

Fiscal Year Ended March 2022 (150th Business Year) Financial Analyst Meeting

May 26, 2022



Tokyo Stock Exchange (Prime Market) Code Number:**7979**





噛む、笑う、生きる、を支える。

Creating Brighter Smiles for Healthier Lives

The Company celebrated its 100th anniversary on May 15, 2022.



Contents of Today's Presentation

- Summary of Consolidated Business
 Performance for Fiscal Year Ended March 31, 2022
- Forecast of Consolidated Business
 Performance for Fiscal Year Ending March 31, 2023
- Future Business Environment and Mediumand Long-term Business Strategies

Noriyuki Negoro, President and CEO

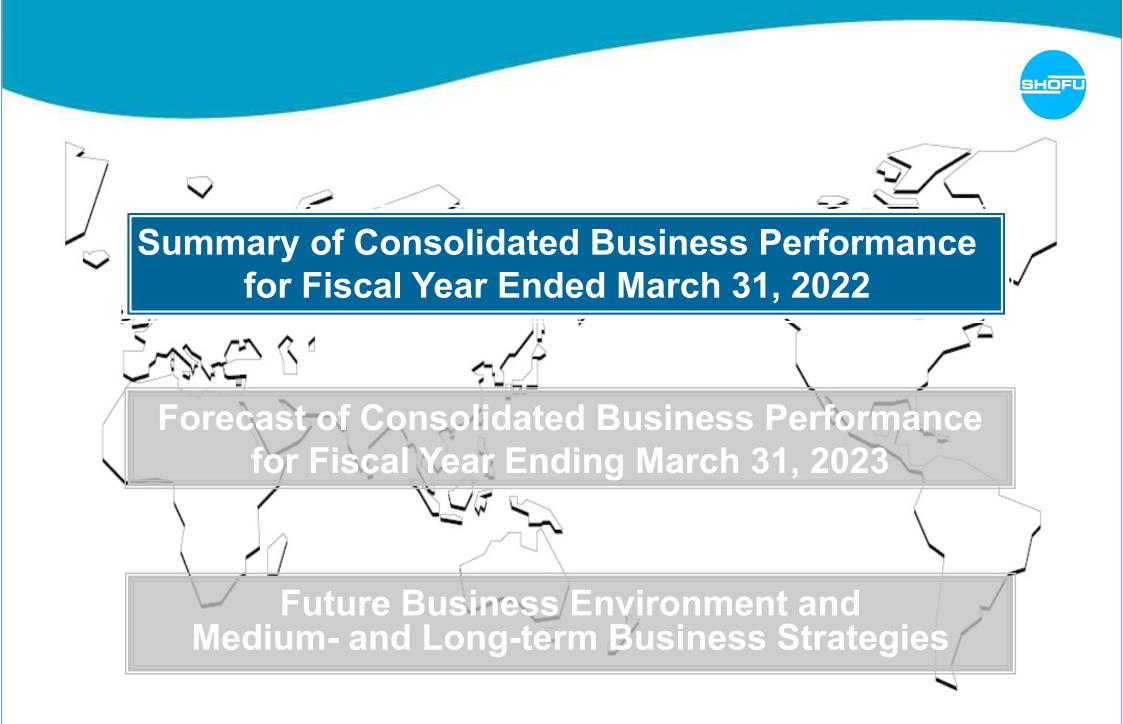
Assumptions made in briefing materials

Sales by product category

- Beginning in the fiscal year ended in March 2022, of the CAD/CAM-related products, the category for materials and products will be changed from "equipment and other" to "artificial teeth" and "chemical products."
- As a result, we have retroactively changed these categories for the fiscal years ended in March 2021.
- Changes to accounting standards
 - The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29) has been applied to the the fiscal year ended in March 2022, which resulted in 192 million yen less in sales and 160 million yen less in operating income being posted compared to the figures when the previous standards are used. The impacts on ordinary income and net income were minor.

Notations

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



Summary of Business Performance Summary of Consolidated Business Performance Siscal Year Ended March 31, 2022 (Comparison with Previous Period) Positive factors Negative factors

Net Sales totaled 28,137 million yen (an increase of 14.0%) (Record high)

Domestic net sales totaled 13,573 million yen (a decrease of 1.2%)

- In the dental business, although sales of new products launched from the previous year to the current fiscal year were strong, but sales decreased by 0.5% due to the impact of the changes to accounting standards.
- Domestic sales in our nail care business fell 8.3%, due to the impact of restrictions on activities with the reemergence of infections and as a result of the tapering of stay-at-home demand, we saw a decrease in sales of our mainstay gel nail-products.

Overseas net sales totaled 14,564 million yen (an increase of 33.1%)

- In the overseas sales in our dental business, the impact of COVID-19 have eased, enabling us to expand sales of existing products primarily in North America, Europe and China, resulting in favorable sales in various regions. Moreover, due to the positive impact of foreign exchange fluctuations, sales in the overseas dental business increased by 35.8%.
- In the nail care business, although sales in Taiwan decreased due to the rapid spread infections, online sales were favorable thanks to proactive promotional activities using social media in the US, resulting in an increase in sales by 1.8%.

SHOFU INC.

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Operating income totaled 3,217 million yen (Record high)

Operating income rose 39.8% thanks to a growth in sales and a rise in gross profit despite an increase in selling, general, and administrative expenses owing to the gradual relaxation of restrictions on sales activities.

Ordinary income totaled 3,658 million yen (Record high) and Net income totaled 2,546 million yen (Record high)

Ordinary income increased by 45.0% after increased earnings growth was experienced thanks to decrease in non-operating expenses. Net income rose 52.1%.

Summary of Business Performance for the Current Fiscal Year

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Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2022



Sales and net income increased compared to the previous period. Sales and net income increased compared to the forecasts.

Units: millions of yen, %

	Fiscal March 2021 (Results) (% of sales)	Fiscal March 2022 (Forecast) (% of sales)	Fiscal March 2022 (Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Net sales	24,680 (100.0)	27,710 (100.0)	28,137 (100.0)	3,457 (14.0)	427 (1.5)
(Domestic sales)	13,733 (55.6)	13,519 (48.8)	13,573 (48.2)	-160 (-1.2)	53 (0.4)
(Overseas sales)	10,946 (44.4)	14,191 (51.2)	14,564 (51.8)	3,618 (33.1)	373 (2.6)
Operating income	2,300 (9.3)	3,011 (10.9)	3,217 (11.4)	916 (39.8)	205 (6.8)
Ordinary income	2,523 (10.2)	3,199 (11.5)	3,658 (13.0)	1,135 (45.0)	459 (14.4)
Net income	1,674 (6.8)	2,227 (8.0)	2,546 (9.1)	872 (52.1)	319 (14.3)
Net income per share	96.29yen	125.26yen	143.22yen	46.93yen	17.96yen
Return on equity	6.2%	7.2%	8.1%	1.9P	0.9P
Foreign exchange rates					
US dollar	106.17	110.99	112.86	6.69	1.87
Euro	123.73	130.46	131.01	7.28	0.55
Pound sterling	138.68	151.54	153.94	15.26	2.40
Renminbi	15.44	16.89	17.03	1.59	0.14

*Fiscal March 2022 forecasts are based on financial result forecasts released on October 26th, 2021.
 *Diluted earnings per shares for fiscal March 2022 results is 142.33 yen.

Sales by Product Category (Comparison with Forecast)

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2022



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2021	Fiscal March 2022	Change from previous period			bd
	(Results)	(Results)			Domestic	Overseas
Artificial teeth	4,260	5,229	969	(22.8)	53	915
Abrasives	3,801	4,540	739	(19.4)	39	699
Metal products	209	215	5	(2.6)	9	-3
Chemical products	5,904	7,529	1,624	(27.5)	51	1,573
Cements and others	1,990	2,373	383	(19.3)	14	369
Equipment and others	6,169	5,988	-180	(-2.9)	-229	48
Dental business total	22,334	25,876	3,541	(15.9)	-61	3,602
Nail care business	2,268	2,168	-100	(-4.4)	-116	15
Other	76	92	16	(21.9)	16	-
Total	24,680	28,137	3,457	(14.0)	-160	3,618

*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 +962 million yen.

(Dental business +895 million yen, Nail care business +67 million yen)

Impact of the spread of the COVID-19 SHOF **Quarterly sales from the fiscal year ended March 2021 to March 2022.** "Percent change from the fiscal year ended March 2020." **Domestic Overseas Domestic and Overseas Total** 30.1 27.6 24.0 25.1 16.6 15.6 9.7 9.5 7.9 6.5 5.7 3.5 2.3 -0.9 -2.0 -48 -8.9 -9.6 -18.9-24.5Domestic net sales included the effects of the consumption tax hike in October 2019 and a change in accounting standards for fiscal year ended -42.0 March, 2022 (Application for the Accounting Standard for Revenue Recognition). Fiscal Fiscal March.2021 Fiscal March.2021 (10) Fiscal March.2022 Fiscal March.2021 (3Q) Fiscal March.2022 (4Q) (2Q) (2Q) (3Q) (2Q) (3Q) (4Q) (2Q) (2Q) (3Q) (**4**Q) (2Q) (3Q) (3Q) (4Q) (4Q) (4Q) March.2022 (10)(10)(10 (10 (10 SHOFU INC.

Summary of Consolidated Business Performance for

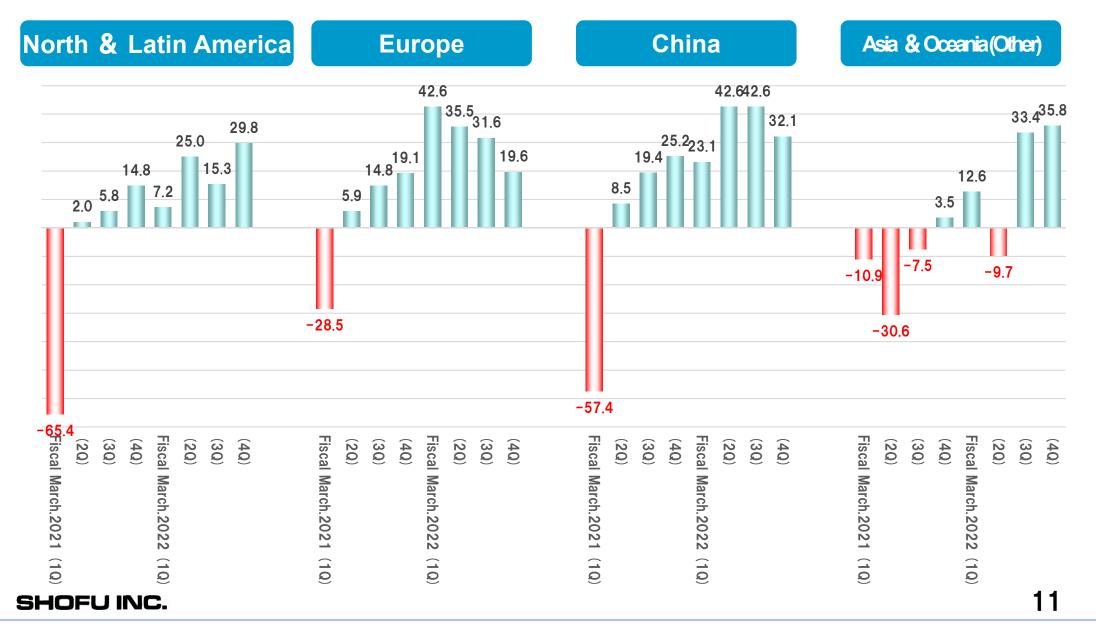
Fiscal Year Ended March 31, 2022

Impact of the spread of the COVID-19

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2022

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Quarterly sales from the fiscal year ended March 2021 to March 2022. "Percent change from the fiscal year ended March 2020."



Domestic Sales

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2022



Dental business-year on year decrease of 61 million yen(-0.5%)

New chemical products and CAD-CAM related products launched from the previous to the current fiscal year contributed to sales, but sales ended up falling due to the impact of changes in accounting standards.

Positive factors **Negative** factors

- Nail care business year on year decrease of 116 million yen (-8.3%)
 - Due to the impact of restrictions on activities with the reemergence of infections and as a result of the tapering of stay-at-home demand, we saw a decrease in sales of our mainstay gel nailrelated products, resulting in a decrease in sales.
- Other business—year on year increase of 16 million yen(+21.9%)
- Principal new products launched during recent fiscal year (dental business)
 - Dentine bonding product for dental use **BeautiBond Xtreme** (Chemical products)
 - Resin material for dental cutting processing **SHOFU BLOCK HC HARD II** (Chemical Products) **SHOFU BLOCK HC HARD AN (Chemical Products)**
 - Dental multi-purpose ultrasonic therapy machine **MERSSAGE E-PICK** (Equipment and others)

Unit: Millions of yen; figures in parentheses represent the percentage of the total 13,733 13,573					
76	(0.6)	92	(0.7)		
1,393	(10.1)	1,276	(9.4)		
12,264	(89.3)	12,203	(89.9)		



Overseas Sales

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2022



Positive factors Negative factors



Europe:

Year on year increase of 1,218 million yen (+28.8%)

Chemical products, artificial teeth and cement products contributed to sales. Local currency basis: Year-on-year increase 894 million yen(+21.1%)

Asia and Oceania:

Year on year increase of 1,469 million yen (+34.9%)

Sales of all product lines were strong, primarily for chemical products, artificial teeth and cement products. Local currency basis: Year-on-year increase 1,034 million yen(+24.6%).

(China): Year on year increase of 872 million yen (+36.3%) (Elsewhere in Asia) Year on year increase of 596 million yen (+33.1%)

(Dental business) Overseas sales ratio of 52.8%: 45.1% for the same previous fiscal year; 51.3% after adjustment for fluctuations of foreign currency exchange rates)

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

	14,564	13,602	
		10,002	
10,946	5,677	5.0.40	
4 209	(39.0)	5,243 (38.6)	Asia and Oceania
4,208 (38.4)			
4,237	5,455 (37.4)	5,131 (37.7)	Europe
(38.7)		(01.1)	
2,500	3,431 (23.6)	3,227 (23.7)	North and Latin America
	Fiscal March	Fiscal March	
2021 Results	2022 Results	2022 Results after adjustment for foreign currency translation *	

*The results of the quarter under review after adjustment for fluctuations of foreign currency exchange rates have SHOFU INC. been calculated based on the same exchange rates used for the results of the fiscal year ended March 2021.

Performance by Segment (Sales and Operating Income)

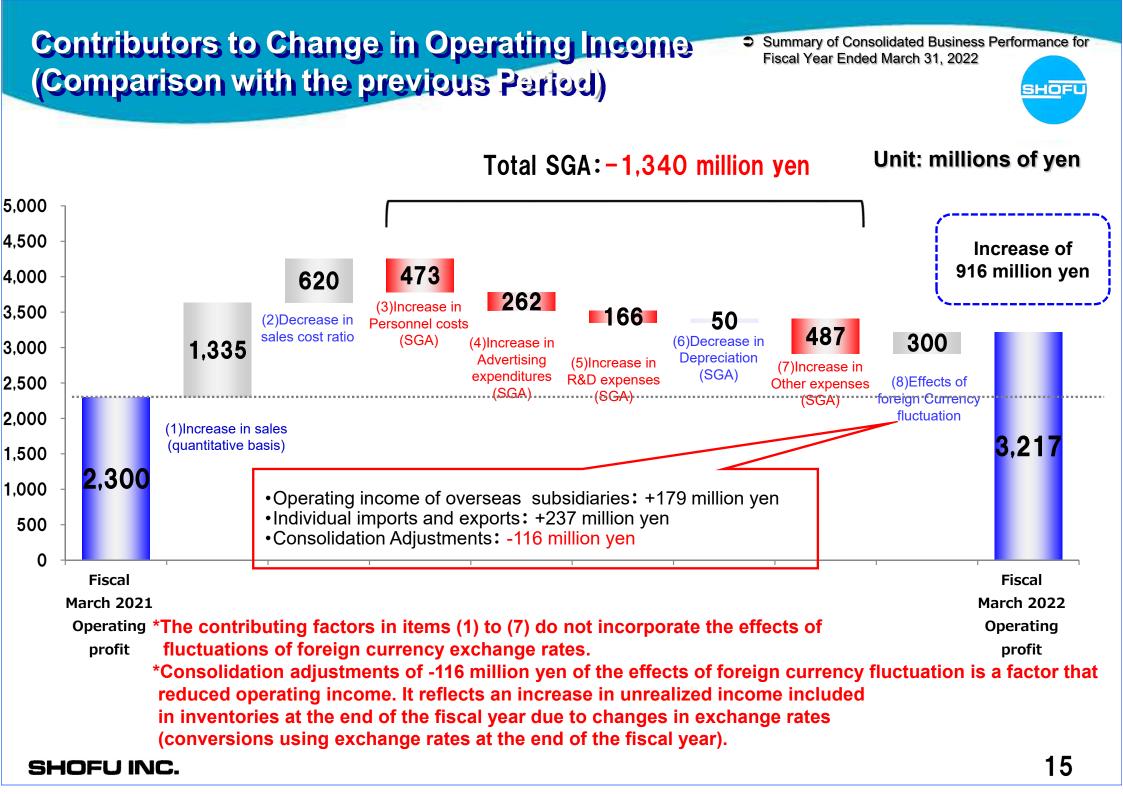
Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2022

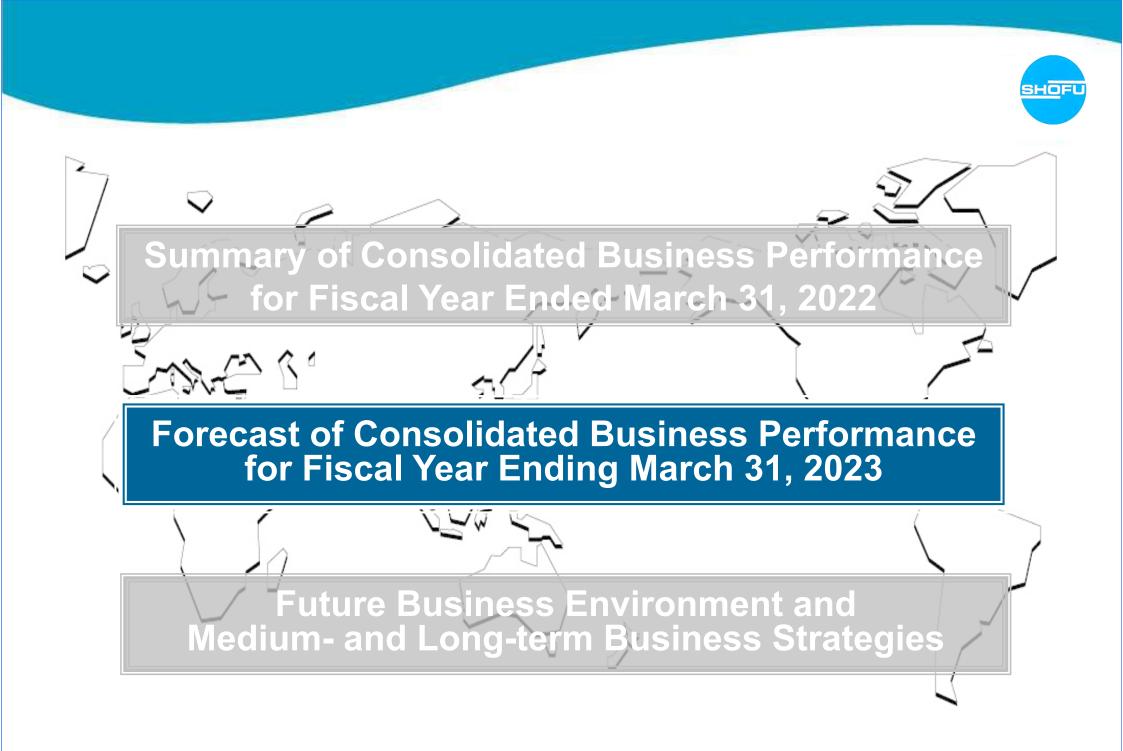


Unit: millions of yen. Figures in parentheses represent percentage of sales and percentage changes (unit: %)

		Fiscal March 2021	Fiscal March 2022	Fiscal March 2022		
		(Results) Amount (% of sales)	(Forecast) Amount (% of sales)	(Results) Amount (% of sales)	Change from Previous Period	Change from Forecast
Dental	Net Sales	22,334	25,447	25,876	3,541	429
	Operating expense	20,243	_	22,811	2,567	_
	Operating income	2,091	—	3,065	974	_
	(operating income margin)	(9.4)		(11.8)		
Nail care	Net Sales	2,268	2,171	2,168	-100	-3
	Operating expense	2,067	—	2,036	-31	_
	Operating income	201	—	131	-69	_
	(operating income margin)	(8.9)		(6.1)		
Other	Net Sales	81	91	99	17	7
	Operating expense	79	-	85	5	_
	Operating income	2	—	14	11	_
	(operating income margin)	(2.6)		(14.2)		
Total before	Net Sales	24,685	27,710	28,144	3,458	433
consolidation	Operating expense	22,390	—	24,932	2,542	_
	Operating income	2,294	—	3,211	916	_
adjustment	(operating income margin)	(9.3)		(11.4)		
Consolidated	Net Sales	24,680	27,710	28,137	3,457	427
	Operating expense	22,379	24,699	24,920	2,541	221
	Operating income	2,300	3,011	3,217	916	205
	(operating income margin)	(9.3)	(10.9)	(11.4)		

SHOFU INC. *Fiscal March, 2022 forecasts are based on financial result forecasts released on October 26th, 2021.14





Overview of the Next Fiscal Year

P/L

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023

SHOP

Positive factors Negative factors

Net sales will total 29,314 million yen (an increase of 4.2%) (Record high)

Domestic net sales will total 14,182 million yen (an increase of 4.5%)

- In the dental business, we will pursue targeted sales activities focused on CAD/CAM products, which are expected to attract demand, and key areas. Also, we put efforts into activities providing information to dental and medical professionals, and devise a new marketing style with online seminars and other events. As a result, we expect sales to increase by 2.7% (+325 million yen).
- In our nail care business, sales are expected to increase by 21.4%(+272 million yen) due to deepen and enhance our brand power by strengthening the online sales and by our aggressive promotional activities.

Overseas net sales will total 15,132 million yen (an increase of 3.9%)

- In the dental business, we expect sales to increase by 3.9% (+529 million yen) due to the sales expansion in America and China, which have strong sales network, and to the positive impact of foreign exchange fluctuations.
- In our nail care business, sales are expected to increase by 4.3% (+38 million yen) due to the steady sales in Taiwan, where demand is expected to recover from a decline amid the COVID-19 pandemic and in the United States, where promotions using the social media have been successful. SHOFU INC

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Overview of the Next Fiscal Year

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023

SHOP

Positive factors Negative factors

P/L

Operating income will total 2,732 million yen.

Although sales and gross profit will increase, SG & A will increase due to a rise in expenses for sales as restrictions on sales activities amid the pandemic are gradually eased and active investments in growth. As a result, we expect the operating income to decrease by 15.1%.

Ordinary income will total 2,850 million yen. Net income will total 1,975 million yen.

Ordinary income will decrease by 22.1% and net income after deducting tax expenses will fell by 22.4%.

Comparison of Major Statistics



Net sales increased and net income decreased compared to fiscal March 2022

Unit: millions of yen

	Fiscal March 2022 Business Performance (% of sales)	Fiscal March 2023 Forecast (% of sales)	Change From Previous Period (% change)
Net sales	28,137 (100.0)	29,314 (100.0)	1,176 (4.2)
(Domestic sales)	13,573 (48.2)	14,182 (48.4)	608 (4.5)
(Overseas sales)	14,564 (51.8)	15,132 (51.6)	567 (3.9)
Operating income	3,217 (11.4)	2,732 (9.3)	-484 (-15.1)
Ordinary income	3,658 (13.0)	2,850 (9.7)	-808 (-22.1)
Net income	2,546 (9.1)	1,975 (6.7)	-570 (-22.4)
Net income per share	143.22yen	111.06yen	-32.16yen
Return on shareholders' equity	8.1%	5.9%	-2.2P
Foreign exchange rates			
US dollar	112.86	115.00	2.14
Euro	131.01	130.00	-1.01
Pound sterling	153.94	155.00	1.06
Renminbi	17.03	18.00	0.97

Sales by Product Category

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023



Unit: millions of yen-

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2022	Fiscal March 2023	Change from previous period			bd
	(Results)	(Forecast)			Domestic	Overseas
Artificial teeth	5,229	5,523	293	(5.6)	57	236
Abrasives	4,540	4,726	185	(4.1)	15	170
Metal products	215	210	-4	(-2.1)	-4	0
Chemical products	7,529	8,119	589	(7.8)	357	232
Cements and others	2,373	2,443	69	(2.9)	28	40
Equipment and others	5,988	5,708	-280	(-4.7)	-129	-150
Dental business total	25,876	26,730	854	(3.3)	325	529
Nail care business	2,168	2,479	311	(14.3)	272	38
Other	92	104	11	(12.1)	11	-
Total	28,137	29,314	1,176	(4.2)	608	567

 Overseas sales increased by 233 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi, Indian Rupee, Brazilian Real and New Taiwan dollar). (Dental business +233 million yen, Nail care business -0 million yen)

Domestic Net Sales

Dental business

r increase of 325 million yen(+2.7%)

 We will carry out sales activities focused on CAD/CAM related products which are prospective demand and will also develop information activities aimed at dental professionals to use online.

Ail care business

- Year on year increase of 272 million yen(+21.4%)

We will enhance the brand power of our products and deepen their market penetration by renovating our shop in Harajuku to make it an experience facility and by strengthening collaboration with wellknown manicurists, in addition to promote online sales with changes of the website.

Other businesses

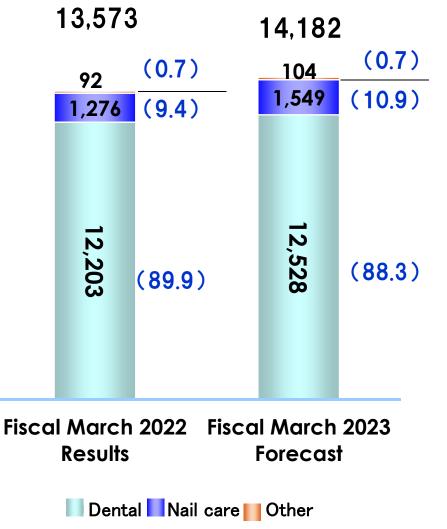
SHOFU INC.

- Year-on-year increase of 11 million yen (+12.1%)
- Principal new products
 - <u>Dentine bonding material for dental</u> BeautiBond Xtreme (Chemical products)
 - <u>Resin material for dental cutting processing</u> (Chemical products)
 SHOFU BLOCK HC HARD II
 SHOFU BLOCK HC HARD AN
 - <u>Dental multi-purpose ultrasonic therapy machine</u> MERSSAGE E-PICK (Equipment and others)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023



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



Overseas Net Sales

Summary

- We assume that the impact of COVID-19 will not worsen beyond current levels, and that conditions will recover to pre-pandemic levels in all regions, with a 3.9% increase in sales overall.
- Growth rates by region

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

North and Latin America	+9.2 %	(+ 7.4%)
Europe	- 3.5 %	(- 2.9%)
China	+14.5 <mark>%</mark>	(+ 8.4%)
Asia (Other)	- 1.4%	(- 1.5%)

- ♦ Foreign exchange rates
 - USD1=JPY115.00 (JPY112.86 in the previous fiscal year) (Effect: +80 million yen)
 - EUR1=JPY130.00

(JPY131.01 in the previous fiscal year) (Effect: -37 million yen)

RMB1=JPY18.00

(JPY17.03 in the previous fiscal year) (Effect: +200 million yen)

- ♦ (Dental business) Overseas sales ratio 53.1%
 - 52.8% in the previous fiscal year

52.7% after foreign currency translation adjustment

* The fiscal March 2023 forecast after adjustment for foreign currency translation has been **SHOFU INC.** calculated based on the same foreign exchange rates used for the fiscal March 2022 results.

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023

represent component ratio (%)

Unit: millions of yen; figures in parentheses





Performance by Segment (Net Sales and Operating Income)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023



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

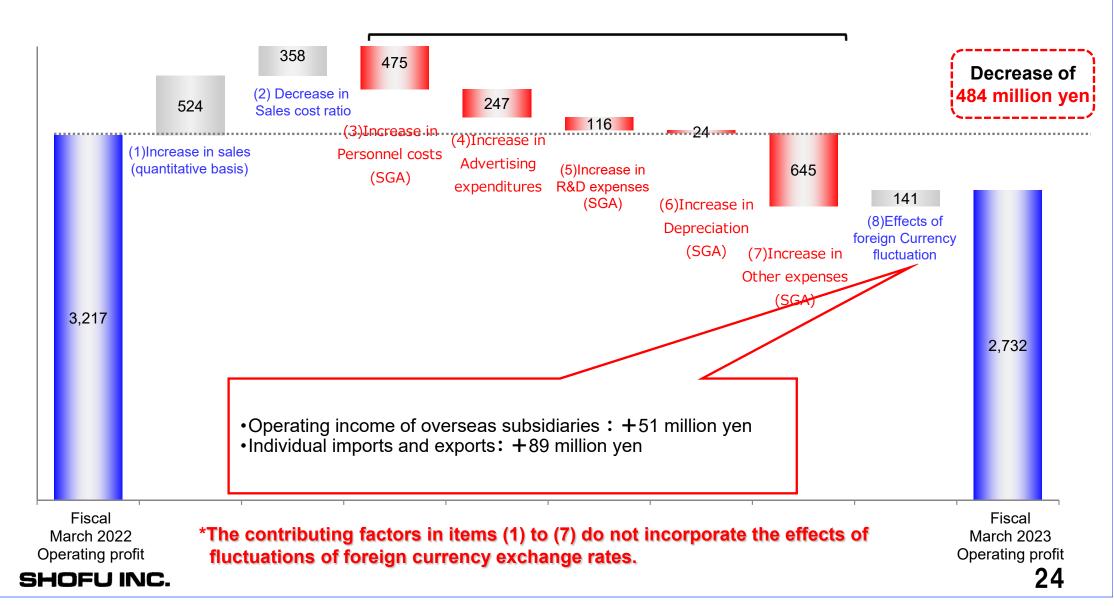
		Fiscal March 2022 (Results) Amount (% of sales)	Fiscal March 2023 (Forecast) Amount (% of sales)	Change from Previous Period
Dental	Net Sales	25,876	26,730	854
	Operating expenses	22,811	24,131	1,320
	Operating income (operating income margin)	3,065 (11.8)	2, 598 (9.7)	-466
Nail care	Net Sales	2,168	2,479	311
	Operating expenses	2,036	2,353	317
	Operating income (operating income margin)	131	, 125 (5.1)	-6
Other	Net Sales	99	104	5
	Operating expenses	85	96	11
	Operating income (operating income margin)	14 (14.2)	, 7 (7.5)	-6
Total before	Net Sales	28,144	29,314	1,170
consolidation	Operating expenses	24,932	26,582	1,649
adjustment	Operating income (operating income margin)	3,211 (11.4)	2,732 (9.3)	-478
Consolidated	Net Sales	28,137	29,314	1,176
	Operating expenses	24,920	26,582	1,661
	Operating income	3,217	2,732	-484
	(operating income margin)	(11.4)	(9.3)	

Contributors to Change in Operating Income

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023







Impact of Foreign Exchange Fluctuations

Forecast for Fiscal March 2023

(Unit: millions of yen)

SHOF

	Foreign exchange rate		Impact on consolidated business performance		Per yen of y	ven strength
	Fiscal March 2022 actual	Fiscal March 2023 estimate	Sales	Operating income	Sales	Operating income
US Dollar	112.86	115.00	80	49	-37	-16
Euro	131.01	130.00	-37	-8	-37	-8
GBP	153.94	155.00	4	0	-3	0
RMB	17.03	18.00	200	97	-207	-118

SHOFU INC.

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023



Business Environment Awareness

Future Business Environment and Mediumand 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

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

Future Business Environment and Mediumand Long-term Business Strategies



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

Company-wide Compa

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.

Fiscal 2021 to 2023 Medium-term Future Business Environment and Mediumand Long-term Business Strategies Management Plan: Company-wide targets

We have revised up our numerical targets based on the recovery of demands from the COVID-19 and the progress of our efforts.

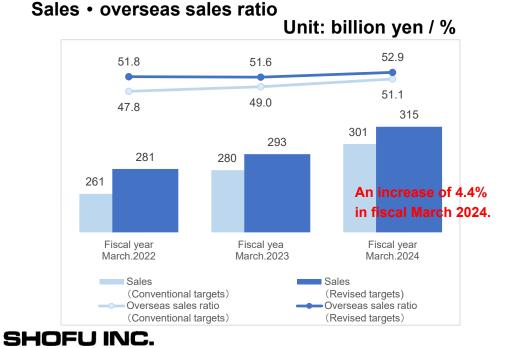
Company-wide targets in the fiscal year ending March 2024

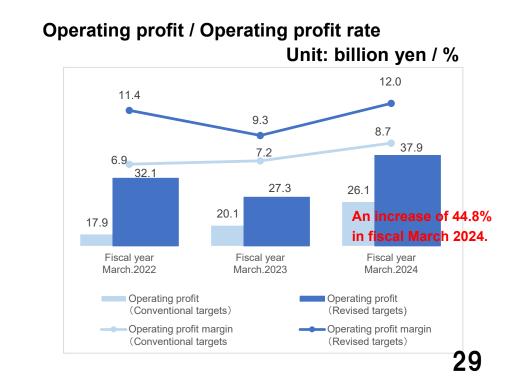
Group net sales 31.5 billion yen

< Domestic sales:14.8 million yen / Overseas sales 16.6 million yen / Overseas sales ratio:52.9 %>

Group operating income 3.79 billion yen <Operating income rate:12.0%>

> ROE 8.0%





Fiscal 2021 to 2023 Medium-term Management Plan: Priority issues

Future Business Environment and Mediumand Long-term Business Strategies



Key issues to achieve goals

R & D	Development and introduction of new products that match the local demands	
Production	Relocation of production sites and expansion of offshore production	•Business tie-up with
Sales	Improvement of our sales network/Realignment of sales offices Establishment of domestic and international academic networks	Mitsui Chemicals and Sun Medical •Promotion of M&As •Establishment of the group governance
HR	Development of human resources and securing of skilled employees to actively promote overseas operation	system
Finance	Capital procurement in response to increasing investment demands	

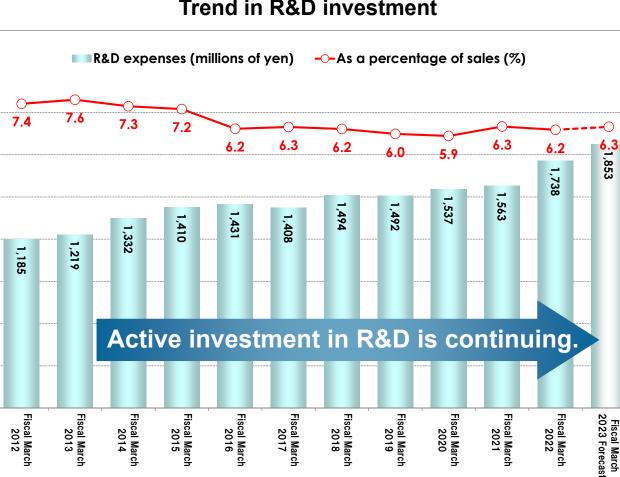
Specific Efforts – R&D

Future Business Environment and Mediumand Long-term Business Strategies



Order 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** \square with the goal of creating markets in new fields

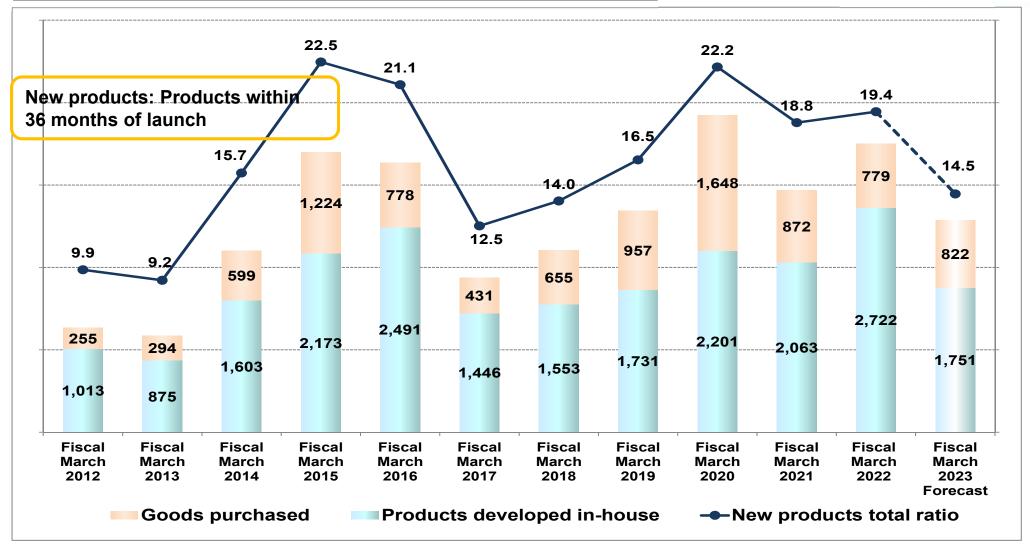


Trend in R&D investment

Trends for Sales Ratio of New Products

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

Units: millions of yen, % SHOF



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

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Future Business Environment and Mediumand Long-term Business Strategies

Specific Efforts – Production

uture Business Environment and Mediumand Long-term Business Strategies



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)

Materials Co., Ltd. (China)



Shofu products kyoto (Kyoto)



Nail Labo (Saitama)

Expanding overseas production





Merz Dental GmbH (Germany)

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



CO., LTD(Vietnam)

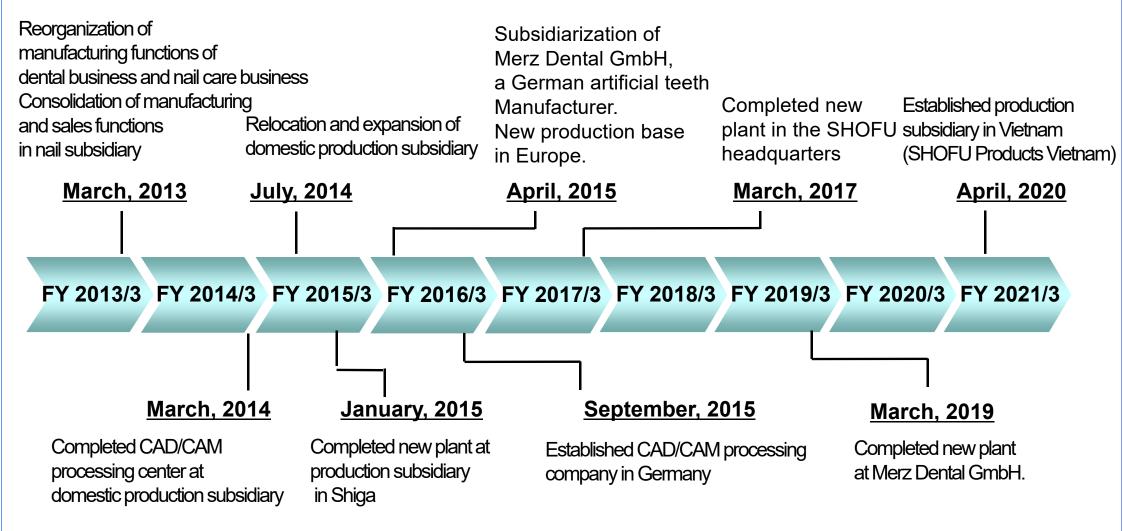
Specific Efforts – Production

SHOFU INC.

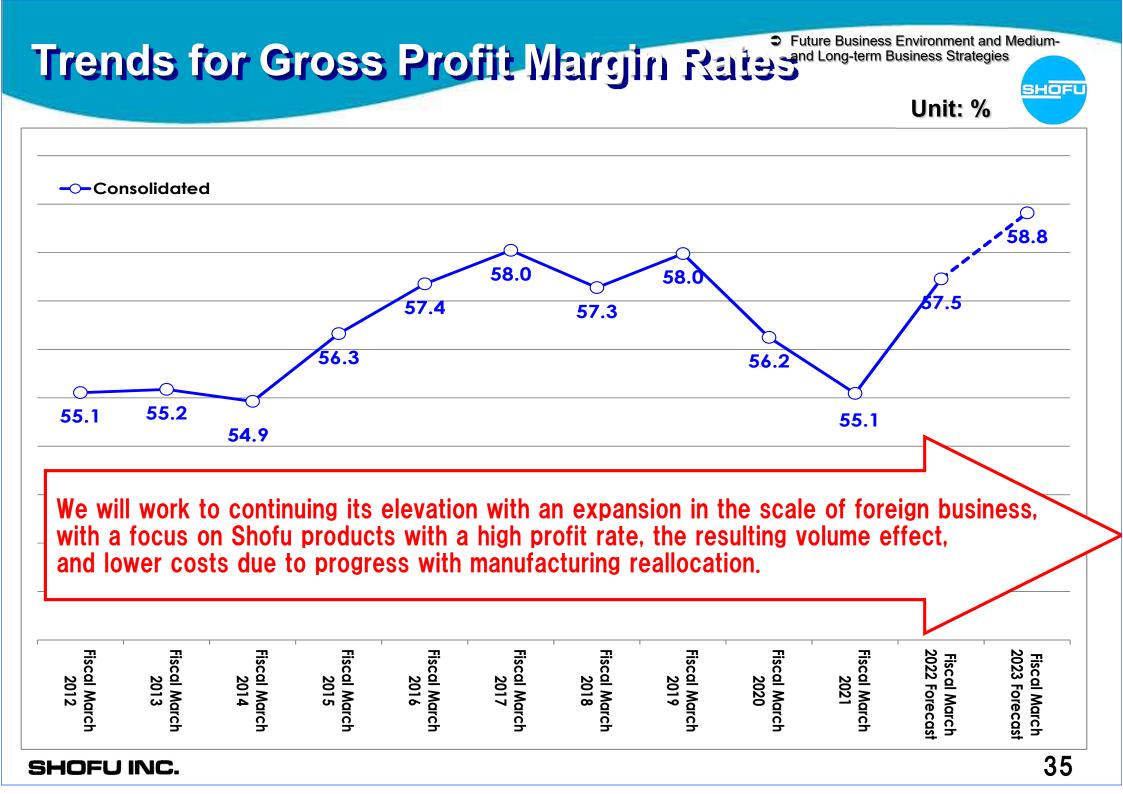
Future Business Environment and Mediumand Long-term Business Strategies



Relocation of production base and expansion of offshore production



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



Specific Efforts – Sales

 Future Business Environment and Mediumand 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 Shofu Dental Asia-Pacific Merz Dental Trading (Shanghai) PTE (Singapore) GmbH.(Germany) Co., Ltd., (China)

[Other overseas bases]

Sales company: Mexico, Brazil, India

Sales base

: England, Taiwan, Italy

Speed up the product registration work

>Improve our customer service SHOFU INC.

Enhance academic activities

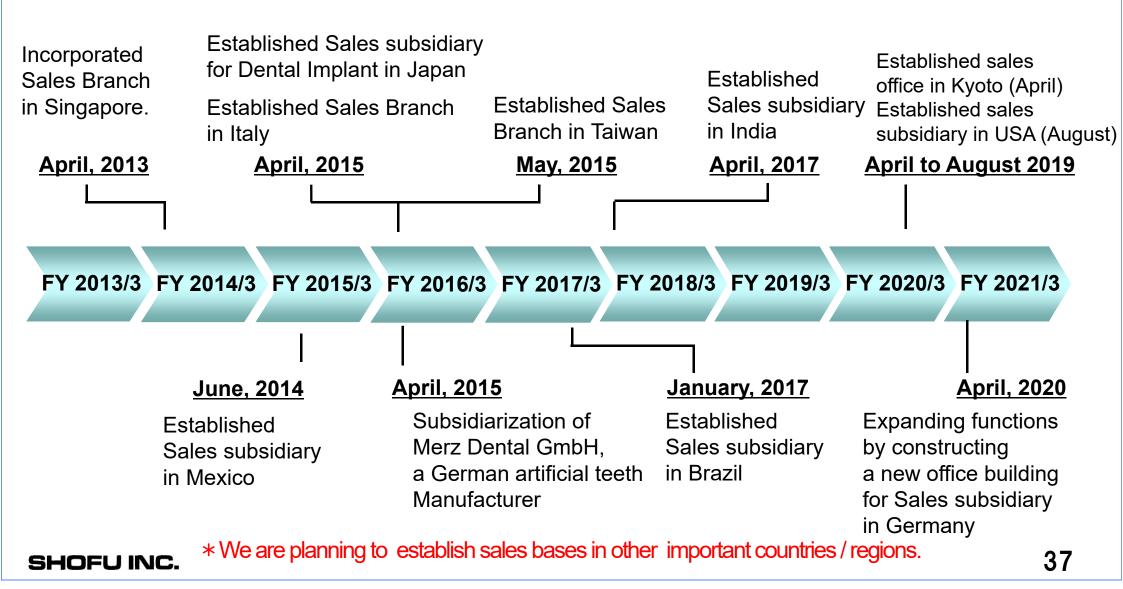
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Specific Efforts – Sales

Future Business Environment and Mediumand Long-term Business Strategies

SHOFU

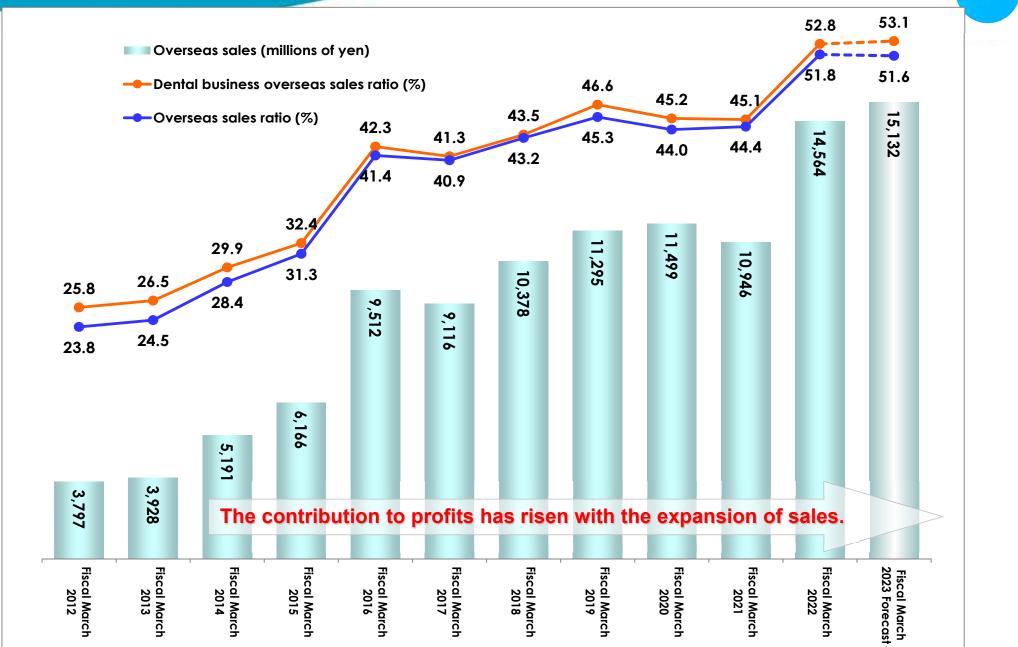
♦ Realignment of sales offices

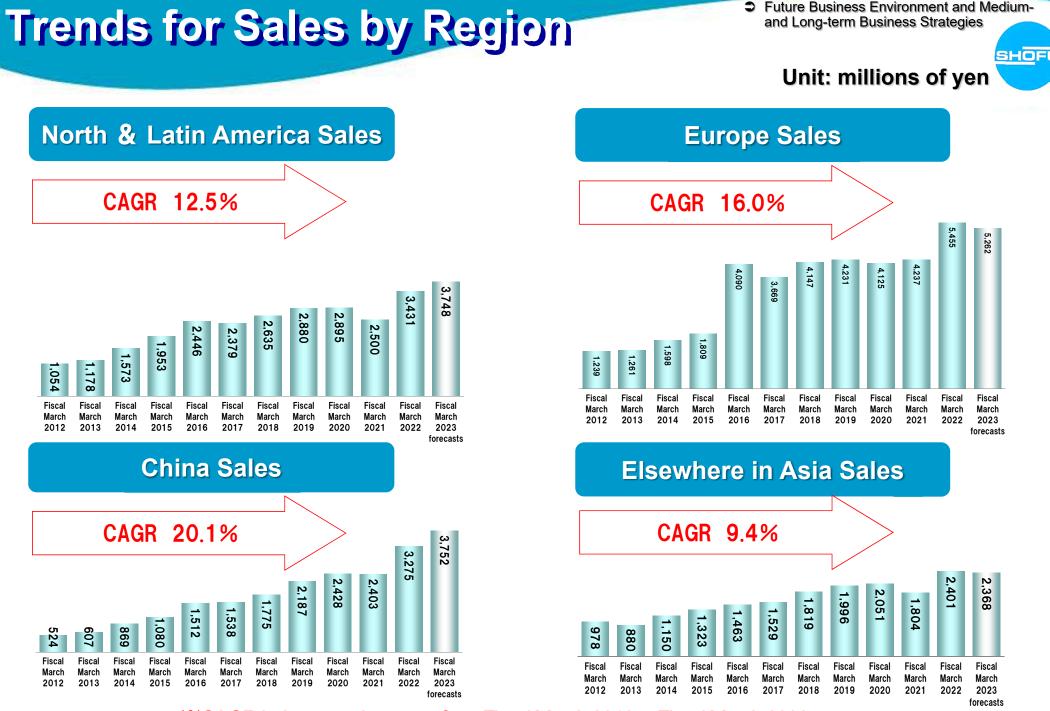


Trends for Overseas Sales and Overseas Sales Ratios

Future Business Environment and Mediumand Long-term Business Strategies

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*CAGR is the annual average from Fiscal March 2012 to Fiscal March 2022.

Specific Efforts – Nail Care Business

Future Business Environment and Mediumand 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)



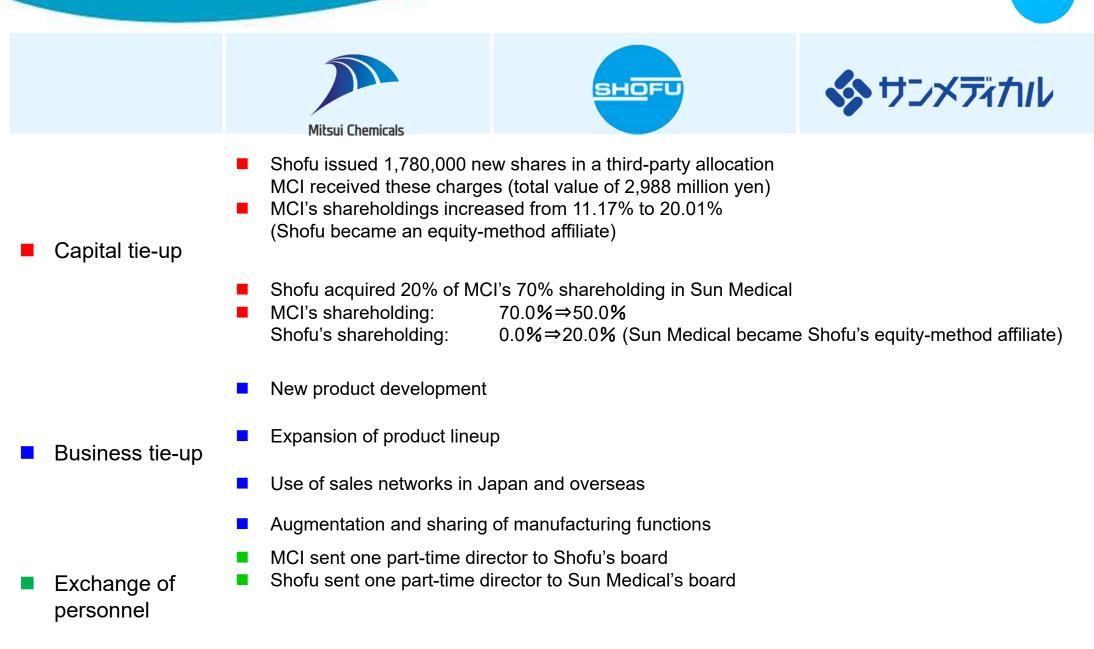




Enhancement of Business and Capital Tie-up with Mitsui Chemicals and Sun Medical

Future Business Environment and Mediumand Long-term Business Strategies

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Medium-term Management Plan — Principle Targets

Future Business Environment and Mediumand Long-term Business Strategies

★•••Record U

Unit: millions of yen

SHOFU

	Fiscal March	Mid-term Management Plan							
	2021 (Results)		2021 Fiscal March		Fiscal March 2023 (Forecasts)		Fiscal March 2024 (Forecasts)		
Net sales	24,680	*	28,137	\star	29,314	\star	31,509		
(Change from Previous Period)	(-5.5%)		(14.0%)		(4.2%)		(7.5%)		
(Domestic sales)	13,733		13,573		14,182	*	14,840		
(Change from Previous Period)	(-6.0%)		(-1.2%)		(4.5%)		(4.6%)		
(Overseas sales)	10,946	*	14,564	*	15,132	*	16,669		
(Change from Previous Period)	(-4.8%)		(33.1%)		(3.9%)		(10.2%)		
Operating income	2,300	*	3,217		2,732	\star	3,791		
(Persentage of sales)	(9.3%)		(11 .4%)		(9.3%)		(12.0%)		
Ordinary income	2,523	*	3,658		2,850	\star	3,927		
(Persentage of sales)	(10.2%)		(13.0%)		(9.7%)		(12.5%)		
Net income	1,674	*	2,546		1,975	\star	2,764		
(Persentage of sales)	(6.8%)		(9.1%)		(6.7%)		(8.8%)		
Dental business Overseas sales ratio	45.1%	*	52.8%	*	53.1%	*	54.4%		

Medium-term Management Plan by Segment (Sales and Operating income) Unit: millions of yen, %

Future Business Environment and Mediumand Long-term Business Strategies

SHOF

	Fiscal March 2021 (Results)		Mid-Term Management Plan						
			Fiscal Mo 2022 (Result		Fiscal Ma 2023 (Foreca		Fiscal Mo 2024 (Foreca		
	Amout	%	Amout	%	Amout	%	Amout	%	
Dental business	22,334	90.5	25,876	92.0	26,730	91.2	28,782	91.3	
Nail care business	2,268	9.2	2,168	7.7	2,479	8.5	2,606	8.3	
Other businesses	81	0.3	92	0.3	104	0.4	120	0.4	
Net sales	24,685	100.0	28,137	100.0	29,314	100.0	31,509	100.0	

Dental business	2,091	9.4	3,065	11.8	2,598	9.7	3,612	12.6
Nail care business	201	8.9	131	6.1	125	5.1	166	6.4
Other businesses	2	2.6	14	15.1	7	7.5	12	10.5
Operating income	2,294	9.3	3,211	11.4	2,732	9.3	3,791	12.0

• 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 Unit: millions of yen

Future Business Environment and Mediumand Long-term Business Strategies



	Fiscal March	Mid-Ter	m Managem	ent Plan
	2021 (Results)	Ficsal March 2022 (Results)	Ficsal March 2023 (Forecasts)	Ficsal March 2024 (Forecasts)
Capital investment	1,097	1,100	2,483	1,227
Depreciation expenses	955	901	1,014	1,022
R&D expenses	1,563	1,738	1,853	1,834
Foreign exchange rate				
US dollar	106.17	112.86	115.00	115.00
Euro	123.73	131.01	130.00	130.00
Pound sterling	138.68	153.94	155.00	155.00
Renminbi	15.44	17.03	18.00	18.00

• 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.

Dividend policy

Future Business Environment and Mediumand Long-term Business Strategies



Dividend payout ratio on consolidated basis : 30% or more

Ratio of dividends to net assets : Tentative target of 1.7%

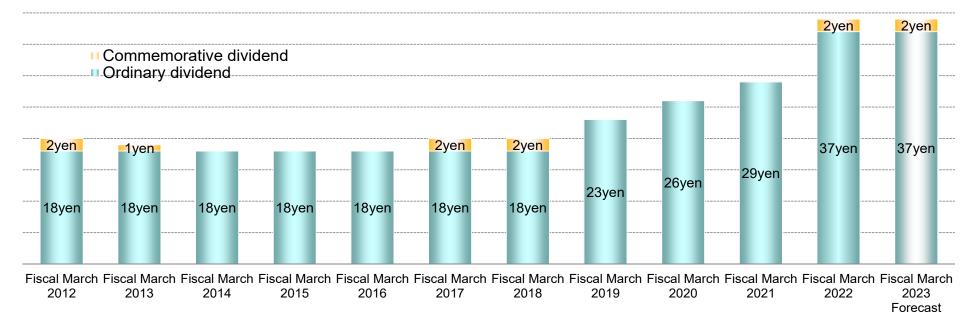
Item	Bussiness year	Fiscal March 2022	Fiscal March 2023	Fiscal March 2024		
Dividend payout	ratio	More than 30%				
Ratio of dividends to net assets	(DOE)	Tentative target of 1.7%				

[Reference: Key numerical targets related to dividends in the Fourth Mid-term Management Plan]

Return on equity	(ROE)	8.1%	5.9%	8.0%
Net Income per share		143.22yen	111.06yen	155.38yen

Trend of annual dividend per share • Future Business Environment and Mediumand Index related dividend

Trend of annual dividend per share



Trend of index related dividend

Business year	Fiscal March 2012	Fiscal March 2013	Fiscal March 2014	Fiscal March 2015	Fiscal March 2016	Fiscal March 2017	Fiscal March 2018	Fiscal March 2019	Fiscal March 2020	Fiscal March 2021	Fiscal March 2022	Fiscal March 2023 Forecasts
Net income per share	31.77yen	1.17yen	31.77yen	36.45yen	49.43yen	52.61yen	55.20yen	75.54yen	44.24yen	96.29yen	143.15yen	111.06yen
Dividend per share	20yen	19yen	18yen	18yen	18yen	20yen	20yen	23yen	26yen	29yen	39yen	39yen
Dividend payout ratio	63.0%	1625.8%	56.7%	49.4%	36.4%	38.0%	36.2%	30.4%	58.8%	30.1%	27.2%	35.1%
Return on equity	2.8%	0.1%	2.6%	2.8%	3.7%	3.8%	3.8%	5.0%	2.9%	6.2%	8.1%	5.9%
Net assets per share	1,146yen	1,169yen	1,235yen	1,360yen	1,340yen	1,396yen	1,511yen	1,524yen	1,491yen	1,690yen	1,841yen	1,918yen
Ratio if dividends to net assets	1.8%	1.6%	1.5%	1.4%	1.3%	1.5%	1.4%	1.5%	1.7%	1.8%	2.2%	2.1%

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.

11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan 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 name	SHOFU Inc.	(As of March 31, 2022)
Representative	Noriyuki Negoro, President and C	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	Prime Market of Tokyo Stock Exc	change
Number of employees	473 (entire group: 1266, including	g 607 in overseas subsidiaries)
Business	Manufacture and sale of dental m	naterials and equipment
Main customers	Dental institutions (via sales age	ncies)
Number of group companies HOFU INC.	Subsidiaries 19 (four in Japan, fil Affiliates 1 (one in Japan) Dental companies: 16 (three in Nail care companies: 3 (one in	Japan, thirteen overseas)

Company and Business Profiles

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Main Products

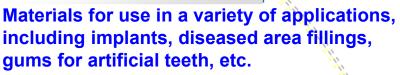
The company manufactures and markets a wide range of dental

materials and equipment.



- Alloys for casting, silver alloys
- Other metals

Chemical products



- 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

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~	Celebrated the 80th anniversary of its founding. Established Liaison Office in Beijing, China.
2003	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.
HOFU INC	Acquired 1.6 million of the company's own shares in accordance with the purchase of the company own shares scheme in the J-NET market of the Osaka Securities Exchange. 5

Corporate History (2)



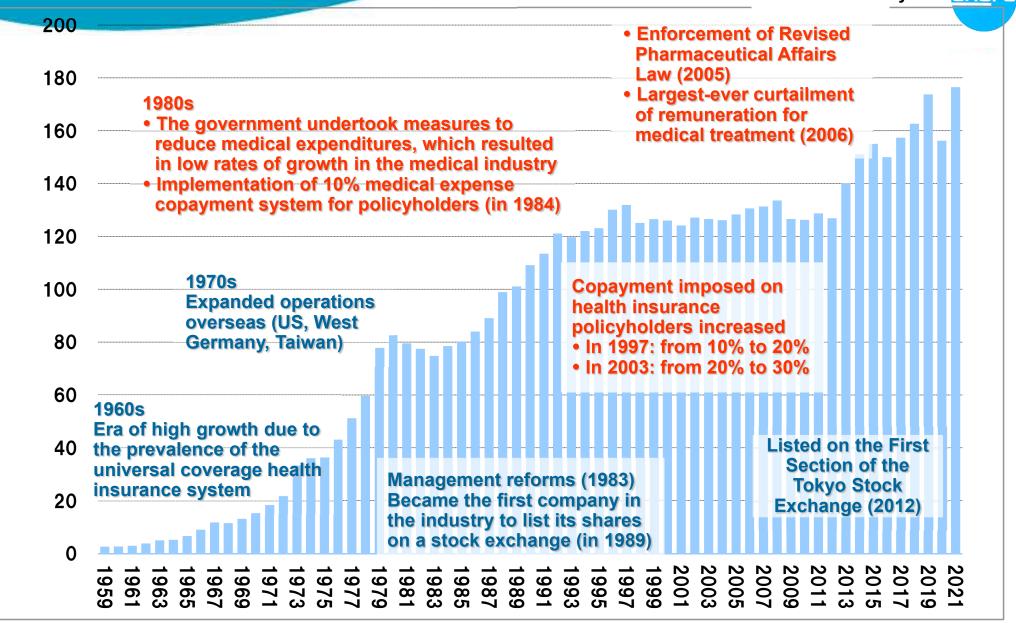
• 2009	Reached basic agreement concerning business and capital partnership with Mitsui Chemicals, Inc., and Sunmedical Co., Ltd.
	Transferred 1.8 million shares of treasury stock to Mitsui Chemicals, Inc., through a third-party allocation.
· 2010	Shofu Dental Trading (Shanghai) Co., Ltd., is established 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 Established a subsidiary in U.S.
· 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.)

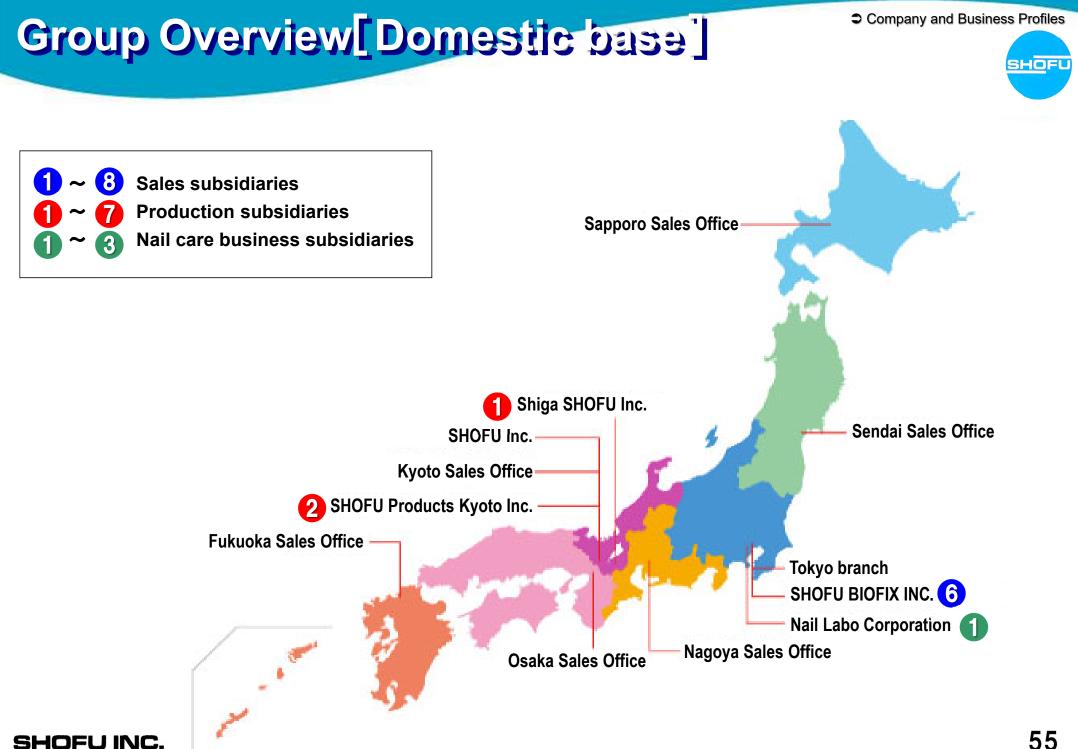
Corporate History - Sales

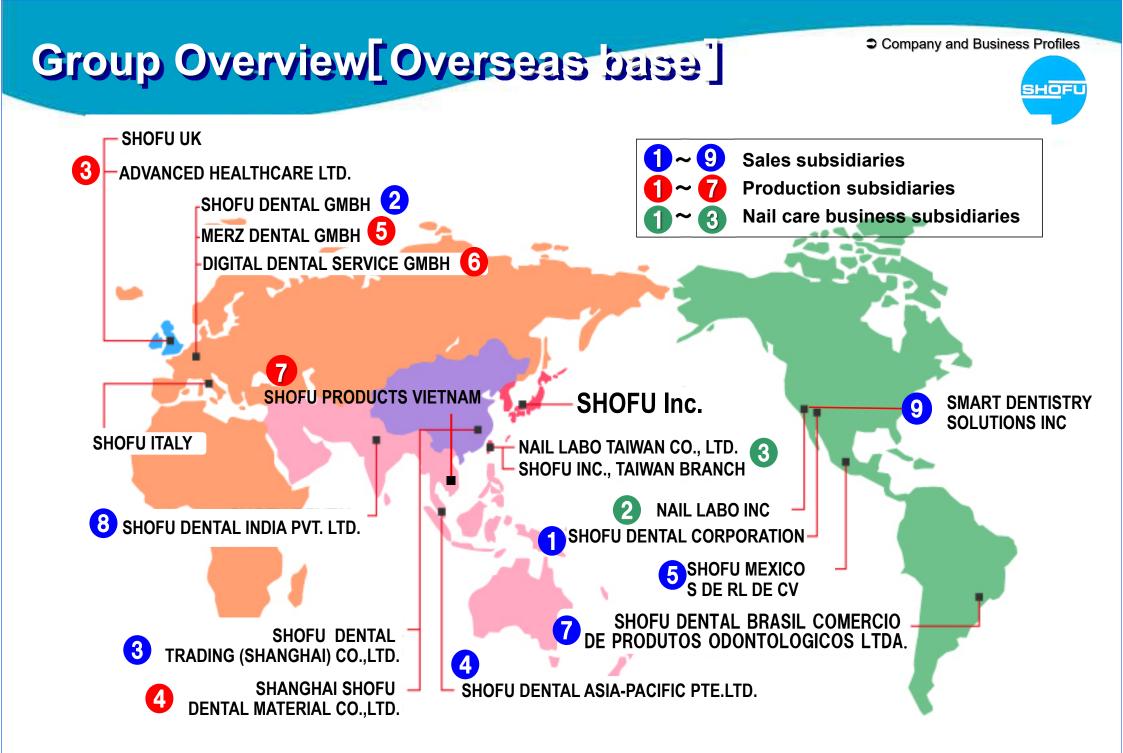
Company and Business Profiles

Unit: 100 million yen

SHOFU



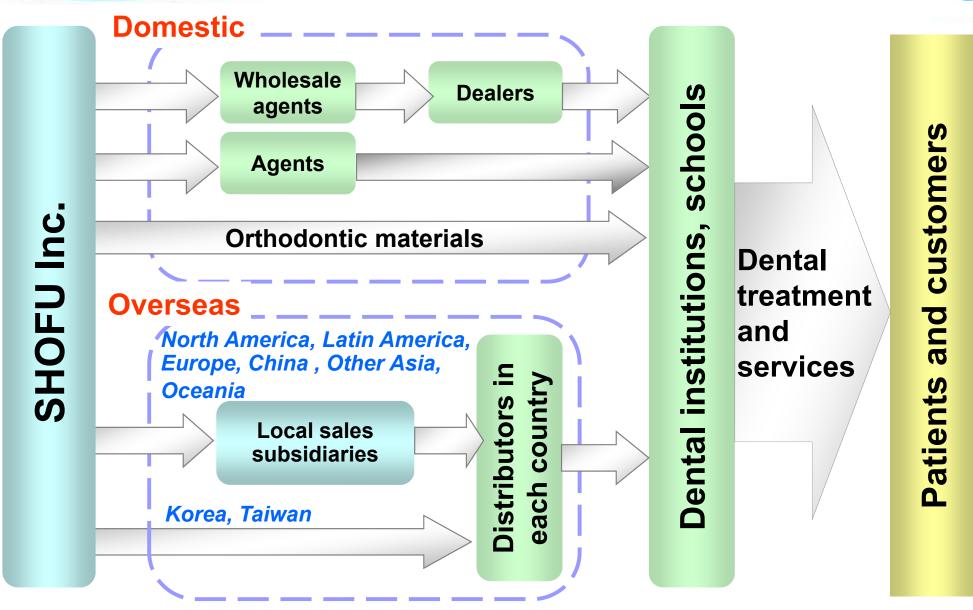


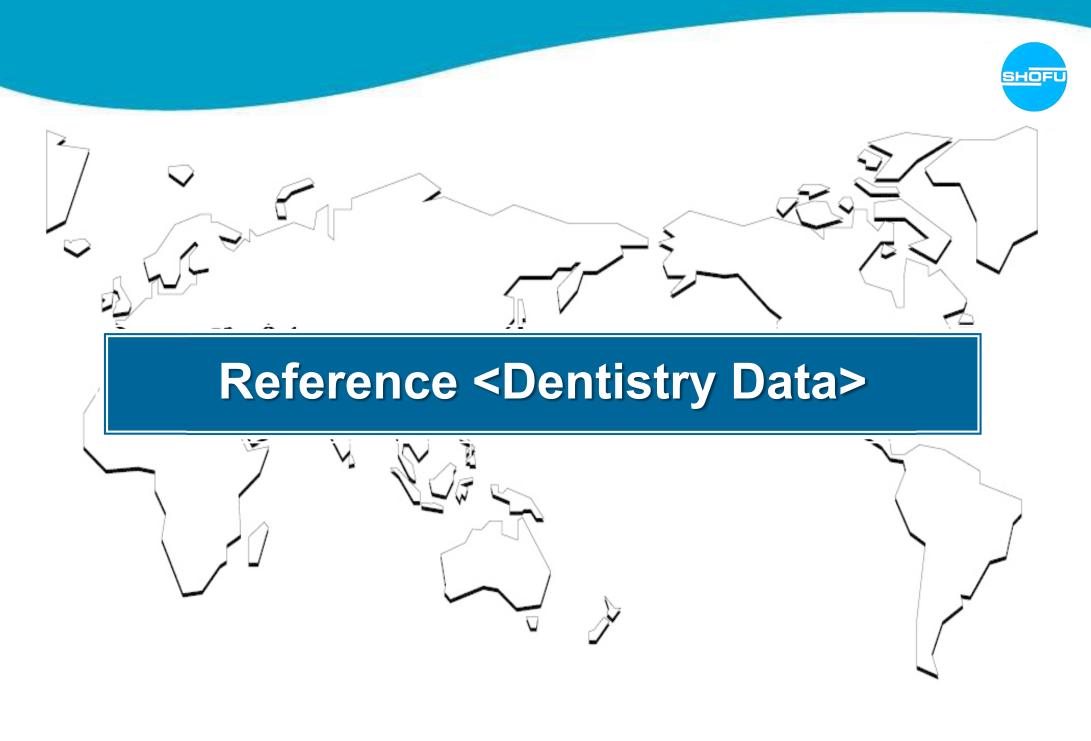


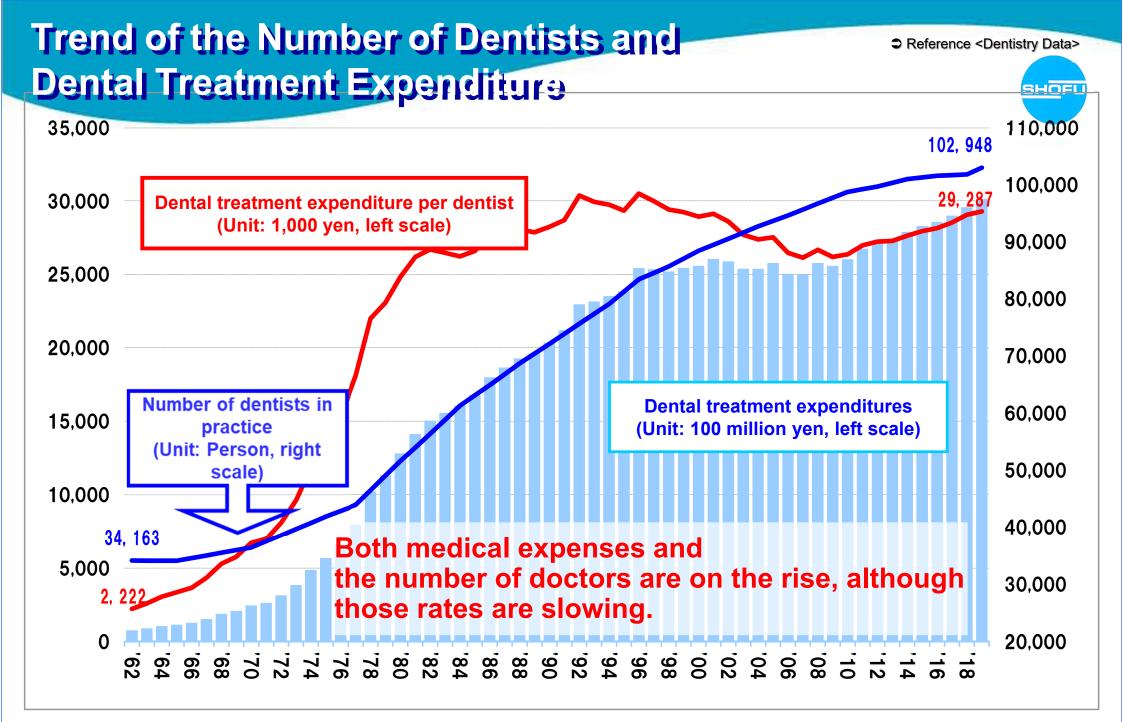
Sales Channels

Company and Business Profiles

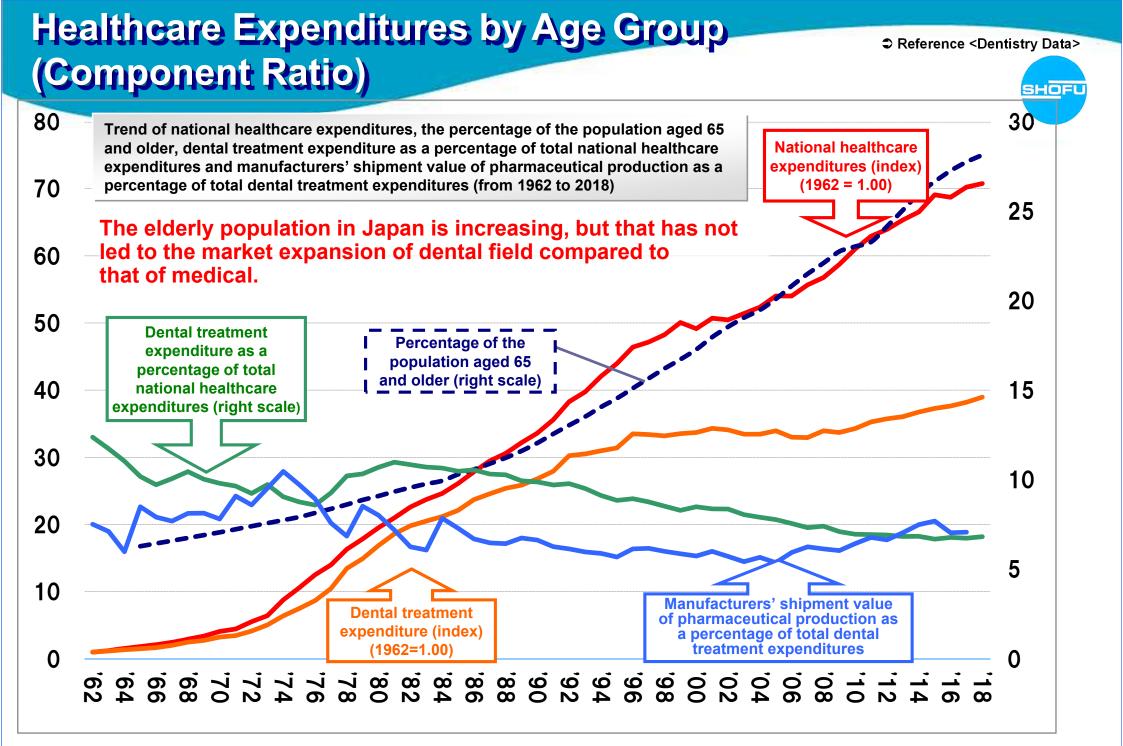








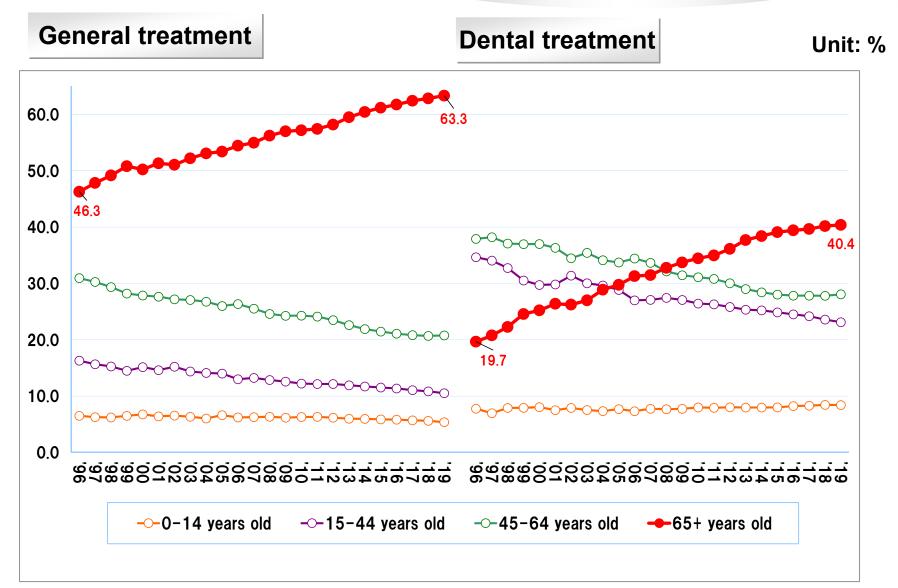
Prepared using yearly data from Summary of National Healthcare Expenditures, Survey on Doctors, Dentists and Pharmacists (Ministry of Health, Labour and Welfare)



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)

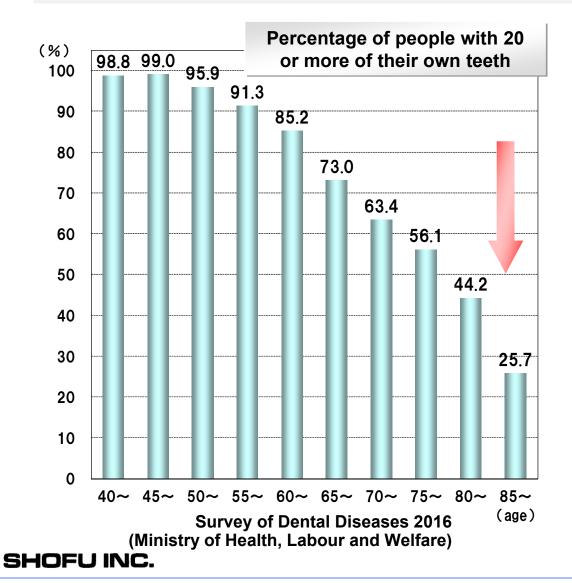
Healthcare Expenditures by Age Group Preference < Dentistry Data> (Component ratio) People aged 65 years and older tend to place less importance on dental treatment than general medical treatment.

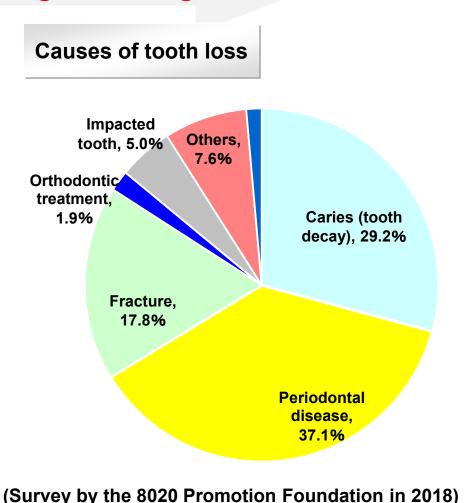


Prepared using yearly data from Summary of National Healthcare Expenditures (Ministry of Health, Labour and Welfare)

The 8020 Movement and Changes in Dental Diseases

The cause of tooth loss changes in accordance with the number of increasing remaining teeth.





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Reference <Dentistry Data>



Correlation between Number of Healthy Teeth and Healthcare Expenditures

50 45.7 Annual medical 44.4 43.9 expenditures per capita (x 10,000 yen) 37.9. 40 27.7 27.9 30 25.4 20 The greater the number of healthy teeth, the greater the reduction in healthcare expenditures. 10 0 1 - 56-9 10-14 15-19 20-24 25 or 0 more

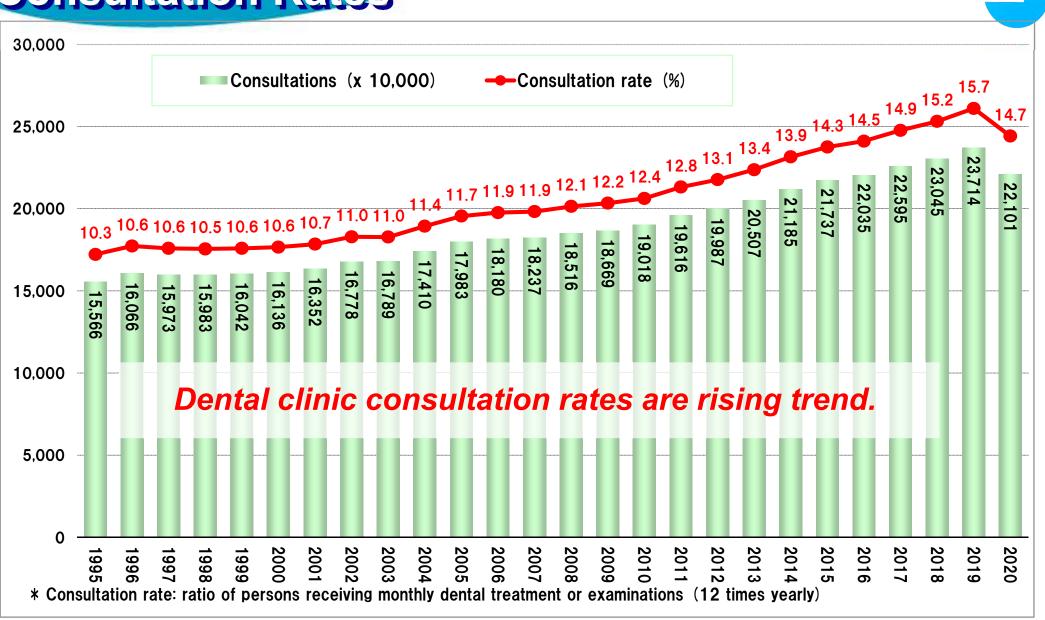
Prepared on the basis of "Correlation between Oral Hygiene Status of Elderly Persons and Healthcare Expenditures," a paper published in 2003 by Kazumune Arikawa, a full-time instructor at the Nihon University School of Dentistry at Matsudo

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

Reference <Dentistry Data>

Dental Clinic Consultation Rates

SHOFU INC.

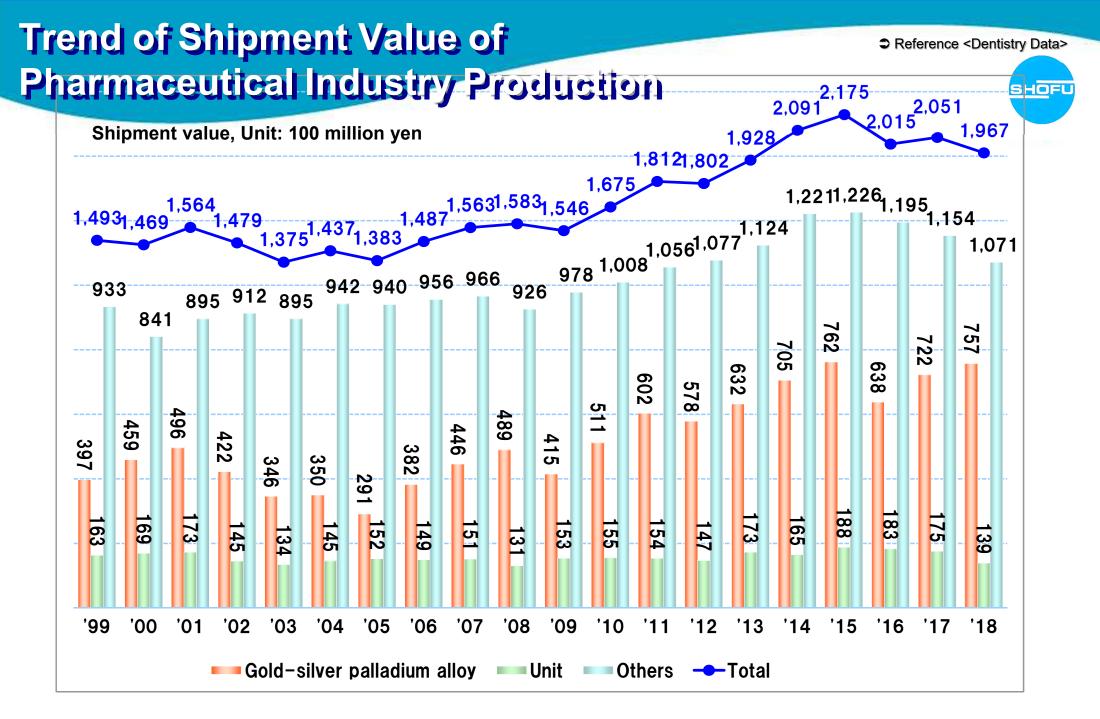


Prepared using annual data from "Recent Trends in Healthcare Expenditures (MEDIAS)" issued by the Ministry of Health, Labour and Welfare

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Reference <Dentistry Data>

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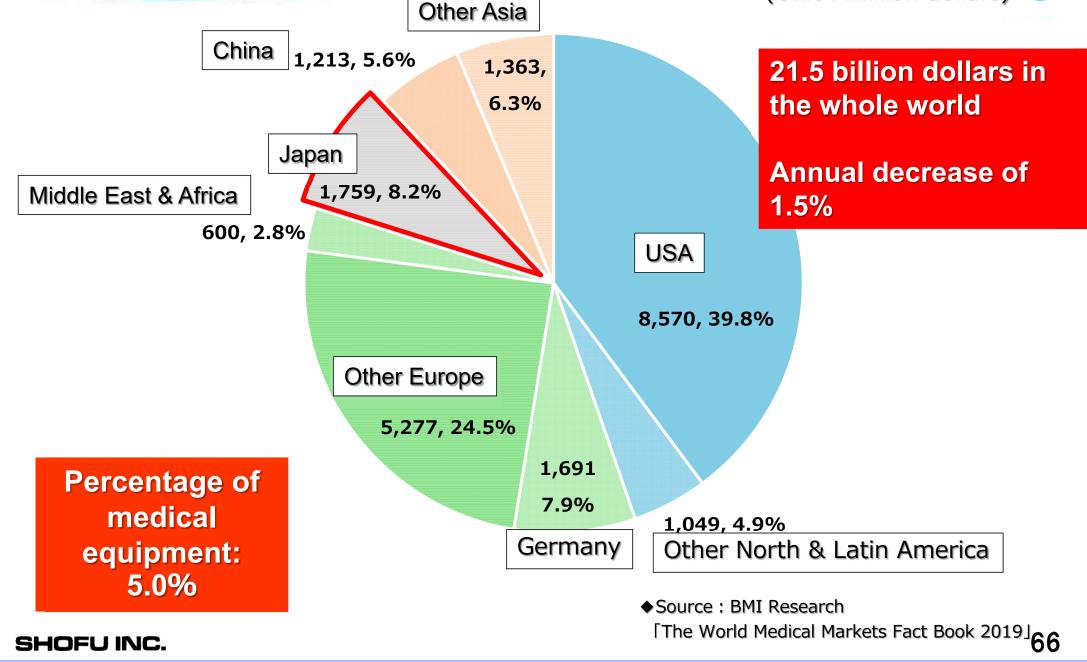
Prepared using data from Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

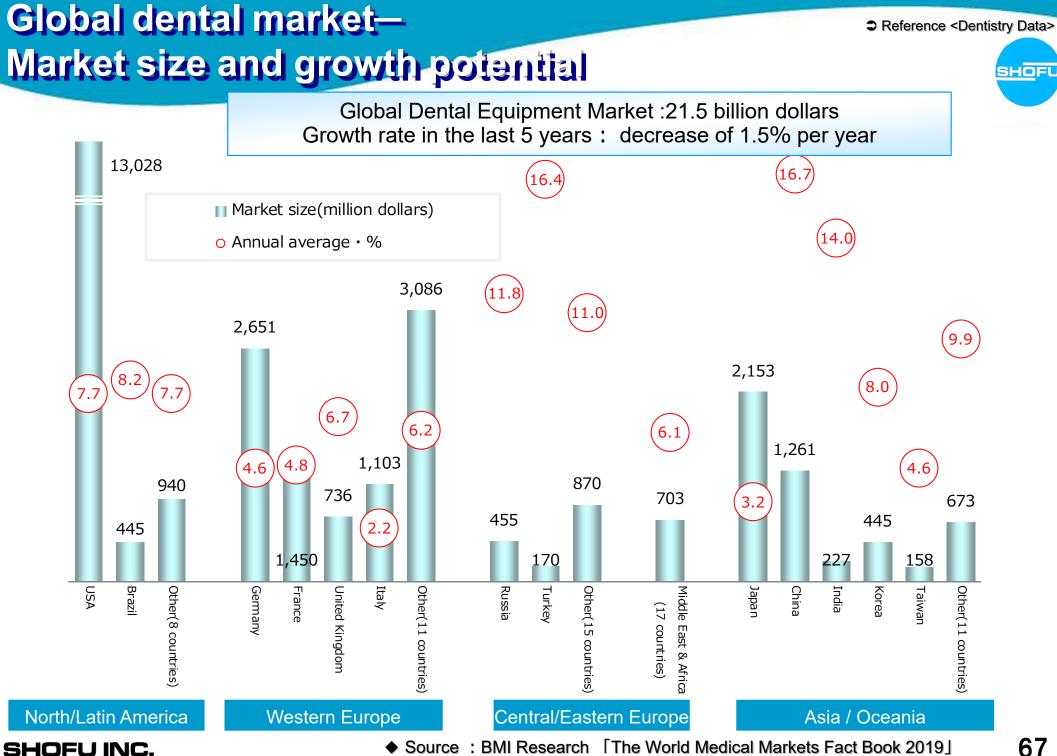
Global dental equipment market size (amount• component ratio)



SHOF

(Unit : million dollars)





Number of Dentists in the World

Number of dentists in the world: Approx. 2.11 million Number of dentists in Japan: Approx. 100 thousand

Reference <Dentistry Data>

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