

# **Fiscal Year Ending March 2022 (150th Business Year) 2Q Quarter Financial Analyst Meeting**

**November 24, 2021**



Proven Products for Better Dentistry  
**SHOFU INC.**

**Tokyo Stock Exchange  
(1<sup>st</sup> Section)  
Code Number: 7979**

# Contents of Today's Presentation

- ➡ **Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2022**
- ➡ **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2022**
- ➡ **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 ending 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 fiscal year ending in March 2022, which resulted in 89 million yen less in sales and 75 million yen less in operating income being posted in the first half of the fiscal year ending in March 2022, compared to the figures when the previous standards are used. Similarly, when the new accounting standard is applied to the forecasts, sales are 178 million yen less and operating income 151 million yen less compared to the figures when the previous standards are used. The impact on ordinary income and net income was minimal.

## ■ Notations

- ✧ “Net Income” figures are figures for “Net income attributable to owners of parent” after the application of the Accounting Standard for Business Combinations.

A faint, stylized map of Japan is visible in the background, with some regions highlighted in black.

## **Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2022**

## **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2022**

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



# Summary of Business Performance (Comparison with Previous Period)

⇒ Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022




 Positive factors  Negative factors



P/L

⇒ Net Sales totaled 13,867 million yen (an increase of 23.6%)  
【Record high】

**Domestic net sales totaled 6,631 million yen (a decrease of 1.2%)**

-  In the dental business, although sales of new products launched in the market since the previous fiscal year contributed to sales and led to an increase, changes in the accounting standards meant that sales posted were lower than when the previous standards are used, and thus **sales were down 0.2%**.
-  In the domestic nail business, 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 by 10.2%**.

**Overseas net sales totaled 7,235 million yen (an increase of 60.5%)**

-  In the overseas sales in the dental business, 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. Moreover, due to the positive impact of foreign exchange fluctuations, sales in the overseas dental business **increased by 66.9%**.
-  In the overseas nail business, although online sales were favorable thanks to proactive promotional activities using social media in the US, sales in Taiwan decreased due to the rapid spread of infections, resulting in the overall sales **decrease by 1.1%**.

# Summary of Business Performance (Comparison with Previous Period)

⇒ Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022



Positive factors Negative factors

P/L

⇒ Operating income totaled 2,000 million yen **【Record high】**

Operating income **rose 120.9%** thanks to a growth in sales despite an increase in selling, general, and administrative expenses owing to the gradual relaxation of restrictions on sales activities.

⇒ Ordinary income totaled 2,130 million yen **【Record high】**  
and Net income totaled 1,506 million yen **【Record high】**

Ordinary income **increased by 138.9%** after increased earnings growth was experienced thanks to decrease in non-operating expenses.  
Net income **rose 164.9%**.

# Summary of 2nd Quarter Business Performance

⇒ Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2022



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

Units: millions of yen,  
%

|                        | Fiscal March 2021<br>(2Q Results)<br>(% of sales) | Fiscal March 2022<br>(2Q Forecast)<br>(% of sales) | Fiscal March 2022<br>(2Q Results)<br>(% of sales) | Change from<br>Previous Period<br>(% change) | Change from<br>Forecast<br>(% change) |
|------------------------|---------------------------------------------------|----------------------------------------------------|---------------------------------------------------|----------------------------------------------|---------------------------------------|
| Sales                  | 11,217<br>( 100.0)                                | 13,599<br>( 100.0)                                 | 13,867<br>( 100.0)                                | 2,650<br>( 23.6)                             | 267<br>( 2.0)                         |
| (Domestic sales)       | 6,710<br>( 59.8)                                  | 6,726<br>( 49.5)                                   | 6,631<br>( 47.8)                                  | -78<br>( -1.2)                               | -94<br>( -1.4)                        |
| (Overseas sales)       | 4,507<br>( 40.2)                                  | 6,873<br>( 50.5)                                   | 7,235<br>( 52.2)                                  | 2,728<br>( 60.5)                             | 361<br>( 5.3)                         |
| Operating income       | 905<br>( 8.1)                                     | 1,462<br>( 10.8)                                   | 2,000<br>( 14.4)                                  | 1,095<br>( 120.9)                            | 538<br>( 36.8)                        |
| Ordinary income        | 891<br>( 7.9)                                     | 1,544<br>( 11.4)                                   | 2,130<br>( 15.4)                                  | 1,238<br>( 138.9)                            | 585<br>( 37.9)                        |
| Net income             | 568<br>( 5.1)                                     | 1,008<br>( 7.4)                                    | 1,506<br>( 10.9)                                  | 938<br>( 164.9)                              | 498<br>( 49.4)                        |
| Net income per share   | 33.44yen                                          | 56.78yen                                           | 84.79yen                                          | 51.35yen                                     | 28.01yen                              |
| Return on equity       | 2.2%                                              | —                                                  | 4.9%                                              | 2.7P                                         | —                                     |
| Foreign exchange rates |                                                   |                                                    |                                                   |                                              |                                       |
| US dollar              | 106.68                                            | 110.25                                             | 110.18                                            | 3.50                                         | -0.07                                 |
| Euro                   | 121.36                                            | 131.69                                             | 130.97                                            | 9.61                                         | -0.72                                 |
| Pound sterling         | 135.04                                            | 153.20                                             | 152.49                                            | 17.45                                        | -0.71                                 |
| Renminbi               | 15.37                                             | 16.63                                              | 16.63                                             | 1.26                                         | 0.00                                  |

\*As for the 2Q forecast for the fiscal year ending March 2022, it is the forecast announced on July 28, 2021.  
 \*Based on the results of the first half ended on September 30, 2021, diluted earnings per shares for fiscal March 2022 results is 84.52 yen.

# Sales by Product Category (Comparison with Previous Period)

Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

|                       | Fiscal March<br>2021<br>(2Q Results) | Fiscal March<br>2022<br>(2Q Results) | Cange from previous period |          |          |
|-----------------------|--------------------------------------|--------------------------------------|----------------------------|----------|----------|
|                       |                                      |                                      |                            | Domestic | Overseas |
| Artificial teeth      | 1,910                                | 2,531                                | 621 ( 32.5)                | 20       | 600      |
| Abrasives             | 1,653                                | 2,300                                | 647 ( 39.2)                | 57       | 590      |
| Metal products        | 108                                  | 110                                  | 2 ( 2.4)                   | 3        | -1       |
| Chemical products     | 2,563                                | 3,786                                | 1,222 ( 47.7)              | 78       | 1,144    |
| Cements and others    | 886                                  | 1,193                                | 306 ( 34.6)                | 10       | 296      |
| Equipment and others  | 2,919                                | 2,841                                | -78 ( -2.7)                | -181     | 102      |
| Dental business total | 10,042                               | 12,764                               | 2,722 ( 27.1)              | -11      | 2,733    |
| Nail care business    | 1,136                                | 1,058                                | -77 ( -6.9)                | -73      | -4       |
| Other                 | 38                                   | 44                                   | 5 ( 15.3)                  | 5        | 0        |
| Total                 | 11,217                               | 13,867                               | 2,650 ( 23.6)              | -78      | 2,728    |

\*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 +440 million yen.  
(Dental business +415 million yen, Nail care business +24 million yen)

# Sales by Segment (Comparison with Forecast)

Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

|                       | Fiscal March<br>2022<br>(2Q Forecast) | Fiscal March<br>2022<br>(2Q Results) | Cange from Forecast |          |          |
|-----------------------|---------------------------------------|--------------------------------------|---------------------|----------|----------|
|                       |                                       |                                      |                     | Domestic | Overseas |
| Dental business total | 12,412                                | 12,764                               | 352 ( 2.8)          | -66      | 418      |
| Nail care business    | 1,139                                 | 1,058                                | -81 ( -7.1)         | -24      | -56      |
| Other                 | 47                                    | 44                                   | -3 ( -6.8)          | -3       | 0        |
| Total                 | 13,599                                | 13,867                               | 267 ( 2.0)          | -94      | 361      |

\*As for the 2Q forecast for the fiscal year ending March 2022, it is the forecast announced on July 28, 2021.

\*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 +440 million yen. (Dental business +415 million yen, Nail care business +24 million yen)



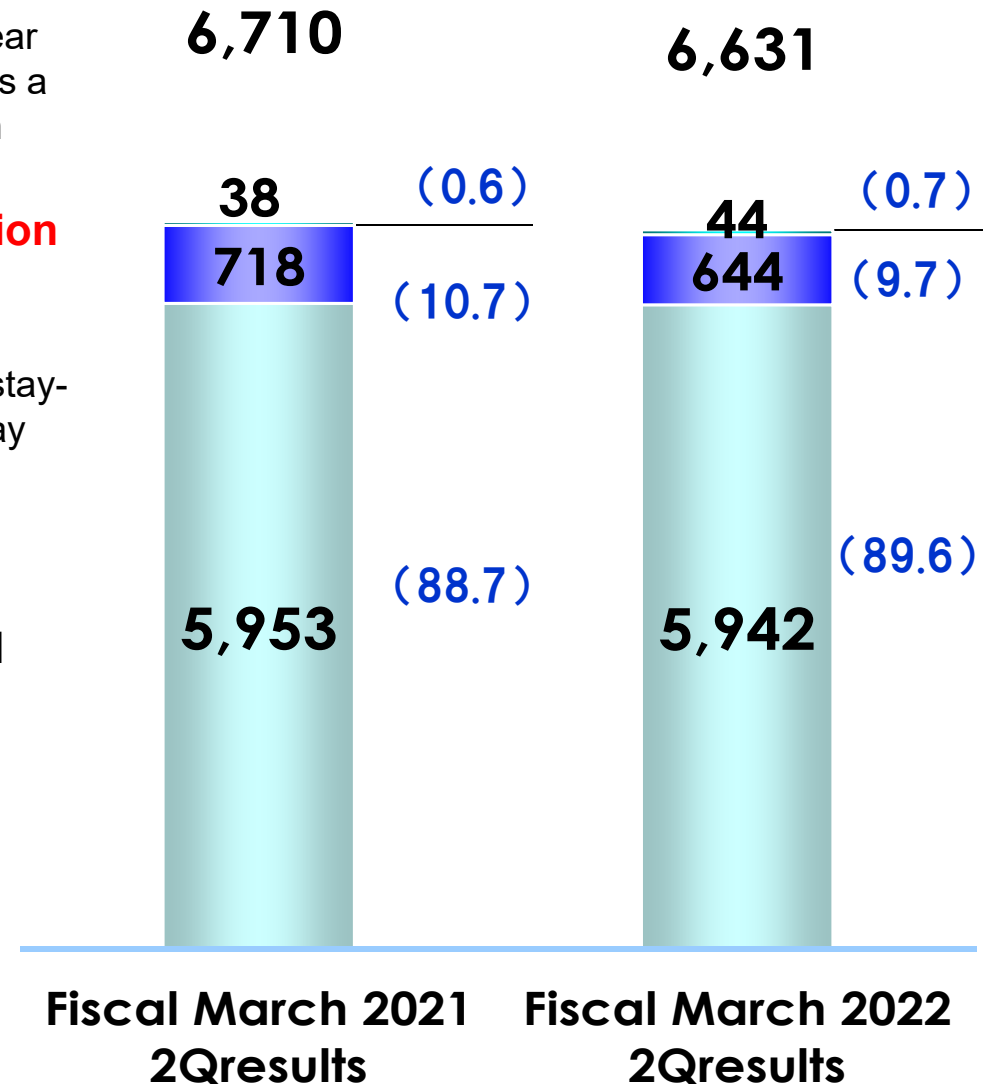
# Domestic Sales

Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022



- **Dental business—year on year decrease of 11 million yen(-0.2%)**
  - New chemical products launched since the previous fiscal year contributed to sales, and although sales actually increased as a result, sales ended up falling due to the impact of changes in accounting standards.
- **Nail care business—year on year decrease of 73 million yen (-10.2%)**
  - 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 5 million yen(+15.3%)**
- **Principal new products launched during recent fiscal year (dental business)**
  - Dentine bonding product for dental use  
**SHOFU 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



# Overseas Sales

Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022



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

Positive factors Negative factors

## North America and Latin America:

Year on year increase of 767 million yen(+75.7%)

- All products line, particularly chemical products and abrasives products contributed to sales,
- Local currency basis: Year-on-year increase 709 million yen(+70.0%)

## Europe:

Year on year increase of 1,039 million yen (+58.3%)

- All products line, particularly chemical products and artificial teeth contributed to sales,
- Local currency basis: Year-on-year increase 820 million yen(+46.0%)

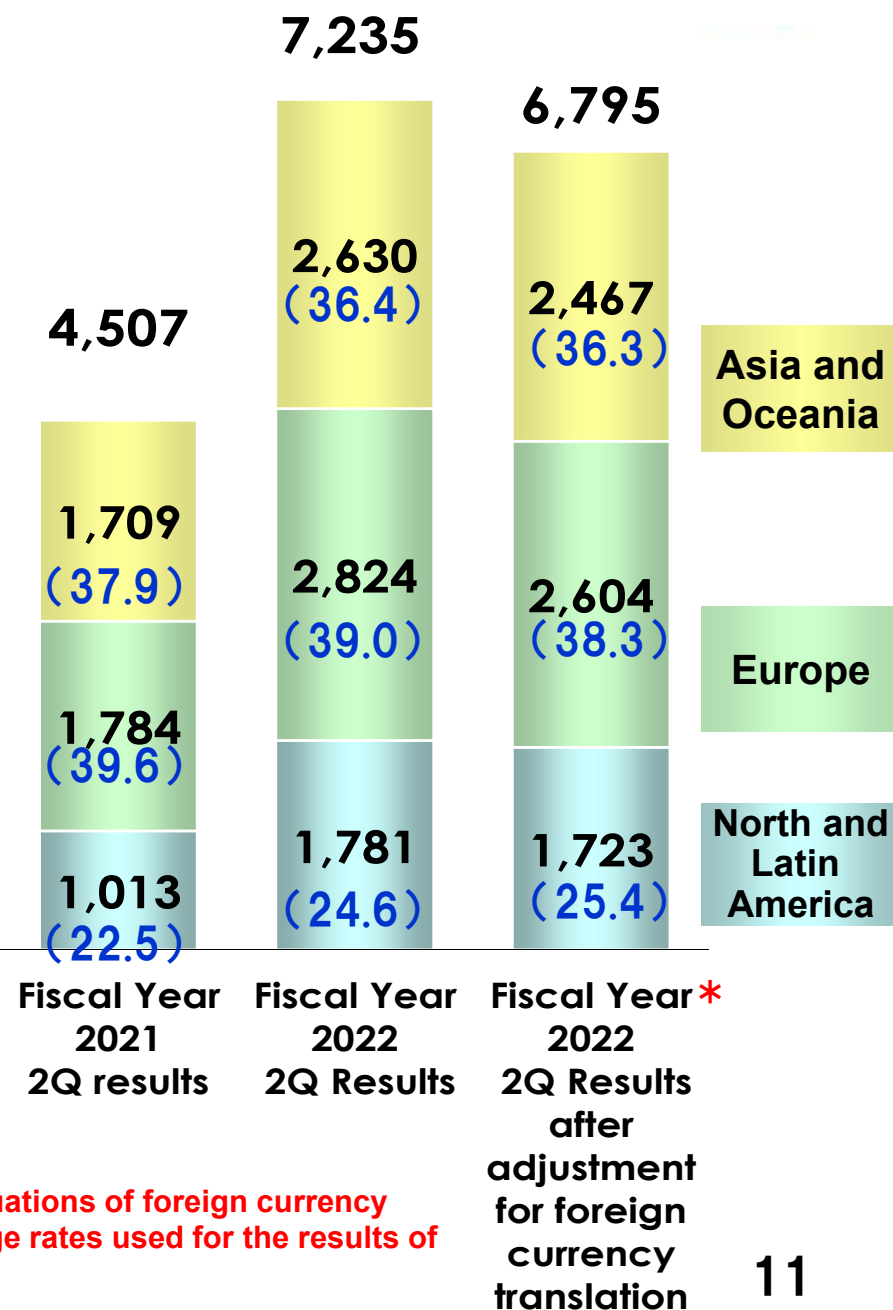
## Asia and Oceania:

Year on year increase of 921 million yen (+53.9%)

- In China, sales of all product lines were strong, primarily for chemical products and artificial teeth.
- In other Asian markets, sales of all products were strong, primarily for chemical products.
- Local currency basis: Year-on-year increase 758 million yen(+44.4%)  
(China):Year on year increase 690 million yen (+77.5%)  
(Elsewhere in Asia) Year on year increase 231 million yen (+28.3%)

## (Dental business) Overseas sales ratio of 53.4%:

40.7% for the same quarter of the previous fiscal year; 51.9% after adjustment for fluctuations of foreign currency exchange rates)



\* 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.

# Performance by Segment (Sales and Operating Income)

Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022



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

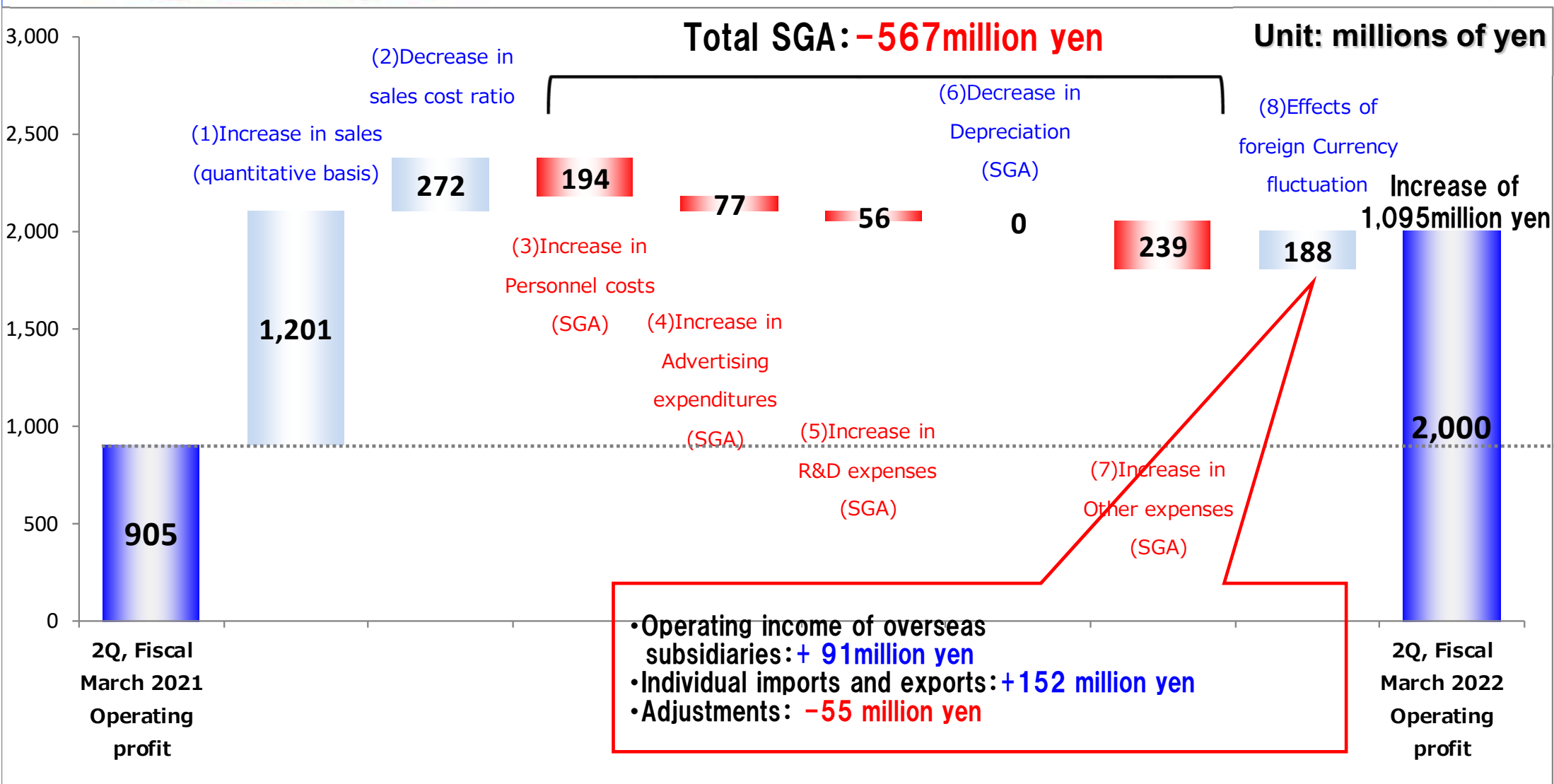
|                                             |                                               | Fiscal March<br>2021<br>(2Q Results)<br>Amount<br>(% of sales) | Fiscal March<br>2022<br>(2Q Forecast)<br>Amount<br>(% of sales) | Fiscal March<br>2022<br>(2Q Results)<br>Amount<br>(% of sales) | Change from<br>Previous Period | Change from<br>Forecast |
|---------------------------------------------|-----------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------|--------------------------------|-------------------------|
| Dental                                      | <b>Net Sales</b>                              | <b>10,042</b>                                                  | <b>12,412</b>                                                   | <b>12,764</b>                                                  | <b>2,722</b>                   | <b>352</b>              |
|                                             | Operating expenses                            | 9,249                                                          | —                                                               | 10,836                                                         | 1,586                          | —                       |
|                                             | Operating income<br>(operating income margin) | 793<br>( 7.9)                                                  | —                                                               | 1,928<br>( 15.1)                                               | 1,135                          | —                       |
| Nail care                                   | <b>Net Sales</b>                              | <b>1,136</b>                                                   | <b>1,139</b>                                                    | <b>1,058</b>                                                   | <b>-77</b>                     | <b>-81</b>              |
|                                             | Operating expenses                            | 1,028                                                          | —                                                               | 991                                                            | -37                            | —                       |
|                                             | Operating income<br>(operating income margin) | 108<br>( 9.5)                                                  | —                                                               | 67<br>( 6.4)                                                   | -40                            | —                       |
| Other                                       | <b>Net Sales</b>                              | <b>40</b>                                                      | <b>47</b>                                                       | <b>47</b>                                                      | <b>6</b>                       | <b>0</b>                |
|                                             | Operating expenses                            | 39                                                             | —                                                               | 45                                                             | 6                              | —                       |
|                                             | Operating income<br>(operating income margin) | 1<br>( 3.8)                                                    | —                                                               | 1<br>( 4.1)                                                    | 0                              | —                       |
| Total before<br>consolidation<br>adjustment | <b>Net Sales</b>                              | <b>11,219</b>                                                  | <b>13,599</b>                                                   | <b>13,870</b>                                                  | <b>2,651</b>                   | <b>270</b>              |
|                                             | Operating expenses                            | 10,316                                                         | —                                                               | 11,872                                                         | 1,555                          | —                       |
|                                             | Operating income<br>(operating income margin) | 902<br>( 8.0)                                                  | —                                                               | 1,997<br>( 14.4)                                               | 1,095                          | —                       |
| Consolidated                                | <b>Net Sales</b>                              | <b>11,217</b>                                                  | <b>13,599</b>                                                   | <b>13,867</b>                                                  | <b>2,650</b>                   | <b>267</b>              |
|                                             | Operating expenses                            | 10,311                                                         | 12,137                                                          | 11,866                                                         | 1,555                          | -270                    |
|                                             | Operating income<br>(operating income margin) | 905<br>( 8.1)                                                  | 1,462<br>( 10.8)                                                | 2,000<br>( 14.4)                                               | 1,095                          | 538                     |

\*As for the 2Q forecast for the fiscal year ending March 2022, it is the forecast value announced on July 28, 2021.



# Contributors to Change in Operating Income

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2022



**\*The contributing factors in items (1) to (7) do not incorporate the effects of fluctuations of foreign currency exchange rates.**

# Financial Condition: Major Balance Sheet Accounts

⇒ Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022



Unit: millions of yen

|                                                                       | Fiscal March<br>2021 | 2Q,Fiscal<br>March 2022 | Change      | Major contributors to changes, special notes                                                                       |
|-----------------------------------------------------------------------|----------------------|-------------------------|-------------|--------------------------------------------------------------------------------------------------------------------|
| Cash and deposits                                                     | 6,943                | 7,349                   | 406         | Increase in merchandises and finished goods,<br>raw materials                                                      |
| Notes and bills receivable,<br>trade accounts receivable              | 3,205                | 3,212                   | 6           |                                                                                                                    |
| Inventory                                                             | 7,078                | 7,470                   | 392         |                                                                                                                    |
| Securities, investment securities                                     | 9,977                | 9,882                   | -94         |                                                                                                                    |
| Others                                                                | 10,608               | 10,876                  | 268         | Increase in property, plant and equipment,<br>intangible assets. Increase advance<br>payments and prepaid expenses |
| <b>Assets</b>                                                         | <b>37,813</b>        | <b>38,792</b>           | <b>978</b>  |                                                                                                                    |
| Long-term and short-term borrowings                                   | 1,874                | 1,613                   | -261        | Decrease in long-term and short-term Loans<br>payable                                                              |
| Reserve for retirement benefits and<br>directors' retirement benefits | 252                  | 256                     | 3           |                                                                                                                    |
| Others                                                                | 5,488                | 5,373                   | -115        |                                                                                                                    |
| <b>Liabilities</b>                                                    | <b>7,614</b>         | <b>7,242</b>            | <b>-372</b> | Decrease in accounts payable and long term<br>deferred tax liabilities. Increase in accrued<br>income tax.         |

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

⇒ Summary of 2nd Quarter Consolidated Business  
Performance for Fiscal Year Ending March 31, 2022



Unit: millions of yen

|                                                                 | Fiscal<br>March 2021<br>(2Q Results) | Fiscal<br>March 2022<br>(2Q Forecast) | Fiscal<br>March 2022<br>(2Q Results) | Change from<br>Previous<br>Period | Change<br>from<br>Forecast |
|-----------------------------------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|----------------------------|
| Capital investment                                              | 506                                  | 1,079                                 | 563                                  | 57                                | -516                       |
| Depreciation expenses<br>(of which amortization of<br>goodwill) | 429<br>0                             | 457<br>0                              | 421<br>0                             | -8<br>0                           | -36<br>0                   |
| R&D expenses                                                    | 722                                  | 724                                   | 785                                  | 63                                | 61                         |
| Foreign exchange rates                                          |                                      |                                       |                                      |                                   |                            |
| US dollar                                                       | 106.68                               | 110.25                                | 110.18                               | 3.50                              | -0.07                      |
| Euro                                                            | 121.36                               | 131.69                                | 130.97                               | 9.61                              | -0.72                      |
| Pound sterling                                                  | 135.04                               | 153.20                                | 152.49                               | 17.45                             | -0.71                      |
| Renminbi                                                        | 15.37                                | 16.63                                 | 16.63                                | 1.26                              | 0.00                       |

- 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.

A faint, stylized map of Japan is visible in the background, with several line graphs overlaid on it, showing various trends and data points.

**Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2022**

**Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2022**

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

# Overview of the Full year forecast

## <Comparison to the previous period>

Forecast of Consolidated Business Performance for  
Fiscal Year Ending March 31, 2022



■ Positive factors ■ Negative factors

P/L

⇒ Net sales will total 27,710 million yen (an increase of 12.3%) **【Record high】**

\* The forecast for net sales is based on the premise that the impact of COVID-19 will not worsen more than current levels in either Japan or overseas and that conditions will gradually recover.

**Domestic net sales will total 13,519 million yen (a decrease of 1.6%)**

- 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. Despite these efforts, we expect sales to **fall 1.8% (-219 million yen)**.
- In the nail business, we expect sales to **fall 0.7% (-9 million yen)** despite the promotion of flagship product lines of gel nail.

**Overseas net sales will total 14,191 million yen (an increase of 29.6%)**

- In the dental business, temporary demand attributable to an increase in distribution inventory and other factors wound down, but the level of business activity, which fell due to the impact of COVID-19, recovered together with an expansion of sales activities online, and sales increased in all regions. As a result, **sales rose 33.1% (up 3,332 million yen)**.
- In the overseas nail care business, although sales are expected to remain solid in North America, we expect sales to decline in Taiwan due to the rapid spread of infections. As a result, we expect sales to **decrease by 4.3% (-96 million yen)**.

# Overview of the Full year forecast

## <Comparison to the previous period>

Forecast of Consolidated Business Performance for  
Fiscal Year Ending March 31, 2022



■ Positive factors ■ Negative factors

P/L

⇒ Operating income will total 3,011 million yen. **【Record high】**

- Operating income will **increase by 30.9%** thanks to a growth in sales despite an increase in selling, general, and administrative expenses owing to the gradual relaxation of restrictions on sales activities due to the COVID-19 infection.

⇒ Ordinary income will total 3,199 million yen and net income will total 2,227 million yen. **【Record high】**

- Ordinary income will **increase by 26.8%** and net income after deducting tax expenses will rise **33.0%**.



# Comparison of Major Statistics

Forecast of Consolidated Business Performance for  
Fiscal Year Ending March 31, 2022



➡ Net sales and Net income increased compared to fiscal March 2021

Unit: millions of yen, %

|                        | Fiscal March 2021<br>Results<br>(% of sales) | Fiscal March 2022 Forecast |                                |                                 | Year-on-year<br>Change<br>(% change) |
|------------------------|----------------------------------------------|----------------------------|--------------------------------|---------------------------------|--------------------------------------|
|                        |                                              | 2Q Results<br>(% of sales) | 3Q-4Q Forecast<br>(% of sales) | Yearly Forecast<br>(% of sales) |                                      |
| Sales                  | 24,680<br>( 100.0)                           | 13,867<br>( 100.0)         | 13,843<br>( 100.0)             | 27,710<br>( 100.0)              | 3,030<br>( 12.3)                     |
| (Domestic sales)       | 13,733<br>( 55.6)                            | 6,631<br>( 47.8)           | 6,887<br>( 49.8)               | 13,519<br>( 48.8)               | -213<br>( -1.6)                      |
| (Overseas sales)       | 10,946<br>( 44.4)                            | 7,235<br>( 52.2)           | 6,955<br>( 50.2)               | 14,191<br>( 51.2)               | 3,244<br>( 29.6)                     |
| Operating profit       | 2,300<br>( 9.3)                              | 2,000<br>( 14.4)           | 1,010<br>( 7.3)                | 3,011<br>( 10.9)                | 710<br>( 30.9)                       |
| Ordinary profit        | 2,523<br>( 10.2)                             | 2,130<br>( 15.4)           | 1,069<br>( 7.7)                | 3,199<br>( 11.5)                | 675<br>( 26.8)                       |
| Net profit             | 1,674<br>( 6.8)                              | 1,506<br>( 10.9)           | 720<br>( 5.2)                  | 2,227<br>( 8.0)                 | 553<br>( 33.0)                       |
| Net profit per share   | 96.29yen                                     | 84.79yen                   | 40.49yen                       | 125.26yen                       | 28.97yen                             |
| Return on equity       | 6.2%                                         | 4.9%                       | —                              | 7.2%                            | —                                    |
| Foreign exchange rates |                                              |                            |                                |                                 |                                      |
| US dollar              | 106.17                                       | 110.18                     | 111.91                         | 110.99                          | 4.82                                 |
| Euro                   | 123.73                                       | 130.97                     | 129.91                         | 130.46                          | 6.73                                 |
| Pound sterling         | 138.68                                       | 152.49                     | 150.28                         | 151.54                          | 12.86                                |
| Renminbi               | 15.44                                        | 16.63                      | 17.17                          | 16.89                           | 1.45                                 |

# Sales by Segment

Forecast of Consolidated Business Performance for  
Fiscal Year Ending March 31, 2022



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

|                       | Fiscal March<br>2021 Results | Fiscal March 2022 Forecast |        |                 | Year-on-Year<br>Change |         |
|-----------------------|------------------------------|----------------------------|--------|-----------------|------------------------|---------|
|                       |                              | 2Q Results                 |        | Yearly-Forecast |                        |         |
| Dental business total | 22,334                       | 12,764                     | 12,683 | 25,447          | 3,112                  | ( 13.9) |
| Nail care business    | 2,268                        | 1,058                      | 1,113  | 2,171           | -96                    | ( -4.3) |
| Other                 | 76                           | 44                         | 47     | 91              | 15                     | ( 19.9) |
| Total                 | 24,680                       | 13,867                     | 13,843 | 27,710          | 3,030                  | ( 12.3) |

- Overseas sales increased by 815 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 +768 million yen, Nail care business +47 million yen)



# Domestic Net Sales

Forecast of Consolidated Business Performance for  
Fiscal Year Ending March 31, 2022



## ✧ Dental business

— Year on year decrease of 219 million yen(-1.8%)

- 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 decrease of 9 million yen(-0.7%)

- We will promote sales increase of flagship products line of gel nail products.

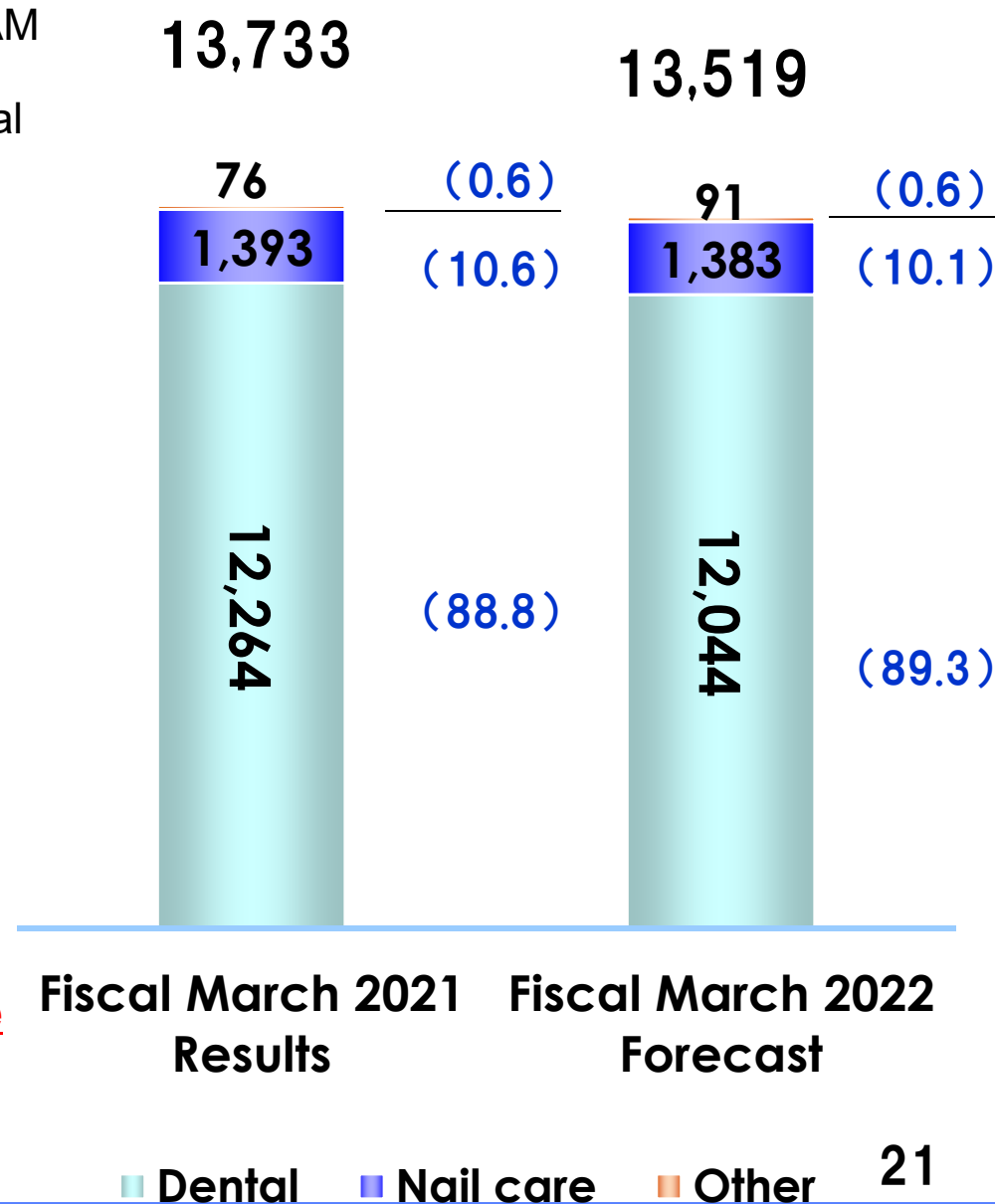
## ✧ Other business

— Year-on-year increase of 15 million yen(+19.9%)

## ✧ Principal new products (dental business)

- 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  
**MERSAGE 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, 2022



## 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 **29.6% increase** in sales overall.

- Growth rates by region

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

|                         |                |
|-------------------------|----------------|
| North and Latin America | +34.6%(+28.7%) |
| Europe                  | +27.8%(+20.7%) |
| China                   | +39.4%(+27.5%) |
| Asia (Other)            | +14.3%(+9.4%)  |

## Foreign exchange rates

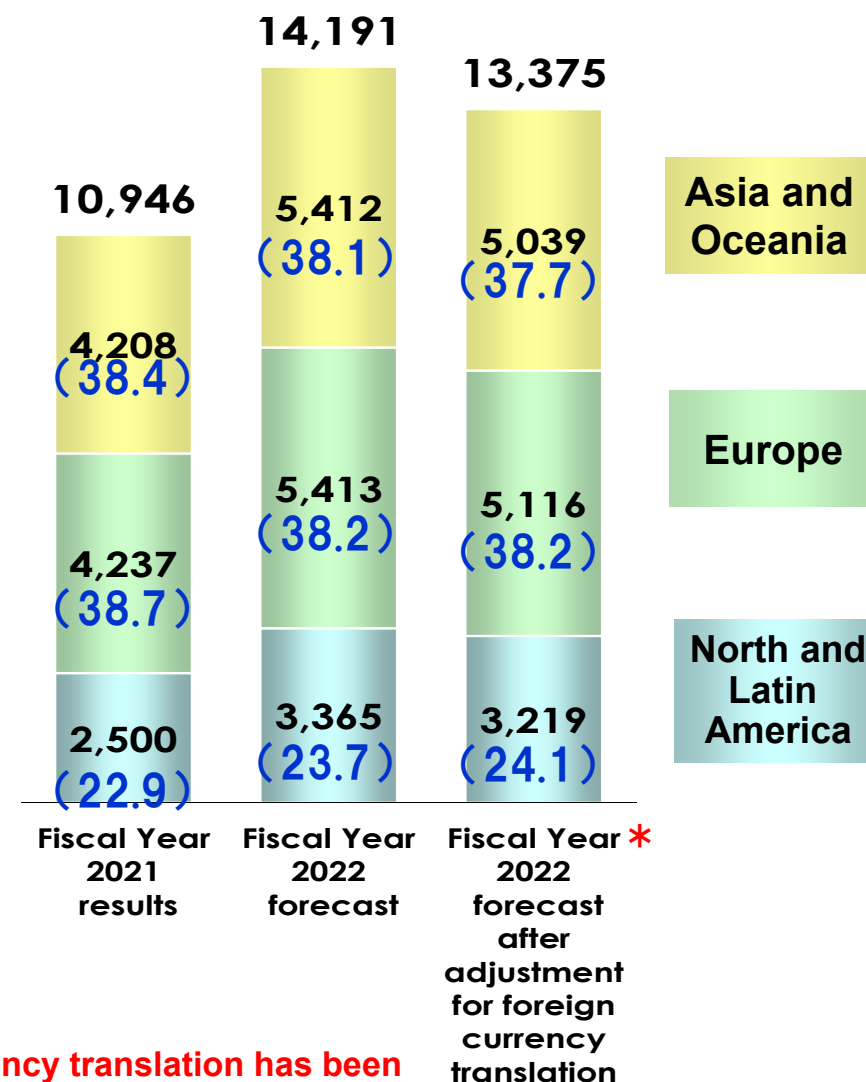
- USD1=JPY110.99  
•(JPY106.17 in the previous year)  
•(Effect:+168 million yen)
- Euro1=JPY130.46  
•(JPY123.73 in the previous year)  
•(Effect:+252 million yen)
- RMB1=JPY16.89  
•(JPY15.44 in the previous year)  
•(Effect:+284 million yen)

## (Dental business)Overseas sales ratio:52.7%

45.1% in the previous fiscal year

51.2% after foreign currency translation adjustment

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



\* The fiscal March 2022 forecast after adjustment for foreign currency translation has been calculated based on the same foreign exchange rates used for the fiscal March 2021 results.

# Summary of Full year forecast

Forecast of Consolidated Business Performance for  
Fiscal Year Ending March 31, 2022



⇒ Net sales trend for Japan and overseas regions compared to same period in previous year and to forecasts.

|                                                                              | 1Q<br>result  | 2Q<br>result | 3Q<br>forecast | 4Q<br>forecast | 1Q-2Q<br>result         | 3Q-4Q<br>forecast       | Full year<br>forecast   |
|------------------------------------------------------------------------------|---------------|--------------|----------------|----------------|-------------------------|-------------------------|-------------------------|
| <b>Domestic and Overseas Total</b>                                           | <b>42.9%</b>  | <b>8.8%</b>  | <b>6.8%</b>    | <b>▲0.9%</b>   | <b>23.6%</b><br>(2.0%)  | <b>2.8%</b><br>(2.5%)   | <b>12.3%</b><br>(2.2%)  |
| <b>Domestic</b><br>(comparison with the previous estimation)                 | <b>4.3%</b>   | <b>▲6.0%</b> | <b>0.7%</b>    | <b>▲4.4%</b>   | <b>▲1.2%</b><br>(▲1.4%) | <b>▲1.9%</b><br>(▲0.1%) | <b>▲1.6%</b><br>(▲0.8%) |
| <b>Overseas</b><br>(comparison with the previous estimation)                 | <b>113.8%</b> | <b>27.6%</b> | <b>13.6%</b>   | <b>2.8%</b>    | <b>60.5%</b><br>(5.3%)  | <b>8.0%</b><br>(5.3%)   | <b>29.6%</b><br>(5.3%)  |
| <b>North and Latin America</b><br>(comparison with the previous estimation)  | <b>210.0%</b> | <b>22.5%</b> | <b>7.1%</b>    | <b>5.9%</b>    | <b>75.7%</b><br>(5.3%)  | <b>6.5%</b><br>(2.0%)   | <b>34.6%</b><br>(3.7%)  |
| <b>Europe</b><br>(comparison with the previous estimation)                   | <b>99.3%</b>  | <b>28.0%</b> | <b>11.6%</b>   | <b>▲0.0%</b>   | <b>58.3%</b><br>(8.1%)  | <b>5.6%</b><br>(5.7%)   | <b>27.8%</b><br>(7.0%)  |
| <b>China</b><br>(comparison with the previous estimation)                    | <b>189.0%</b> | <b>31.5%</b> | <b>22.2%</b>   | <b>12.3%</b>   | <b>77.5%</b><br>(1.7%)  | <b>16.9%</b><br>(12.1%) | <b>39.4%</b><br>(6.9%)  |
| <b>Asia and Oceania (Other)</b><br>(comparison with the previous estimation) | <b>26.5%</b>  | <b>30.1%</b> | <b>16.6%</b>   | <b>▲8.6%</b>   | <b>28.3%</b><br>(3.4%)  | <b>2.7%</b><br>(▲1.0%)  | <b>14.3%</b><br>(1.2%)  |

\*Forecasts are expected values announced on July 28, 2021 as revised announcement.

# Performance by Segment (Sales and Operating Income)

Forecast of Consolidated Business Performance for  
Fiscal Year Ending March 31, 2022



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

|                                             |                           | Fiscal March 2021<br>(Results)<br>Amount<br>(% of sales) | Fiscal March 2022<br>(Forecast)<br>Amount<br>(% of sales) | Change from<br>Previous Period |
|---------------------------------------------|---------------------------|----------------------------------------------------------|-----------------------------------------------------------|--------------------------------|
| Dental                                      | <b>Net Sales</b>          | <b>22,334</b>                                            | <b>25,447</b>                                             | <b>3,112</b>                   |
|                                             | Operating expenses        | <b>20,243</b>                                            | —                                                         | —                              |
|                                             | Operating income          | <b>2,091</b>                                             | —                                                         | —                              |
|                                             | (operating income margin) | ( 9.4)                                                   |                                                           |                                |
| Nail care                                   | <b>Net Sales</b>          | <b>2,268</b>                                             | <b>2,171</b>                                              | <b>-96</b>                     |
|                                             | Operating expenses        | <b>2,067</b>                                             | —                                                         | —                              |
|                                             | Operating income          | <b>201</b>                                               | —                                                         | —                              |
|                                             | (operating income margin) | ( 8.9)                                                   |                                                           |                                |
| Other                                       | <b>Net Sales</b>          | <b>81</b>                                                | <b>91</b>                                                 | <b>10</b>                      |
|                                             | Operating expenses        | <b>79</b>                                                | —                                                         | —                              |
|                                             | Operating income          | <b>2</b>                                                 | —                                                         | —                              |
|                                             | (operating income margin) | ( 2.6)                                                   |                                                           |                                |
| Total before<br>consolidation<br>adjustment | <b>Net Sales</b>          | <b>24,685</b>                                            | <b>27,710</b>                                             | <b>3,025</b>                   |
|                                             | Operating expenses        | <b>22,390</b>                                            | —                                                         | —                              |
|                                             | Operating income          | <b>2,294</b>                                             | —                                                         | —                              |
|                                             | (operating income margin) | ( 9.3)                                                   |                                                           |                                |
| Consolidated                                | <b>Net Sales</b>          | <b>24,680</b>                                            | <b>27,710</b>                                             | <b>3,030</b>                   |
|                                             | Operating expenses        | <b>22,379</b>                                            | <b>24,699</b>                                             | <b>2,320</b>                   |
|                                             | Operating income          | <b>2,300</b>                                             | <b>3,011</b>                                              | <b>710</b>                     |
|                                             | (operating income margin) | ( 9.3)                                                   | ( 10.9)                                                   |                                |

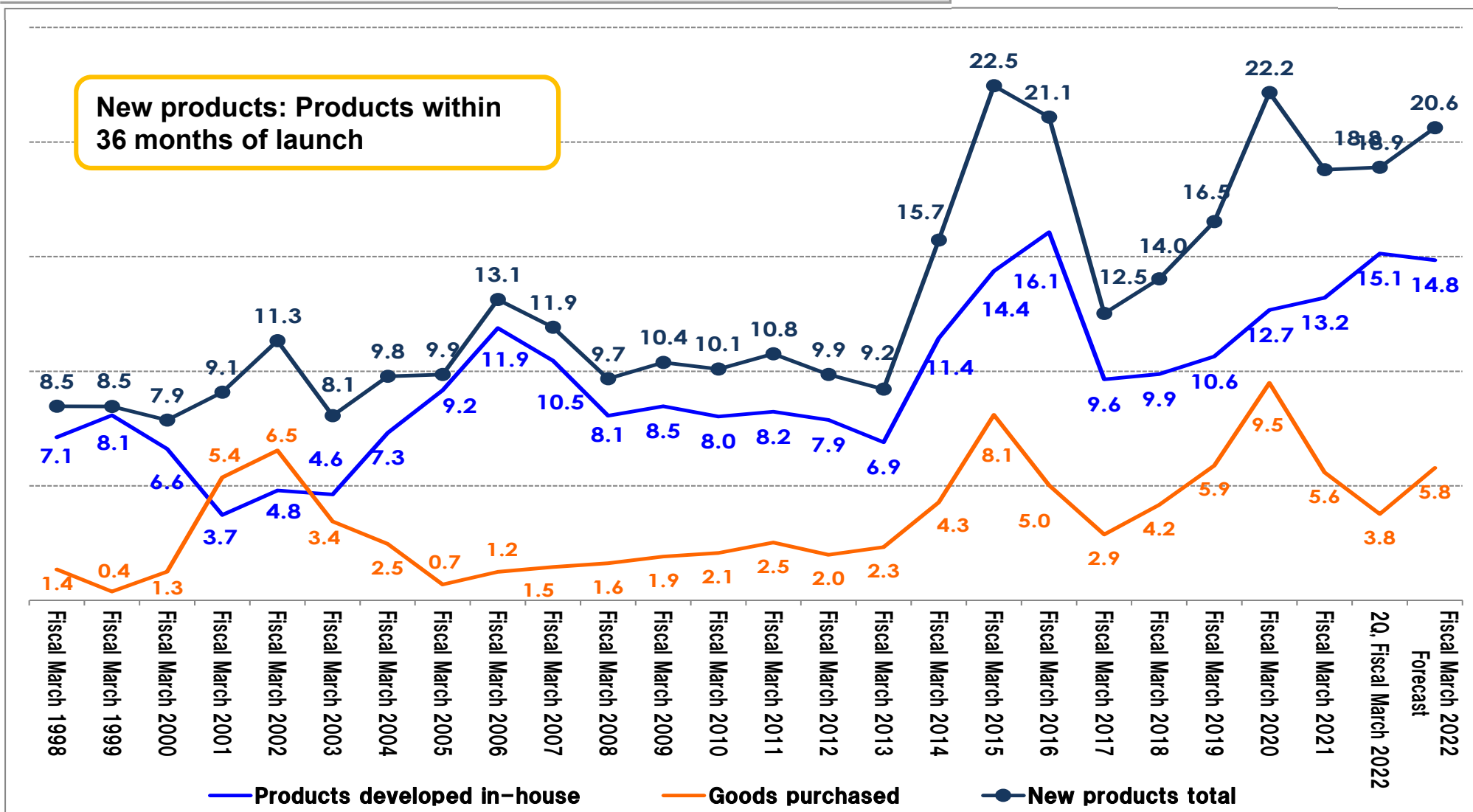
# Trends for Sales Ratio of New Products

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2022



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

Unit: %



\*As for the fiscal March 2022 forecast, this is the forecast value released on May 14, 2021.

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

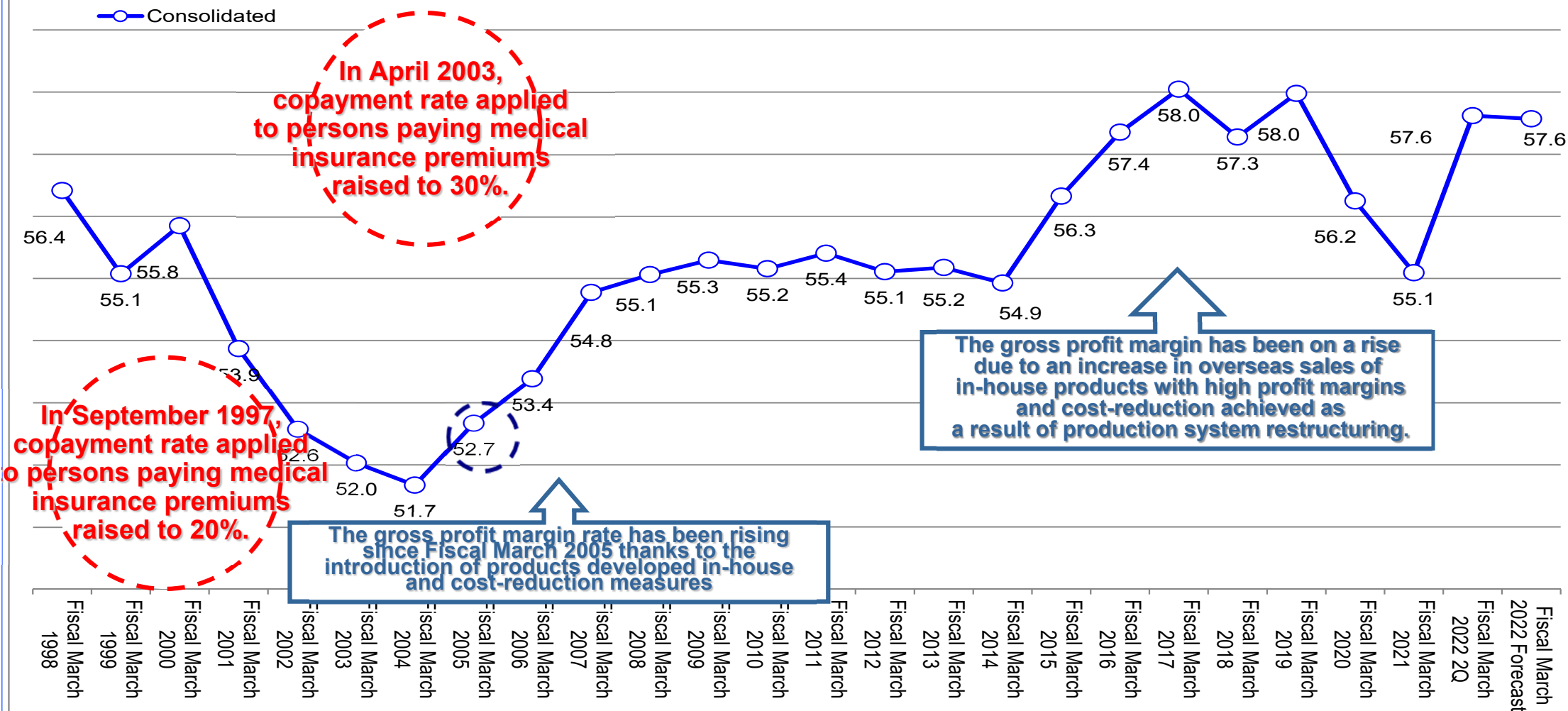


# Trends for Gross Profit Margin Rates

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2022

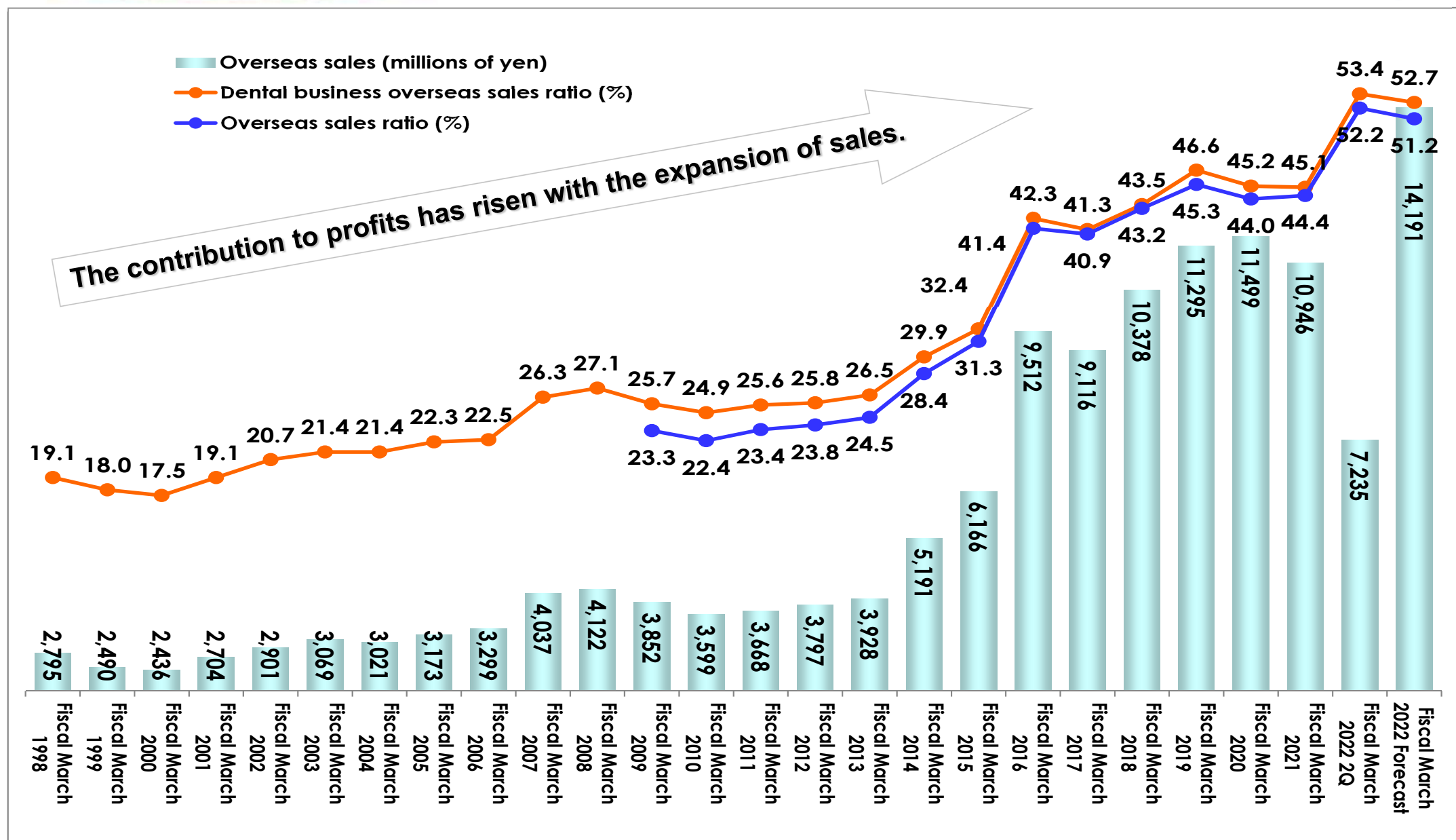


Unit: %



# Trends for Overseas Sales and Overseas Sales Ratios

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2022



A stylized, light gray outline map of Japan serves as the background for the first two text boxes.

**Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2022**

**Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2022**

**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

# 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.**

**Company-wide targets**

- **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 Management Plan: Company-wide targets

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



## Company-wide targets for fiscal March 2024

- **Group net sales: 30.1 billion yen**  
<Domestic sales: 14.7 billion yen; Overseas sales: 15.4 billion yen>  
<Overseas sales ratio: 51.1%>
- **Group operating income: 2.61 billion yen**  
<Operating profit margin: 8.7%>
- **ROE 5.8%**      \*ROE: Return on equity

## Key issues in order to achieve goals

|            |                                                                                                                                |                                                                                                                                                                                                |
|------------|--------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| R & D      | Development and introduction of new products that match the local demands                                                      | <ul style="list-style-type: none"><li>• Business tie-up with Mitsui Chemicals and Sun Medical</li><li>• Promotion of M&amp;As</li><li>• Establishment of the group governance system</li></ul> |
| Production | Relocation of production sites and expansion of offshore production                                                            |                                                                                                                                                                                                |
| Sales      | Improvement of our sales network/Realignment of sales offices<br>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                                                               |                                                                                                                                                                                                |

# Specific Efforts

## – Research and Development

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



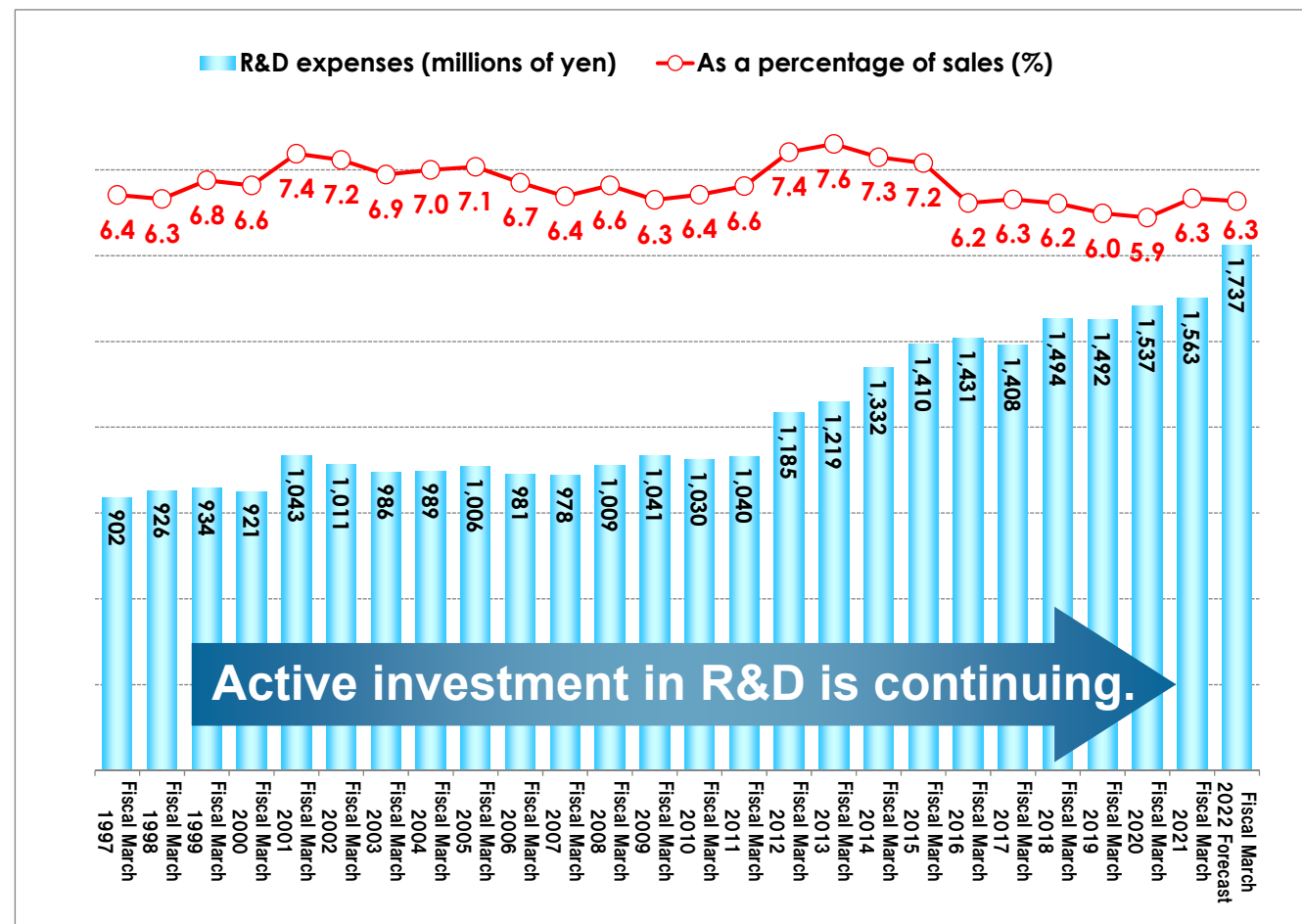
### ✧ Development and introduction of new products that match the local demands

➡ Developing products with a worldwide vision

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

➡ Developing products with the goal of creating markets in new fields

Trend in R&D investment





# Specific Efforts – Production



## ✧ 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)

# Specific Efforts – Production



## ✧ Relocation of production base and expansion of offshore production

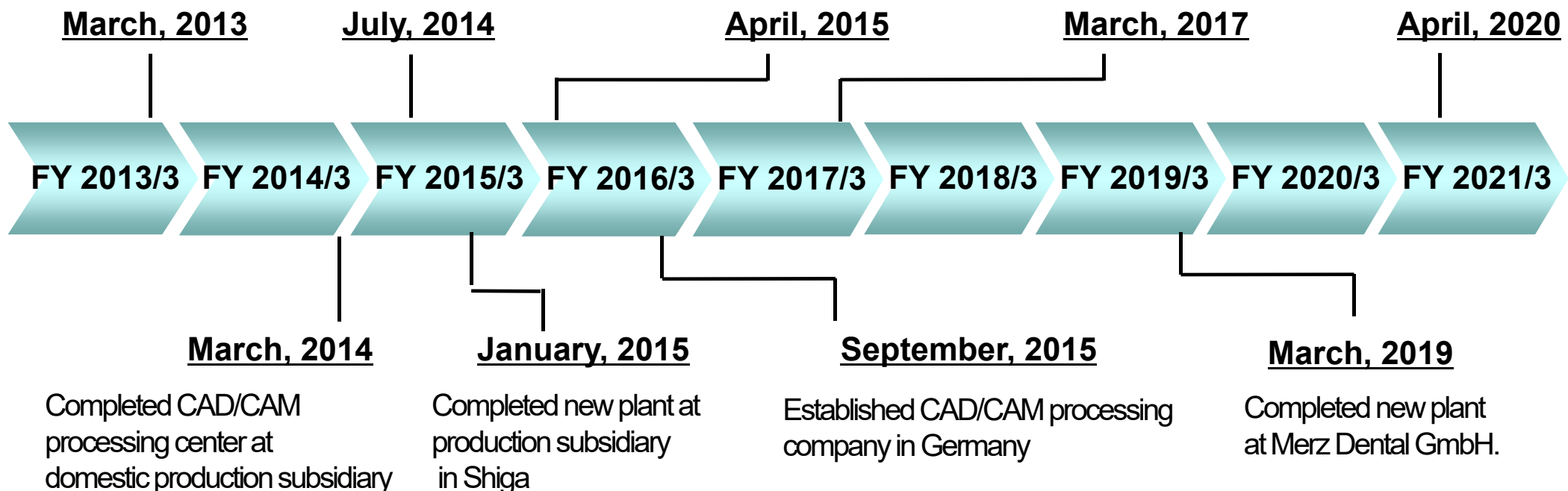
Reorganization of manufacturing functions of dental business and nail care business  
Consolidation of manufacturing and sales functions in nail subsidiary

Relocation and expansion of domestic production subsidiary

Subsidiarization of Merz Dental GmbH, a German artificial teeth Manufacturer.  
New production base in Europe.

Completed new plant in the SHOFU headquarters

Established production subsidiary in Vietnam (SHOFU Products Vietnam)



# Specific Efforts – Sales



## ✧ 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**

➤ **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 ]

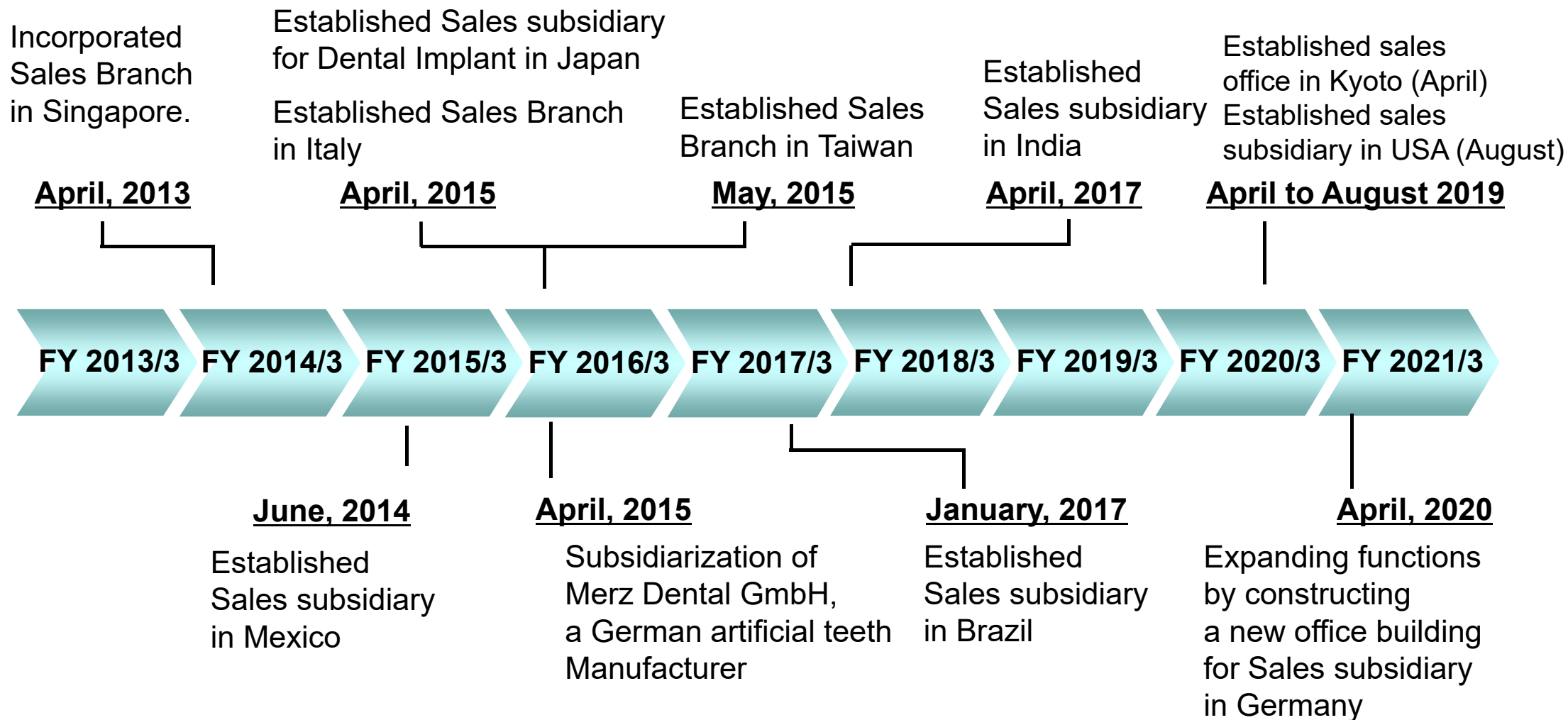
Sales company: Mexico, Brazil, India  
Sales base : England, Taiwan, Italy

# Specific Efforts – Sales

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



## ✧ Realignment of sales offices





# 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)



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

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



Mitsui Chemicals



- Shofu issued 1,780,000 new shares in a third-party allocation  
MCI received these charges (total value of 2,988 million yen)
- MCI's shareholdings increased from 11.17% to 20.01%  
(Shofu became an equity-method affiliate)
- Shofu acquired 20% of MCI's 70% shareholding in Sun Medical
- MCI's shareholding: 70.0%⇒50.0%  
Shofu's shareholding: 0.0%⇒20.0% (Sun Medical became Shofu's equity-method affiliate)
- New product development
- Expansion of product lineup
- Use of sales networks in Japan and overseas
- Augmentation and sharing of manufacturing functions
- MCI sent one part-time director to Shofu's board
- Shofu sent one part-time director to Sun Medical's board

## ■ Capital tie-up

## ■ Business tie-up

## ■ Exchange of personnel

# Trends for Sales by Region

## —North and Latin America, Europe

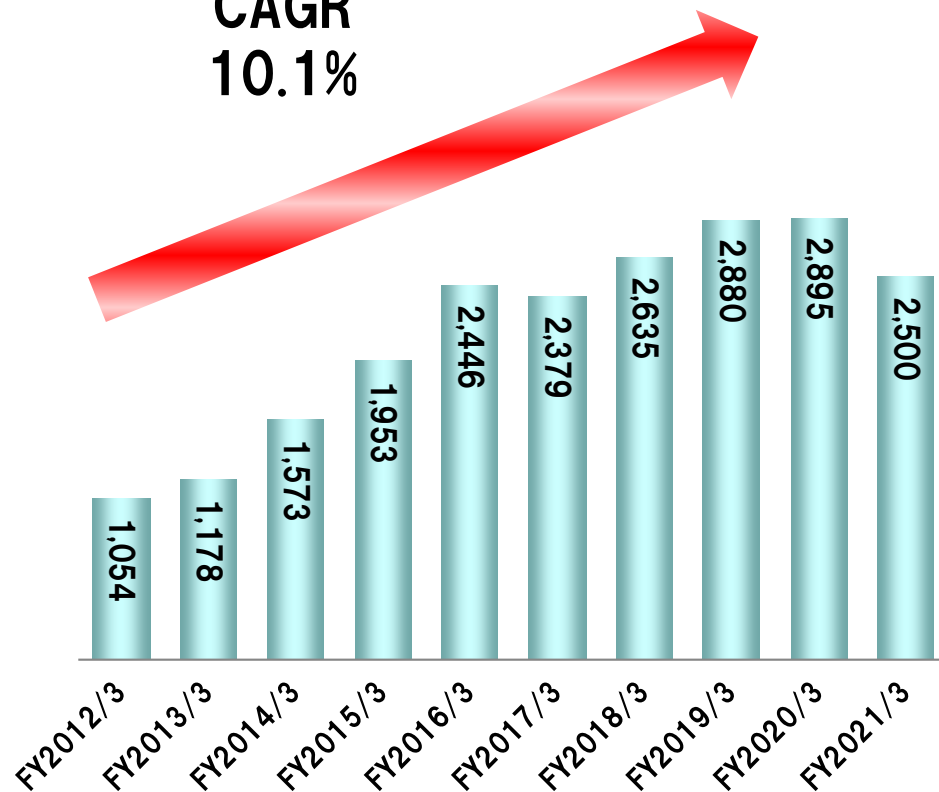
Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

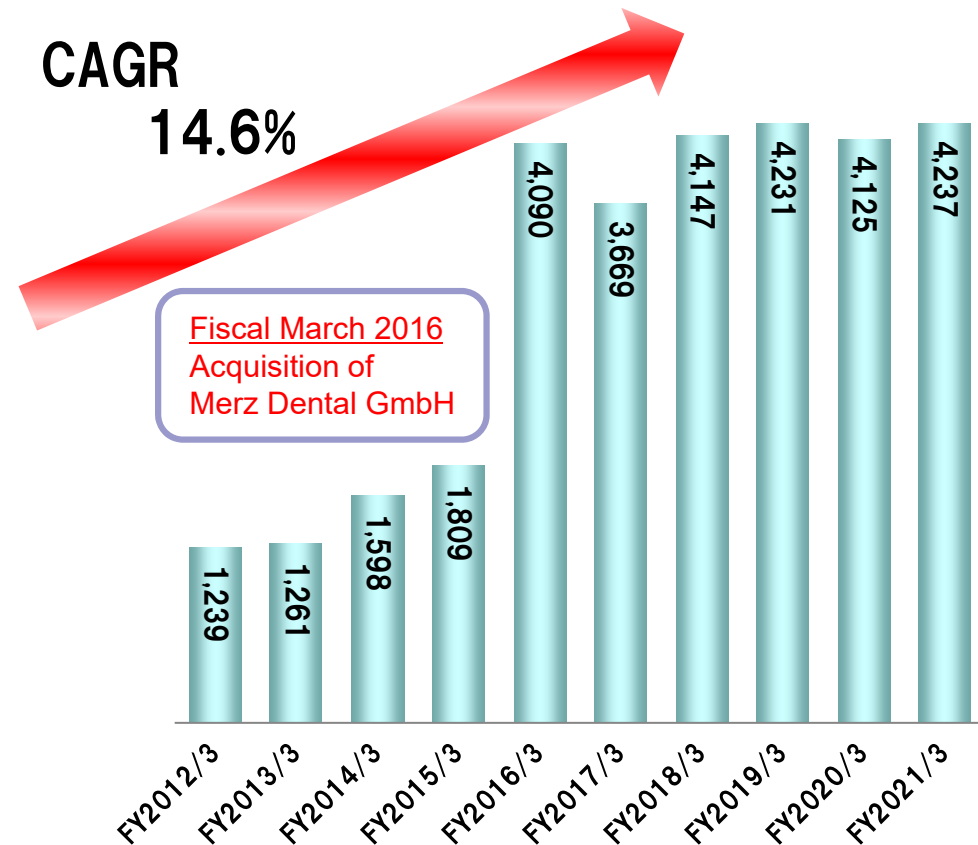
### North & Latin America Sales

CAGR  
10.1%



### Europe Sales

CAGR  
14.6%



# Trends for Sales by Region

## — China, Elsewhere in Asia

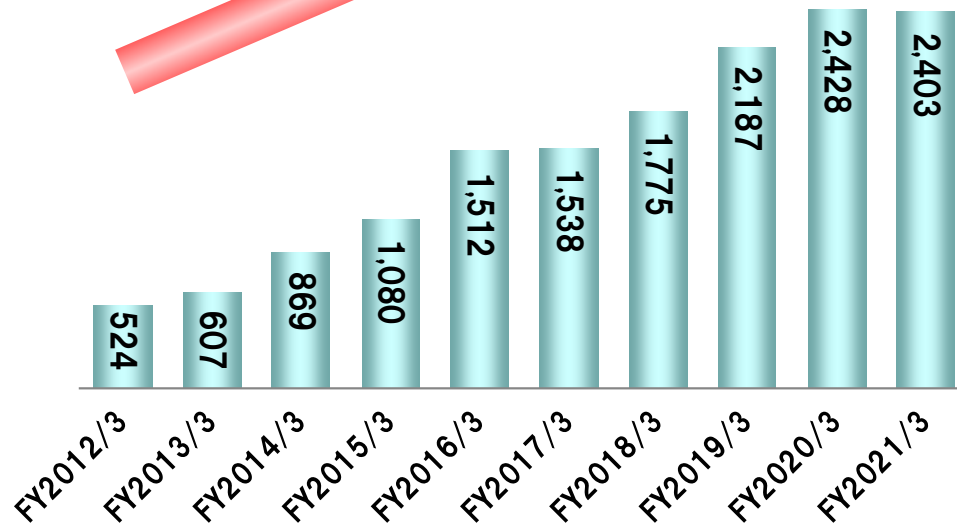
➤ Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

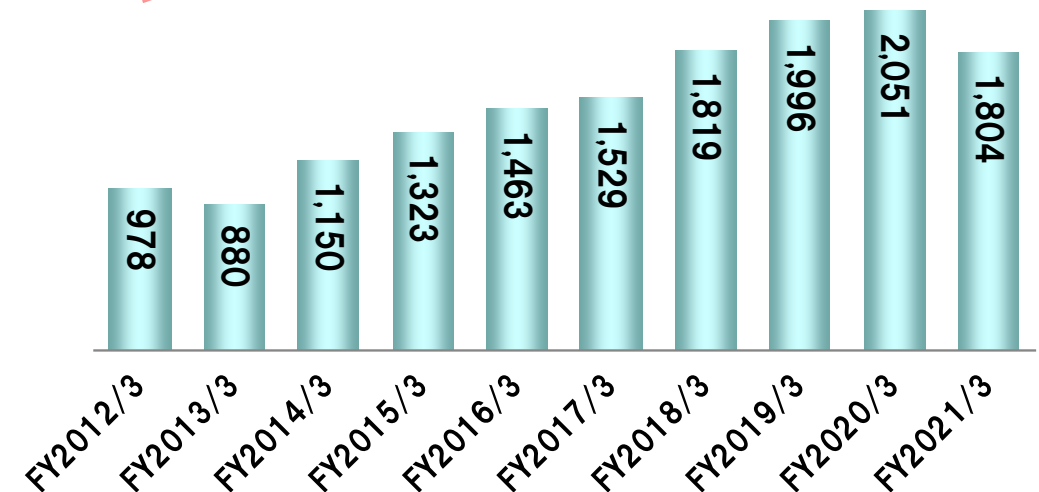
### China Sales

CAGR  
18.4%



### Elsewhere in Asia Sales

CAGR  
7.0 %



# Medium-term Management Plan

## – Principle Targets

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



★...Record Unit: millions of yen

|                                                 | Fiscal March 2021<br>(Results) | Mid-term Management Plan |                   |                   | Fiscal March 2021<br>(Forecast) |
|-------------------------------------------------|--------------------------------|--------------------------|-------------------|-------------------|---------------------------------|
|                                                 |                                | Fiscal March 2022        | Fiscal March 2023 | Fiscal March 2024 |                                 |
| <b>Net sales</b>                                | <b>24,680</b>                  | <b>26,105</b> ★          | <b>28,097</b> ★   | <b>30,182</b> ★   | <b>27,710</b> ★                 |
| (Change from Previous Period)                   | (-5.5%)                        | (5.8%)                   | (7.6%)            | (7.4%)            | (12.3%)                         |
| <b>(Domestic sales)</b>                         | <b>13,733</b>                  | <b>13,627</b> ★          | <b>14,319</b> ★   | <b>14,745</b> ★   | <b>13,519</b>                   |
| (Change from Previous Period)                   | (-6.0%)                        | (-0.8%)                  | (5.1%)            | (3.0%)            | (-1.6%)                         |
| <b>(Overseas sales)</b>                         | <b>10,946</b> ★                | <b>12,478</b> ★          | <b>13,777</b> ★   | <b>15,437</b> ★   | <b>14,191</b> ★                 |
| (Change from Previous Period)                   | (-4.8%)                        | (14.0%)                  | (10.4%)           | (12.0%)           | (29.6%)                         |
| <b>Operating income</b>                         | <b>2,300</b>                   | <b>1,799</b>             | <b>2,017</b> ★    | <b>2,618</b> ★    | <b>3,011</b> ★                  |
| (Percentage of sales)                           | (9.3%)                         | (6.9%)                   | (7.2%)            | (8.7%)            | (10.9%)                         |
| <b>Ordinary income</b>                          | <b>2,523</b>                   | <b>1,837</b>             | <b>2,064</b> ★    | <b>2,668</b> ★    | <b>3,199</b> ★                  |
| (Percentage of sales)                           | (10.2%)                        | (7.0%)                   | (7.3%)            | (8.8%)            | (11.5%)                         |
| <b>Net income</b>                               | <b>1,674</b>                   | <b>1,234</b>             | <b>1,379</b> ★    | <b>1,874</b> ★    | <b>2,227</b> ★                  |
| (Percentage of sales)                           | (6.8%)                         | (4.7%)                   | (4.9%)            | (6.2%)            | (8.0%)                          |
| <b>Dental business<br/>Overseas sales ratio</b> | <b>45.1%</b>                   | ★ <b>49.2%</b>           | ★ <b>50.5%</b>    | ★ <b>52.7%</b>    | ★ <b>52.7%</b>                  |



# 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<br>2021<br>(Results) |       | Mid-Term Management Plan |       |                      |       |                      |       | Fiscal March<br>2022<br>(Forecast) |       |
|--------------------|-----------------------------------|-------|--------------------------|-------|----------------------|-------|----------------------|-------|------------------------------------|-------|
|                    |                                   |       | Fiscal March<br>2022     |       | Fiscal March<br>2023 |       | Fiscal March<br>2024 |       |                                    |       |
|                    | Amout                             | %     | Amout                    | %     | Amout                | %     | Amout                | %     | Amout                              | %     |
| Dental business    | 22,334                            | 90.5  | 23,708                   | 90.8  | 25,592               | 91.1  | 27,550               | 91.3  | 25,447                             | 91.8  |
| Nail care business | 2,268                             | 9.2   | 2,302                    | 8.8   | 2,395                | 8.5   | 2,508                | 8.3   | 2,171                              | 7.8   |
| Other businesses   | 81                                | 0.3   | 94                       | 0.4   | 109                  | 0.4   | 124                  | 0.4   | 91                                 | 0.3   |
| Net sales          | 24,685                            | 100.0 | 26,105                   | 100.0 | 28,097               | 100.0 | 30,182               | 100.0 | 27,710                             | 100.0 |

|                    |       |     |       |     |       |      |       |      |   |   |
|--------------------|-------|-----|-------|-----|-------|------|-------|------|---|---|
| Dental business    | 2,091 | 9.4 | 1,637 | 6.9 | 1,845 | 7.2  | 2,416 | 8.8  | - | - |
| Nail care business | 201   | 8.9 | 156   | 6.8 | 156   | 6.5  | 174   | 6.9  | - | - |
| Other businesses   | 2     | 2.6 | 4     | 5.2 | 16    | 14.7 | 27    | 22.3 | - | - |
| Operating income   | 2,294 | 9.3 | 1,799 | 6.9 | 2,017 | 7.2  | 2,618 | 8.7  | - | - |

• 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<br>March<br>2021<br>(Results) | Mid-Term Management Plan |                         |                         | Fiscal<br>March<br>2022<br>(Forecast) |
|-----------------------|--------------------------------------|--------------------------|-------------------------|-------------------------|---------------------------------------|
|                       |                                      | Fiscal<br>March<br>2022  | Fiscal<br>March<br>2023 | Fiscal<br>March<br>2024 |                                       |
| Capital investment    | 1,097                                | 1,730                    | 2,417                   | 990                     | 1,588                                 |
| Depreciation expenses | 955                                  | 966                      | 966                     | 1,046                   | 930                                   |
| R&D expenses          | 1,563                                | 1,825                    | 1,852                   | 1,878                   | 1,737                                 |

- The foreign exchange rates given are those in effect at the average of each term; conversions of items in the financial statements of overseas subsidiaries all use average rates.
- Capital investment, depreciation expenses and R&D expenses above are recorded only for those realized at this moment. Profit plan includes certain strategy investment expenses.

# Dividend policy



As for partial review of dividend policy

- Dividend payout ratio : 30% or more

《New setting》

- 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】

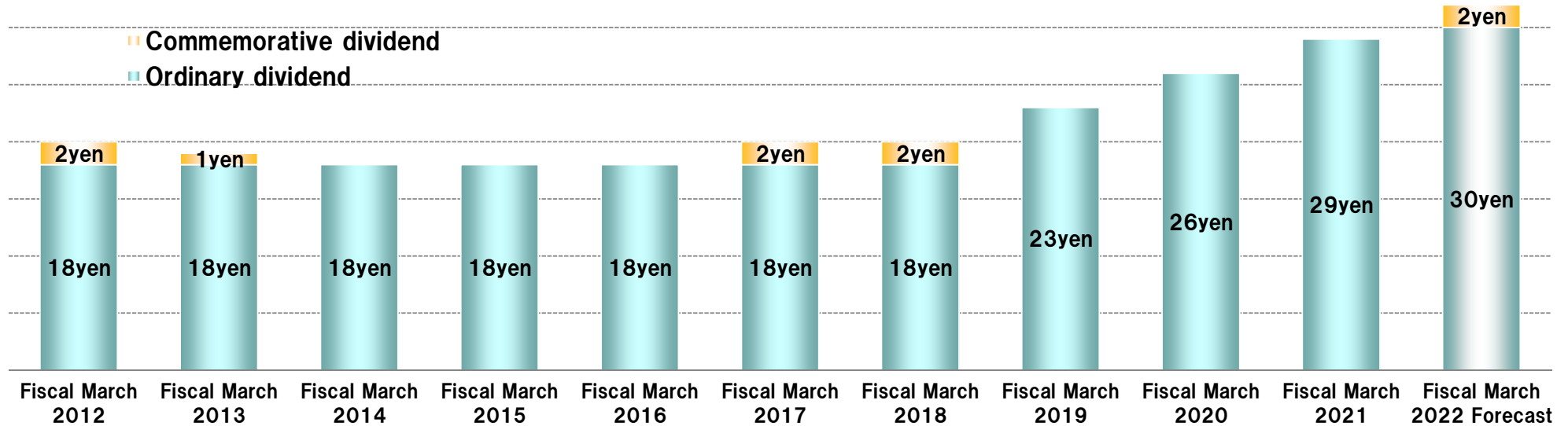
|                      |       |          |          |           |
|----------------------|-------|----------|----------|-----------|
| Return on equity     | (ROE) | 4.1%     | 4.4%     | 5.8%      |
| Net income per share |       | 69.48yen | 77.70yen | 105.53yen |

# 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            | FY2012/3 | FY2013/3 | FY2014/3 | FY2015/3 | FY2016/3 | FY2017/3 | FY2018/3 | FY2019/3 | FY2020/3 | FY2021/3 | FY2022/3 Forecast |
|--------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-------------------|
| Net income per share     | 31.77yen | 1.17yen  | 31.77yen | 36.45yen | 49.43yen | 52.61yen | 55.20yen | 75.54yen | 44.24yen | 96.29yen | 125.26yen         |
| Dividend per share       | 20yen    | 19yen    | 18yen    | 18yen    | 18yen    | 20yen    | 20yen    | 23yen    | 26yen    | 29yen    | 32yen             |
| Dividend payout ratio    | 63.0%    | 1625.8%  | 56.7%    | 49.4%    | 36.4%    | 38.0%    | 36.2%    | 30.4%    | 58.8%    | 30.1%    | 25.5%             |
| Return on equity         | 2.8%     | 0.1%     | 2.6%     | 2.8%     | 3.7%     | 3.8%     | 3.8%     | 5.0%     | 2.9%     | 6.2%     | 7.2%              |
| Net assets per share     | 1,146yen | 1,169yen | 1,235yen | 1,360yen | 1,340yen | 1,396yen | 1,511yen | 1,524yen | 1,491yen | 1,690yen | —                 |
| Ratio if dividends to ne | 1.8%     | 1.6%     | 1.5%     | 1.4%     | 1.3%     | 1.5%     | 1.4%     | 1.5%     | 1.7%     | 1.8%     | —                 |

**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**

**Phone: +81-75-561-1112**

**Fax: +81-75-561-1227**

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

**E-mail: [ir@shofu.co.jp](mailto: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 name              | SHOFU Inc.                                                                                                                                                                                          | (As of September 30, 2021) |
| ■ Representative            | Noriyuki Negoro, President and CEO                                                                                                                                                                  |                            |
| ■ Address                   | 11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan                                                                                                                                |                            |
| ■ Date of establishment     | May 15, 1922                                                                                                                                                                                        |                            |
| ■ Capital                   | 5,968,956,614 yen                                                                                                                                                                                   |                            |
| ■ Listed exchanges          | First Section of Tokyo Stock Exchange                                                                                                                                                               |                            |
| ■ Number of employees       | 478 (entire group: 1239, including 579 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)<br>Affiliates 1 (one in Japan)<br>Dental companies: 16 (three in Japan, thirteen overseas)<br>Nail care companies: 3 (one in Japan, two overseas) |                            |

# Main Products



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

## Artificial teeth products

Artificial tooth and implant materials

- Porcelain teeth, porcelain powder, resin teeth



## Abrasives products

Materials for removing diseased areas and polishing crowns

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



## Metal products

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

- Alloys for casting, silver alloys
- Other metals



## Chemical products

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

- Synthetic resins
- Impression materials
- Waxes



## Cement products ,other

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

- Dental cements
- Dental stones and investments



## Machinery ,equipment & other products

Equipment and appliances for dental treatment and procedures

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



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

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

# Corporate History (1)



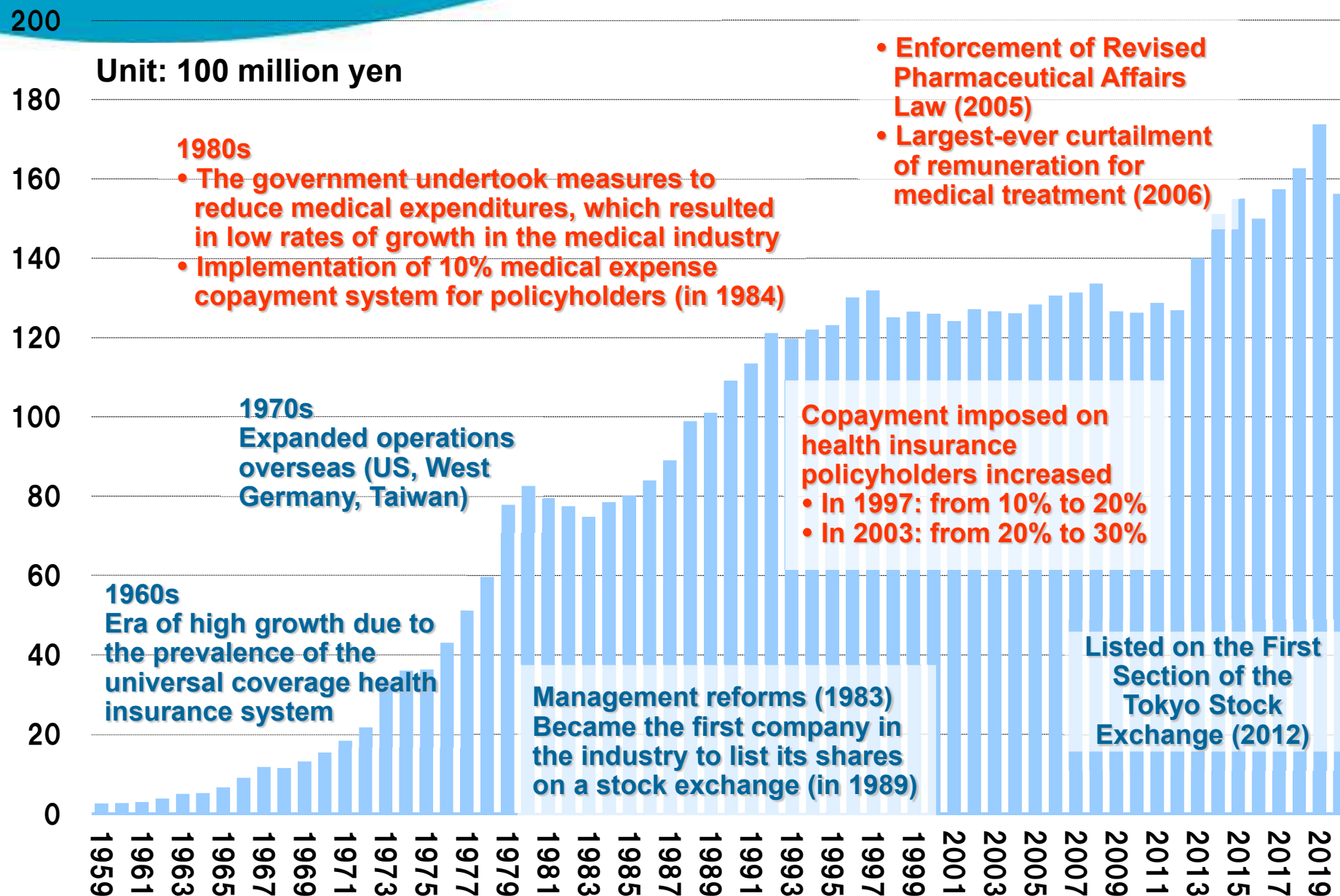
|                 |                                                                                                                                                                                                                |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| • 1922          | Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.                                                                                         |
| • 1963          | Shofu shares listed on the over-the-counter market.                                                                                                                                                            |
| • 1971~<br>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~<br>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~<br>2003 | Celebrated the 80th anniversary of its founding. Established Liaison Office in Beijing, China.                                                                                                                 |
|                 | Obtained ISO 14001 (Environmental Management System) certification (both for the headquarters and all group companies).                                                                                        |
|                 | Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China.                                                                                                                         |
| • 2005          | Acquired Shoken Inc. as a wholly owned subsidiary through a share exchange.                                                                                                                                    |
|                 | Established Shofu Dental Supplies (Shanghai) Co., Ltd., a sales facility in China.                                                                                                                             |
| • 2006          | Training Center designed to promote customers service completed (in August).                                                                                                                                   |
| • 2007          | Celebrated the 85th anniversary of its founding. Shofu's shares listed on the Second Section of the Tokyo Stock Exchange (in February).                                                                        |
| • 2008          | Acquired and turned Nail Labo Co., Ltd. into a subsidiary.                                                                                                                                                     |
|                 | Acquired 1.6 million of the company's own shares in accordance with the purchase of the company's own shares scheme in the J-NET market of the Osaka Securities Exchange.                                      |

# Corporate History (2)



|        |                                                                                                                                                                                                                                                      |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| • 2009 | Reached basic agreement concerning business and capital partnership with Mitsui Chemicals, Inc., and Sunmedical Co., Ltd.                                                                                                                            |
|        | Transferred 1.8 million shares of treasury stock to Mitsui Chemicals, Inc., through a third-party allocation.                                                                                                                                        |
| • 2010 | Shofu Dental Trading (Shanghai) Co., Ltd., is established in China.                                                                                                                                                                                  |
| • 2012 | Celebrated the 90th anniversary of its founding. Listed on the First Section of the Tokyo Stock Exchange.                                                                                                                                            |
| • 2013 | Promech Inc. is split up, with Shoken Inc. taking over its dental businesses and Nail Labo Co., Ltd., absorbing the company and its remaining operations.                                                                                            |
|        | The Singapore Sales Office is incorporated as the local corporation SHOFU Dental ASIA-Pacific Pte.Ltd.                                                                                                                                               |
| • 2014 | Established joint venture in Taiwan between Nail Labo Co., Ltd. and a local sales distributor.                                                                                                                                                       |
| • 2015 | Acquired shares and made Merz Dental GmbH. a subsidiary.<br>Established SHOFU BIOFIX INC.                                                                                                                                                            |
|        | Established a subsidiary in Mexico                                                                                                                                                                                                                   |
| • 2017 | Established a subsidiary in Brazil                                                                                                                                                                                                                   |
|        | Established a subsidiary in India                                                                                                                                                                                                                    |
| • 2019 | New plant for Merz Dental GmbH. completed                                                                                                                                                                                                            |
| • 2020 | Established a subsidiary in Vietnam                                                                                                                                                                                                                  |
|        | Enhancement of business and capital tie-up with Mitsui Chemicals, Inc.,(MCI) and Sun Medical Co., Ltd.(SMC)                                                                                                                                          |
|        | Shofu issued 1,780,000 new shares in a third-party allocation and MCI received these charges.<br>Shofu acquired 20% of MCI's 70% shareholding in SMC.<br>(Shofu became MCI's equity-method affiliate. / SNC became Shofu's equity-method affiliate.) |

# Corporate History - Sales



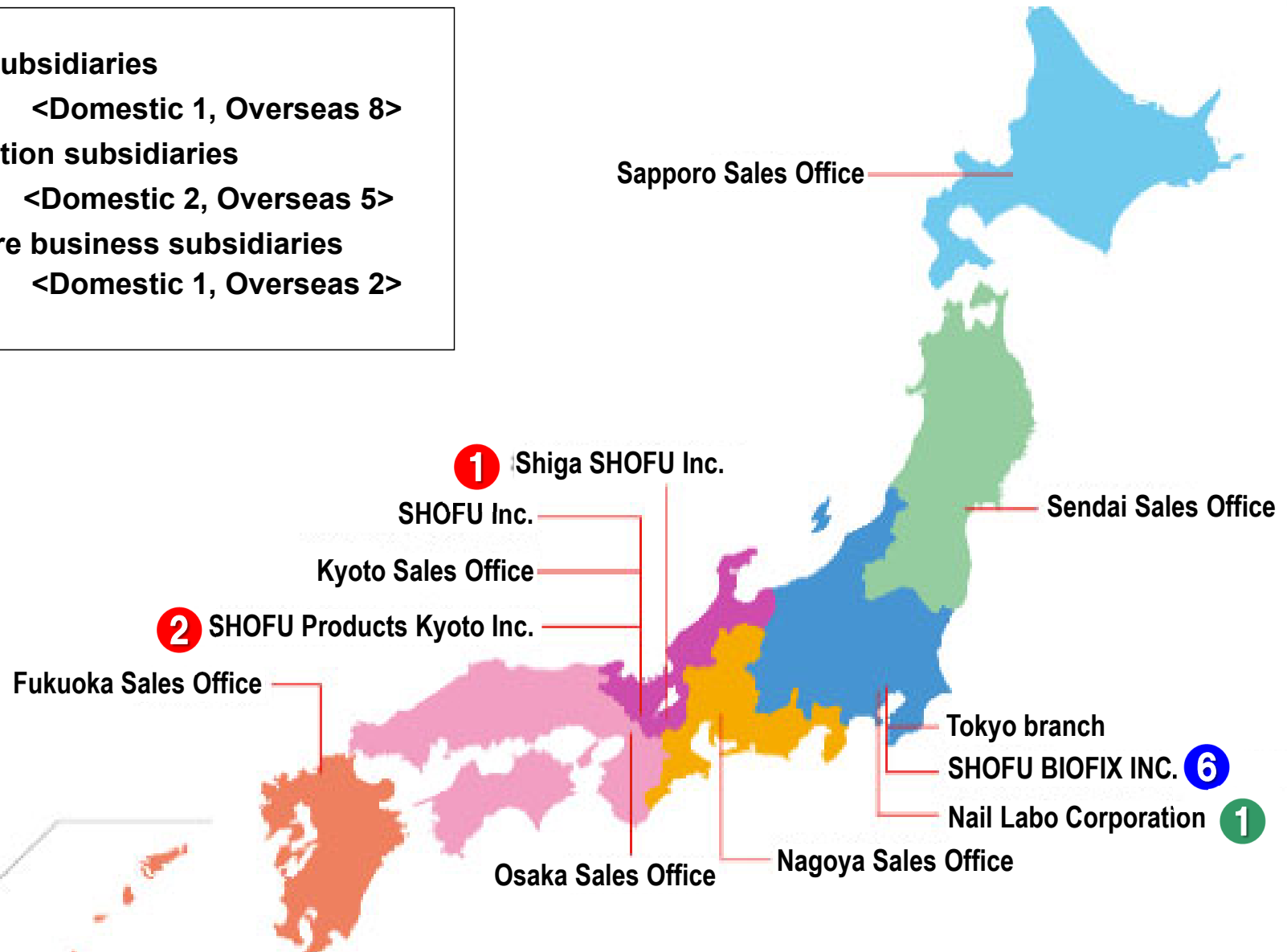


# Group Overview[Domestic base]

⇒ Company and Business Profiles



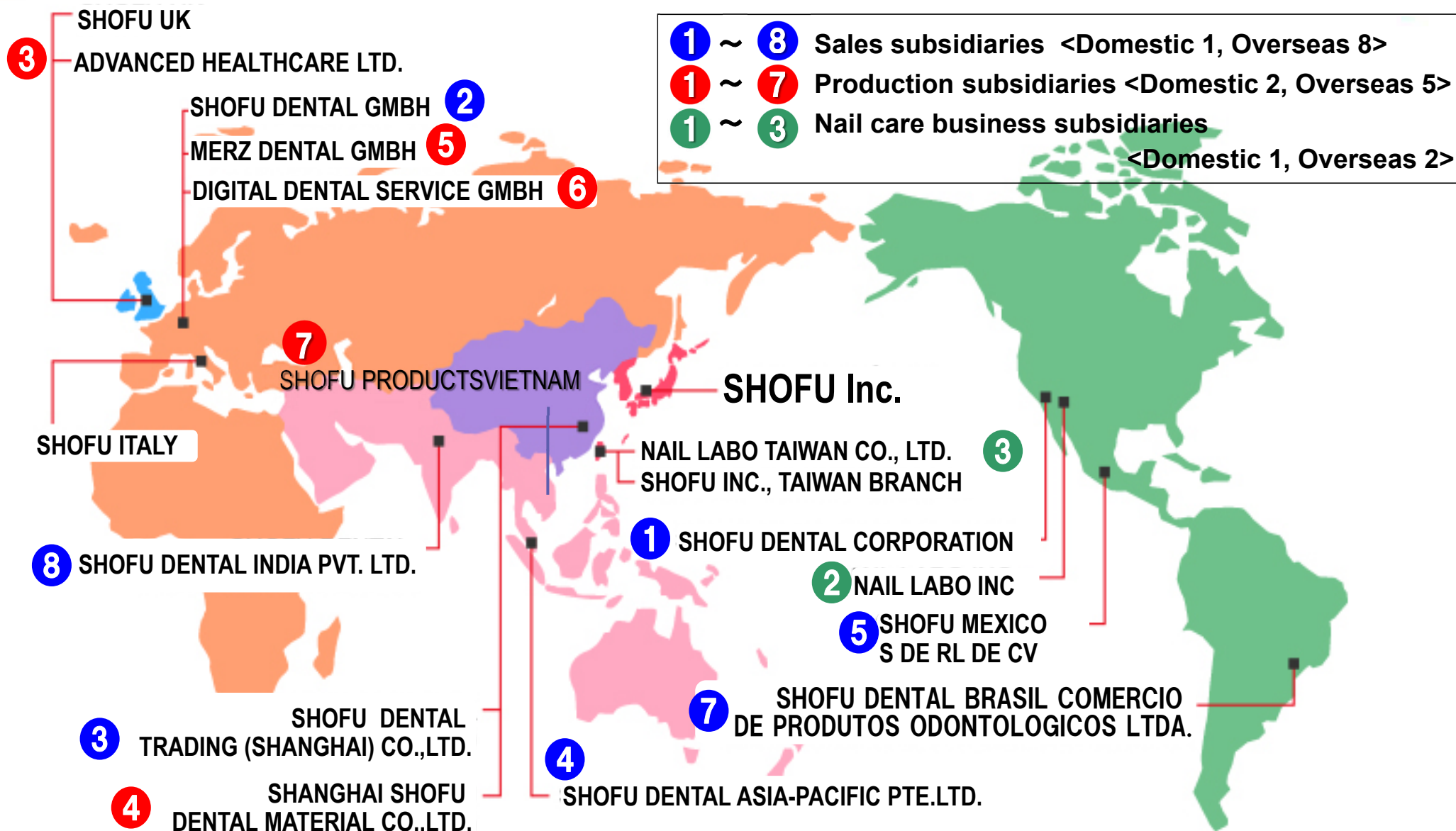
- ① ~ ⑨ Sales subsidiaries**  
    <Domestic 1, Overseas 8>
- ① ~ ⑦ Production subsidiaries**  
    <Domestic 2, Overseas 5>
- ① ~ ③ Nail care business subsidiaries**  
    <Domestic 1, Overseas 2>



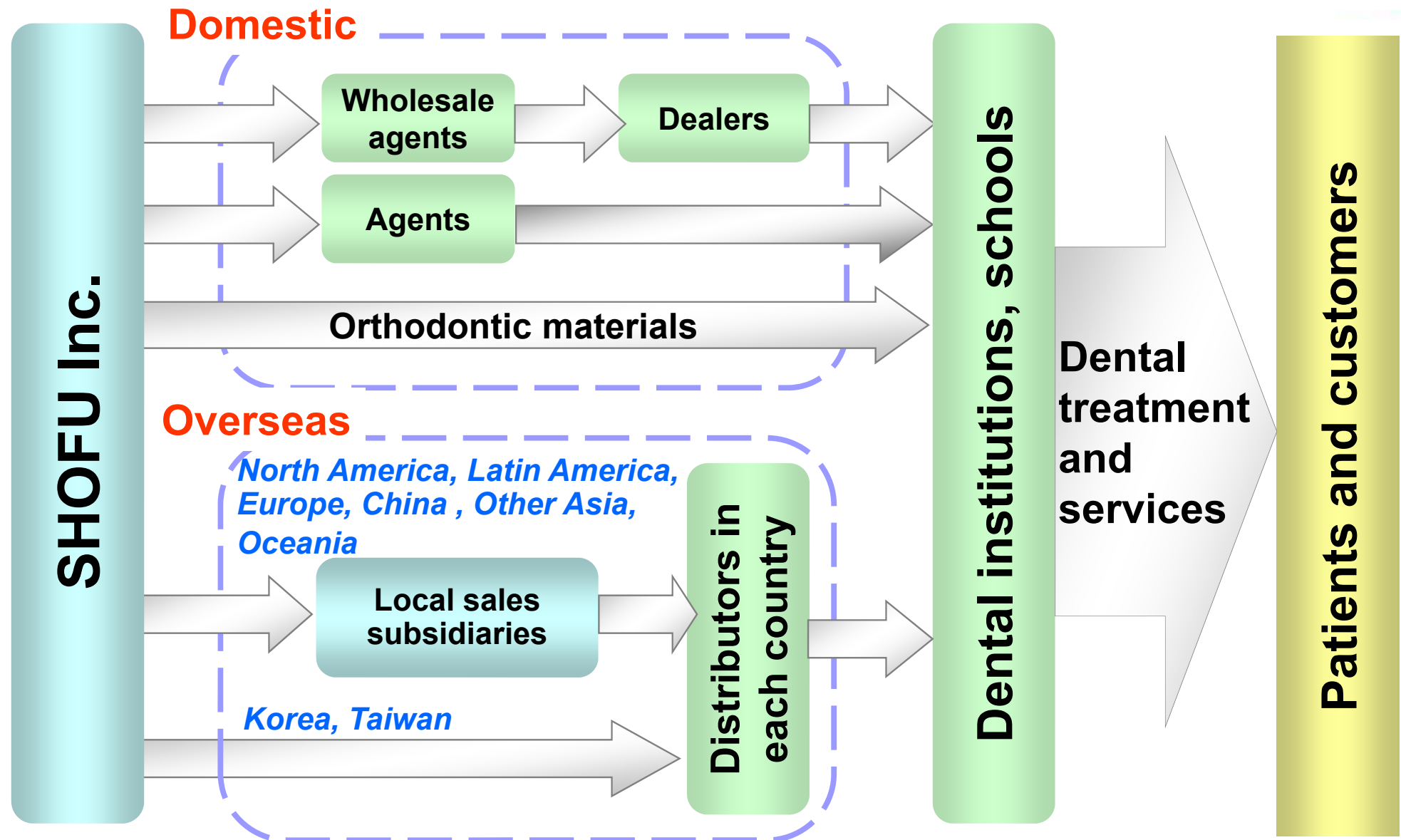


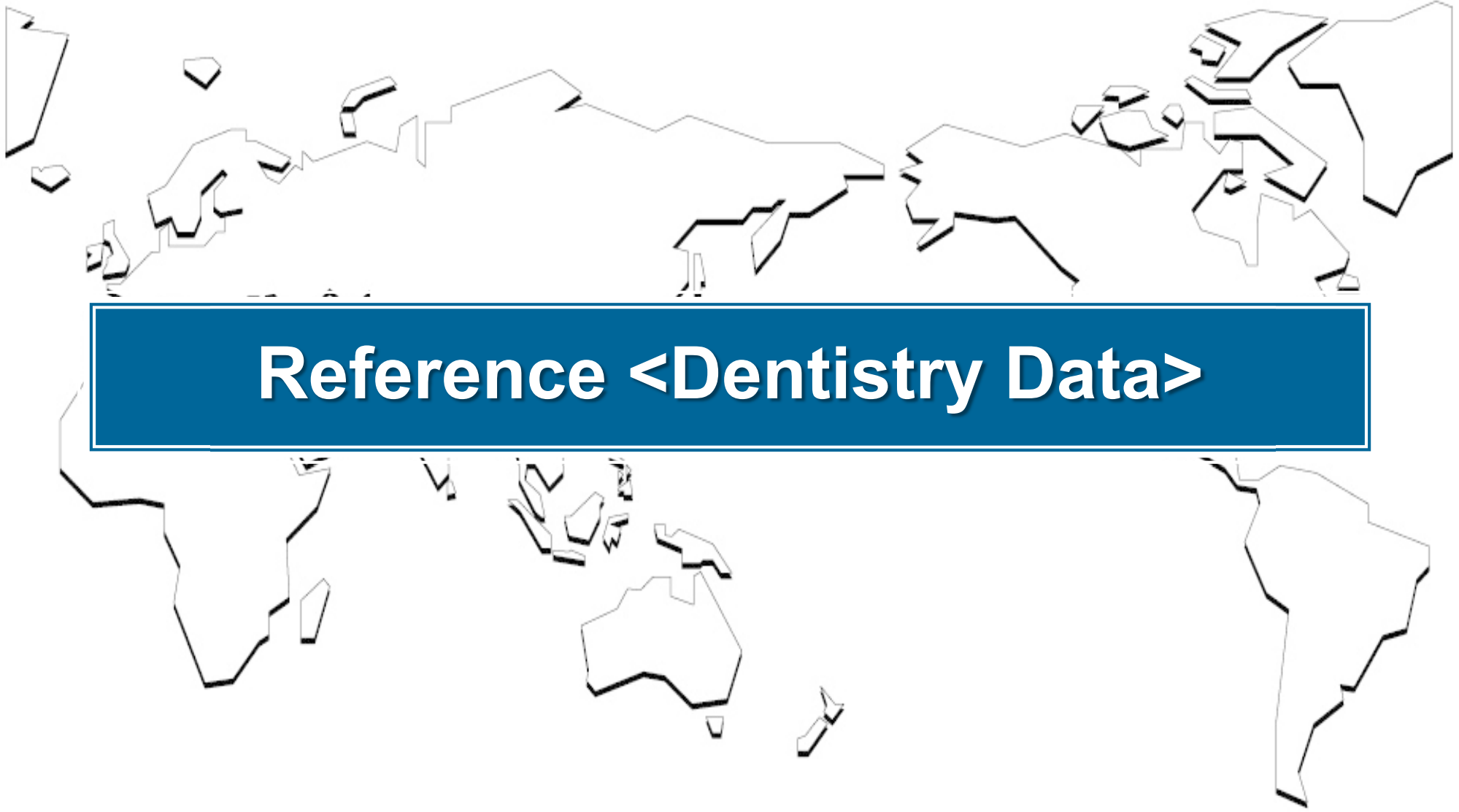
# Group Overview[Overseas base]

⇒ Company and Business Profiles



# Sales Channels

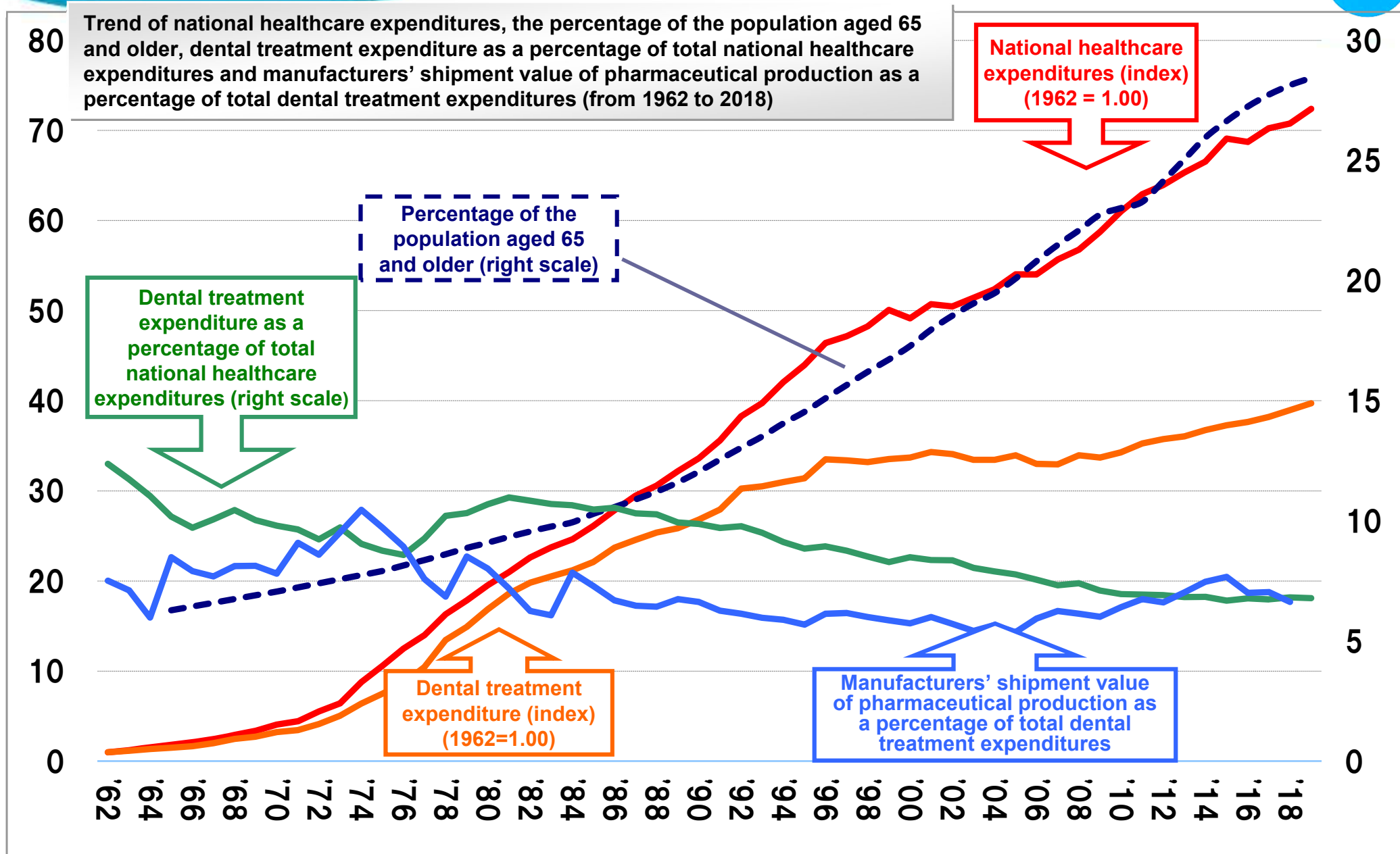




**Reference <Dentistry Data>**

# Healthcare Expenditures by Age Group (Component Ratio)

⇒ Reference <Dentistry Data>



# Healthcare Expenditures by Age Group (Component Ratio)

➡ Reference <Dentistry Data>

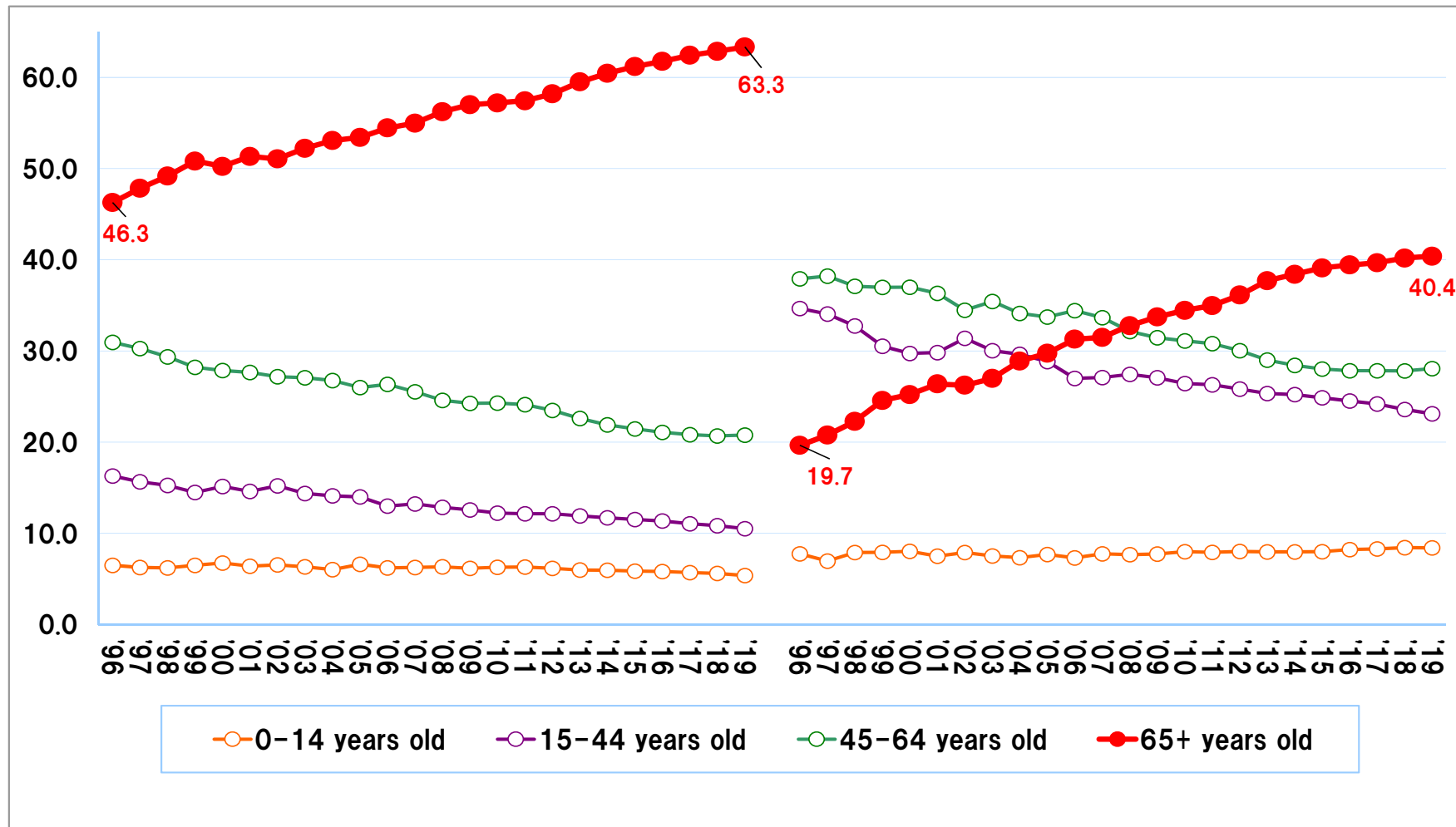


People aged 65 years and older tend to place less importance on dental treatment than general medical treatment.

General treatment

Dental treatment

Unit: %

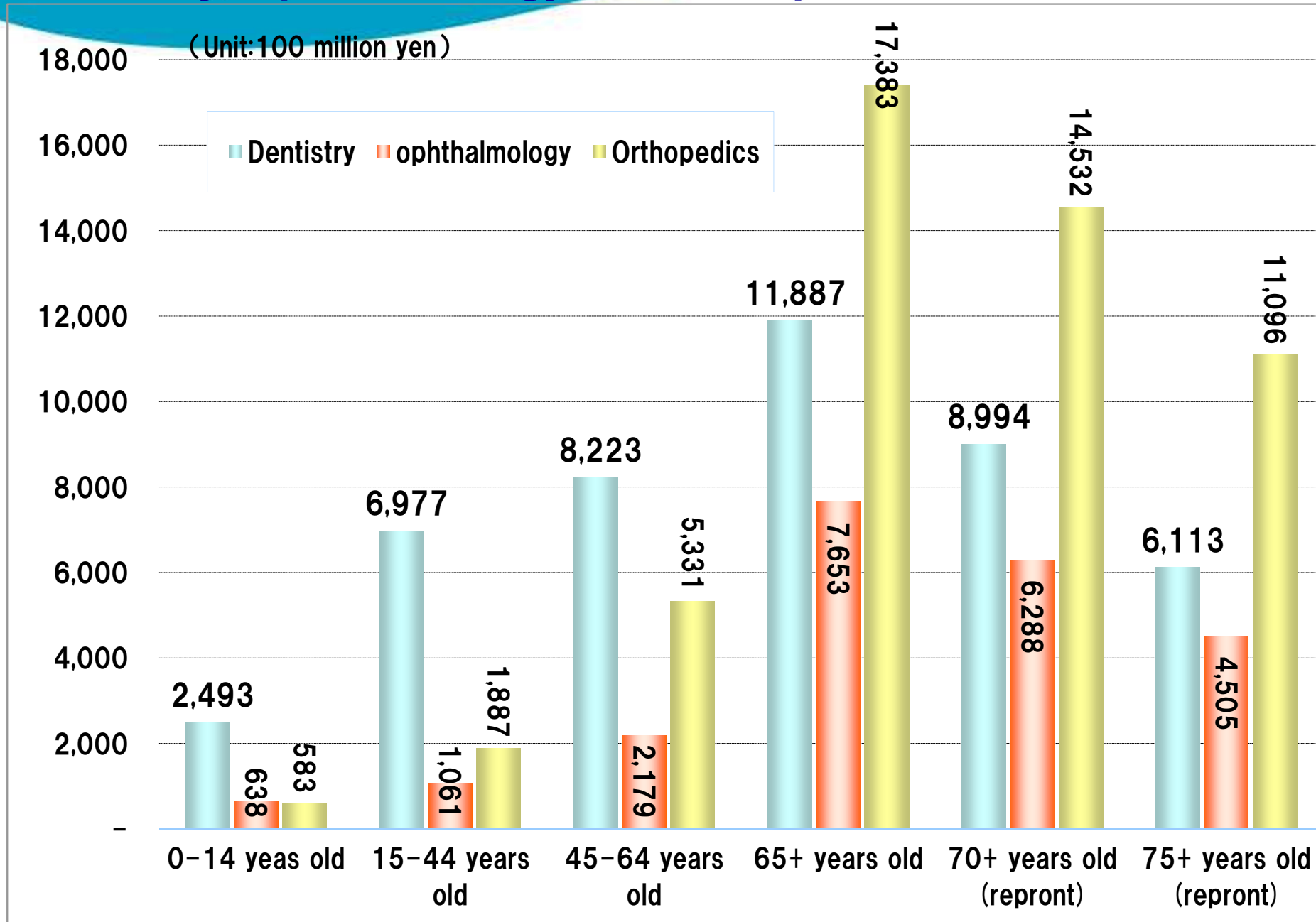


Prepared using yearly data from Summary of National Healthcare Expenditures  
(Ministry of Health, Labour and Welfare)

# Comparison of Healthcare Expenditures by Age Group

## - Dentistry, Ophthalmology and Orthopedics

➡ Reference <Dentistry Data>

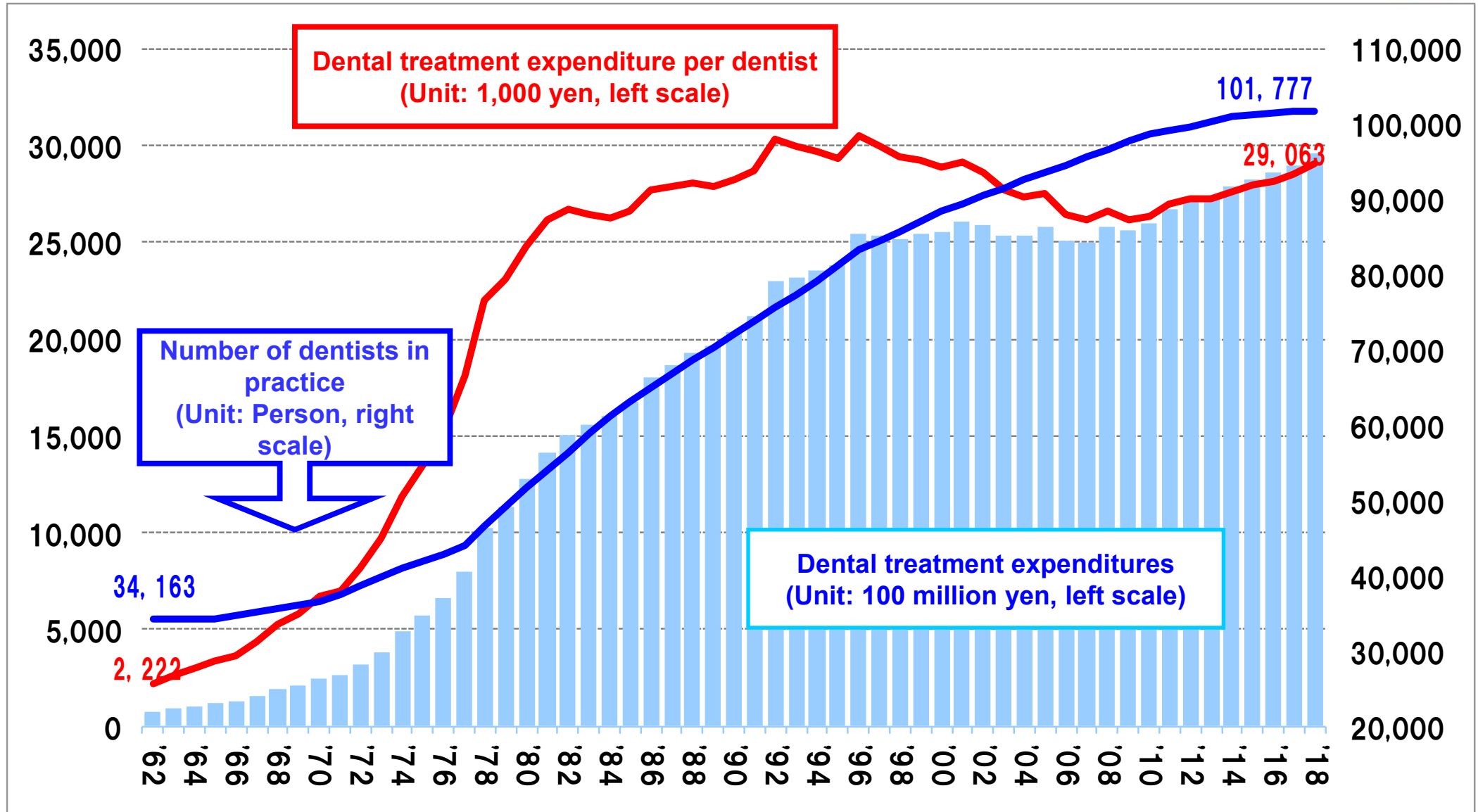


Prepared using Summary of National Healthcare Expenditures in Fiscal Year 2018  
(Ministry of Health, Labour and Welfare)



# Trend of the Number of Dentists and Dental Treatment Expenditure

⇒ Reference <Dentistry Data>

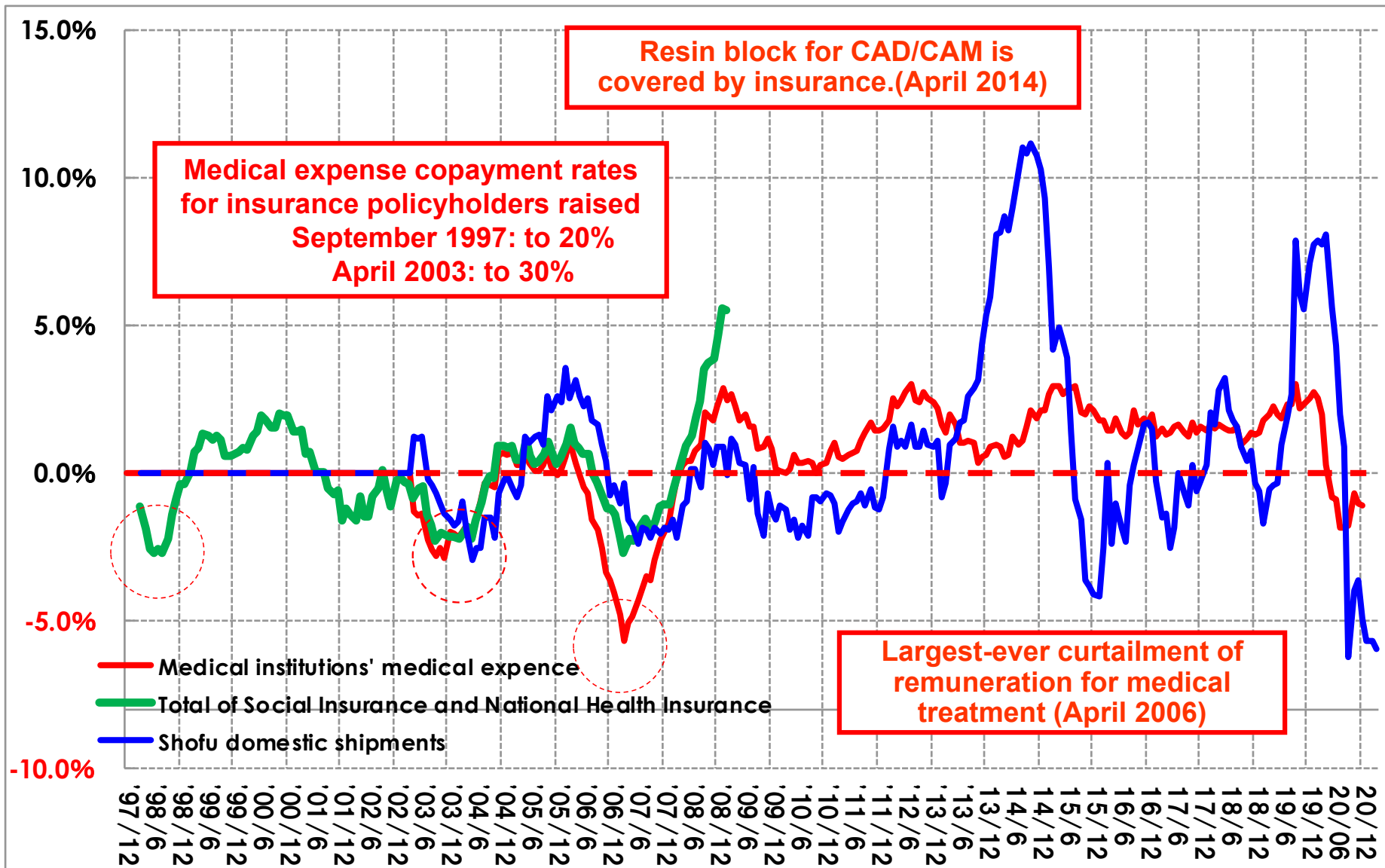


# Dental Treatment Expenditures

➡ Reference <Dentistry Data>



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

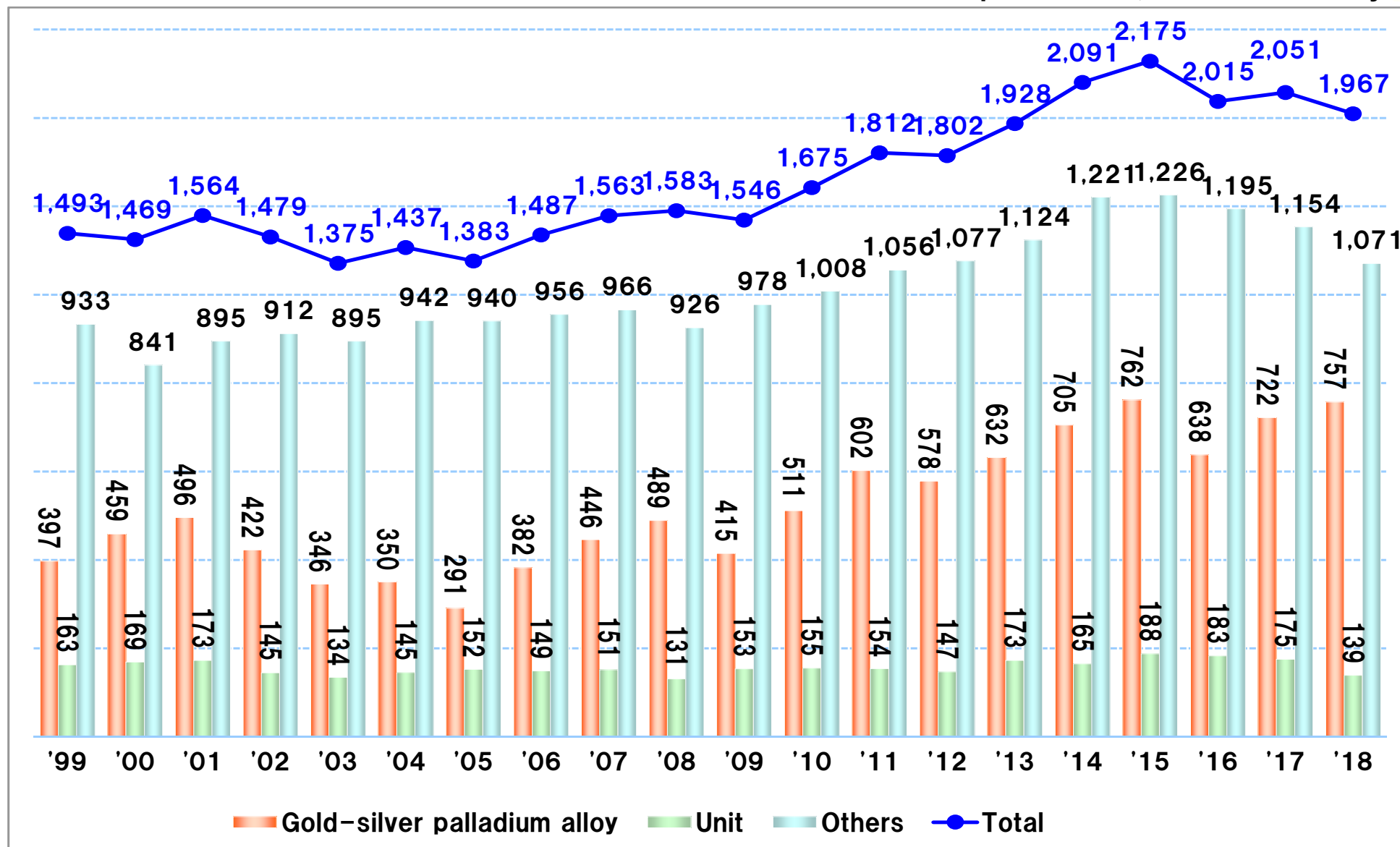


# Trend of Shipment Value of Pharmaceutical Industry Production

Reference <Dentistry Data>



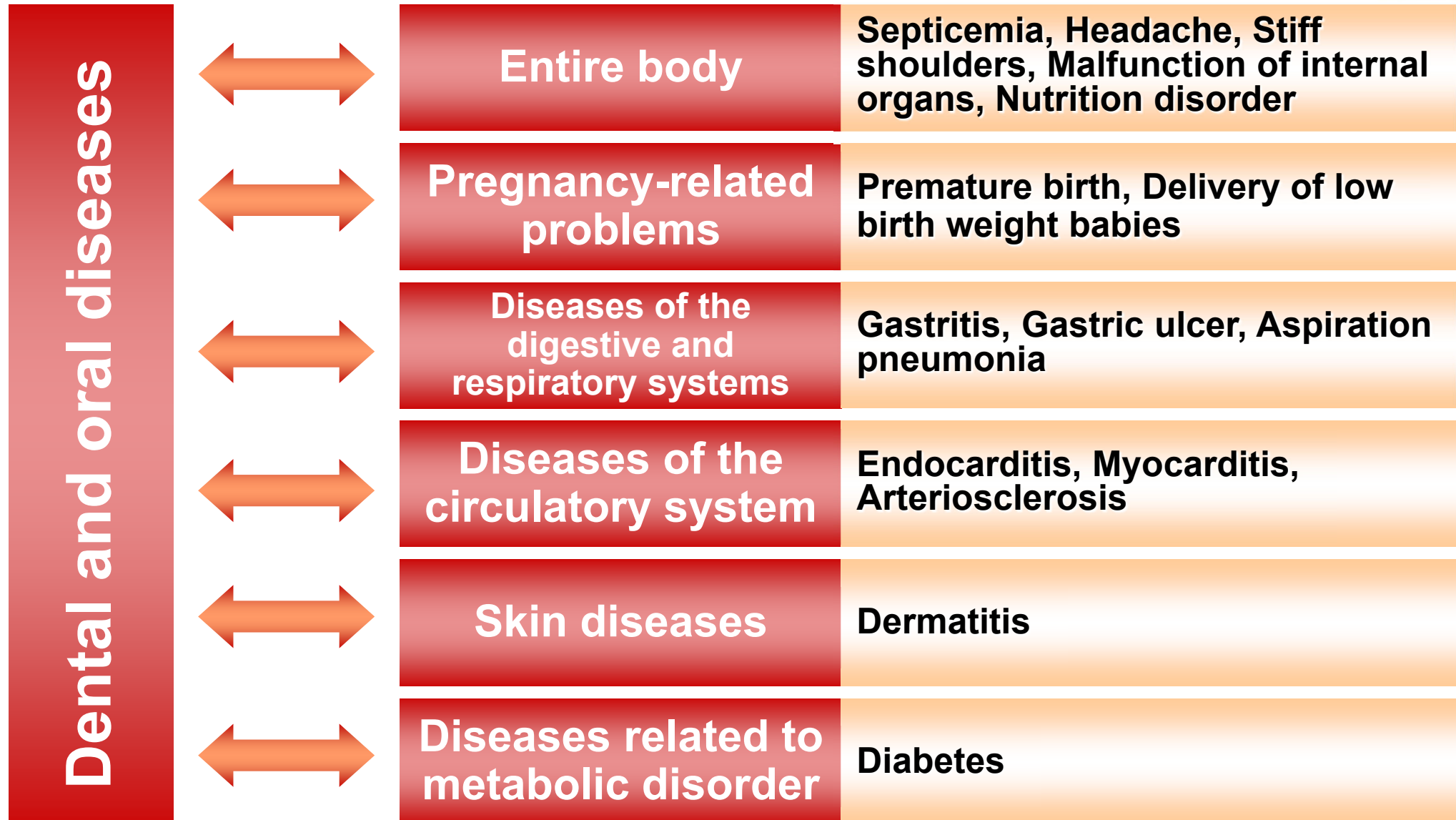
Shipment value, Unit: 100 million yen



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

# Systemic Diseases Caused by Caries and Periodontal Disease

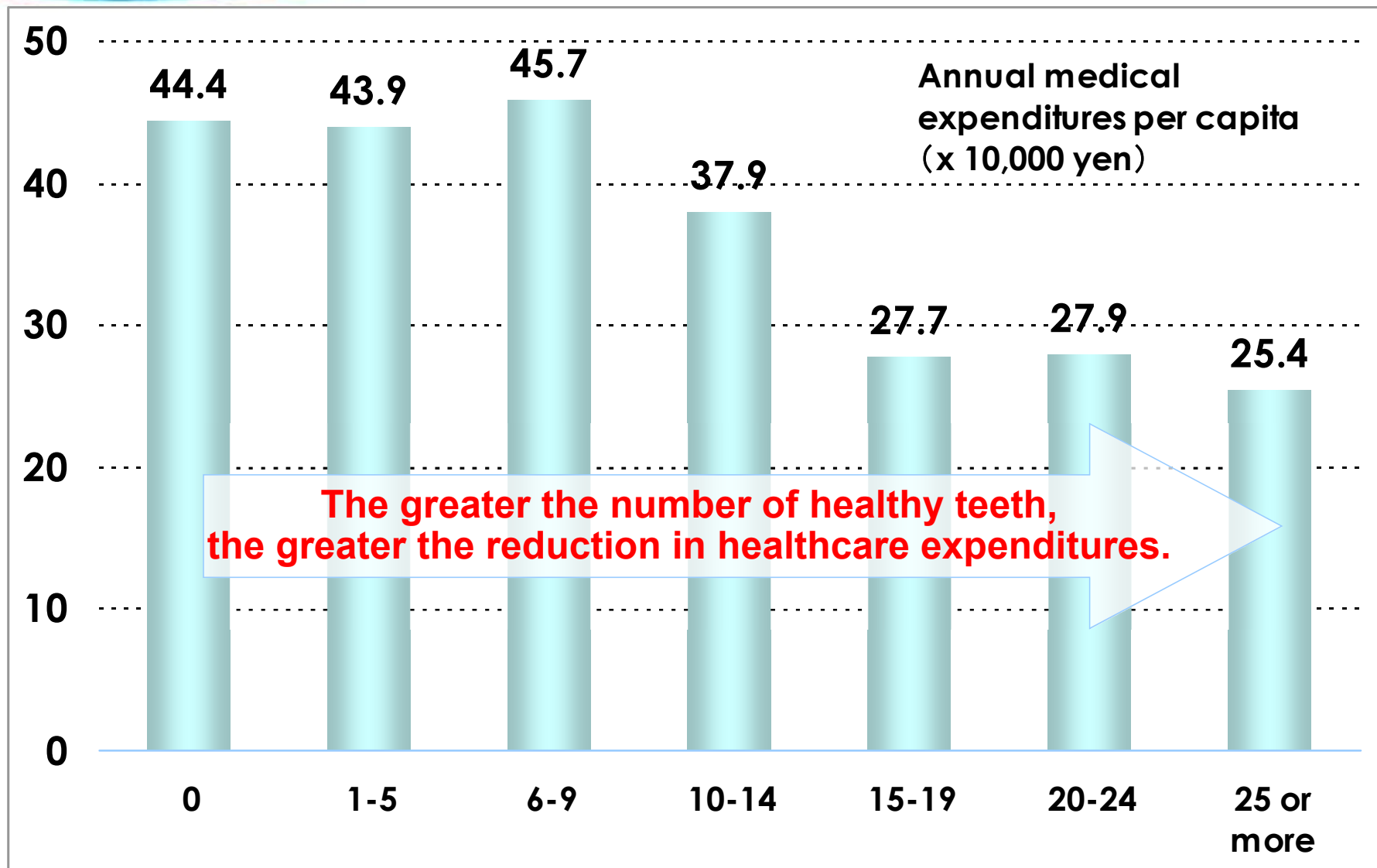
➡ Reference <Dentistry Data>



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

# Correlation between Number of Healthy Teeth and Healthcare Expenditures

➡ Reference <Dentistry Data>



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

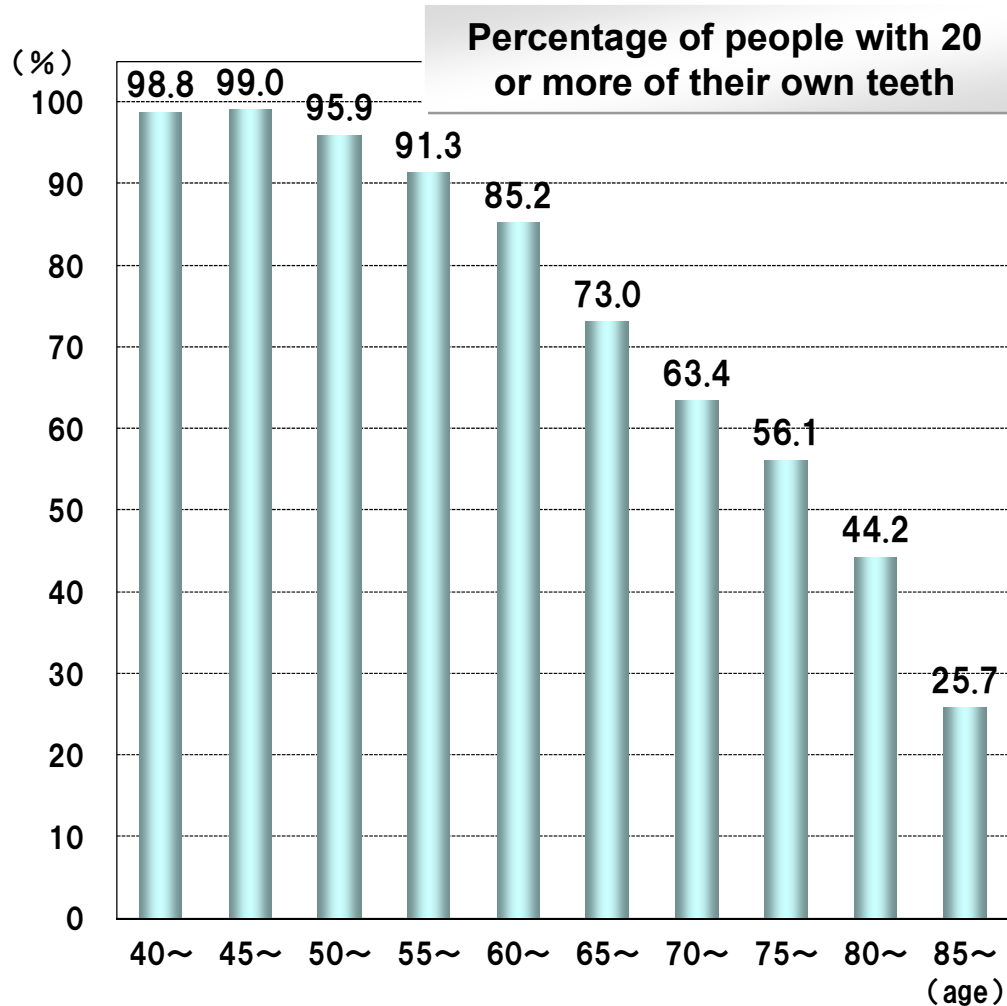
Subjects surveyed: 954 persons aged 80 living independently (392 men, 562 women)

# The 8020 Movement and Changes in Dental Diseases

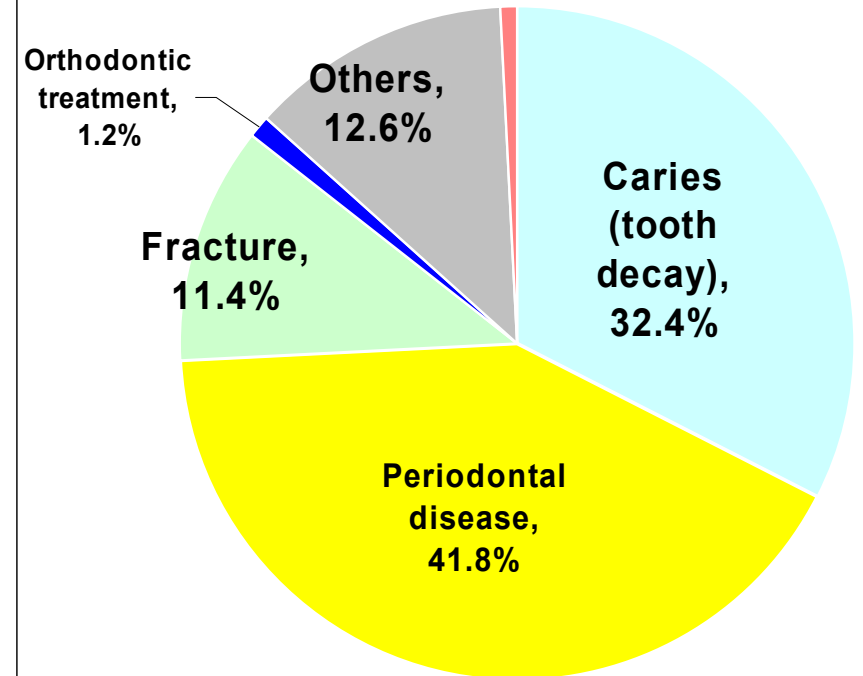
➡ Reference <Dentistry Data>



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



Causes of tooth loss



(Survey by the 8020 Promotion Foundation in 2005)



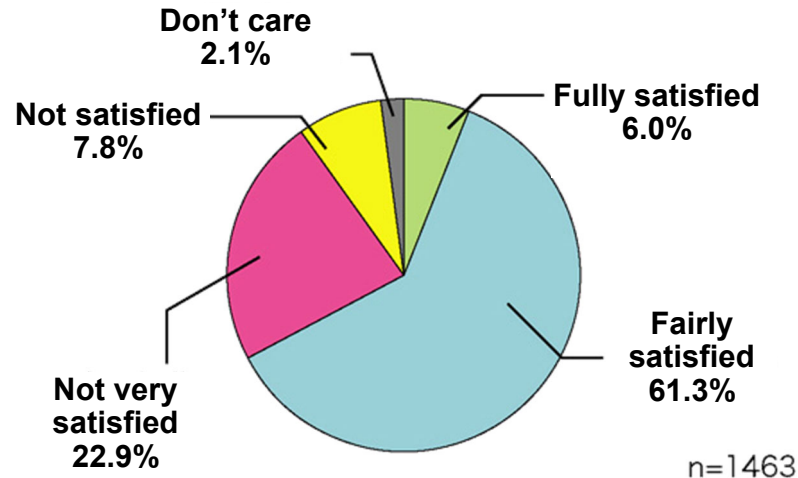
# Perception of Dental and Oral Health

Reference <Dentistry Data>

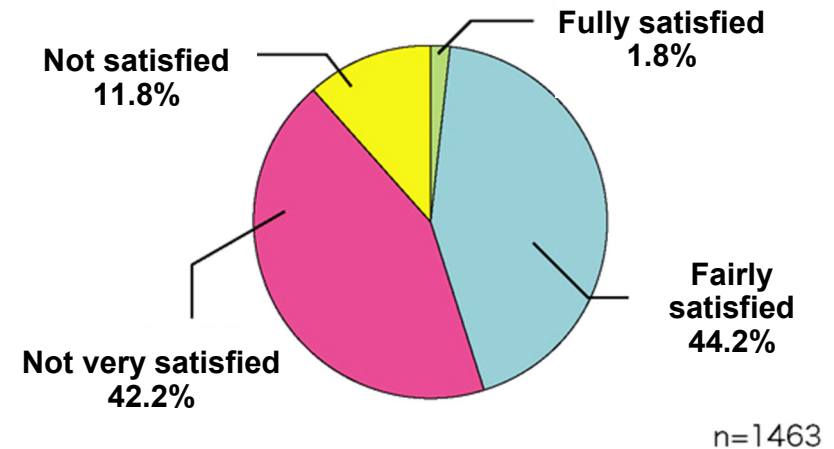


Source: Fiscal 2007's Dental Equipment Industry Vision (References)

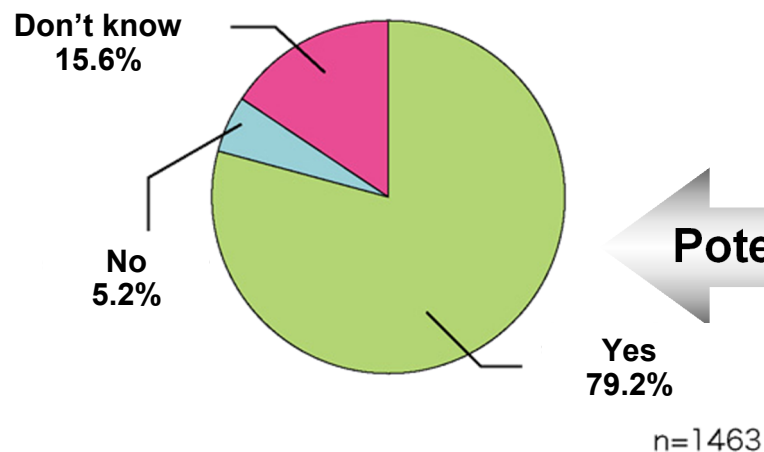
Are you satisfied with your physical health?



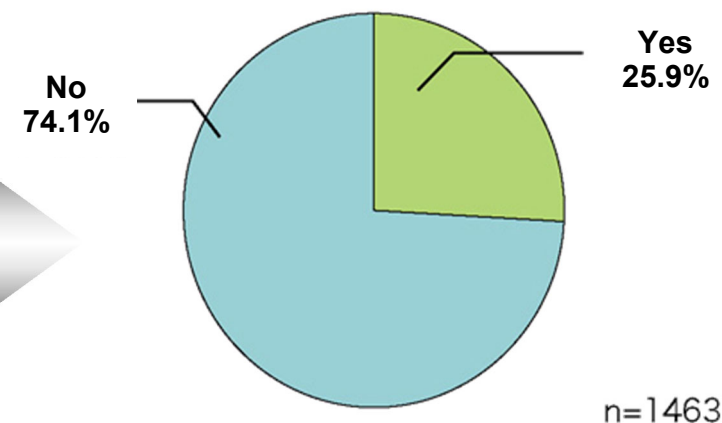
Are you satisfied with your oral health?



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



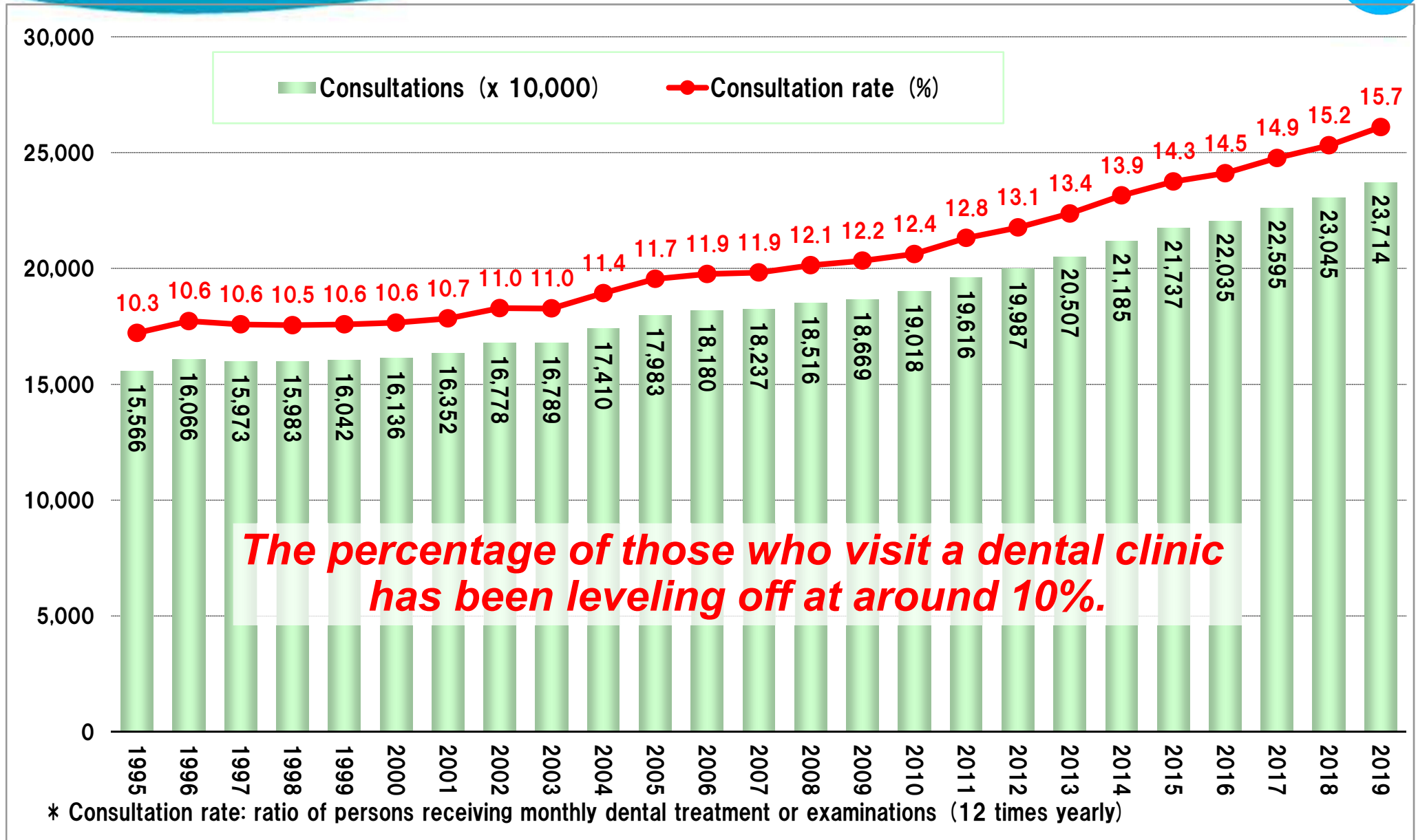
Do you actually receive regular dental care?



Potential demand

# Dental Clinic Consultation Rates

➡ Reference <Dentistry Data>



# Trend in the North American Market

➡ Reference <Dentistry Data>



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

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

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

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

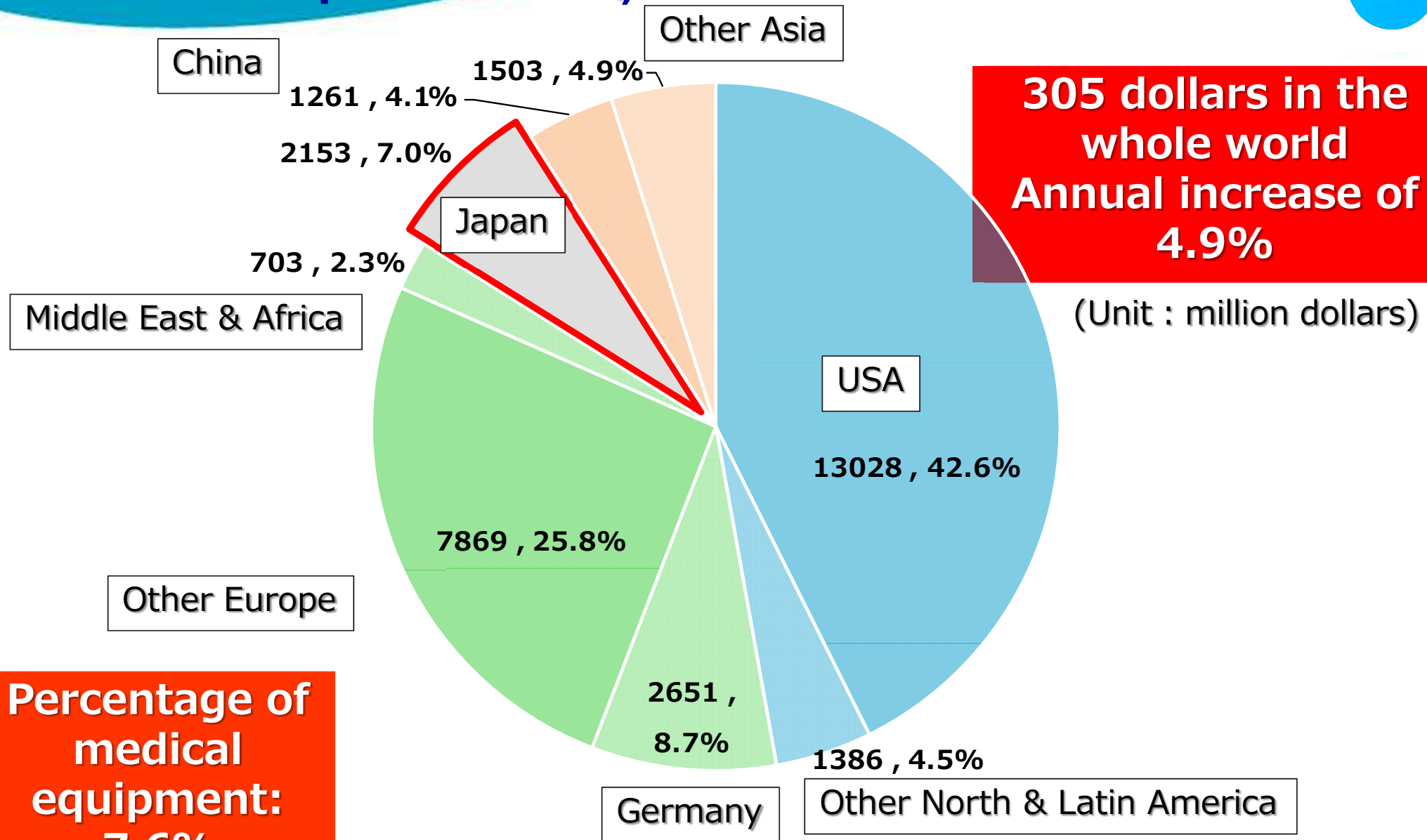
Source:

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

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

# Global dental equipment market size (amount・component ratio)

➡ Reference <Dentistry Data>



**Percentage of  
medical  
equipment:  
7.6%**

◆ Source : BMI Research

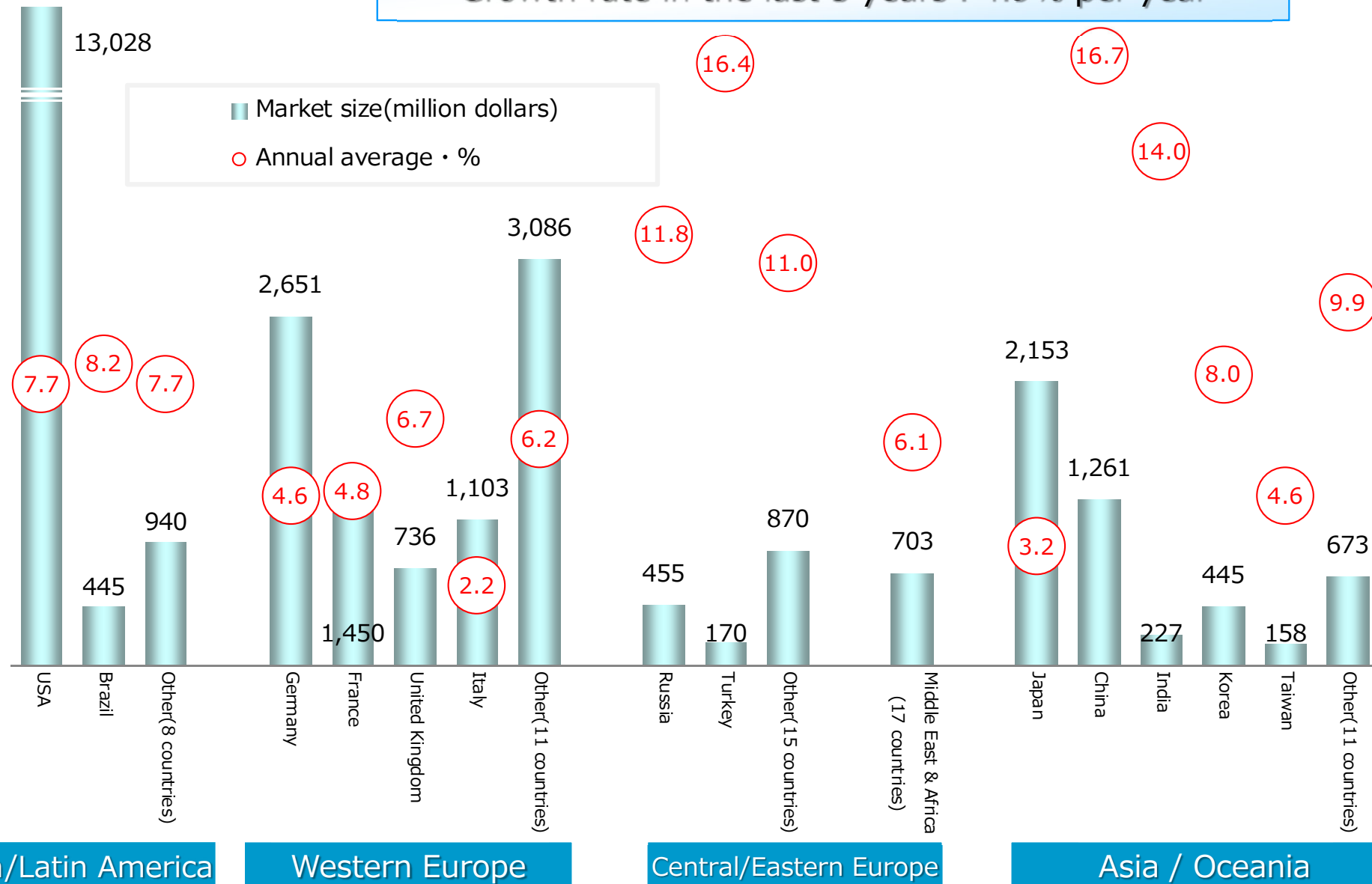
「The World Medical Markets Fact Book 2019」70

# Global dental market— Market size and growth potential

➡ Reference <Dentistry Data>



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

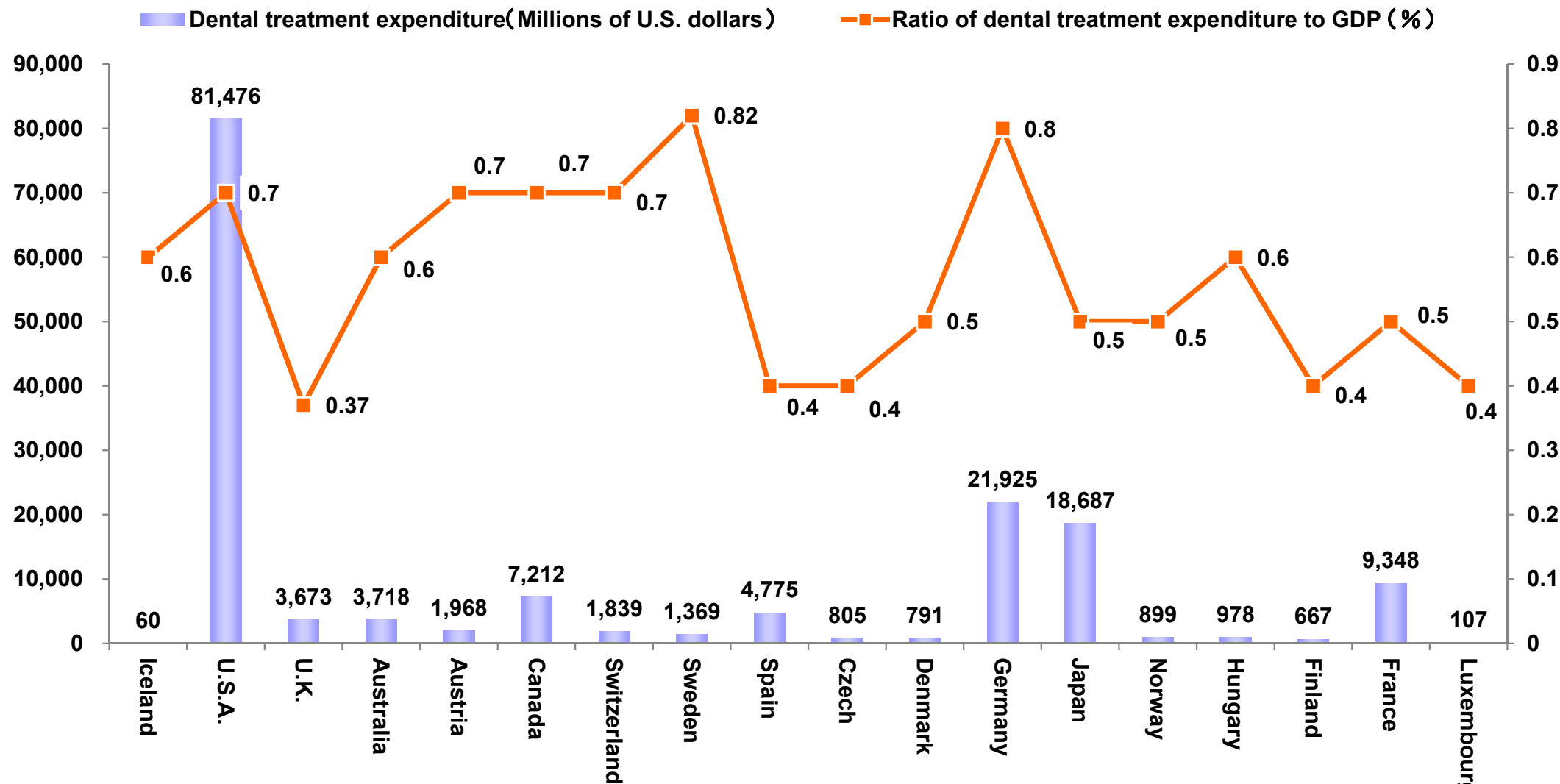


# Relation between Dental Treatment Expenditure and GDP

➡ Reference <Dentistry Data>



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



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

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



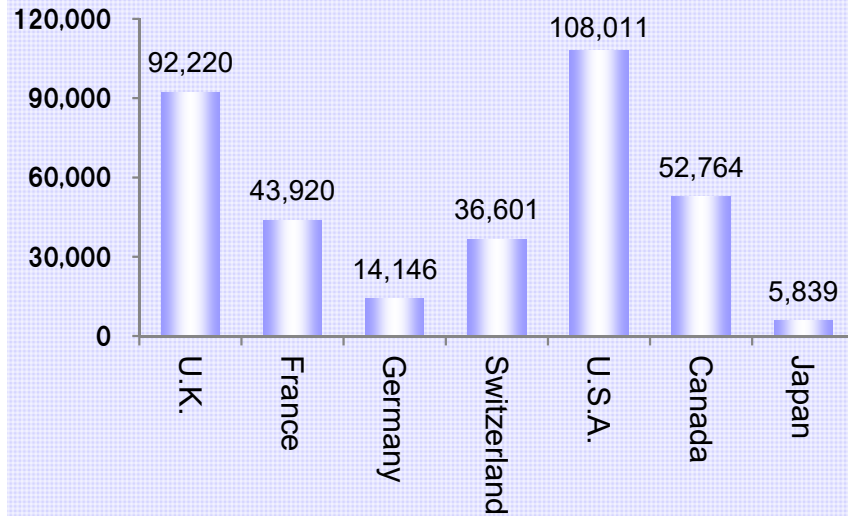
# International Comparison of Dental Treatment Expenditure (Unit Price of a Treatment Session)

⇒ Reference <Dentistry Data>

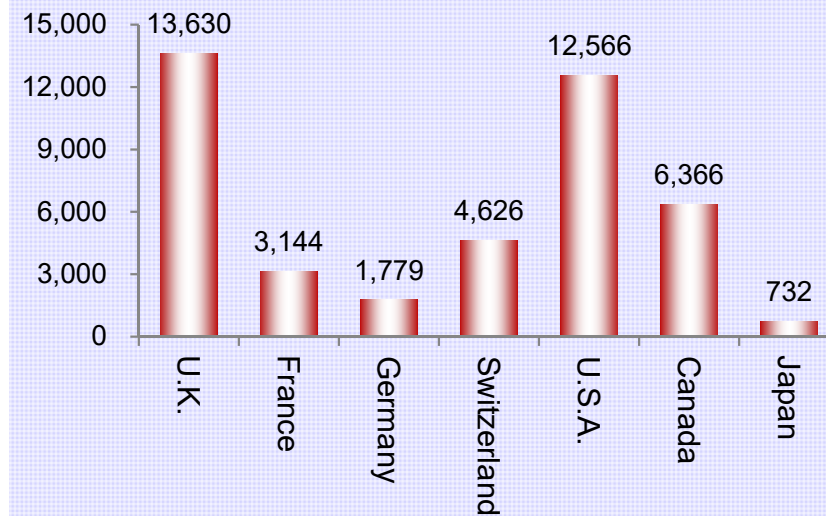
Unit: yen **SHOFU**

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

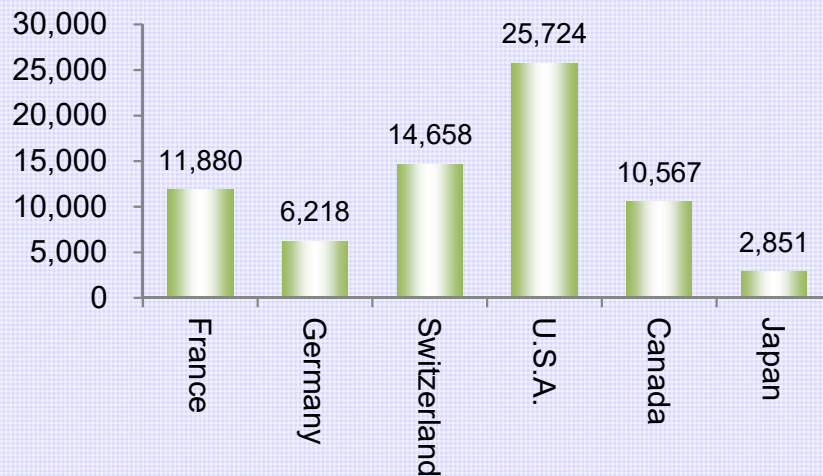
## Root canal treatment



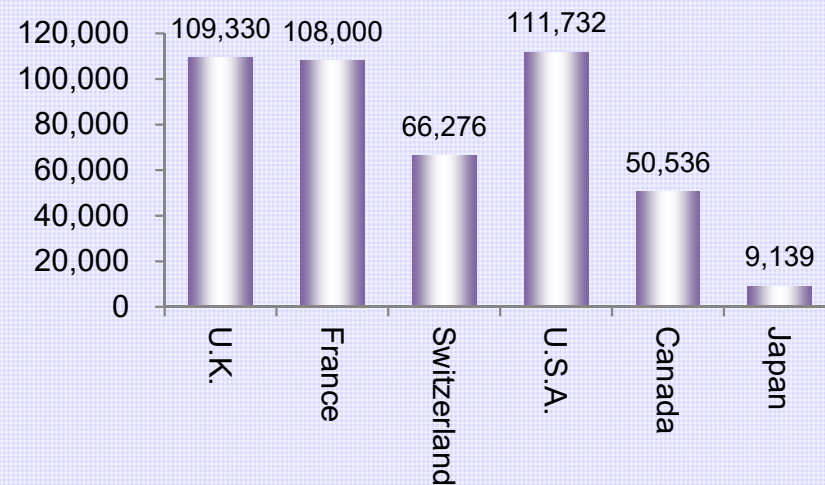
## Dental calculus removal



## Dental calculus removal



## Metal crown

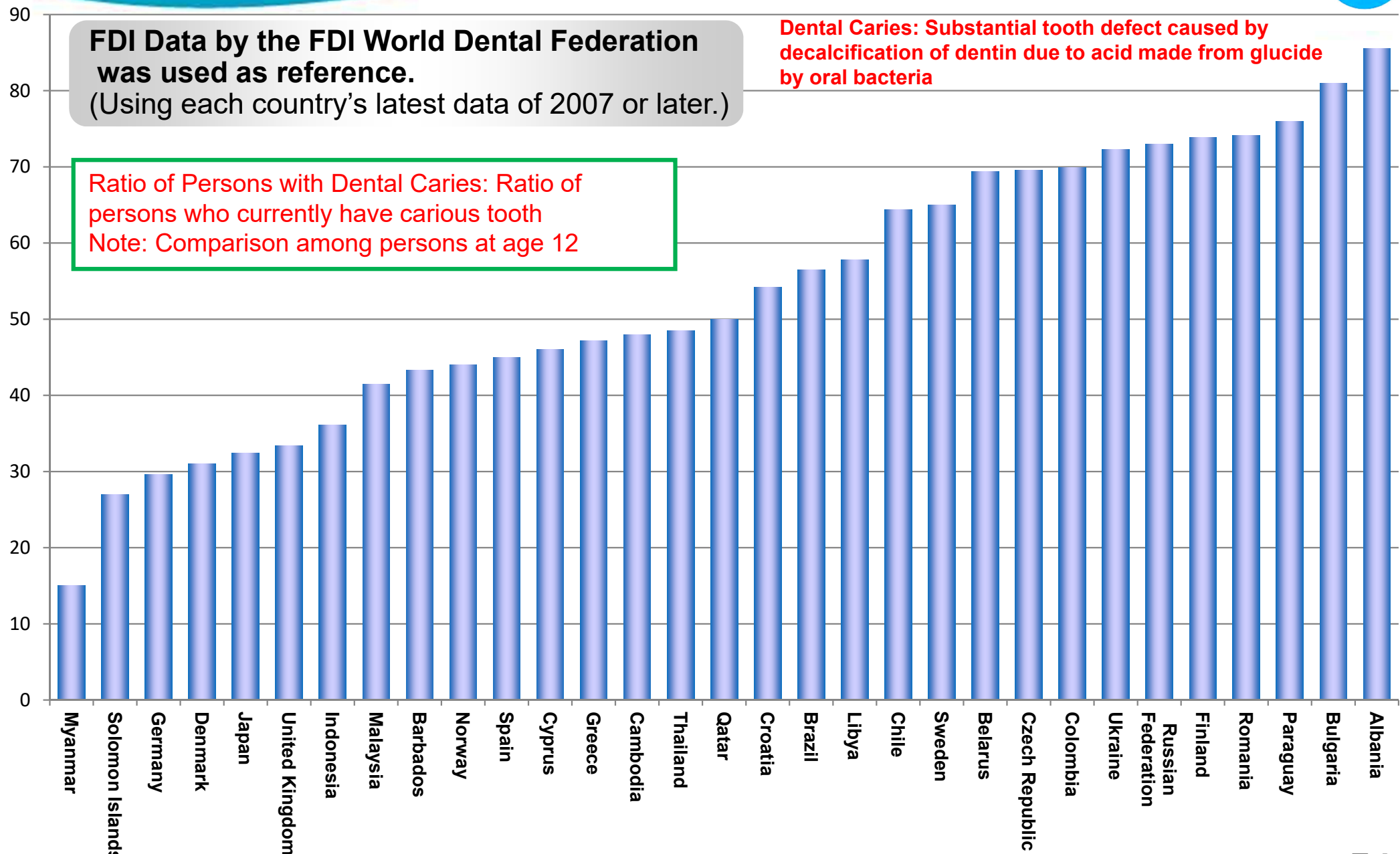


\* The above chart was prepared using material from "Iryo, kaigokyufuhi suikei-ni-tsuite (On the Estimate of Medical and Nursing Care Benefit Expenses)" by Professor Kawabuchi of the Graduate School of Tokyo Medical and Dental University (submitted to the 6th meeting of the Social Security Council of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

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

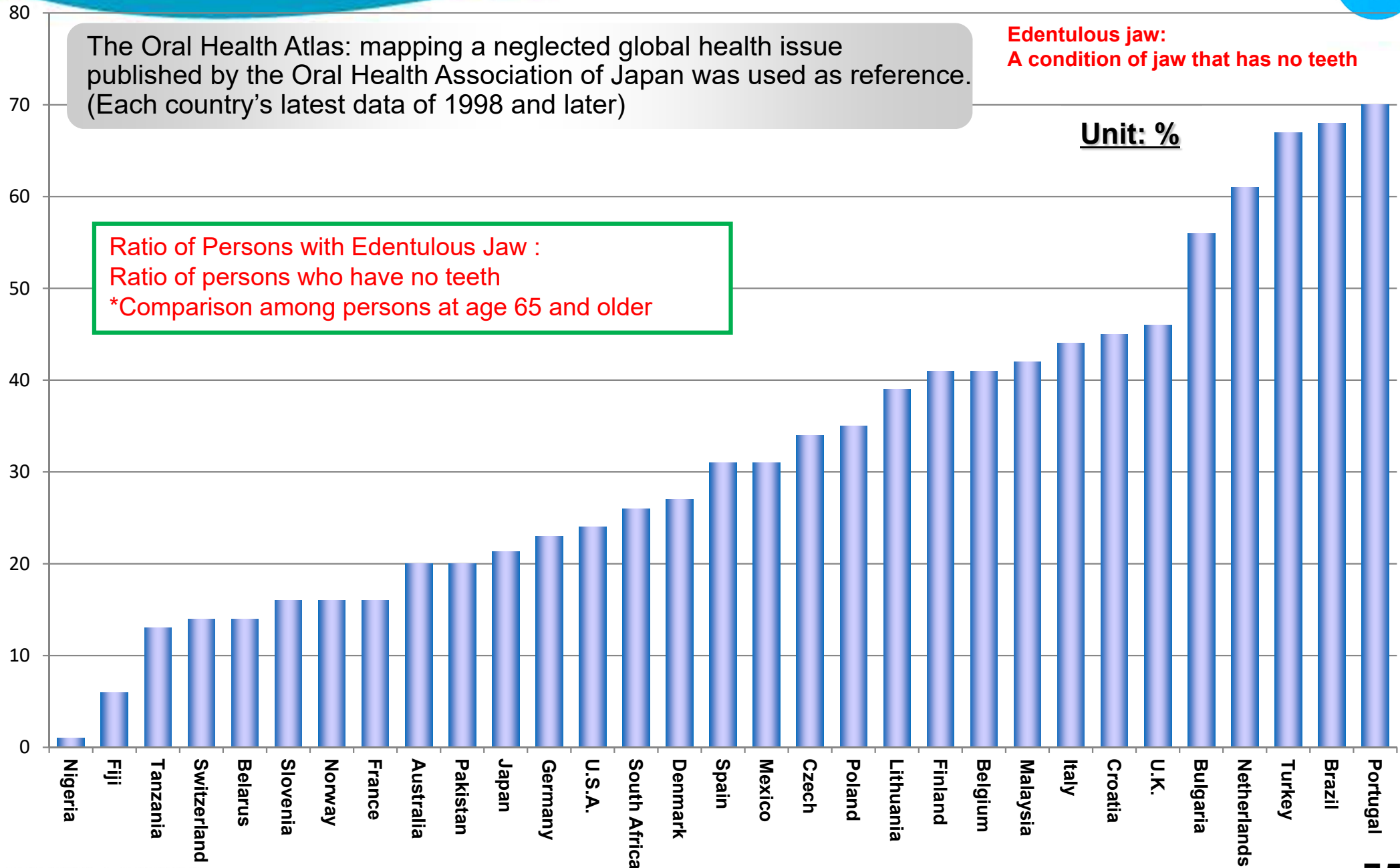
Reference <Dentistry Data>

Unit: %



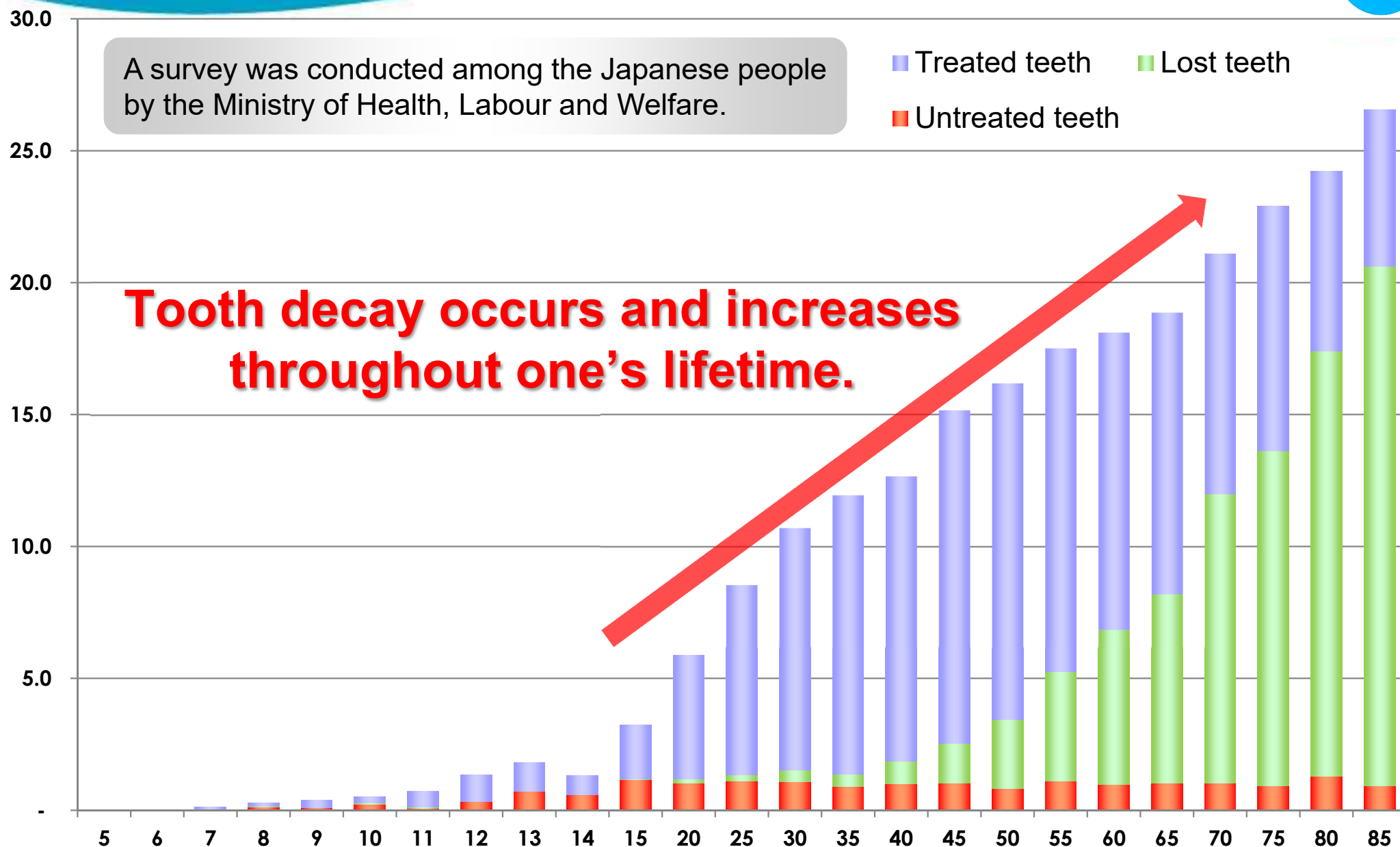
# International Comparison in the Ratio of Persons with Edentulous Jaw (at age 65 and older)

Reference <Dentistry Data>



# Factual Survey of Dental Diseases

Reference <Dentistry Data>

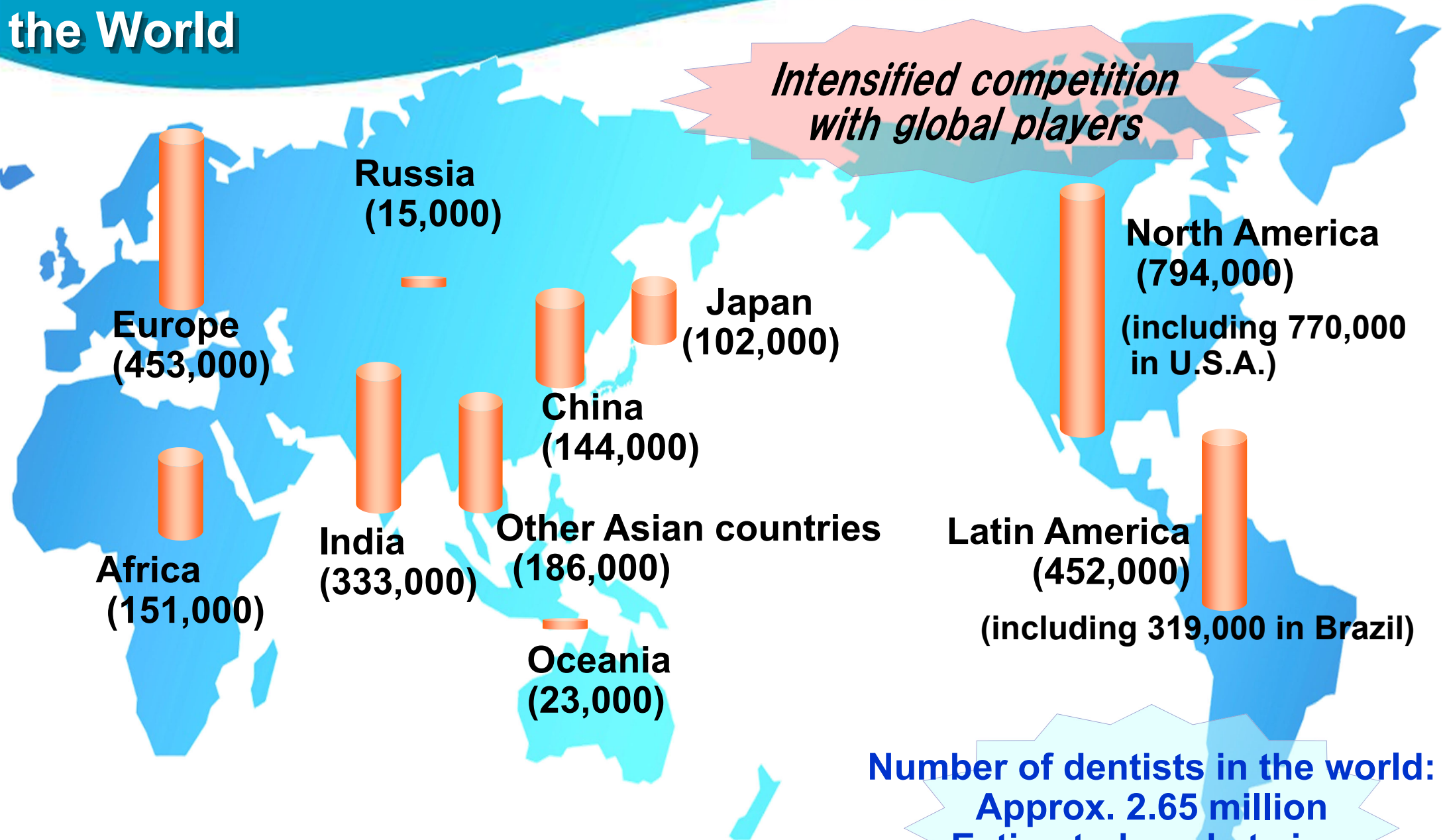


\* 1. The official web site of the Hokkaido kodomo-no ha-o mamoru kai (Save the Children's Tooth Hokkaido) was used as reference

\* 2. Source: Results of the Survey of Dental Diseases in 2011 released by the Ministry of Health, Labour and Welfare

# Number of Dentists in the World

⇒ Reference <Dentistry Data>



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

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



## Term

## Meaning

|                     |                                                                                                                                                                                                                                                                      |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Impression          | An imprint of teeth and other intraoral areas, created with impression material. Based on the impression mould, plaster model can be produced, onto which prosthesis is fabricated. → <b>Dental prosthetic (page 79)</b>                                             |
| Implant (treatment) | A treatment method to replace missing tooth. An artificial root is implanted into the bone, upon which a variety of dental prostheses can be placed. In addition to conventional prosthetic treatment, implant is a new option to restore mastication and esthetics. |
| Caries              | Tooth decay.                                                                                                                                                                                                                                                         |
| Occlusion           | The position of the teeth when the jaws are closed.                                                                                                                                                                                                                  |
| Composite resin     | Synthetic resin to fill cavity and lesion, available in a variety of shades to make the restored area harmonious with surrounding teeth of each patient. It is often used to treat decay. → <b>Resin (page 79)</b>                                                   |
| Filling             | To fill resin or cement after removing a decay to restore the affected area.                                                                                                                                                                                         |
| Aesthetic dentistry | A variety of treatment to enhance patient's esthetic appearance, including orthodontics and whitening.                                                                                                                                                               |
| Scaler              | An instrument used to remove plaque and tartar accumulated on the tooth surface.                                                                                                                                                                                     |
| Dental floss        | A thread used to remove plaque from the spaces between teeth.                                                                                                                                                                                                        |
| Handpiece           | A handheld device to which small instruments for removing tooth decay, plaque, and tartar are attached. → <b>Plaque (page 79)</b>                                                                                                                                    |





| Term               | Meaning                                                                                                                                                                                                                                                                                              |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nail care          | Care for fingernails and the surrounding area, including attachment of artificial nails. Nail care is widely considered an important part of personal grooming in many parts of the world, and it is also growingly popular among young women in Japan, which leads to a rapid growth of the market. |
| PMTc               | PMTc stands for Professional Mechanical Tooth Cleaning. In PMTC, a dentist or hygienist uses machines and instruments to remove plaque, tartar (calcified plaque), and other dental deposits (caused by smoking, etc).                                                                               |
| Fluoride           | A substance that accelerates re-calcification of the tooth surface and strengthens tooth structure (especially for enamel).                                                                                                                                                                          |
| Plaque             | Calculus deposits. Bacteria living in plaque create acids and toxins, which cause decay and periodontal disease. Thus, removing plaque helps prevent dental disease and enhance oral health.                                                                                                         |
| Dental prosthetic  | An artificial replacement of defective area. It includes fillings and crowns that restore patient's oral function and esthetic appearance.                                                                                                                                                           |
| Bonding (material) | A material to bond composites to natural tooth (enamel and dentin).<br>→ <b>Composite resin (page 78)</b>                                                                                                                                                                                            |
| Resin              | Synthetic high polymer. Resins are popularly used for dental restoratives.                                                                                                                                                                                                                           |