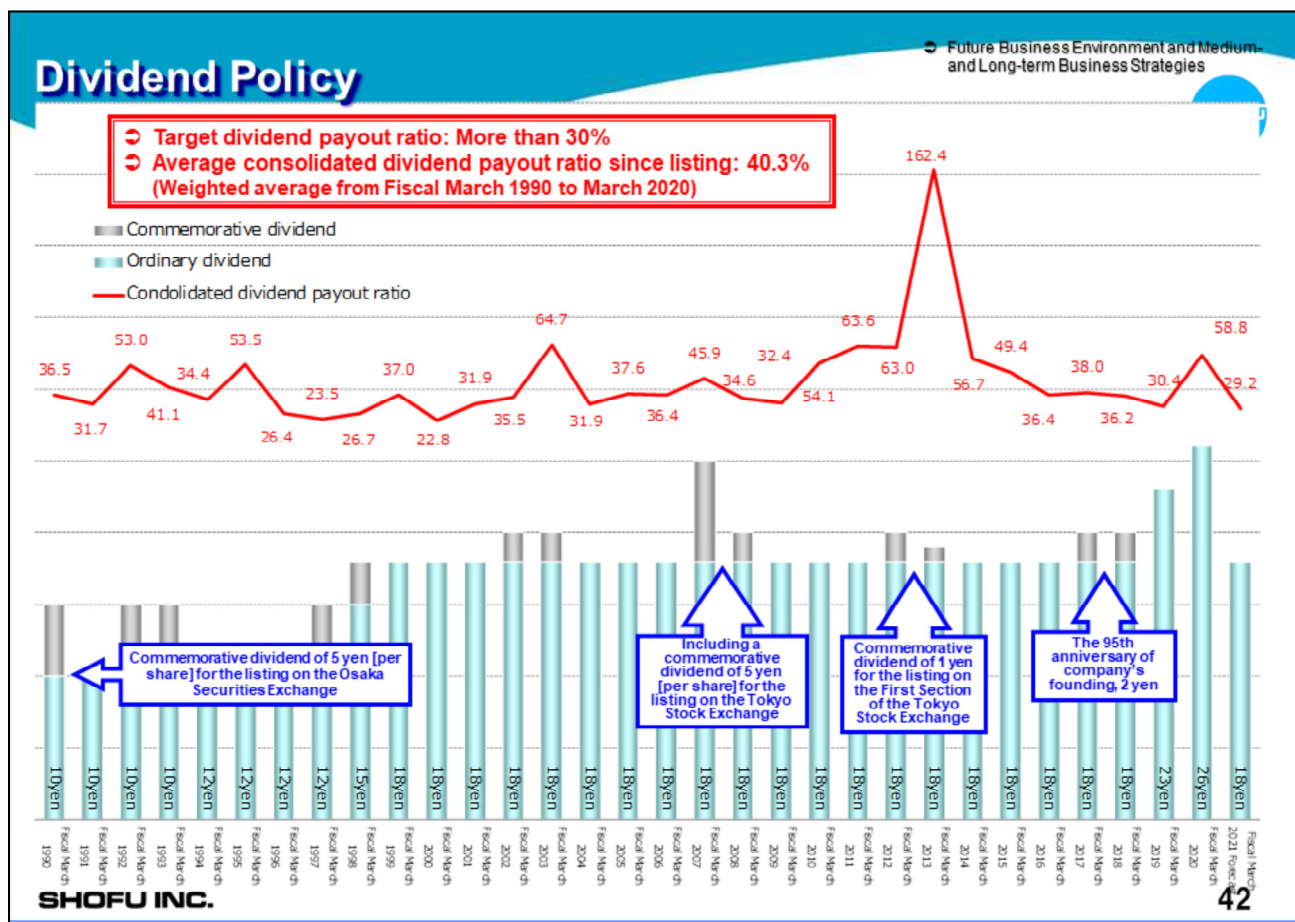


Unit: millions of yen

	Mid-Term Management Plan			Fiscal March 2019 (Results)	Fiscal March 2020 (Results)	Fiscal March 2021 (Forecast)
	Fiscal March 2019	Fiscal March 2020	Fiscal March 2021			
Capital investment	1,080	967	967	1,403	1,601	1,668
Depreciation expenses	1,003	1,003	1,003	893	979	926
(of which goodwill amortization)	108	108	108	84	79	0
R&D expenses	1,572	1,596	1,604	1,492	1,537	1,576

• 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.



Slide No. 42 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 ending in March 2021, we will pay ordinary dividends of 18 yen per share.

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.

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URL: <http://www.shofu.co.jp>

E-mail: ir@shofu.co.jp

Contact: Corporate Planning Department



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 September 30, 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	5,968,956,614 yen	
■ Listed exchanges	First Section of Tokyo Stock Exchange	
■ Number of employees	467 (entire group: 1197, including 557 in overseas subsidiaries)	
■ Business	Manufacture and sale of dental materials and equipment	
■ Main customers	Dental institutions (via sales agencies)	
■ Number of group companies	Subsidiaries 18 (four in Japan, fourteen overseas) Affiliates 1 (one in Japan) Dental companies: 16 (four in Japan, twelve overseas) Nail care companies: 3 (one in Japan, two overseas)	
SHOFU INC.		46

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)



• 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).
• 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.

Corporate History (2)

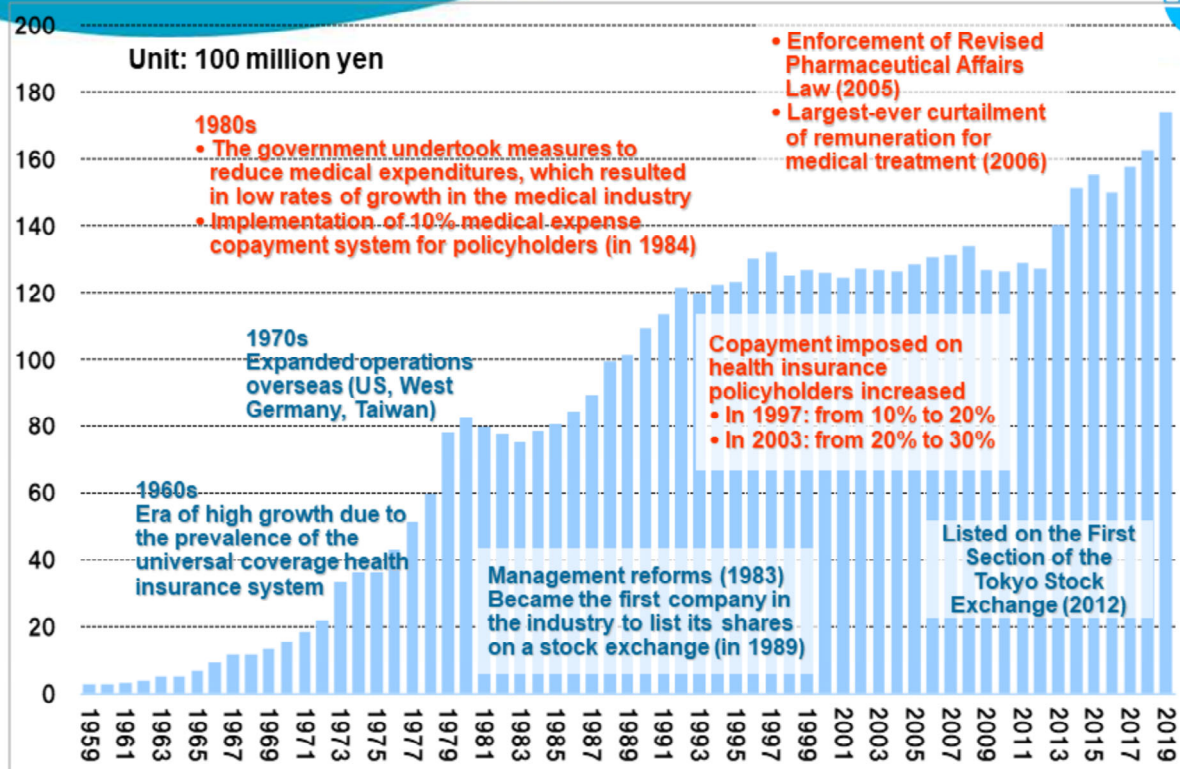


• 2009	Reached basic agreement concerning business and capital partnership with Mitsui Chemicals, Inc., and Sunmedical Co., Ltd. Transferred 1.8 million shares of treasury stock to Mitsui Chemicals, Inc., through a third-party allocation.
• 2010	Shofu Dental Trading (Shanghai) Co., Ltd., is established 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 Enhancement of business and capital tie-up with Mitsui Chemicals, Inc.,(MCI) and Sun Medical Co., Ltd.(SMC) Shofu issued 1,780,000 new shares in a third-party allocation and MCI received these charges. Shofu acquired 20% of MCI's 70% shareholding in SMC. (Shofu became MCI's equity-method affiliate. / SNC became Shofu's equity-method affiliate.)

Corporate History - Sales

Company and Business Profiles

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

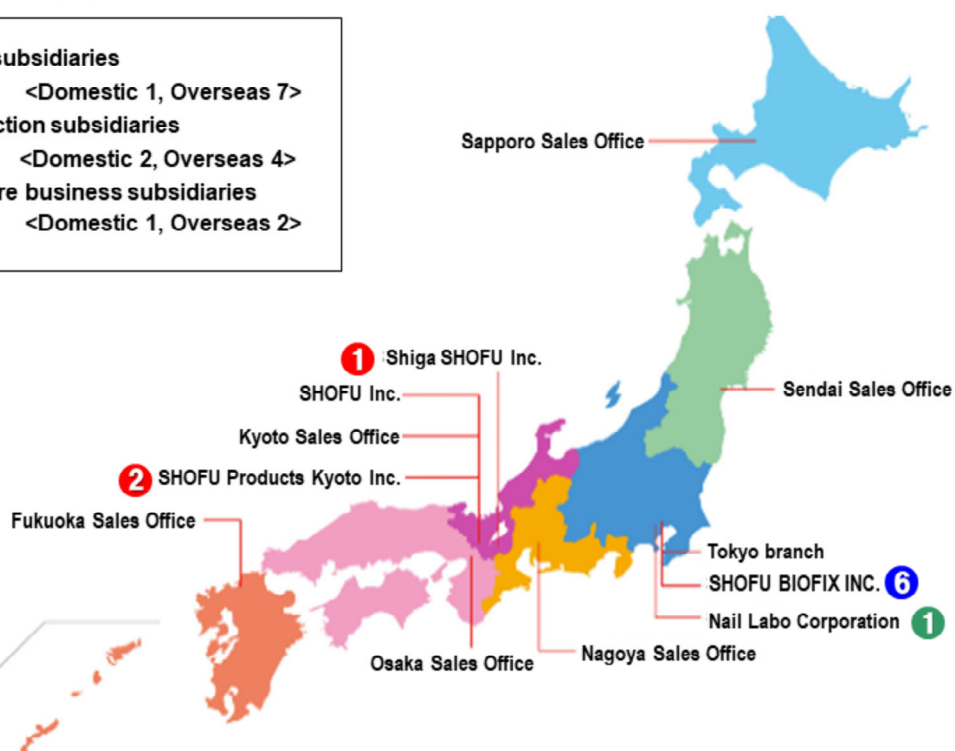
50

Group Overview[Domestic base]

Company and Business Profiles



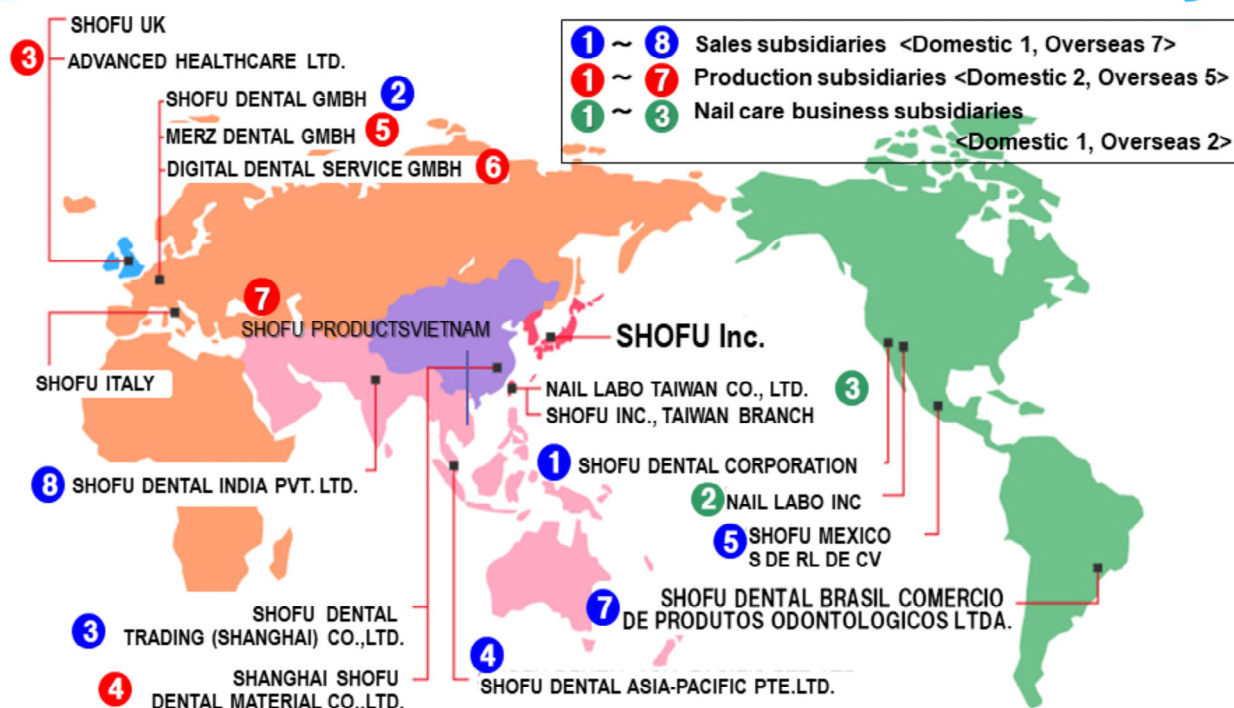
- ① ~ ⑧ Sales subsidiaries**
<Domestic 1, Overseas 7>
- ① ~ ⑥ Production subsidiaries**
<Domestic 2, Overseas 4>
- ① ~ ③ Nail care business subsidiaries**
<Domestic 1, Overseas 2>



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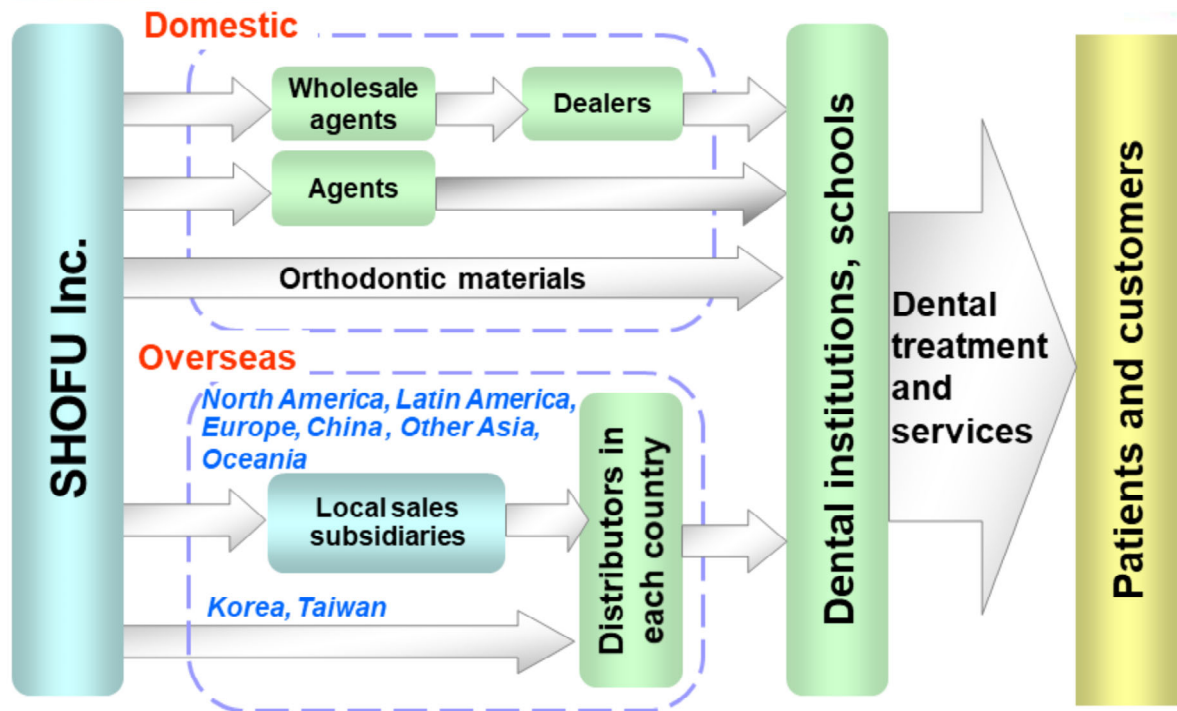
Group Overview[Overseas base]

Company and Business Profiles



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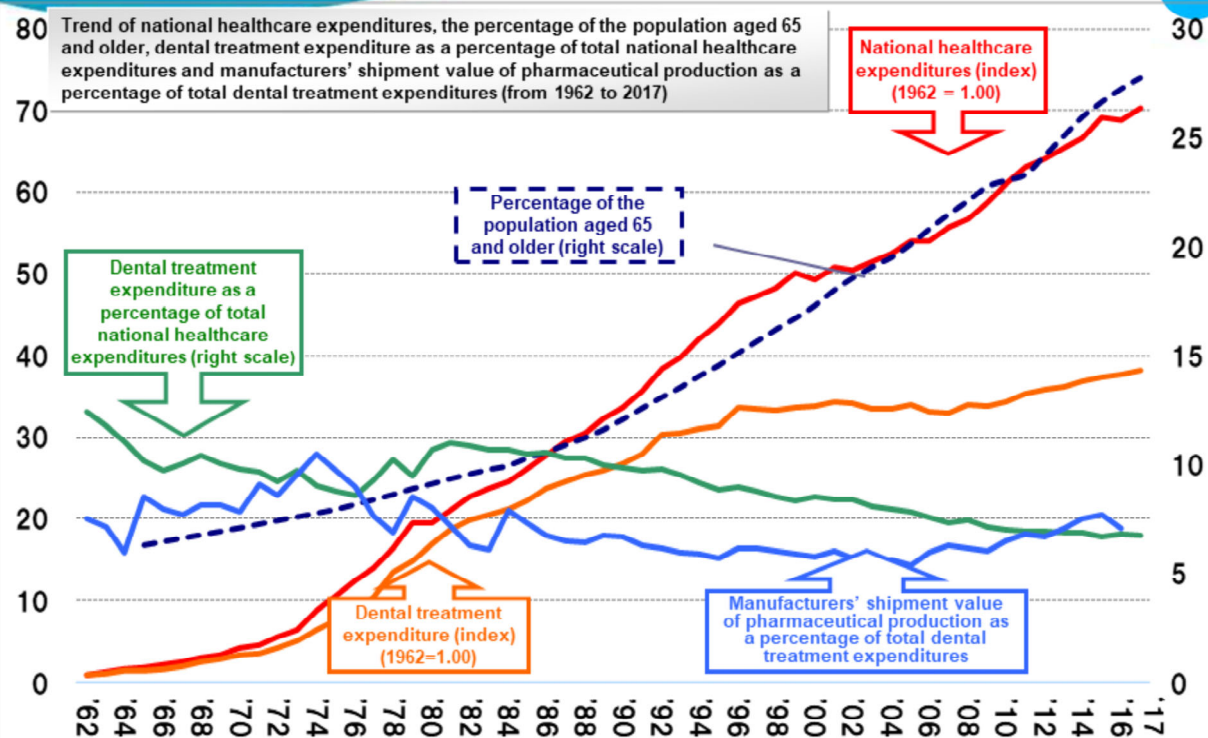
52





Healthcare Expenditures by Age Group (Component Ratio)

Reference <Dentistry Data>



SHOFU INC.

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

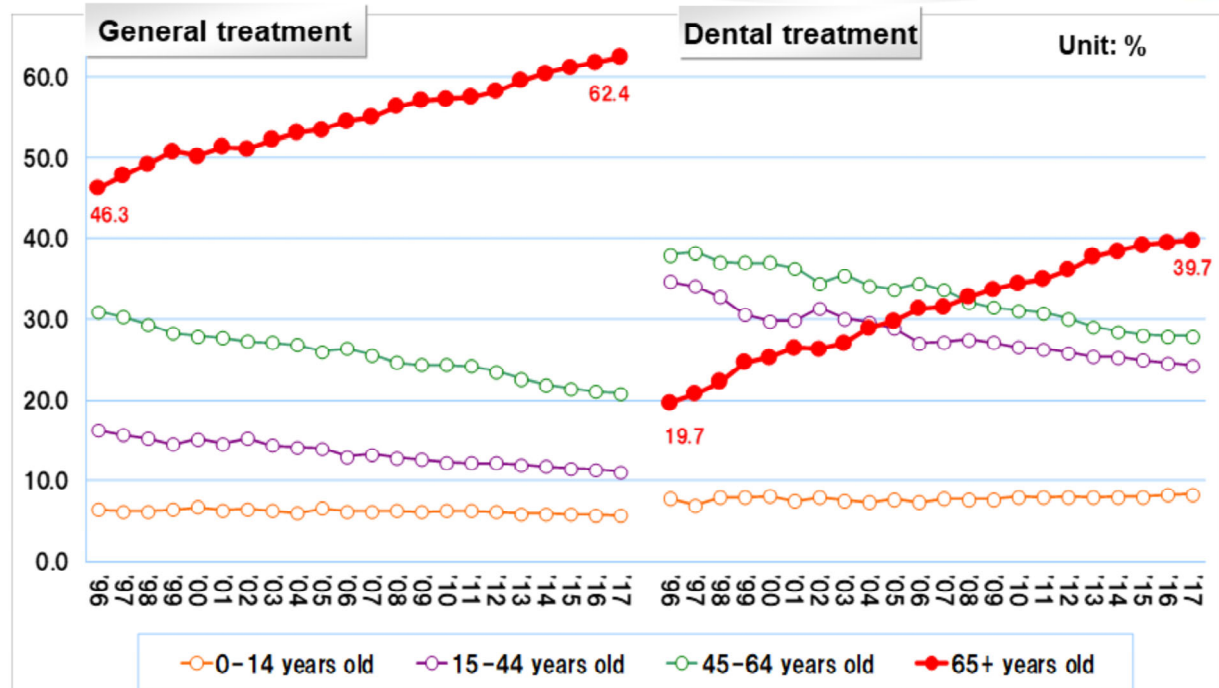
55

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.



SHOFU INC.

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

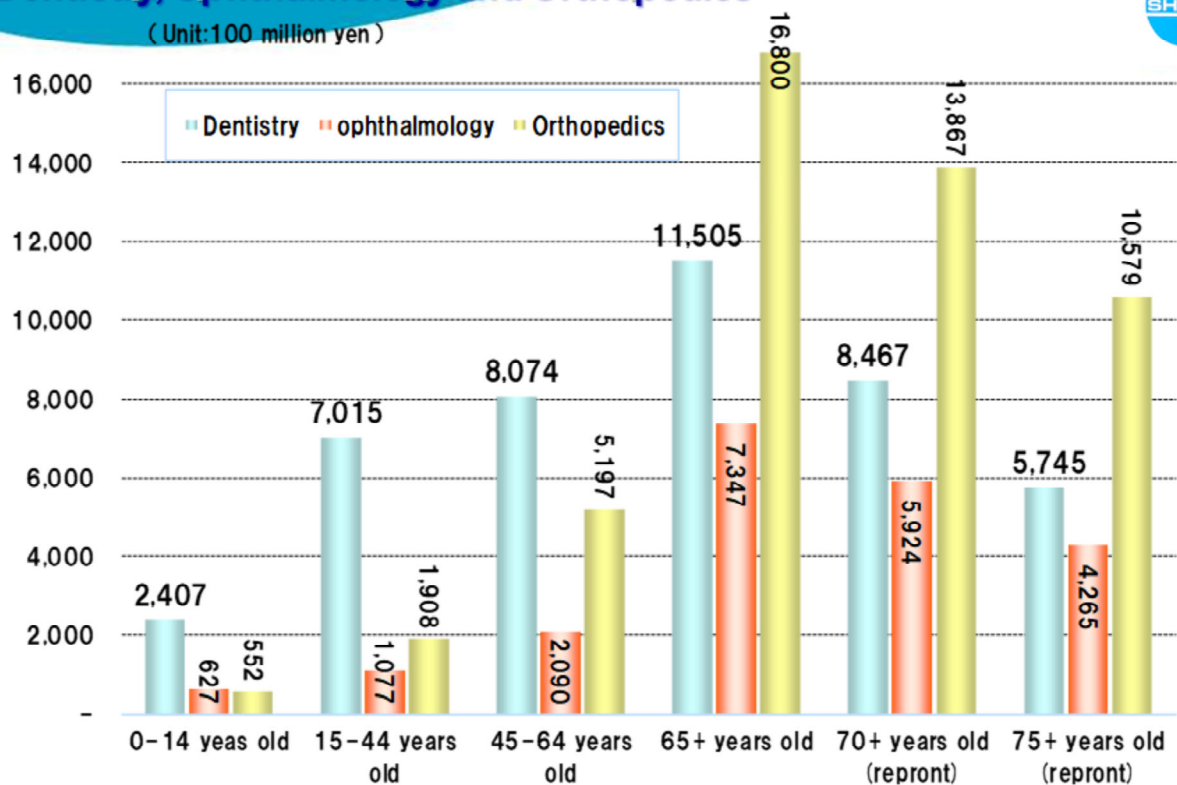
56

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

Reference <Dentistry Data>



(Unit: 100 million yen)



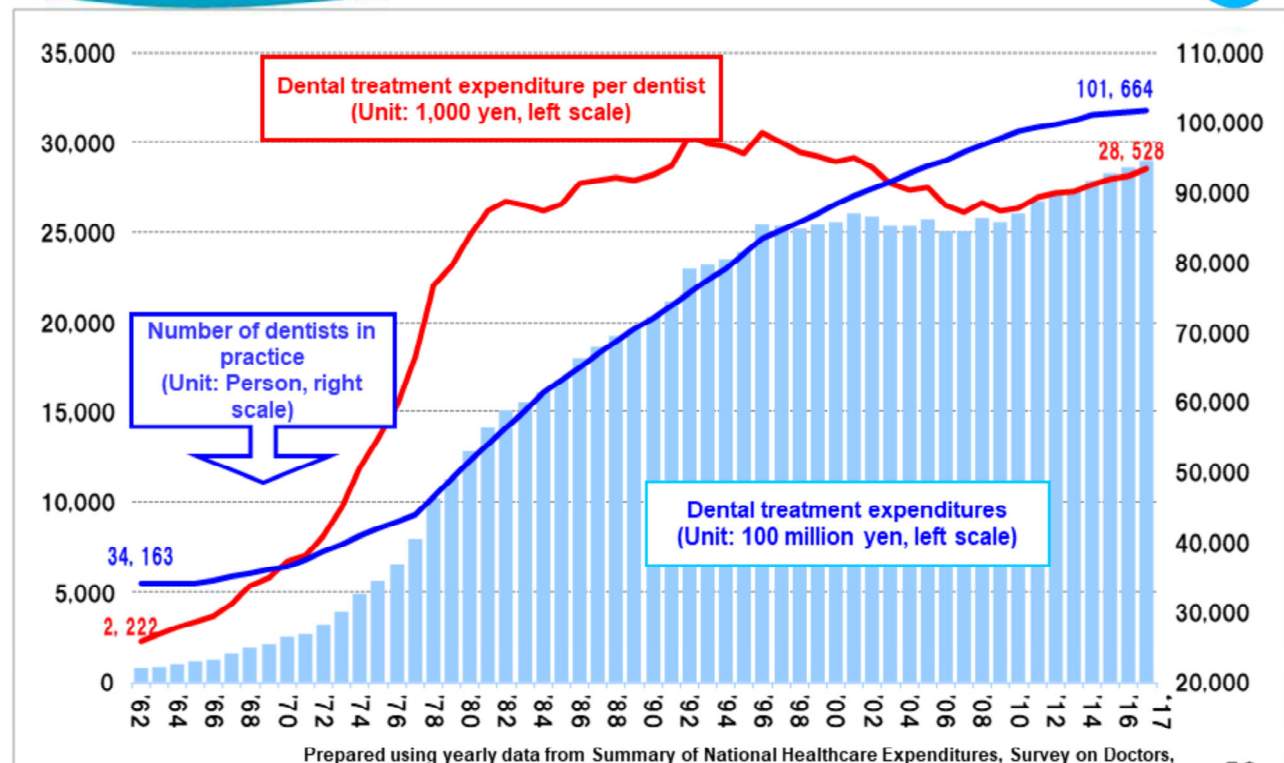
SHOFU INC.

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

57

Trend of the Number of Dentists and Dental Treatment Expenditure

Reference <Dentistry Data>



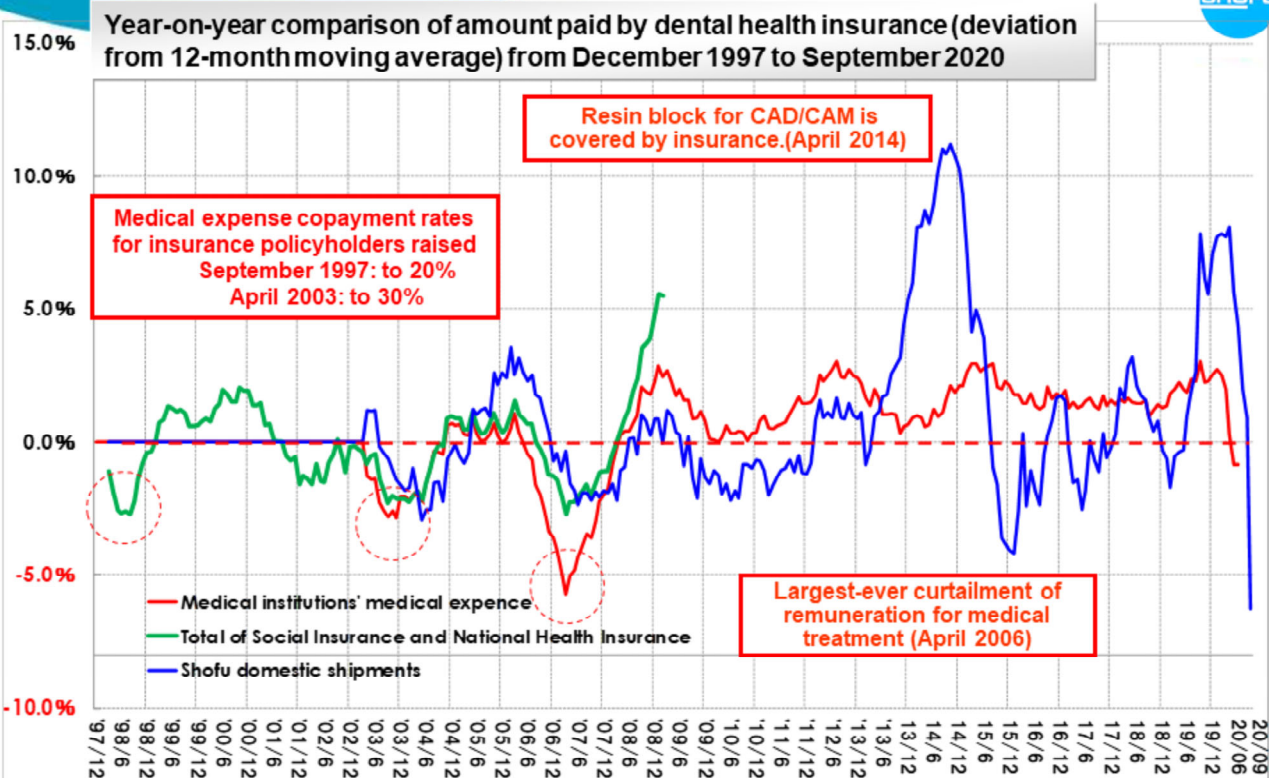
SHOFU INC.

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

58

Dental Treatment Expenditures

Reference <Dentistry Data>



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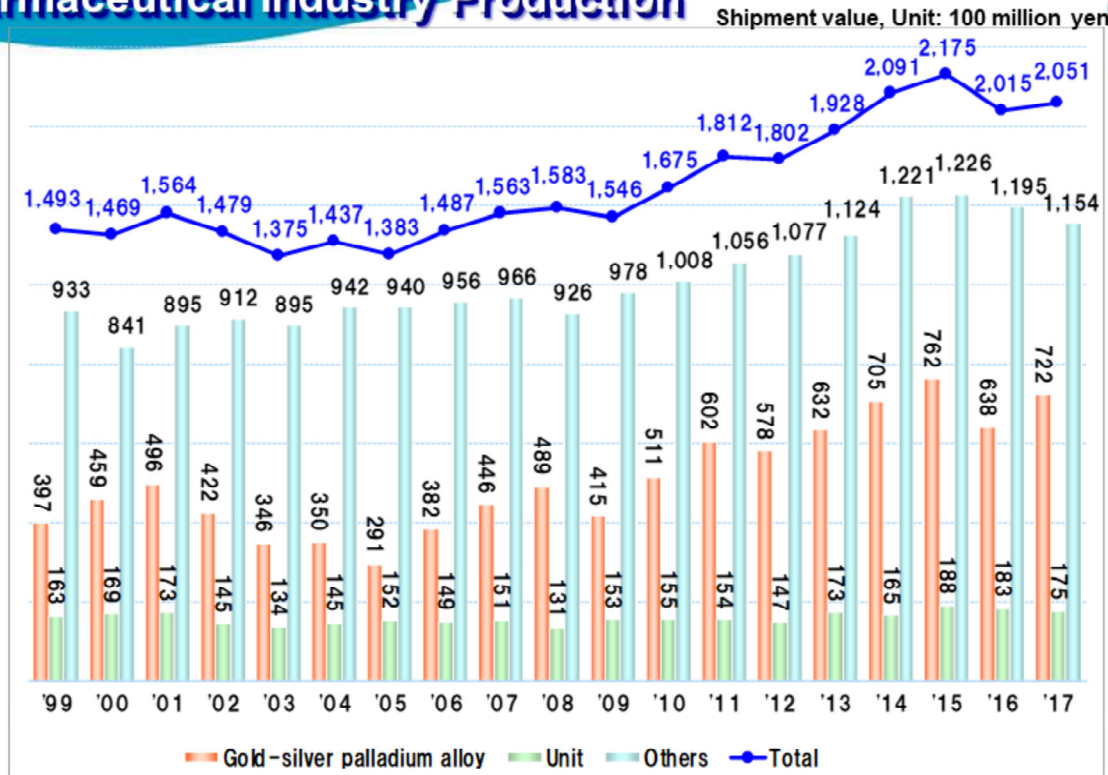
Prepared using data from the Social Insurance Medical Fee Payment Fund and from the "Trend of National Health Insurance Expenditures" issued by the All-Japan Federation of National Health Insurance Organizations

59

Trend of Shipment Value of Pharmaceutical Industry Production

Reference <Dentistry Data>

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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

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Systemic Diseases Caused by Caries and Periodontal Disease

Reference <Dentistry Data>



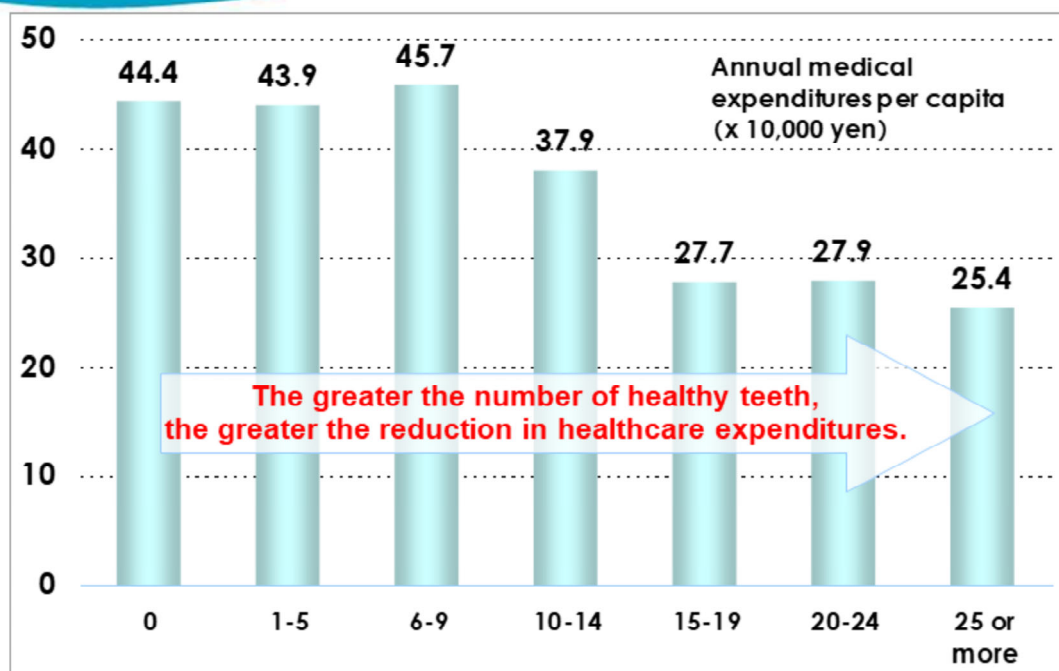
Dental and oral diseases	↔	Entire body	Septicemia, Headache, Stiff shoulders, Malfunction of internal organs, Nutrition disorder
	↔	Pregnancy-related problems	Premature birth, Delivery of low birth weight babies
	↔	Diseases of the digestive and respiratory systems	Gastritis, Gastric ulcer, Aspiration pneumonia
	↔	Diseases of the circulatory system	Endocarditis, Myocarditis, Arteriosclerosis
	↔	Skin diseases	Dermatitis
	↔	Diseases related to metabolic disorder	Diabetes

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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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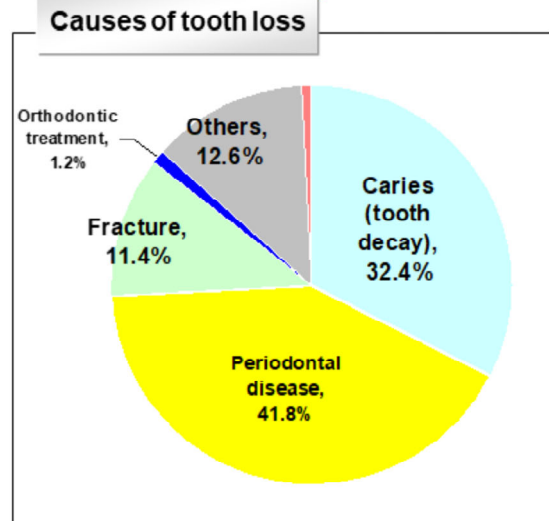
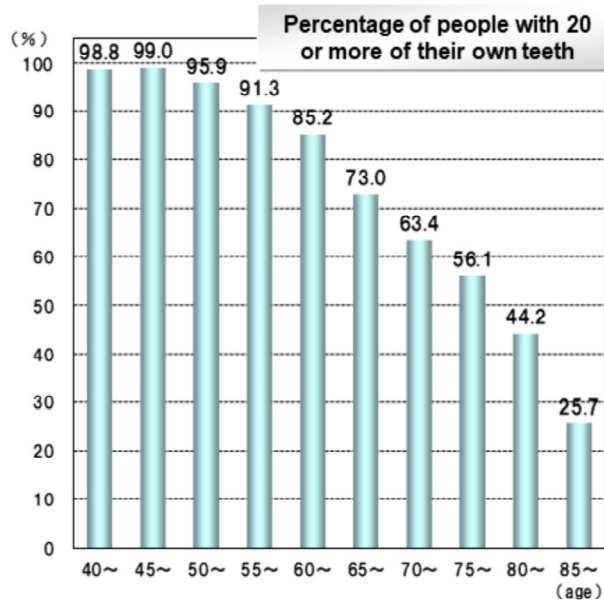
62

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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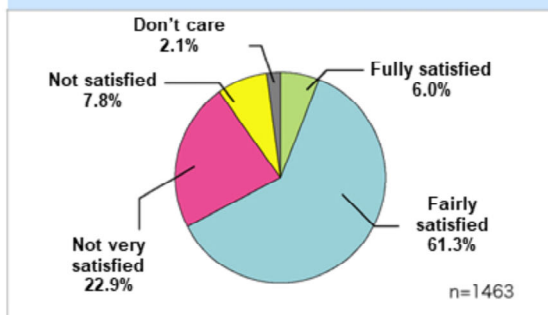
Perception of Dental and Oral Health

Reference <Dentistry Data>

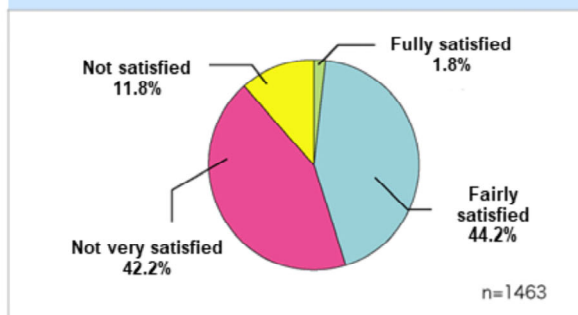
Source: Fiscal 2007's Dental Equipment Industry Vision (References)



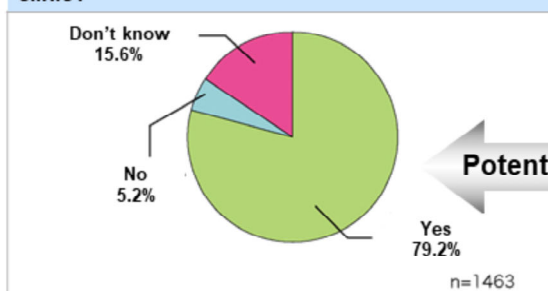
Are you satisfied with your physical health?



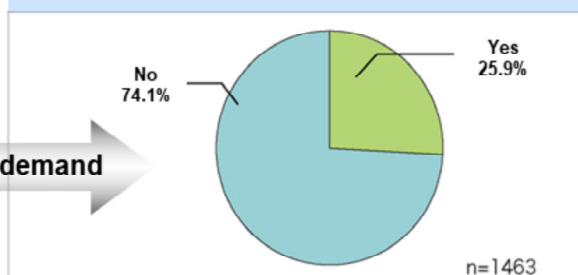
Are you satisfied with your oral health?



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



Do you actually receive regular dental care?

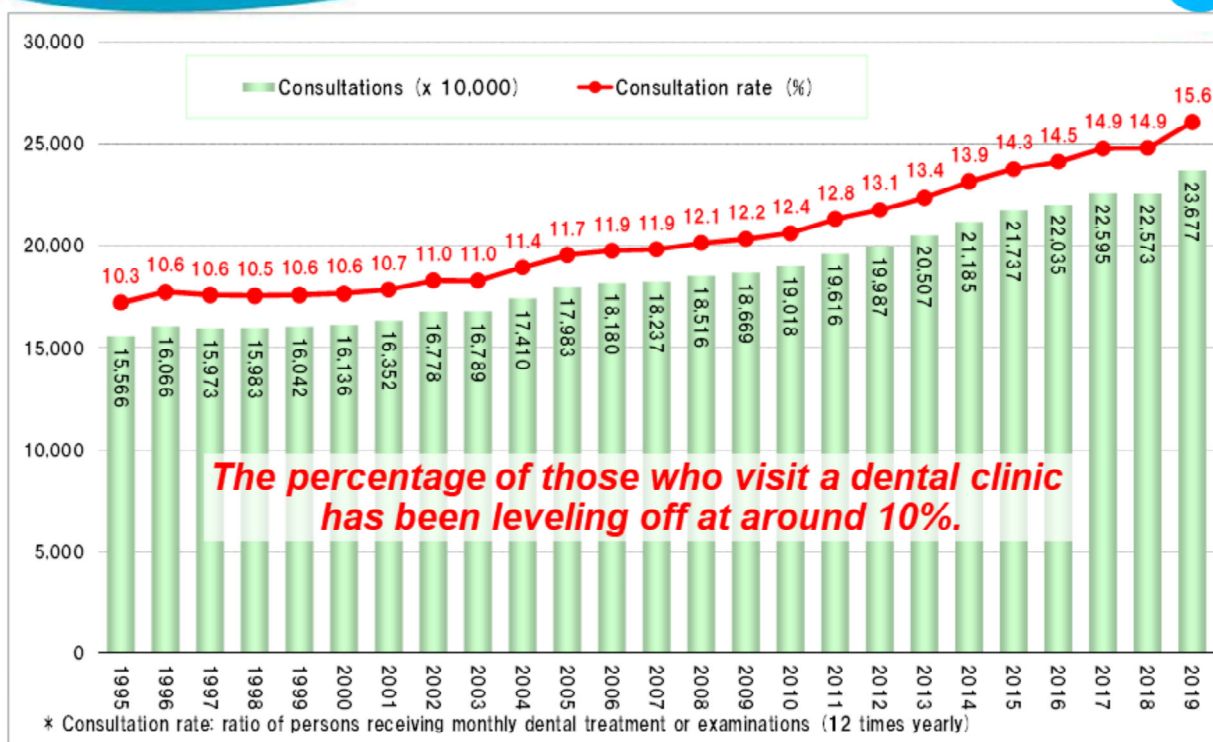


Potential demand

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Dental Clinic Consultation Rates

Reference <Dentistry Data>



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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:

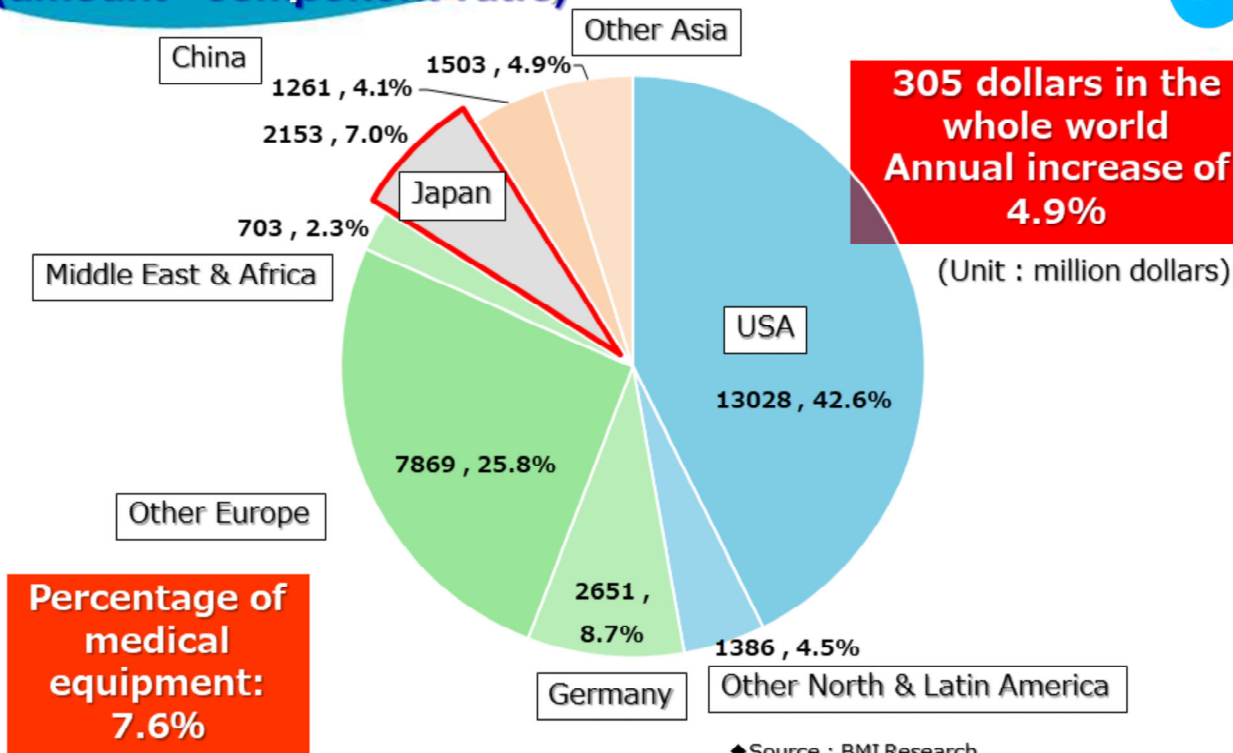
* Health and Welfare Survey in 1999 conducted by the Ministry of Health, Labour and Welfare and a survey conducted by Colgate-Palmolive Company

* 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>



◆ Source : BMI Research

「The World Medical Markets Fact Book 2019」

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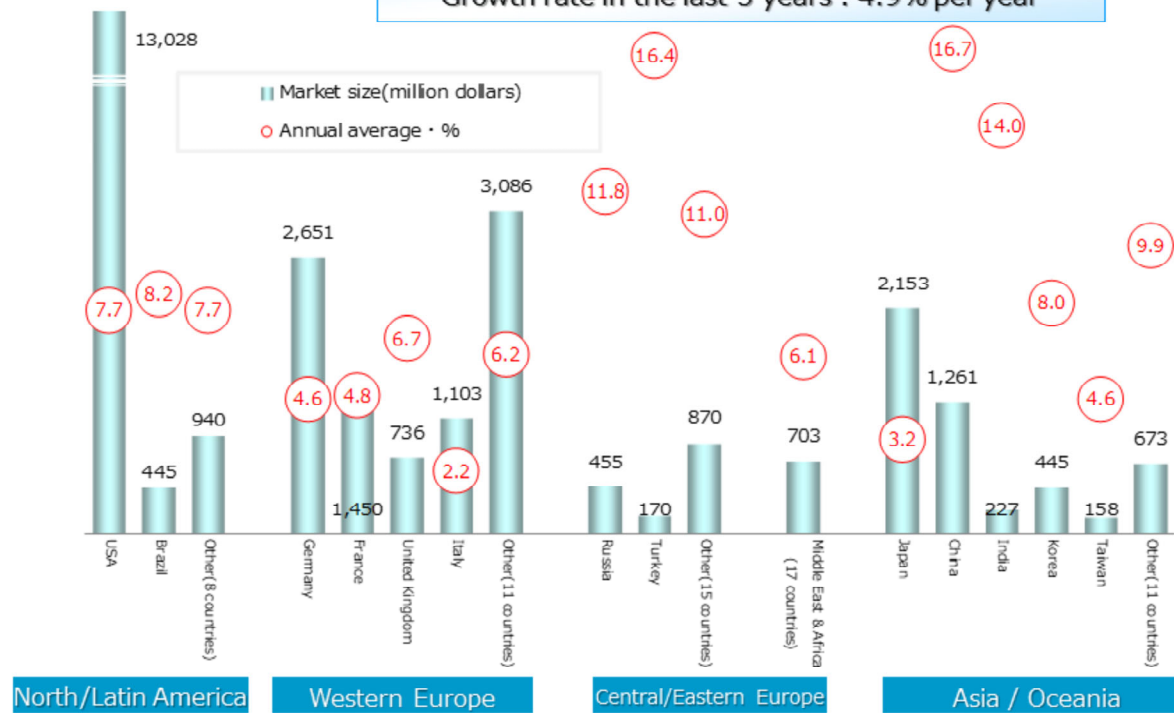
67

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」

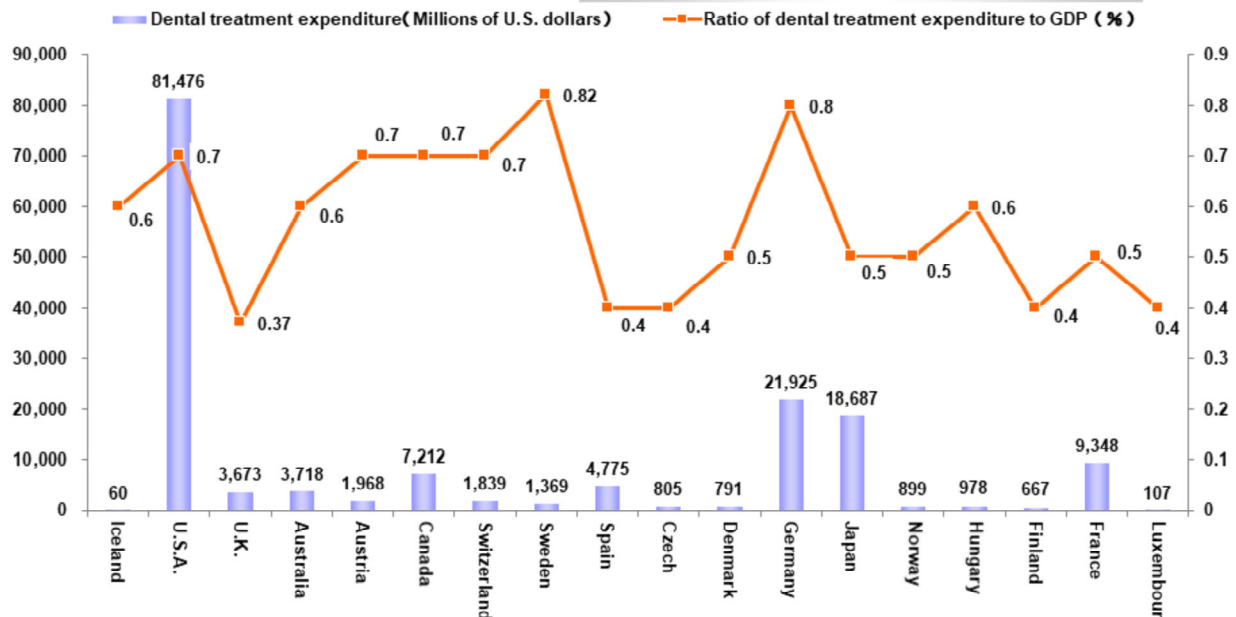
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Relation between Dental Treatment Expenditure and GDP

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 shikairyō—kokusai hikaku-karamita nihon-no shikairyō-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.

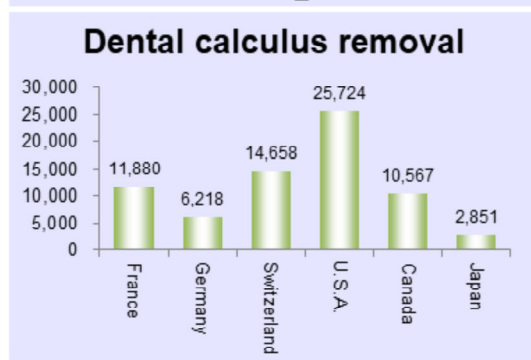
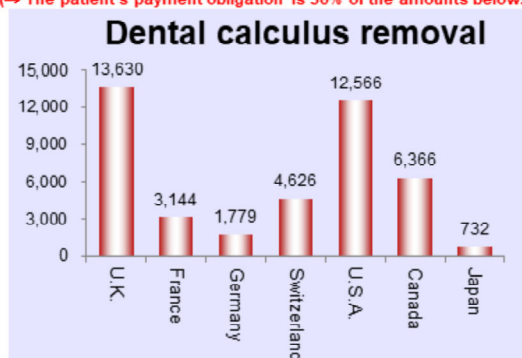
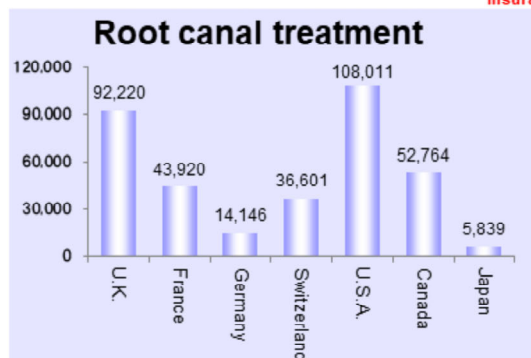
International Comparison of Dental Treatment Expenditure (Unit Price of a Treatment Session)

Reference <Dentistry Data>

Unit: yen



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



* The above chart was prepared using material from "Iryo, kaigokuyufuhi 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>

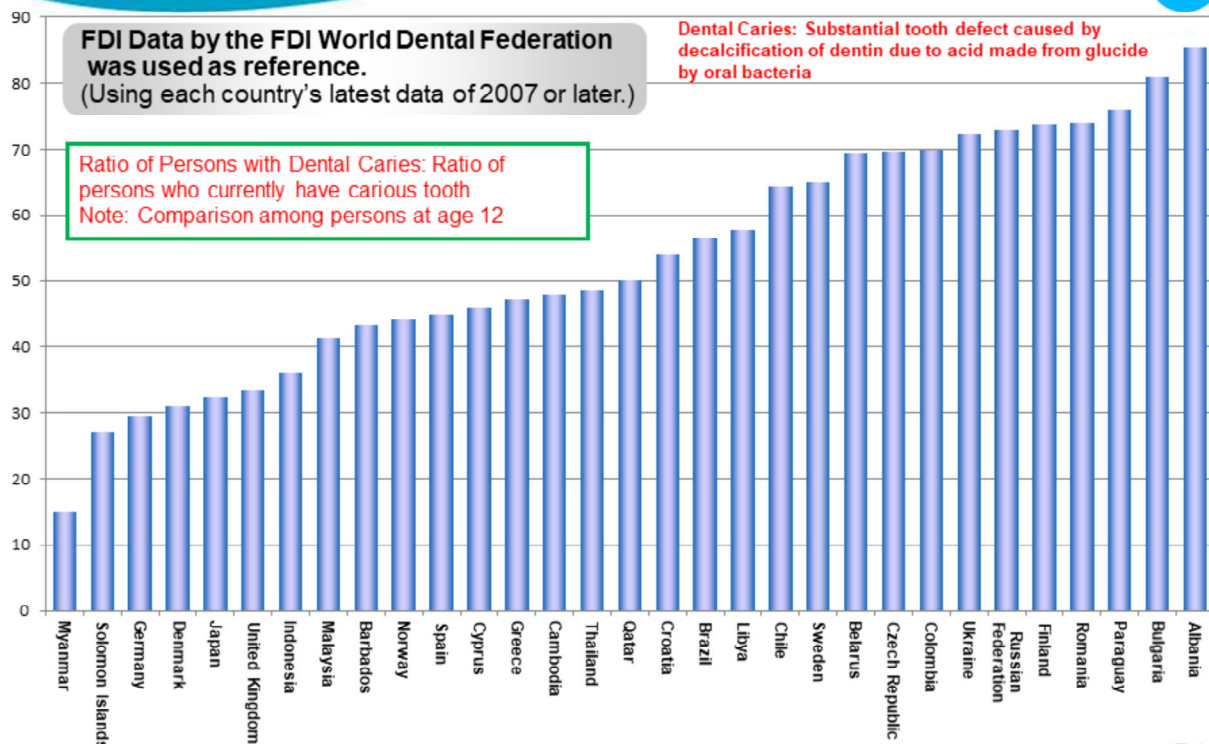
Unit: %



FDI Data by the FDI World Dental Federation was used as reference.
(Using each country's latest data of 2007 or later.)

Dental Caries: Substantial tooth defect caused by decalcification of dentin due to acid made from glucide by oral bacteria

Ratio of Persons with Dental Caries: Ratio of persons who currently have carious tooth
Note: Comparison among persons at age 12

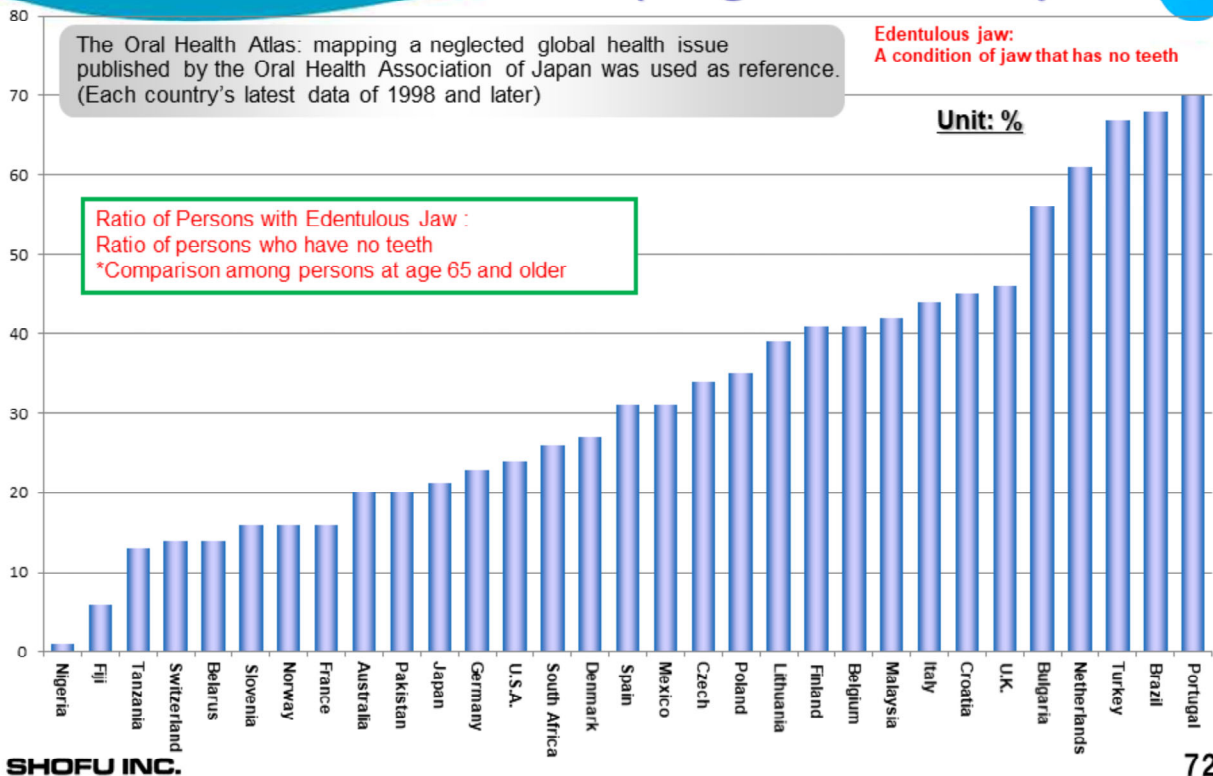


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International Comparison in the Ratio of Persons with Edentulous Jaw (at age 65 and older)

Reference <Dentistry Data>

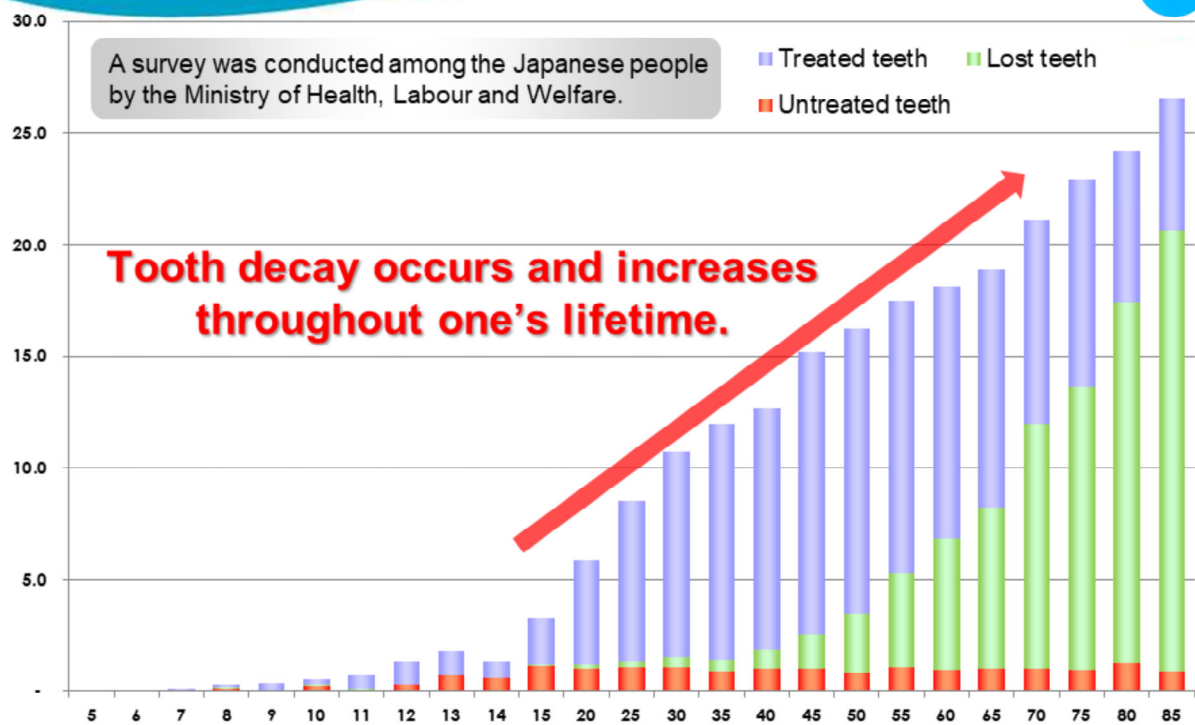


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Factual Survey of Dental Diseases

Reference <Dentistry Data>

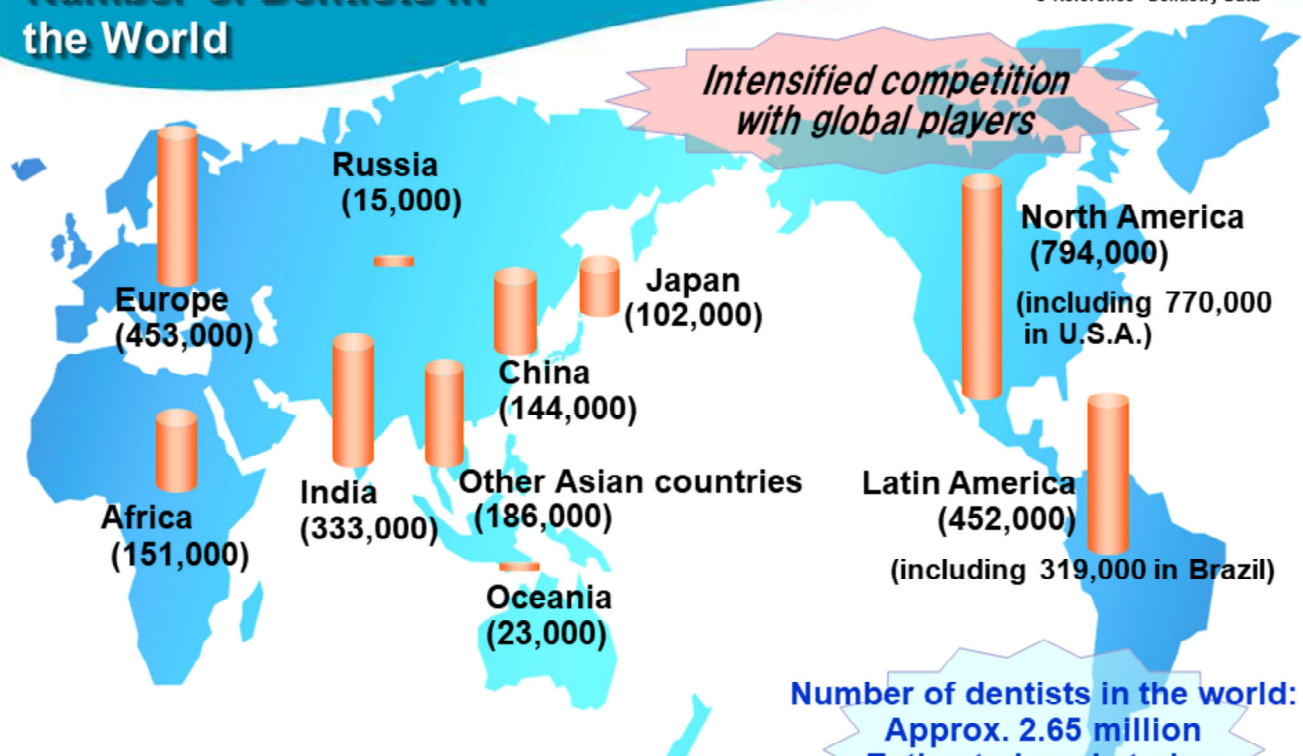


* 1. The official web site of the Hokkaido kodomo-no ha-o mamoru kai (Save the Children's Tooth Hokkaido) was used as reference
 * 2. Source: Results of the Survey of Dental Diseases in 2011 released by the Ministry of Health, Labour and Welfare

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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

Glossary (1)

Reference <Dentistry Data>



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 76)
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 76)
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 76)
SHOFU INC.	75



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 75)
Resin	Synthetic high polymer. Resins are popularly used for dental restoratives.