

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.

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Prior to the explanation of financial results, we would like to introduce our new corporate message.

The Company celebrated its 100th anniversary on May 15 this year thanks to the investors' support over many years.

At this milestone, we changed our corporate message to communicate our stance more clearly.

The new corporate message is “Creating Brighter Smiles for Healthier Lives”.

A healthy mouth, chewing properly, no concern about appearance, laughing freely—in other words, healthy teeth that are functionally and aesthetically satisfying—contribute to preventing systemic diseases and a sense of security and enhance people's lives.

In addition to providing dental materials to dental care professionals, we aim to help people around the world chew, laugh and live and enhance people's lives and societies through our business.

In pursuit of this goal, we respectfully ask for the continued understanding and support of all investors.

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 Medium- and 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.

The background features a stylized line drawing of a mountain range. A line graph is overlaid on the mountains, showing several peaks and valleys. The top of the page has a blue wavy header.

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 Medium- and Long-term Business Strategies

Summary of Business Performance (Comparison with Previous Period)

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



Positive factors Negative factors

P/L

➡ 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%**.

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In the consolidated fiscal year ended in March 2022, both sales and income were up compared to the previous year and our forecasts. Also, net sales, operating profit, ordinary income and profit all reached record highs. Slide No. 6 shows the factors behind these changes over the previous year.

Net sales increased 14.0% for a total of 28,137 million yen. Domestic net sales decreased by 1.2%, to 13,573 million yen and overseas net sales increased by 33.1%, to 14,564 million yen.

In our domestic dental business, although a dentine bonding product for dental use and a product of CAD/CAM related new material, both were launched from the previous to the current fiscal year, contributed and increased sales over the corresponding period of the previous consolidated fiscal year. However, the impact of the Accounting Standard for Revenue Recognition, which was adopted this fiscal year, resulted in 192 million yen less in sales posted than when the previous standards are used, and thus sales were down 0.5%.

Domestic sales in our nail care business decreased by 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-related products.

Looking overseas, in our dental business, sales significantly increased by 35.8% due to the impact of COVID-19 have eased, enabling us to expand sales of existing products primarily in North America, Europe and China and resulting in favorable sales in various regions, and the positive impact of foreign exchange fluctuations.

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 sales increase over the corresponding period of the previous consolidated fiscal year. As a result, sales increased by 1.8%.

Summary of Business Performance (Comparison with Previous Period)

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



■ Positive factors ■ Negative factors

P/L

⇒ 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%**.

Operating income increased by 39.8% thanks to a growth in sales and to a rise in gross profit due to the increase in the overseas sales ratio with a focus on own brand despite an increase in selling, general, and administrative expenses owing to the gradual relaxation of restrictions on sales activities.

The impact of the stock issuance expenses and other posted in the previous fiscal year was no longer a factor this fiscal year and non-operating expenses decreased. As a result, ordinary income increased by 45.0%.

Profit attributable to owners of parent, after deducting tax expenses, was 2,546 million yen, an increase of 52.1%

As a result of these factors, net sales, operating income, ordinary income and profit all reached record highs.

Summary of Business Performance for the Current Fiscal Year

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.

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Slide No. 8 shows major items of profit and loss in comparison to the previous period and forecasts. In this slide, we explain the comparison to the revised forecasts released on October.26th, last year.

Net sales increased by 427 million yen, or 1.5%, compared with the forecast.

In the domestic business, although sales decreased by 106 million yen or 7.7% in the nail business, sales in the dental business increased by 158 million yen, or 1.3%, so that overall sales were up 53 million yen, or 0.4%

Looking overseas, in our dental business and nail care business, overall sales increased 373 million yen, or 2.6% due to the positive impact of foreign exchange fluctuations.

In terms of income, operating income was 205 million yen, or 6.8%, above the forecasts because SG&A expenses decreased, primarily because face-to-face sales activities continued to be restricted during the pandemic.

Also, ordinary income was 459 million yen, or 14.4% and net income was 319 million yen, or 14.3%, above each forecast.

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 (Results)	Fiscal March 2022 (Results)	Change from previous period		
				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)

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Slide No. 9 shows net sales by product category in comparison to the previous period.

Overall, sales increased 3,457 million yen, of which sales in the dental business increased by 3,541 million yen, sales in the nail business decreased by 100 million yen, and sales of other business increased by 16 million yen.

In the domestic dental business, sales of equipment and others fell due to changes to the treatment of overseas goods purchased, but new products launched in the market since the previous fiscal year contributed to sales. As a result, sales effectively increased compared with the corresponding period of the previous fiscal year, but due to changes in the accounting standards, sales decreased by 61 million yen, or 0.5%.

In the overseas dental business, efforts to establish a sales network and reinforce the supply system, which the Company has been working so far, bore results in overseas regions, and in addition to success in taking advantage of the recovery in demand since the pandemic, exchange rates had a positive effect. As a result, the business was able to record 3,602 million yen, or 35.8%.

Impact of the spread of the COVID-19

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

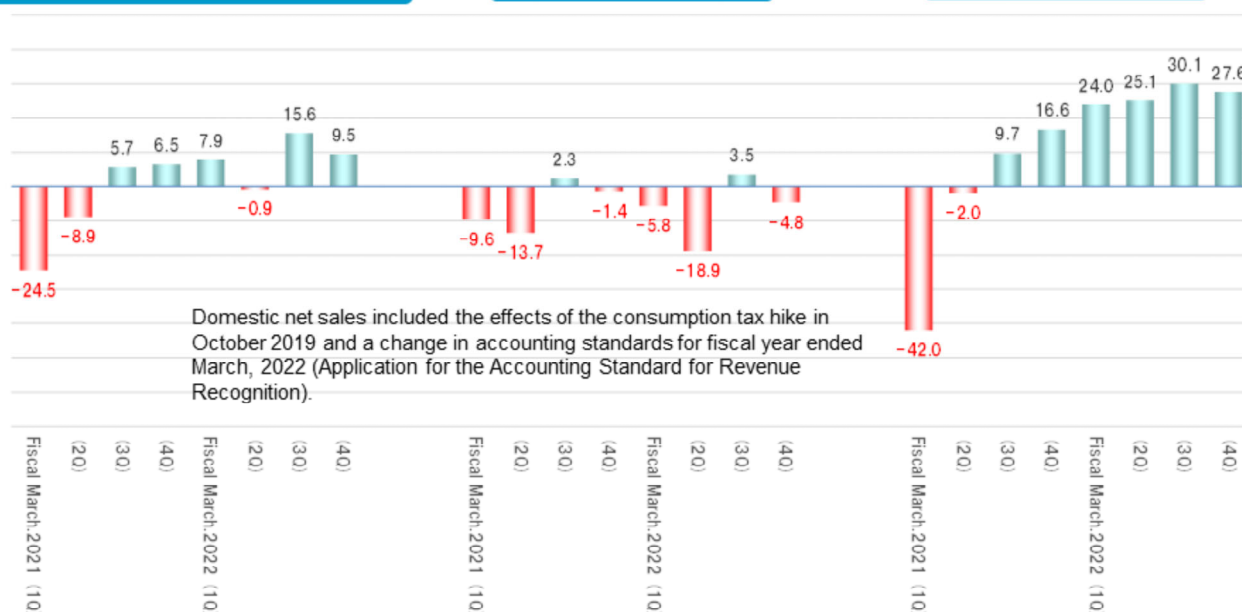


Quarterly sales from the fiscal year ended March 2021 to March 2022.
 “Percent change from the **fiscal year ended March 2020.**”

Domestic and Overseas Total

Domestic

Overseas



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Slide Nos. 10 and 11 show the effect of the spread of COVID-19 on net sales by comparing quarterly net sales in Japan and overseas geographical segments and net sales in the pre-COVID fiscal year ended March 2020.

Net sales were adversely affected most significantly in the first quarter of the previous fiscal year and started to recover gradually from the second quarter. Quarterly trends vary from region to region. In the first quarter of the fiscal year under review, there were moves overseas to optimize distributors' inventories, which had been at a low level.

Consequently, net sales are trending higher in each region, compared with the fiscal year ended March 2020, before the outbreak of the COVID-19 pandemic. We estimate that demand is returning to the pre-COVID-19 level.

Domestic net sales were less susceptible to the COVID-19 pandemic, in comparison with overseas net sales. However, they were significantly affected by factors other than the pandemic, including the discontinuation of the sale of ultrasonic treatment instruments and a change in accounting standards. The comparison with quarterly sales in the fiscal year ended March 2020 was affected by the consumption tax hike in October 2019.

Impact of the spread of the COVID-19

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



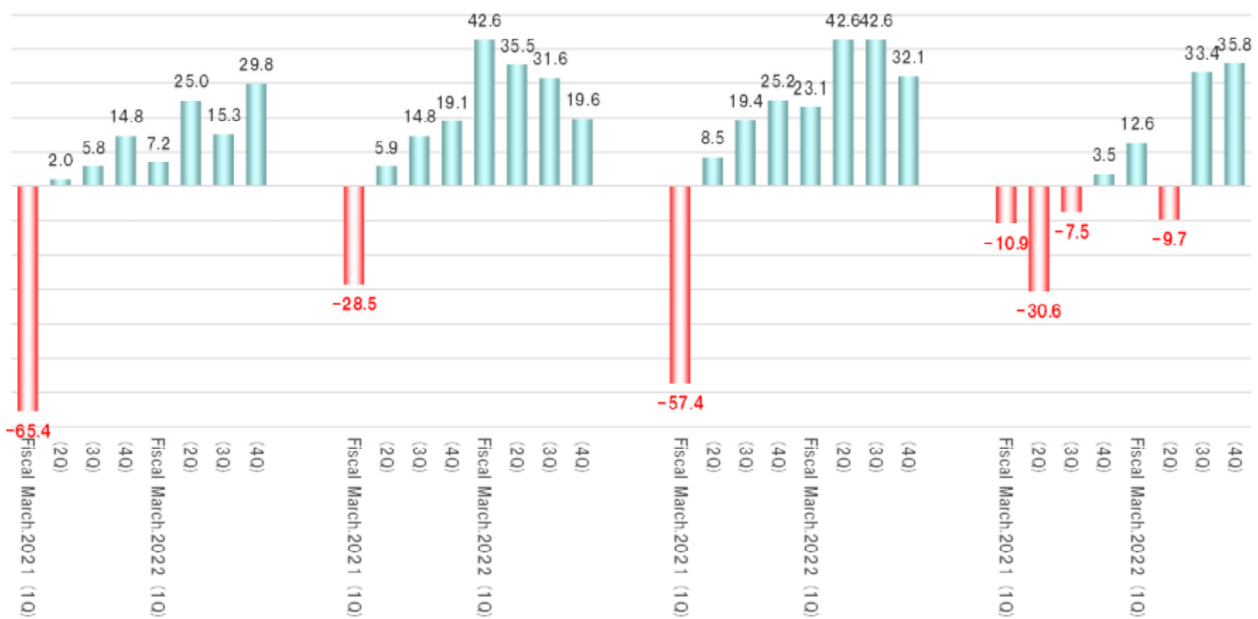
Quarterly sales from the fiscal year ended March 2021 to March 2022.
 “Percent change from the **fiscal year ended March 2020.**”

North & Latin America

Europe

China

Asia & Oceania(Other)



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Domestic Sales

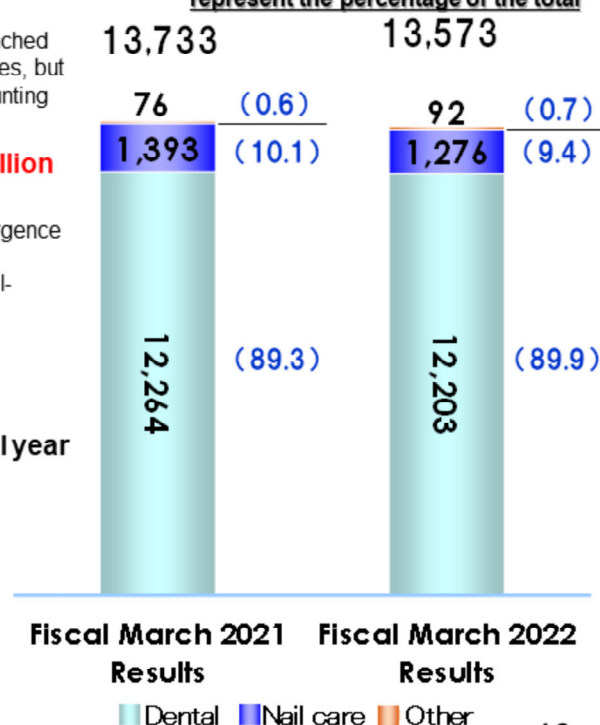
Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2022



Positive factors Negative factors

- **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.
- **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 nail-related 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



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Overseas Sales

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



Positive factors Negative factors

North America and Latin America:

Year on year increase of 930 million yen(+37.2%)

All products line, particularly chemical products and abrasives products contributed to sales.

Local currency basis: Year-on-year increase of 726 million yen(+29.1%)

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%).

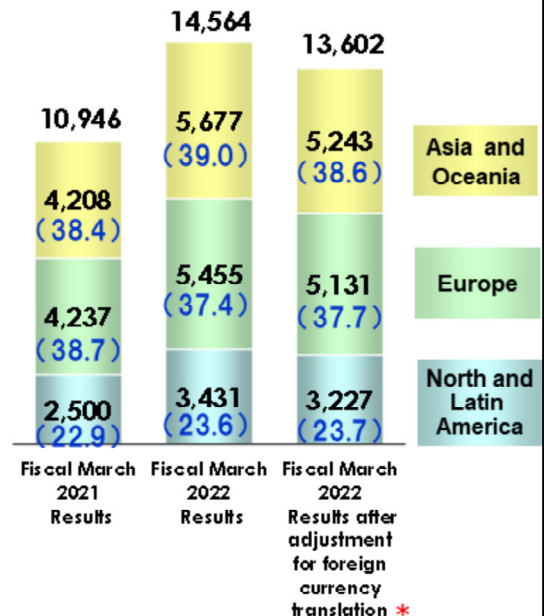
(China):Year on year increase of 872 million yen (+36.3%)

(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



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

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Slide No. 13 shows that the status of overseas net sales by region in comparison with the previous period.

The overseas ratio in our dental business increased significantly from the corresponding period of the previous fiscal year and was 52.8%.

Also, in each region, sales increased due to the recovery in demand from the COVID-19 pandemic.

In North America and South and Central America, sales were up 930 million yen, or 37.2% due to the strong performances of all product lines, particularly chemical products and abrasive products and to the positive impact of exchange rates.

Also, in Europe, sales increased by 1,218 million yen, or 28.8% owing to the strong performances of all product lines, particularly chemical products, artificial teeth and cements, and to the positive impact of exchange rates.

By region, in Asia and Oceania, all product lines, and particularly chemical products, artificial teeth and cements were strong performers and the foreign exchange effect was positive, resulted in a sales increase of 1,469 million yen, or 34.9%.

In other Asian markets, in China, sales were up 872 million yen, or 36.3% and in other Asian markets, sales increased by 596 million yen, or 33.1%.

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 (Results) Amount (% of sales)	Fiscal March 2022 (Forecast) Amount (% of sales)	Fiscal March 2022 (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 (operating income margin)	2,091 (9.4)	—	3,065 (11.8)	974	—
Nail care	Net Sales	2,268	2,171	2,168	-100	-3
	Operating expense	2,067	—	2,036	-31	—
	Operating income (operating income margin)	201 (8.9)	—	131 (6.1)	-69	—
Other	Net Sales	81	91	99	17	7
	Operating expense	79	—	85	5	—
	Operating income (operating income margin)	2 (2.6)	—	14 (14.2)	11	—
Total before consolidation adjustment	Net Sales	24,685	27,710	28,144	3,458	433
	Operating expense	22,390	—	24,932	2,542	—
	Operating income (operating income margin)	2,294 (9.3)	—	3,211 (11.4)	916	—
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 (operating income margin)	2,300 (9.3)	3,011 (10.9)	3,217 (11.4)	916	205

SHOFU INC. *Fiscal March, 2022 forecasts are based on financial result forecasts released on October 26th, 2021.

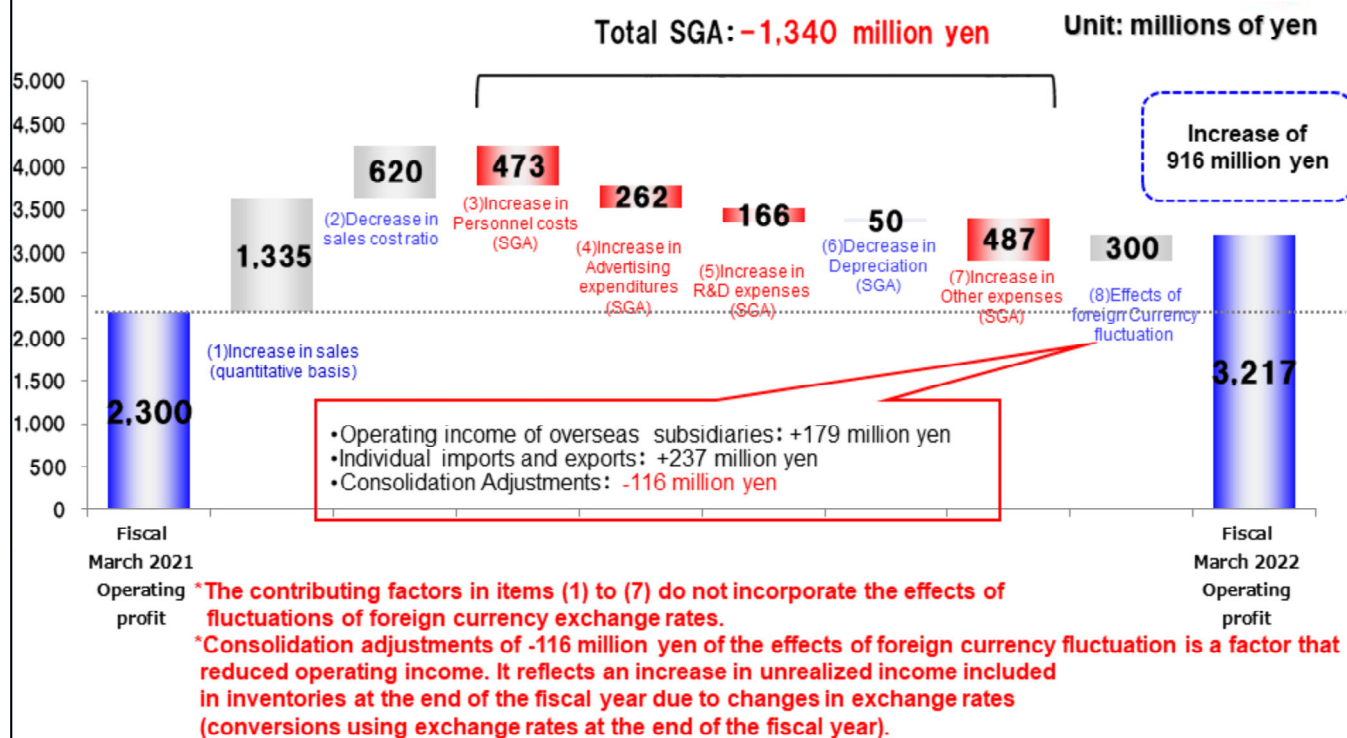
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Slide No. 14 shows that net sales and operating income by segment in comparison with the previous period and the forecasts.

Net sales are as described before, and operating income increased by 916 million yen year on year due to the sales increase in the dental business and a rise of gross profit accompanying increase of overseas sales ratio.

Contributors to Change in Operating Income (Comparison with the previous Period)

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



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Slide No. 15 shows the contributors to change in operating income in comparison with the previous period.

Operating income increased significantly by 916 million yen or 39.8%.

Restrictions on sales activities that were imposed during the pandemic have gradually been eased, so activity expenses (which are included in SG&A expenses) increased, but sales rose, the utilization rate improved, and overseas sales, which have a higher profitability rate, accounted for a higher percentage of overall sales. As a result, the sales cost ratio fell, and was the main factor behind higher income.

A stylized line drawing of a mountain range with jagged peaks and valleys, rendered in black outlines on a white background.

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

Overview of the Next Fiscal Year

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



Positive factors Negative factors

P/L

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.

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Slide No. 17 and 18 shows the business forecast for the fiscal year ending March 2023 compared with the previous period.

Sales are expected to increase 4.2 % year on year to 29,314 million yen. Broken down, domestic net sales will be 14,182 million yen, an increase of 4.5%, and overseas net sales will be 15,132 million yen, an increase of 3.9%.

In the domestic dental business, we plan to pursue targeted sales activities for CAD/CAM-related products and chemical products, which are expected to attract stronger demand and in key areas, while also using the knowledge we have acquired over the past year of the pandemic to advance marketing activities online.

In the domestic nail care business, we will change the website to promote online sales. We will also 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 well-known manicurists.

In the overseas dental business, there is concern over the effects of restrictions on the supply of certain raw materials. Nevertheless, we will promote sales activities, including online sales, in each region and we anticipate an increase in sales primarily in North America and China.

In the overseas nail care business, we expect 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,.

Overview of the Next Fiscal Year

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



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%**.

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In terms of income, although we expect higher sales and an rise of gross profit, operating income will be 484 million yen, a decrease of 15.1% due to an increase in selling, general and administrative expenses.

SG&A expenses will increase due to a rise in expenses for sales as restrictions on sales activities amid the pandemic are gradually eased, an increase in expenses related to the tightening of pharmaceutical regulations, expenses for projects to mark our 100th anniversary, and active investments in growth, including personnel expenses and research and development expenses.

Also, we expect ordinary income to be 808 million yen, a decrease of 22.1% and net income to be 570 million yen, a decrease of 22.4%.

Comparison of Major Statistics

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



⇒ 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 (Results)	Fiscal March 2023 (Forecast)	Change from previous period		
				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)

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Slide No. 20 shows sales by product category compared with the fiscal year ended March 2022.

Overall, we forecast sales to increase by 1,176 million yen. Of this, in the dental business, we expect to increase by 854 million yen, in our nail business by 311 million yen, and by 11 million yen in other businesses.

In the dental business, both in Japan and overseas, we will further expand the sales in chemical products and artificial teeth, such as CAD/CAM-related materials and the new main product "BeautiBond Xtream" launched in the previous fiscal year.

In the nail care business, it is the same what we described before.

Domestic Net Sales

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



✧ Dental business

— Year on year 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.

✧ Nail 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 well-known manicurists, in addition to promote online sales with changes of the website.

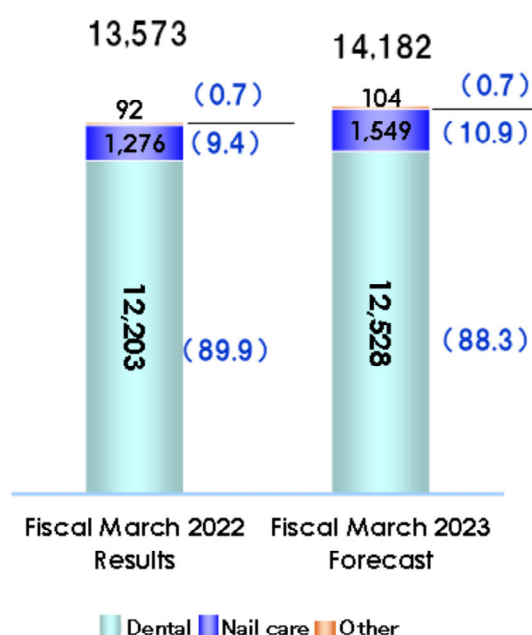
✧ Other businesses

— Year-on-year increase of 11 million yen (+12.1%)

✧ Principal new products

- Dentine bonding material for dental
BeautiBond Xtreme (Chemical products)
- Resin material for dental cutting processing
(Chemical products)
SHOFU BLOCK HC HARD II
SHOFU BLOCK HC HARD AN
- 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



Overseas Net Sales

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



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%	(+ 8.4%)
Asia (Other)	- 1.4%	(- 1.5%)

Foreign exchange rates

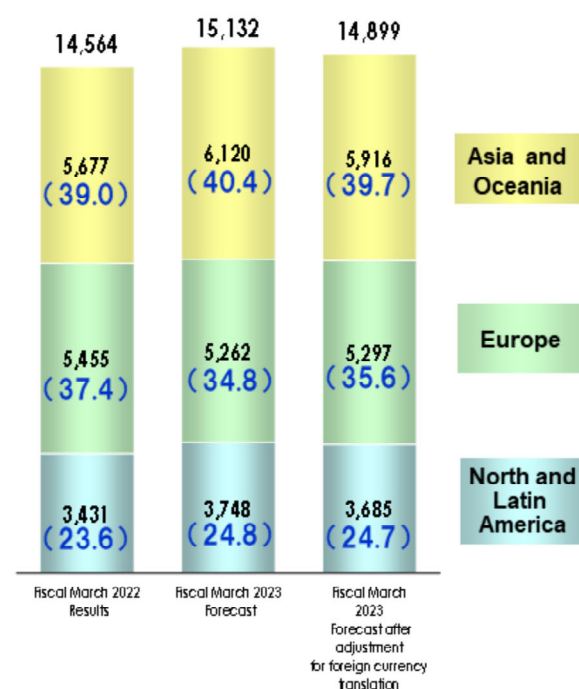
- USD1=JPY115.00
(JPY112.86 in the previous fiscal year)
(Effect: +80 million yen)
- EUR1=JPY130.00
(JPY131.01 in the previous fiscal year)
(Effect: -37 million yen)
- RMB1=JPY18.00
(JPY17.03 in the previous fiscal year)
(Effect: +200 million yen)

(Dental business) Overseas sales ratio **53.1%**

52.8% in the previous fiscal year

52.7% after foreign currency translation adjustment

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



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

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)	Fiscal March 2023 (Forecast)	Change from Previous Period
		Amount (% of sales)	Amount (% of sales)	
Dental	Net Sales	25,876	26,730	854
	Operating expenses	22,811	24,131	1,320
	Operating income (operating in come 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 in come margin)	131 (6.1)	125 (5.1)	-6
Other	Net Sales	99	104	5
	Operating expenses	85	96	11
	Operating income (operating in come margin)	14 (14.2)	7 (7.5)	-6
Total before consolidation adjustment	Net Sales	28,144	29,314	1,170
	Operating expenses	24,932	26,582	1,649
	Operating income (operating in come 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 (operating in come margin)	3,217 (11.4)	2,732 (9.3)	-484

Contributors to Change in Operating Income

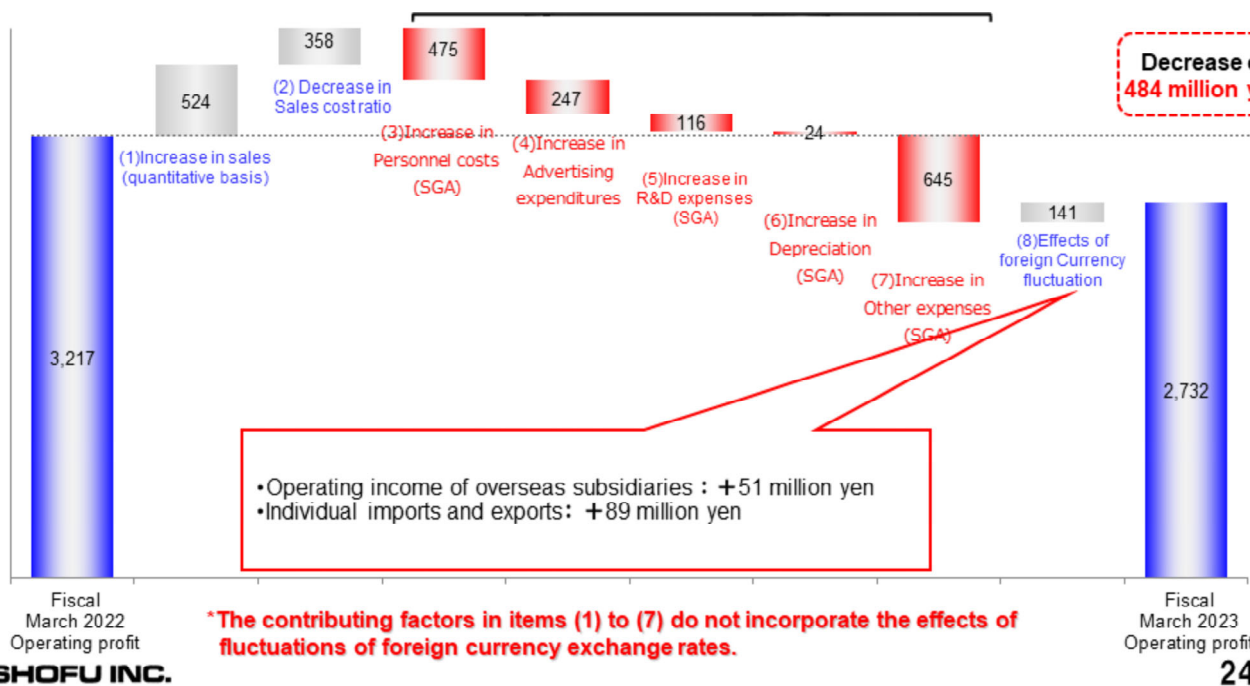
Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023



Unit: millions of yen

Total SGA: -1,508 million yen

Decrease of 484 million yen



Slide No. 24 shows contributors to the change in operating income compared with the fiscal year ended March 2022.

We expect the operating income to decrease by 484 million yen, or 15.1%. This is mainly because SG&A expenses will increase due to a rise in expenses for sales as restrictions on sales activities amid the pandemic are gradually eased, an increase in expenses related to the tightening of pharmaceutical regulations such as the Medical Device Regulation (MDR), expenses for projects to mark our 100th anniversary, and active investments in growth, including personnel expenses and research and development expenses.

Impact of Foreign Exchange Fluctuations

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



Forecast for Fiscal March 2023

(Unit: millions of yen)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen 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

Slide No.25 shows the effect of exchange rate fluctuations of each major currency for the forecasts of fiscal year ending March 2023.

A stylized world map with black outlines of continents is in the background. Three text boxes are overlaid on the map.

**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
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.

Going forward, the world’s top companies will grow even larger with growth of the overall industry, and the scale of sales required to remain in the top 10 may increase. First of all, we will achieve “Group net sales: 50 billion yen & Group operating income: 7.5 billion yen” and increase our contribution and presence to dentistry around the world.

Fiscal 2021 to 2023 Medium-term Management Plan: Company-wide targets

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



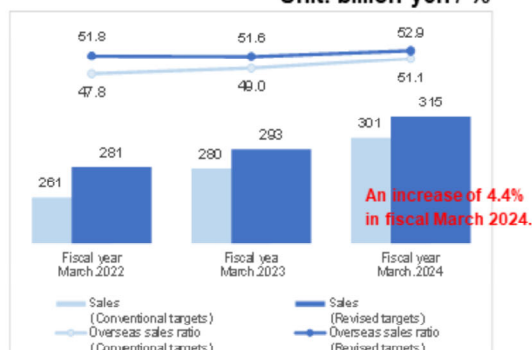
We have revised up our numerical targets based on the recovery of demands from the COVID-19 and the progress of our efforts.

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%**

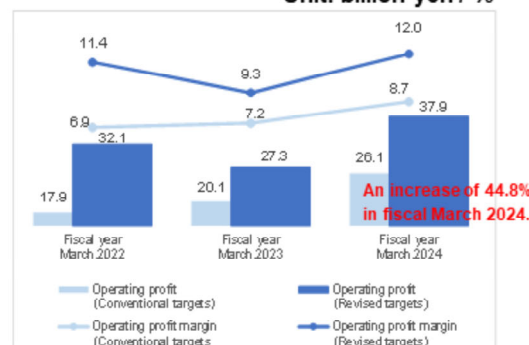
Sales - overseas sales ratio

Unit: billion yen / %



Operating profit / Operating profit rate

Unit: billion yen / %



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Slide No.29 shows the numerical targets for “The Fourth Mid-Term Management Plan covering from the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2024”, which started at the previous fiscal year.

This Mid-term Management Plan incorporates the effects of the spread of the COVID-19 infection to a certain extent, and in the first year of the fiscal year ended March 31, 2022, in the dental industry to which we belong, there are movements to optimize the distribution inventory in addition to the recovery of demand in each region of the world.

Even amid the COVID-19 pandemic, the Company sought to recommend and provide its products to dental care professionals in Japan and overseas as in normal times, seeking to fulfill its responsibility to supply medical devices as a medical equipment manufacturer.

We believe that firm demand in the dentistry market and the efforts we have been making will result not in temporary but in lasting results. Then, we revised up the numerical targets “Group net sales: 31.5 billion yen, Group operating income: 3.79 billion yen, Group operating income rate: 12.0% and ROE: 8.0%” for the fiscal year ending March 31, 2024, which is the final year of the Forth Mid-Term management plan.

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

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



Key issues to achieve goals

R&D	Development and introduction of new products that match the local demands	<ul style="list-style-type: none"> • Business tie-up with Mitsui Chemicals and Sun Medical • Promotion of M&As • Establishment of the group governance system
Production	Relocation of production sites 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 of skilled employees to actively promote overseas operation	
Finance	Capital procurement in response to increasing investment demands	

Slide No. 30 shows priority issues of the Fourth Mid-term Management Plan.

Before describing, we are implementing priority issues such as R & D, Production and Sales at a faster pace to achieve these numerical targets. Also, in order to accelerate growth, we will aggressively develop external affiliations, including business collaborations with Mitsui Chemicals and Sun Medical, pursue M&As and strengthen our Group governance system in order to accelerate growth.

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

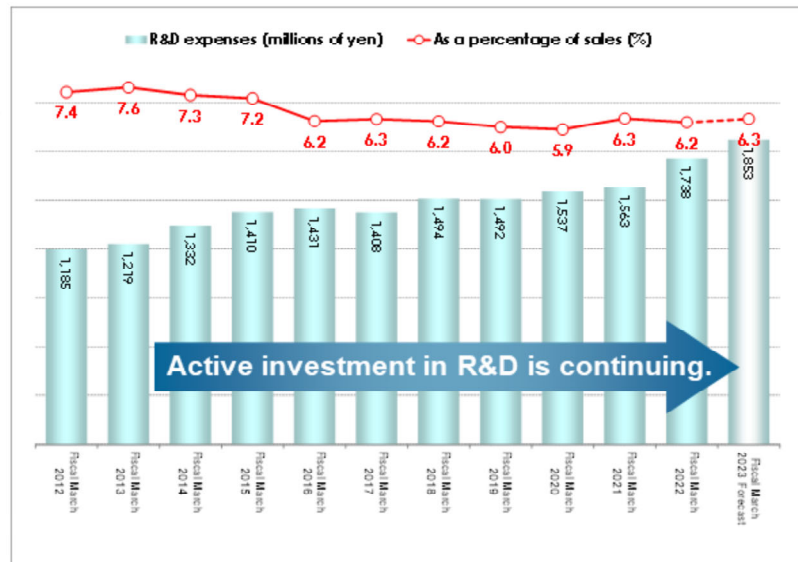
Development and introduction of new products that match the local demands

Developing products with a worldwide vision

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

Developing products with the goal of creating markets in new fields

Trend in R&D investment



Slide No. 31 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.

Also, 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.

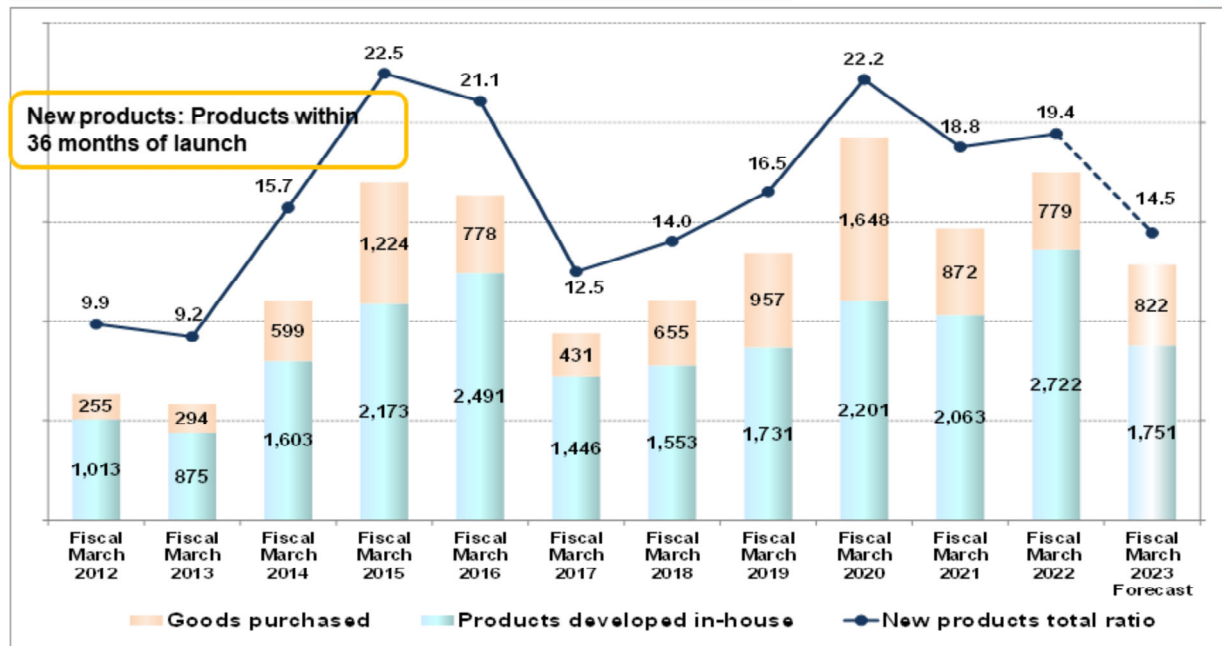
Trends for Sales Ratio of New Products

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



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

Units: millions of yen, %



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

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Slide No. 32 shows trends for the sales ratio of new products, which are an indicator of the performance evaluation of research and development.

Shofu defines new products as products launched within the past three years and our aim is for the sales ratio of new products to be 20% or higher of total sales.

We attach importance to the expansion of new product sales as an indicator of the company's collective strength.

In the previous fiscal year, "BeutiBond Xtreme," a dentine bonding product for dental use and "SHOFU BLOCK HC HARD II," a resin material for dental cutting processing among other products, contributed to sales. As a result, the sales ratio for new products was 19.4%.

This fiscal year ending March 2023 is an off-season for the launch of the next large-scale new products such as dental digital camera among other products, so the sales ratio of new products is expected to decline to 14.5%.

Going forward, we will strive to increase the sales ratio of new products developed in-house.

Specific Efforts – Production

Future Business Environment and Medium- and 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)



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)



SHOFU PRODUCTS VIETNAM CO., LTD (Vietnam)

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Slide No. 33 shows priority efforts related to production.

We will further work to enhance price competitiveness by further reducing costs in fields in which we are competitive, such as artificial teeth and abrasives.

In addition, we will realign our production facilities by utilizing existing domestic subsidiaries more effectively and establishing new factories overseas with a view to (1) eliminating production capacity constraints at the head office factory, (2) selecting production items based on required production technology and profitability, (3) avoiding the effects of currency fluctuations, (4) reducing shipping costs for hazardous and heavy goods, (5) providing better delivery service to customers, and (6) avoiding high tariffs.

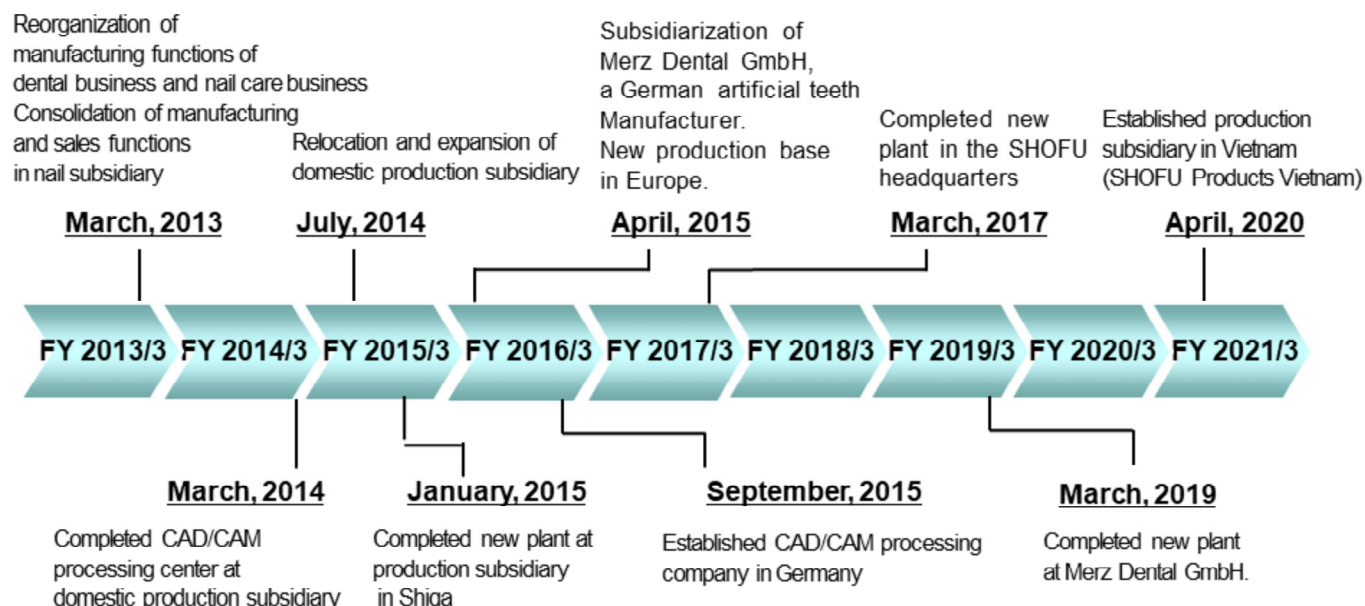
A new production site in Vietnam, which we established two years ago, started operations in last November, although there was a slightly delay from the original planned timeline due to the effect of the COVID-19. First, we plan to start this Vietnamese production site as a production factory for abrasives mainly for overseas markets, and in the future, we intend to further expand its product line and grow it as one of the Group's main production sites.

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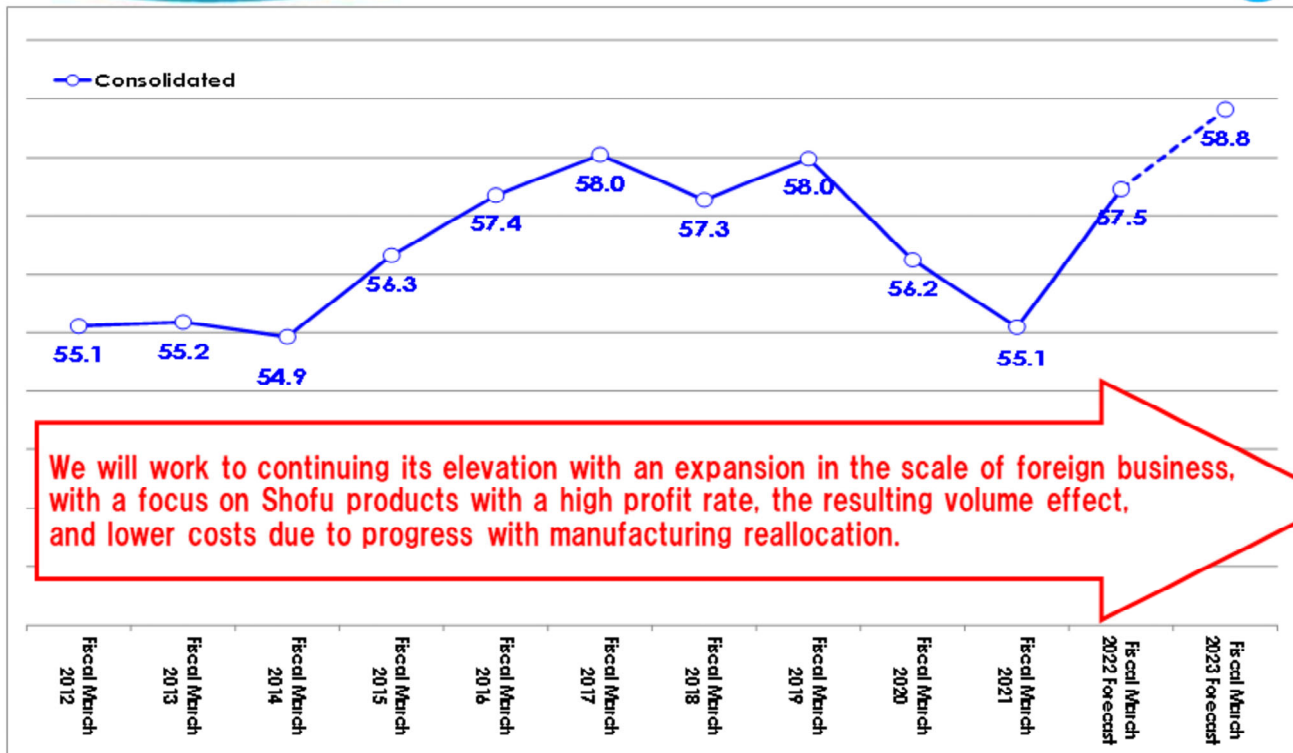
※ We are gradually developing production bases in other important countries and regions.

Trends for Gross Profit Margin Rates

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



Unit: %



We will work to continuing its elevation with an expansion in the scale of foreign business, with a focus on Shofu products with a high profit rate, the resulting volume effect, and lower costs due to progress with manufacturing reallocation.

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Slide No. 35 shows trends for gross profit margin rates.

In the fiscal year ended in March 2022, the percentage of foreign sales with a focus on in-house product with a high profit rate expanded and the utilization rate improved due to a higher sales volume. Thus, the previous fiscal year's gross profit rate had improved significantly compared to the fiscal year ending March 2021.

In the fiscal year ending in March 2023, we expect the gross profit rate to be 58.8% and to increase by 1.3% compared to the previous fiscal year.

We will work to continuing its elevation with an expansion in the scale of foreign business, with a focus on Shofu products with a high profit rate, the resulting volume effect, and lower costs due to progress with manufacturing reallocation.

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

➤Improve our customer service

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➤Enhance academic activities

➤Speed up the product registration work

[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

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Slide No. 36 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, we 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.

In the last April 2021, we established a representative office in Dubai, UAE, with the aim of developing the Middle East and African markets.

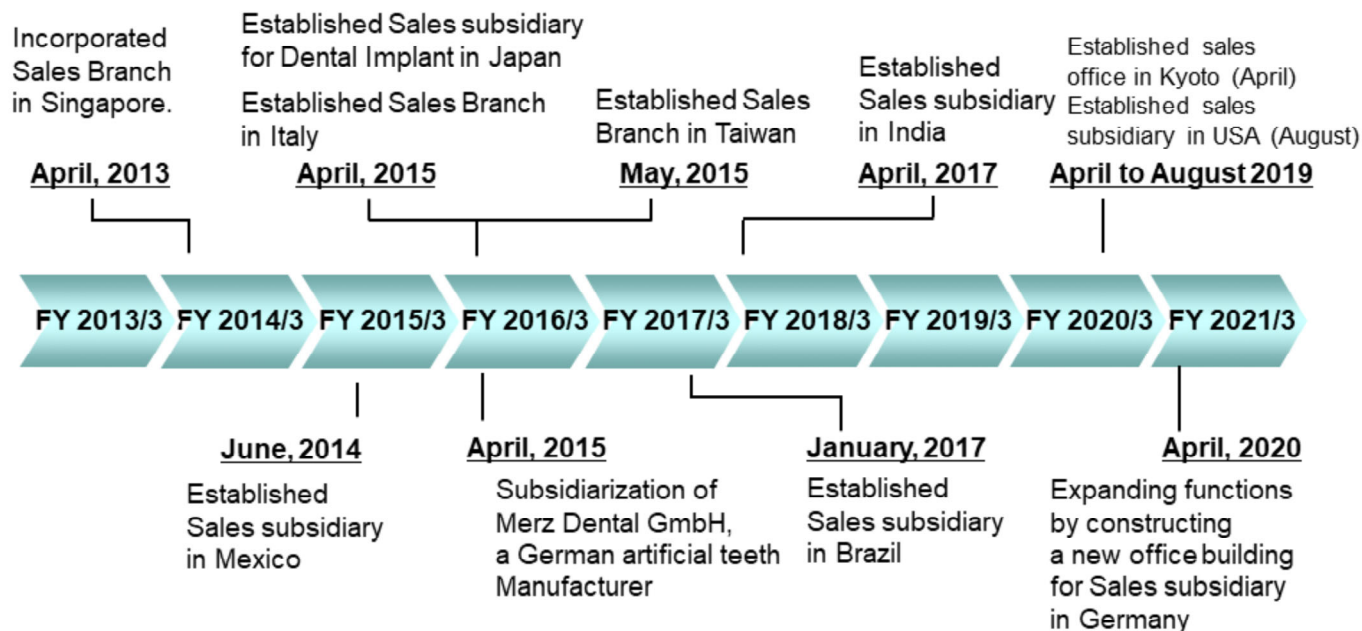
Going forward, we will gradually develop and enhance our sales network in key countries and regions.

Specific Efforts – Sales

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



✧ Realignment of sales offices



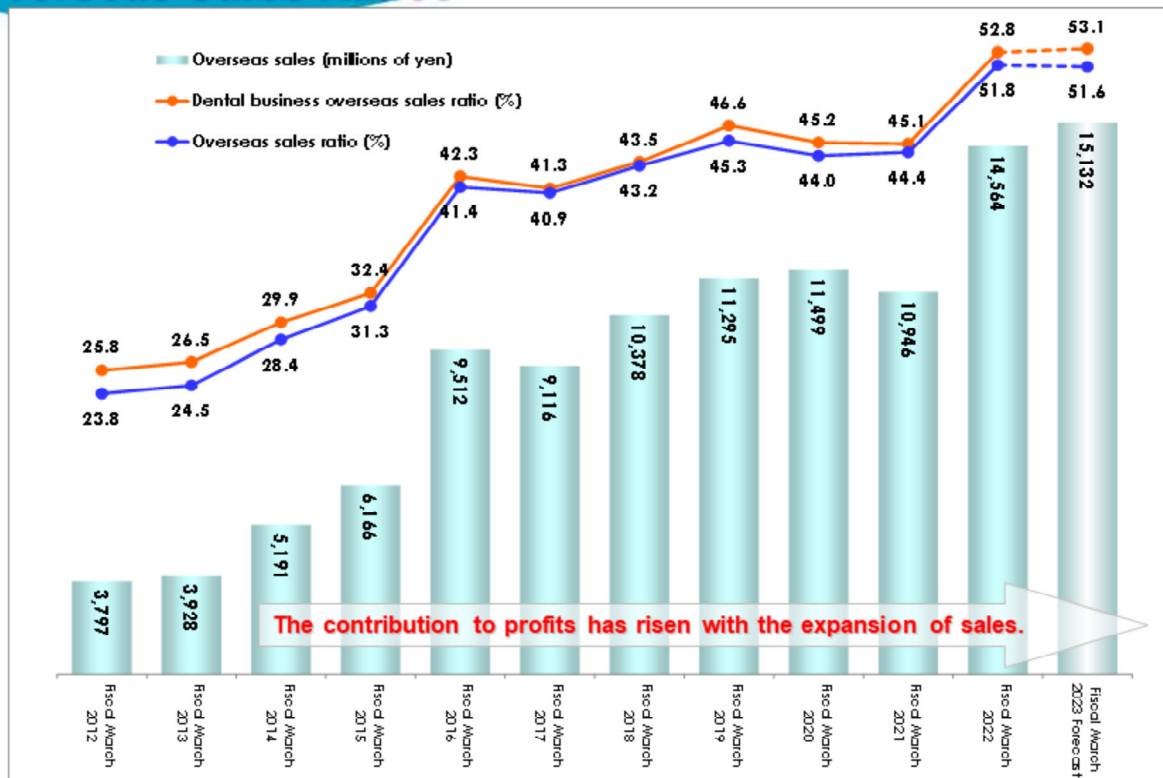
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* We are planning to establish sales bases in other important countries / regions.

Trends for Overseas Sales and Overseas Sales Ratios

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

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The contribution to profits has risen with the expansion of sales.

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Slide No. 38 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 since the fiscal year ended March, 2018.

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.

Trends for Sales by Region

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



Unit: millions of yen

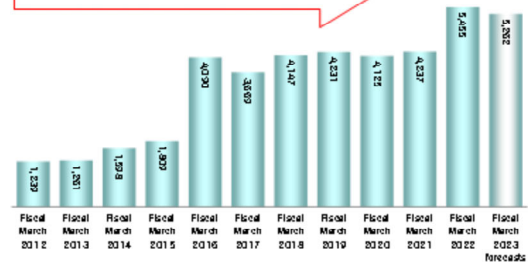
North & Latin America Sales

CAGR 12.5%



Europe Sales

CAGR 16.0%



China Sales

CAGR 20.1%



Elsewhere in Asia Sales

CAGR 9.4%



※ CAGR is the annual average from Fiscal March 2012 to Fiscal March 2022

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Slides No. 39 shows fluctuations in sales by overseas region.

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

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. 40 shows our basic policy and priority efforts related to the nail care business.

We have built an integrated system for working on everything from product development to manufacturing and sales, which is utilizing dental material technology, and we are striving to stabilize our management base and streamline operations.

We are developing products for general consumers, have established a joint venture in Taiwan and launched a collaboration with a noted manicurist. In addition to this, we are planning to expand sales using online.

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 shares (total value of 2,988 million yen)
- MCI's shareholdings increased from 11.17% to 20.01% (Shofu became an equity-method affiliate)

■ Business tie-up

- 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)

- 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

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Slide No. 41 shows strengthening of capital and business tie-up with Mitsui Chemicals and Sun medical.

In May 2020, we concluded a capital and business tie-up agreement with Mitsui Chemicals, Inc. and Sun Medical Co., Ltd, which is a subsidiary of Mitsui Chemicals and a manufacture of dental material.

Shofu became an equity-method affiliate of Mitsui Chemicals, Inc. and Sun Medical Co., Ltd became an equity-method affiliate of Shofu and we established stronger relationships then ever before.

The three companies are strengthening their business and capital alliance and have formed project teams to facilitate product development, “share and complement each other's production functions”, “use domestic and overseas sales networks”, and “expand their product lineups”, taking advantage of their individual strengths. The project teams are selecting themes and have started to generate results.

Medium-term Management Plan —Principle Targets

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



★...Record Unit: millions of yen

	Fiscal March 2021 (Results)	Mid-term Management Plan		
		Fiscal March 2022 (Results)	Fiscal March 2023 (Forecasts)	Fiscal March 2024 (Forecasts)
Net sales	24,680	★ 28,137	★ 29,314	★ 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	★ 3,791
(Percentage of sales)	(9.3%)	(11.4%)	(9.3%)	(12.0%)
Ordinary income	2,523	★ 3,658	2,850	★ 3,927
(Percentage of sales)	(10.2%)	(13.0%)	(9.7%)	(12.5%)
Net income	1,674	★ 2,546	1,975	★ 2,764
(Percentage of sales)	(6.8%)	(9.1%)	(6.7%)	(8.8%)
Dental business Overseas sales ratio	45.1%	★ 52.8%	★ 53.1%	★ 54.4%

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Slide No. 42 shows the principle targets “Fiscal year ending March 2022 to March 2024, Forth Mid-term Management Plan”

The forecasts in the fiscal year ending March 2023, which is the second year of the Mid-term Management plan we revised up, are increasing in investments in future growth as we mentioned at the slide No.17. Thus, we expect forecasts to decrease in profit compared with the fiscal year ended March 2022 results, but a record high profit in the fiscal year ending March 2024, which is the final year of the Forth Mid-term Management Plan.

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

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



Unit: millions of yen, %

	Fiscal March 2021 (Results)		Mid-Term Management Plan					
			Fiscal March 2022 (Results)		Fiscal March 2023 (Forecasts)		Fiscal March 2024 (Forecasts)	
	Amount	%	Amount	%	Amount	%	Amount	%
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

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



Unit: millions of yen

	Fiscal March 2021 (Results)	Mid-Term Management Plan		
		Fiscal March 2022 (Results)	Fiscal March 2023 (Forecasts)	Fiscal 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.

SHOFU INC.

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Slides No. 44 shows the mid-term management plan of capital investments, depreciation expenses and R&D expenses.

In the fiscal year ending in March 2023, we expect capital investment to increase significantly due to the reconstruction of the headquarters office building, marking the one-hundredth anniversary of Shofu's founding. This will cost a total of 1.6 billion yen and is due to be completed at the end of March 2023.

- Dividend payout ratio on consolidated basis : 30% or more
- Ratio of dividends to net assets : Tentative target of 1.7%

Item \ Business 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

Slides No. 45 shows the dividend policy.

As for our dividend policy, we targeted a payout ratio of 30% or more on a consolidated basis. Moreover, we added dividends on equity (DOE) as a numerical standard with the aim of implementing returns that take into account capital efficiency at the previous fiscal year. During the period of the Fourth Mid-term Management plan, dividends on equity (DOE) of 1.7% will be our tentative target.

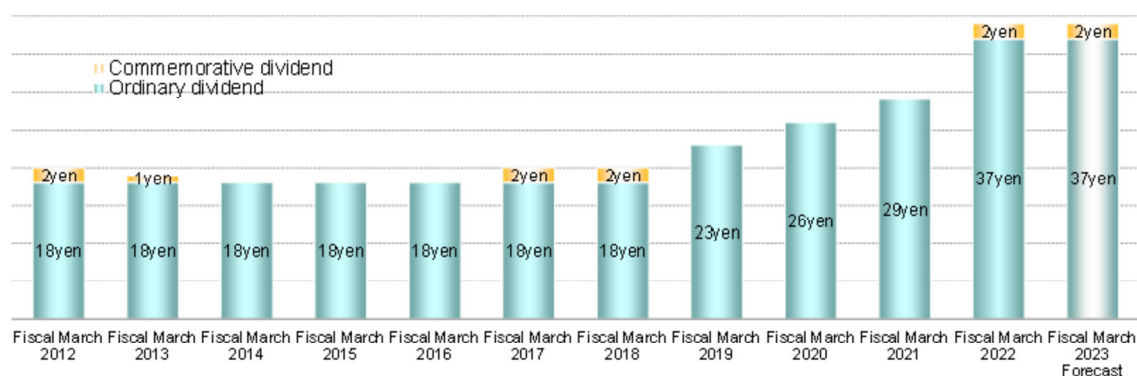
We will aim to improve our DOE by enhancing both profitability and capital efficiency.

Trend of annual dividend per share and index related dividend

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



■ 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 of 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%

Slide No. 46 shows trend of annual dividend per share and trend index related dividend.

At the previous fiscal year ended March 2022, the total annual dividend was originally 32 yen per share, but, in addition to the steady performance, we revised it as 39 yen per share, consisting of midterm dividend of 13 yen per share and year-end dividend of 26 yen per share, based on the basic policy of maintaining stable dividends.

In the current fiscal year, we expect a decrease of profit compared to the previous fiscal year, but with an emphasis on maintaining stable dividends, we plan the total annual dividend will be 39 yen per share, which is the same amount as the previous fiscal year. As for the both of previous and current fiscal year, this annual dividend per share is including 2 yen in commemoration of our 100 year anniversary.

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

SHOFU INC.

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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 and Business Profiles



■ **Company name** **SHOFU Inc.** (As of March 31, 2022)

■ **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** **Prime Market of Tokyo Stock Exchange**

■ **Number of employees** **473 (entire group: 1266, including 607 in overseas subsidiaries)**

■ **Business** **Manufacture and sale of dental materials and equipment**

■ **Main customers** **Dental institutions (via sales agencies)**

■ **Number of group companies** **Subsidiaries 19 (four in Japan, fifteen overseas)
Affiliates 1 (one in Japan)
Dental companies: 16 (three in Japan, thirteen overseas)
Nail care companies: 3 (one in Japan, two overseas)**

SHOFU INC.

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Main Products

Company and Business Profiles



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

Artificial teeth products



Artificial tooth and implant materials

- Porcelain teeth, porcelain powder, resin teeth

Abrasives products



Materials for removing diseased areas and polishing crowns

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

Metal products



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

- Alloys for casting, silver alloys
- Other metals

Chemical products



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

- Synthetic resins
- Impression materials
- Waxes

Cement products ,other



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

- Dental cements
- Dental stones and investments

Machinery ,equipment & other products



Equipment and appliances for dental treatment and procedures

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

SHOFU INC.

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

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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.

SHOFU INC.

Corporate History (2)

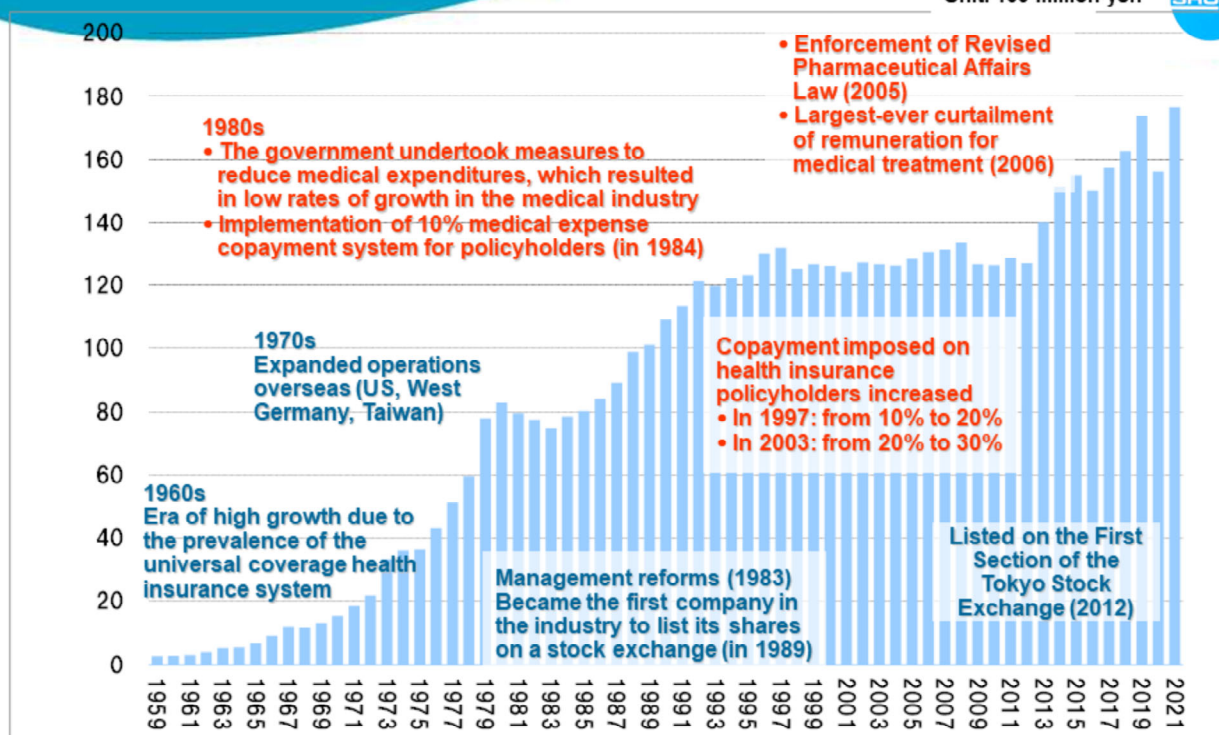


• 2009	Reached basic agreement concerning business and capital partnership with Mitsui Chemicals, Inc., and Sunmedical Co., Ltd. Transferred 1.8 million shares of treasury stock to Mitsui Chemicals, Inc., through a third-party allocation.
• 2010	Shofu Dental Trading (Shanghai) Co., Ltd., is established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

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

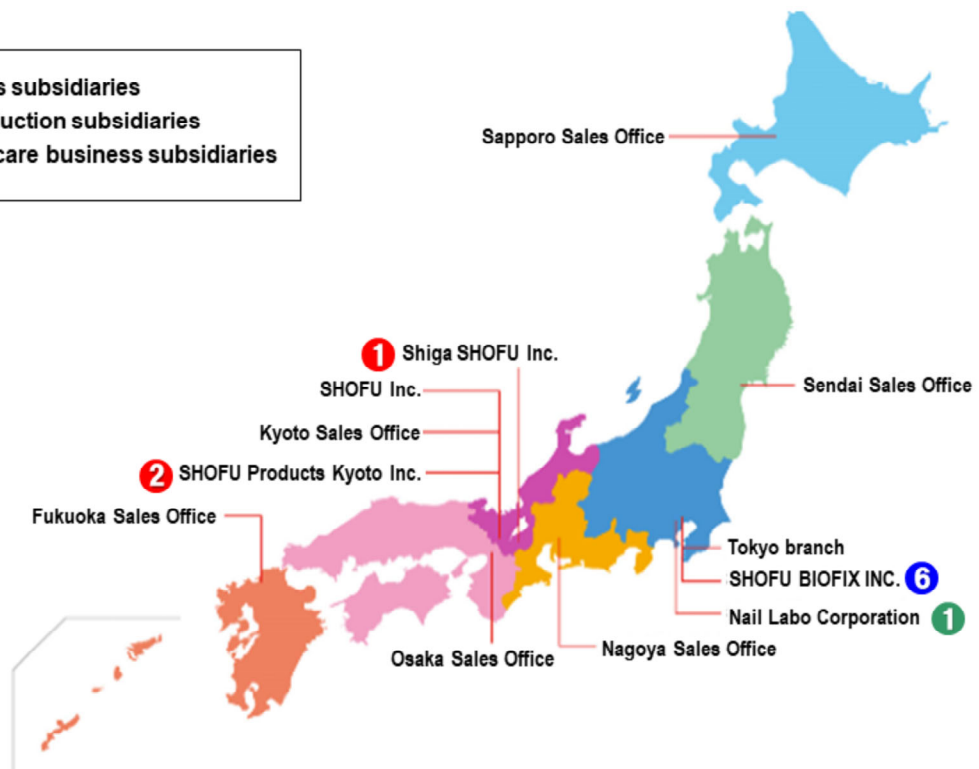
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Group Overview[Domestic base]

Company and Business Profiles



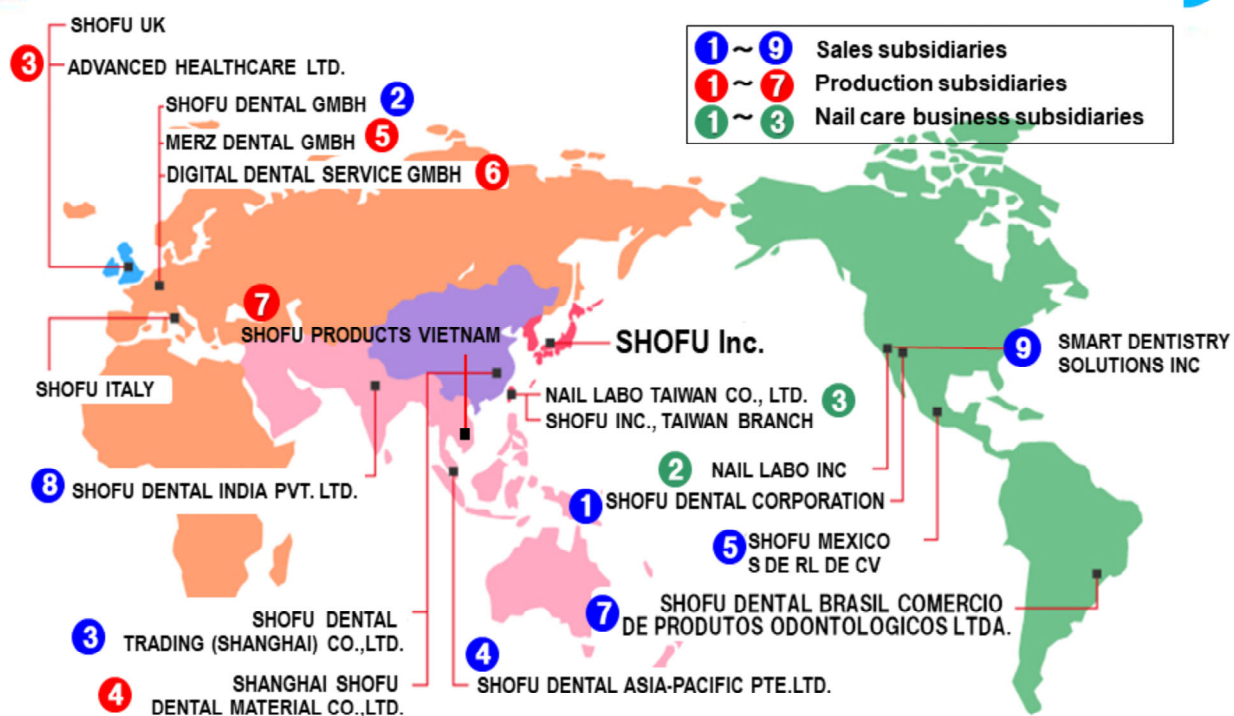
- 1 ~ 8 Sales subsidiaries
- 1 ~ 7 Production subsidiaries
- 1 ~ 3 Nail care business subsidiaries



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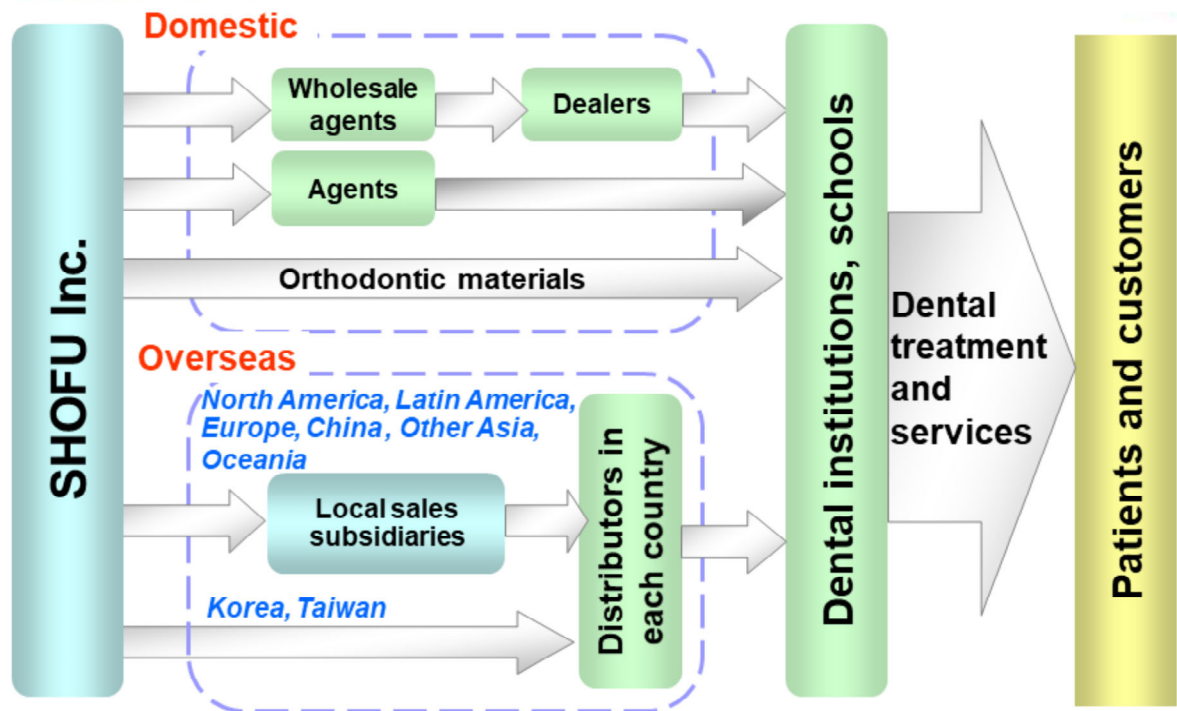
Group Overview[Overseas base]

Company and Business Profiles



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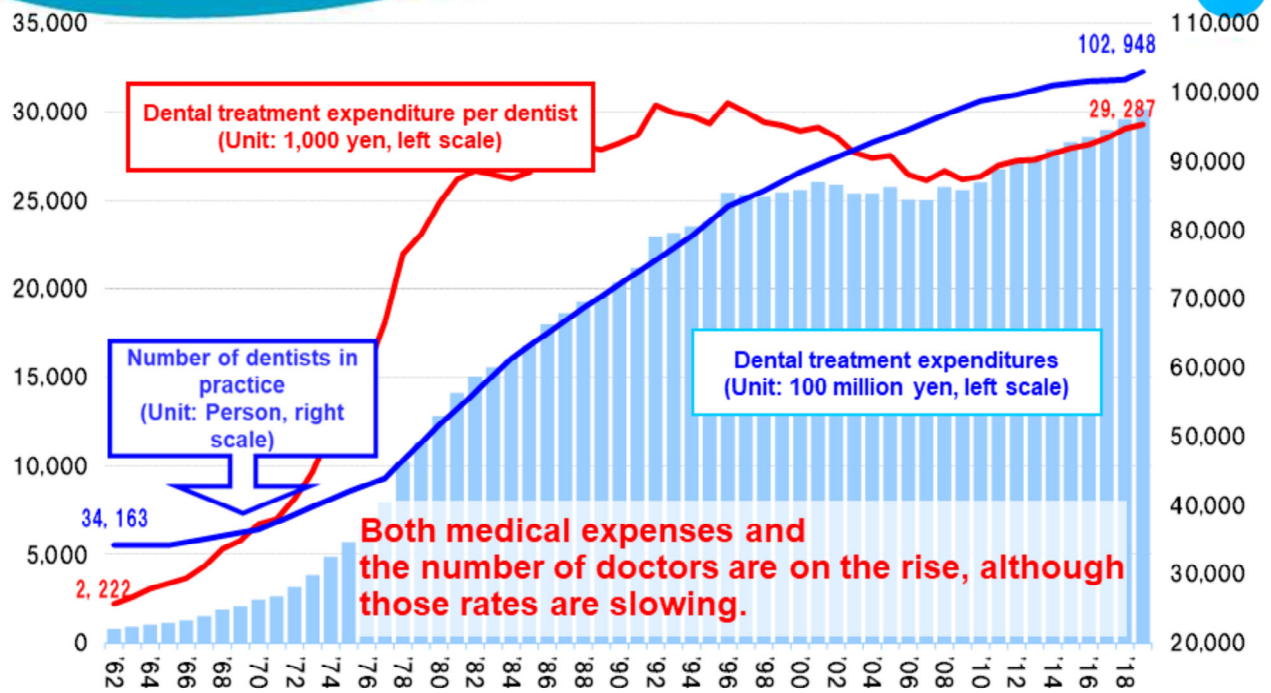
56





Trend of the Number of Dentists and Dental Treatment Expenditure

Reference <Dentistry Data>

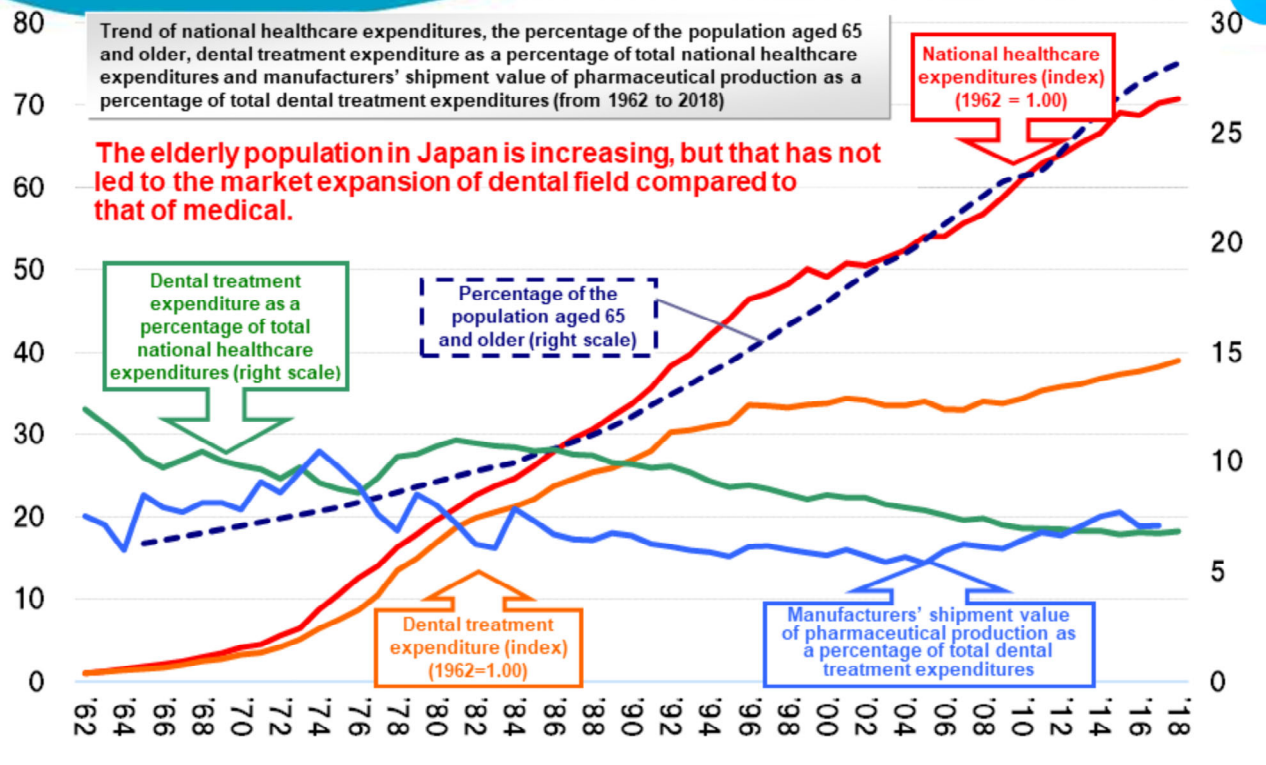


Prepared using yearly data from Summary of National Healthcare Expenditures, Survey on Doctors, Dentists and Pharmacists (Ministry of Health, Labour and Welfare)

Healthcare Expenditures by Age Group (Component Ratio)

Reference <Dentistry Data>

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

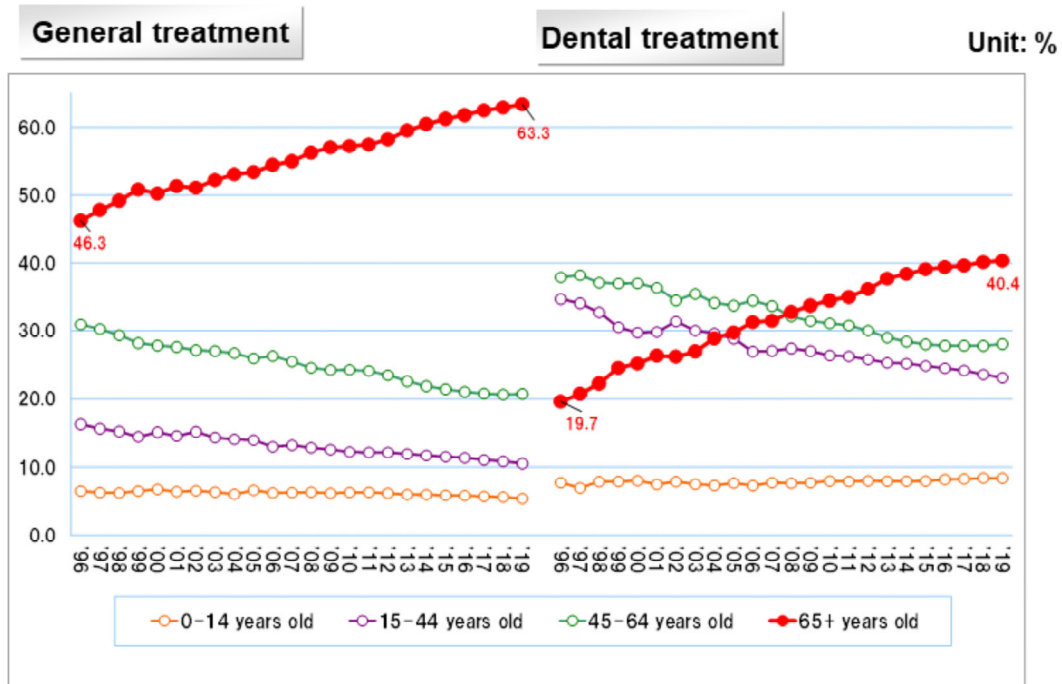
60

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.



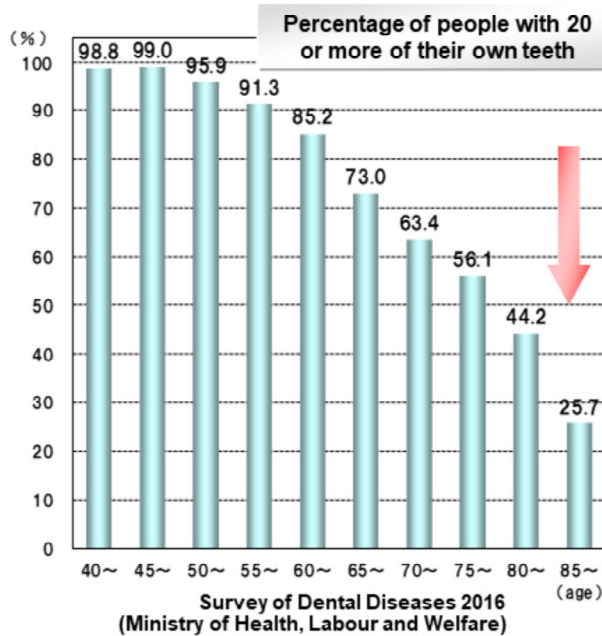
Prepared using yearly data from Summary of National Healthcare Expenditures
(Ministry of Health, Labour and Welfare)

The 8020 Movement and Changes in Dental Diseases

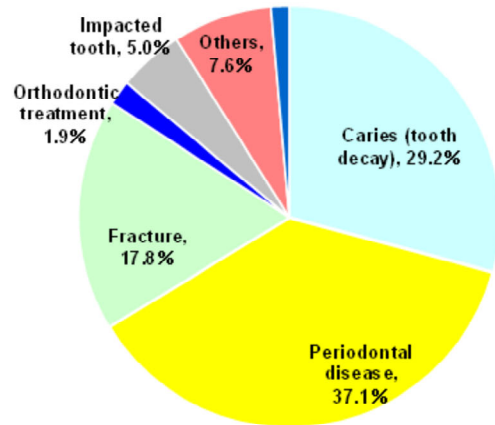
Reference <Dentistry Data>



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



Causes of tooth loss

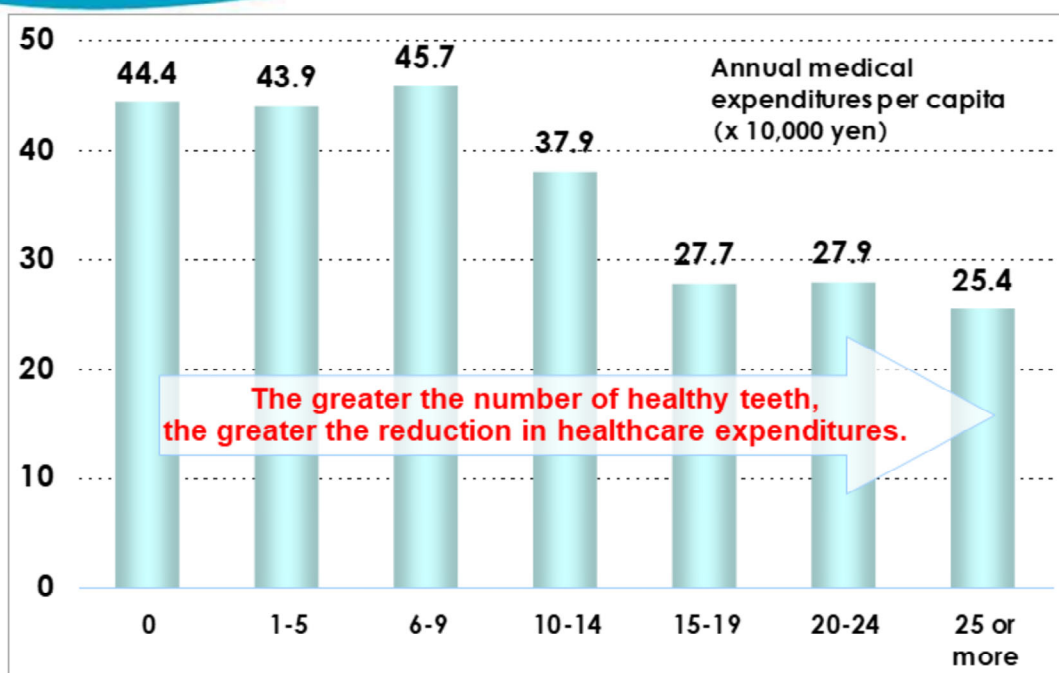


(Survey by the 8020 Promotion Foundation in 2018)

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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

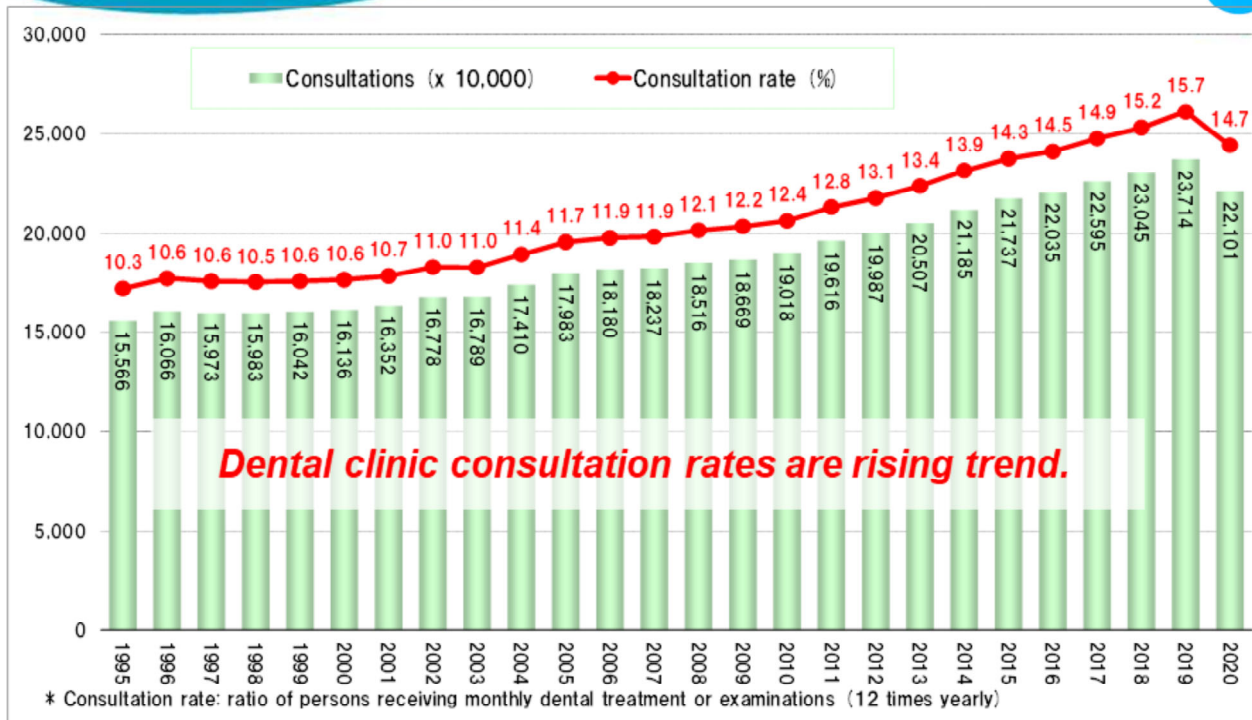
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Subjects surveyed: 954 persons aged 80 living independently (392 men, 562 women)

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Dental Clinic Consultation Rates

Reference <Dentistry Data>

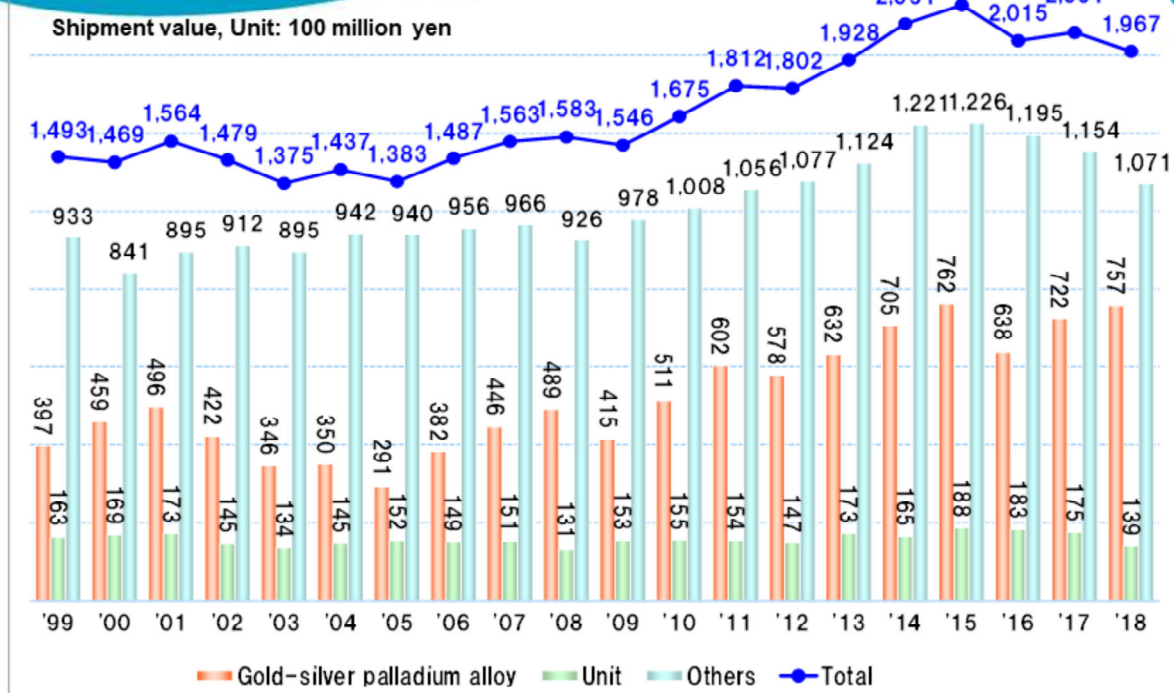


Dental clinic consultation rates are rising trend.

Trend of Shipment Value of Pharmaceutical Industry Production

Reference <Dentistry Data>

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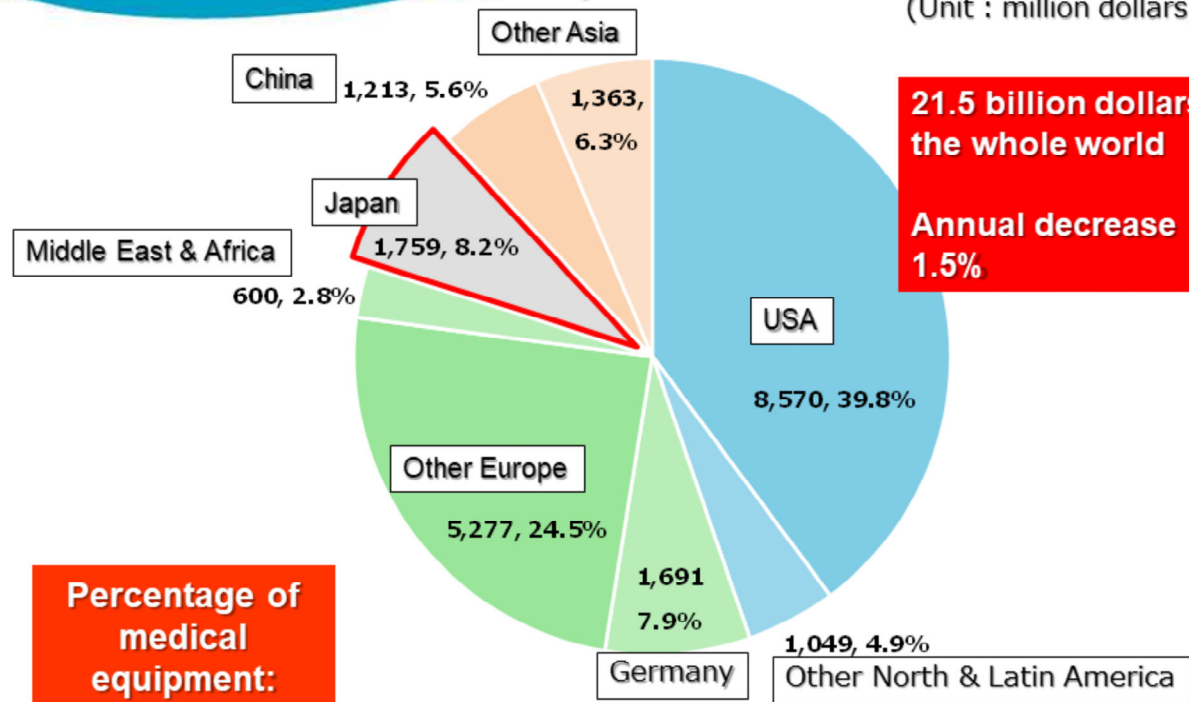
Prepared using data from Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

Global dental equipment market size (amount・component ratio)

Reference <Dentistry Data>



(Unit : million dollars)



Percentage of
medical
equipment:
5.0%

21.5 billion dollars in
the whole world

Annual decrease of
1.5%

◆ Source : BMI Research

「The World Medical Markets Fact Book 2019」

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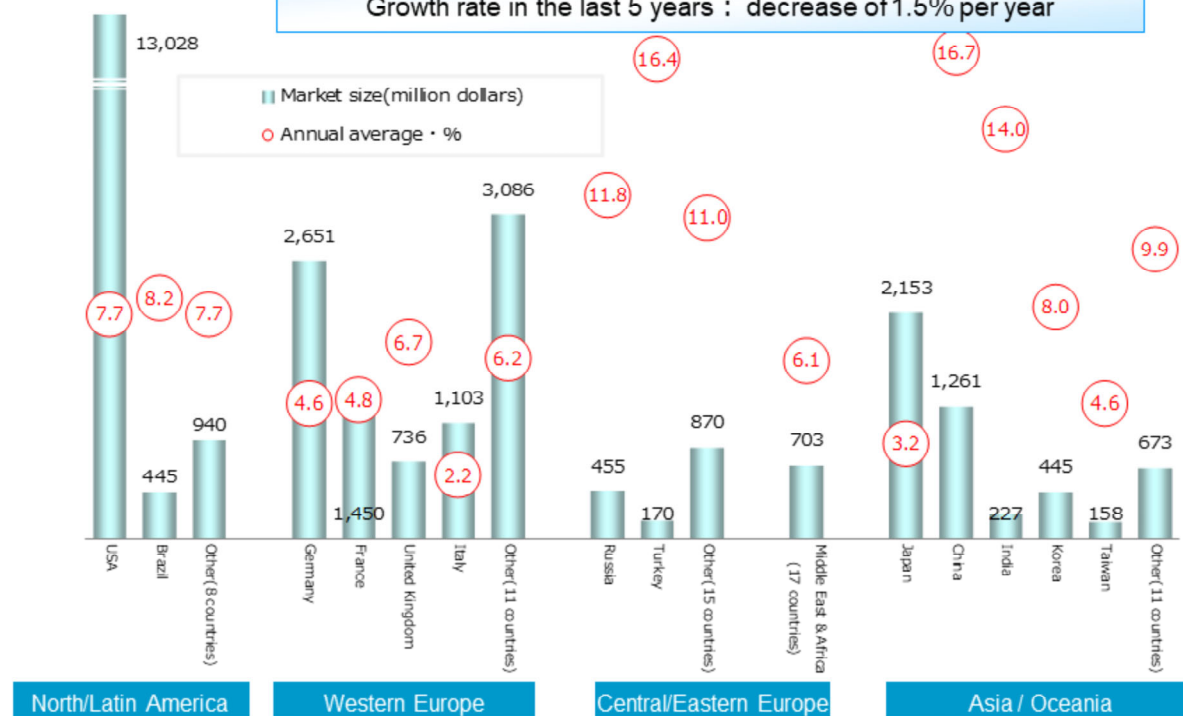
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Global dental market— Market size and growth potential

Reference <Dentistry Data>



Global Dental Equipment Market :21.5 billion dollars
Growth rate in the last 5 years : decrease of 1.5% per year



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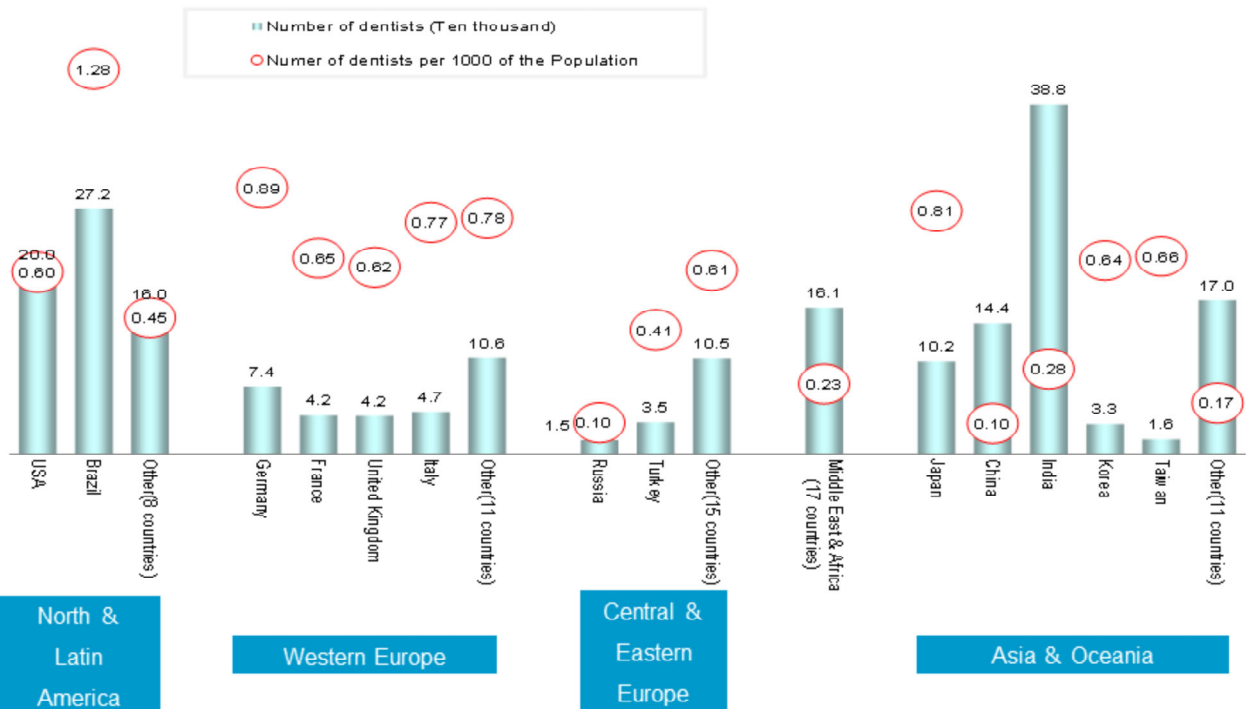
Source : BMI Research 「The World Medical Markets Fact Book 2019」

Number of Dentists in the World

Reference <Dentistry Data>

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



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

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