

Fiscal Year Ending March 2023 (151th Business Year) 2Q Financial Analyst Meeting

November 22, 2022

**Tetsuo Takami,
President and CEO**



Proven Products for Better Dentistry

SHOFU INC.



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

Prior to the explanation of financial results, we would like to briefly introduce our company and business.

We, as a comprehensive manufacture of dental materials and equipment, celebrated its 100th anniversary on May 15 this year thanks to the investors' and stakeholder's support over many years.

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

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

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

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

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

Main Products - Dental business ①



We manufacture and market a wide range of dental materials and equipment.

Artificial teeth products

- Porcelain teeth
- Resin teeth
- Porcelain powder
- CAD/CAM materials (Zirconia)

Use for materials of denture and implant



Domestic Share 37.0% (No.1)

Abrasives products

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

Use for removing diseased areas and polishing crowns



Domestic Share 46.3% (No.1)

Metal products

- Alloys for casting, silver alloys
- Other metals

Use for materials as dental crowns and as the base for implants



Chemical products

- Synthetic resins products
- Impression materials
- Waxes
- CAD/CAM materials (resin)

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



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Our products are designed for use in dental care and treatment.

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From No.3 to No.4 slide, we show products in mainstay dental business by main category.

We offer a full range of materials and equipment used in the processes of dental treatment and dental techniques. We are also a specialist supplier of artificial teeth, which are materials for denture and implant, along with abrasives, which are materials for grinding down affected areas and polishing crowns, as well as technical materials. Moreover, reflecting the growing use of chemical materials in chemical products for various purposes and the trend toward digitalization in dentistry in recent years, we are focusing our efforts on sales of CAD/CAM-related products.

Main Products - Dental business ②



Cement products

- Dental cements
- Dental stones and investments

Use in the adhesion of implants, fillings, etc.



Machinery ,equipment & other products

- Dental equipment
- Products for oral care and infection prevention
- Orthodontic materials
- Implant Materials
- CAD/CAM related equipment

Equipment and appliances for making technical materials and for dental treatment and procedures



CAD/CAM

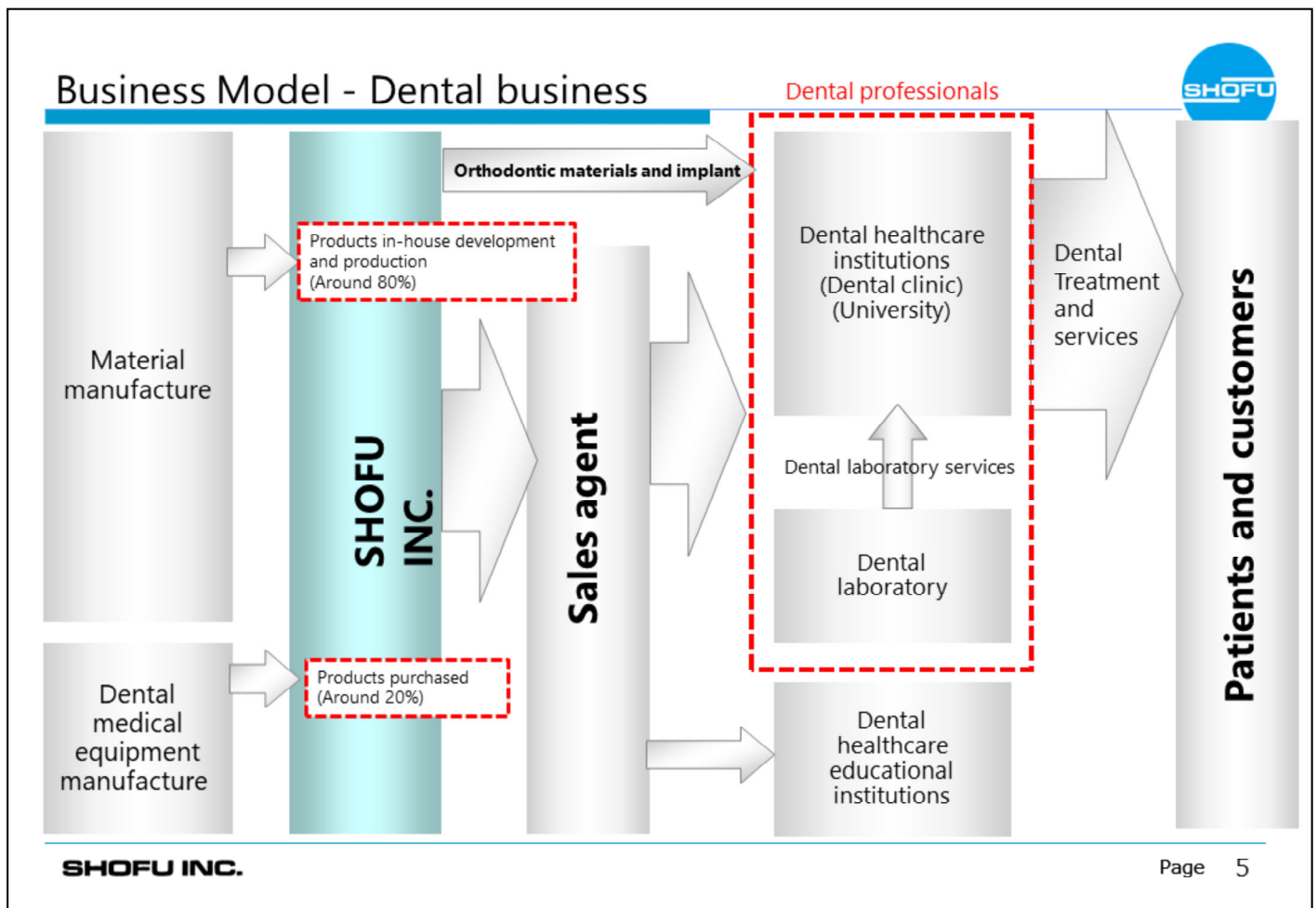


CAD/CAM



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In this slide, we show the business model of our dental business which is our main business.

The Company's products are used by dental clinics, dental laboratories, and dental healthcare institutions as well as dental universities and other educational institutions.

Our sales networks basically comprise sales agents and more than 90% of our products are sold through this distribution chain.

Moreover, we develop and manufacture around 80% of our products in-house, while our domestic sales networks are used to sell products of domestic and international medical equipment manufacturers.

Group Overview [Domestic & Overseas base]



	Consolidated subsidiaries			Sales subsidiaries
	● Production subsidiaries for dental business	● Sales subsidiaries for dental business	● Nail care business subsidiaries	● Dental business
Japan	<ul style="list-style-type: none"> ● Shiga SHOFU Inc. ● SHOFU Products Kyoto Inc. <p>【Equity-method affiliate】</p> <ul style="list-style-type: none"> ● Sun Medical co., 	<ul style="list-style-type: none"> ● SHOFU BIOFIX INC. 	<ul style="list-style-type: none"> ● Nail Labo Corporation [Production • Sales] 	<ul style="list-style-type: none"> ● Tokyo branch ● Sapporo ● Sendai ● Nagoya ● Kyoto ● Osaka ● Fukuoka
U.S.A.		<ul style="list-style-type: none"> ● SHOFU Dental Corporation ● Smart Dentistry Solutions Inc. ● SHOFU Mexico ● SHOFU Dental Brasil Comercio De Produtos Odontologicos Ltda 	<ul style="list-style-type: none"> ● Nail Labo Inc. [Sales] 	
Europe	<ul style="list-style-type: none"> ● Merz Dental GmbH ● Digital Dental Service GmbH ● Advanced Healthcare Ltd. 	<ul style="list-style-type: none"> ● SHOFU Dental GmbH 		<ul style="list-style-type: none"> ● SHOFU UK ● SHOFU Italy
Asia	<ul style="list-style-type: none"> ● SHANGHAI SHOFU DENTAL MATERIAL CO.,LTD. ● SHOFU Products Vietnam Co., Ltd. 	<ul style="list-style-type: none"> ● SHOFU DENTAL TRADING (SHANGHAI) CO.,LTD. ● SHOFU Dental Asia-Pacific Pte. Ltd. ● SHOFU Dental India Pvt. Ltd. 	<ul style="list-style-type: none"> ● Nail Labo Taiwan [Sales] 	<ul style="list-style-type: none"> ● SHOFU Taiwan
Total	7 companies + 1 affiliated company	9 companies	3 companies	

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In this slide No.6, we show the status of our domestic and overseas group company and base.

We have 7 sales bases, 4 subsidiaries, and 1 affiliated company in Japan, and 15 subsidiaries and 3 sales bases overseas. Including Japan, we have an operating presence in 12 countries around the world.

Through these operating bases, we distribute products in more than 100 countries worldwide.

- Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2023
- Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2023
- Future Business Environment and Medium and Long-term Business Strategies

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2023



Summary of Business Results for the Current Period

Sales, operating income, ordinary income, and net income* all reached record highs for the 2Q cumulative period.

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

Net sales

- Domestic: In our mainstay dental business, CAD/CAM related products significantly contributed to sales.
- Overseas: Sales significantly grew owing to the successful market development in the Asia region as well as the positive impact of exchange rate fluctuations.

Income

- Operating income increased due to higher gross profit margins resulting from increased sales, although selling, general and administrative expenses increased.
- Ordinary income and net income increased significantly, owing to improvements of non-operating income of increasing in foreign exchange gains and those of extraordinary income posting settlement income and a gain on sale of investment securities.

Consolidated business performance for the second quarter of the fiscal year ending March 31, 2023 saw sales and profits increase compared with both the previous period and the forecasts. Also, net sales, operating income, ordinary income and profit all reached record highs for a six months period. Slide No. 9 shows the contributing factors for the increases over the previous period.

Net sales was 15,831 million yen, an increase of 14.2%. Domestic net sales increased by 9.5%, to 7,260 million yen and overseas increased by 18.5%, to 8,571 million yen.

The primal reason is that, in our domestic dental business which is our mainstay, CAD/CAM related products significantly contributed to sales. On the other hand, in the overseas region, sales were significant growth in the Asia area such as India, southeast Asia, South Korea and Taiwan excluding China, as well as the positive impact of foreign exchange fluctuations.

In terms of profits, operating income increased by 11.8%, to 2,237 million yen, thanks to a growth in sales and to a rise in gross despite an increase in selling, general, and administrative expenses owing to the recover of business activities from the COVID-19 and active investments in growth. Also, ordinary income was 2,745 million yen, an increase of 28.9% due to improvements of non-operating income of increasing foreign exchange profits. As a result of posting settlement income and gain on sales of investment securities as extraordinary income, net profit increased by 41.6%, to 2,133 million yen.



Summary of Business Results for the Current Period

Units: millions of yen, %

	Fiscal March 2022 (2Q Results) (% of sales)	Fiscal March 2023 (2Q Forecast) (% of sales)	Fiscal March 2023 (2Q Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	13,867 (100.0)	15,523 (100.0)	15,831 (100.0)	1,964 (14.2)	308 (2.0)
(Domestic sales)	6,631 (47.8)	7,227 (46.6)	7,260 (45.9)	629 (9.5)	33 (0.5)
(Overseas sales)	7,235 (52.2)	8,295 (53.4)	8,571 (54.1)	1,335 (18.5)	275 (3.3)
Operating income	2,000 (14.4)	1,810 (11.7)	2,237 (14.1)	236 (11.8)	427 (23.6)
Ordinary income	2,130 (15.4)	2,138 (13.8)	2,745 (17.3)	615 (28.9)	607 (28.4)
Net income	1,506 (10.9)	1,487 (9.6)	2,133 (13.5)	626 (41.6)	646 (43.4)
Net income per share	84.79yen	83.57yen	119.77yen	34.98yen	36.20yen
Return on equity	4.9%	—	6.3%	1.4P	—
Foreign exchange rates					
US dollar	110.18	129.04	133.46	23.28	4.42
Euro	130.97	138.24	138.79	7.82	0.55
Renminbi	16.63	18.98	18.98	2.35	0.00

*Fiscal March 2023 forecasts are based on financial result forecasts announced on August 1st, 2022.

*Effect of foreign exchange fluctuations [Change from previous period] : Sales + 931, Operating income + 516
[Change from Forecast] : Sales + 103, Operating income + 70

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Slide No. 10 shows major items of profit and loss in comparison with the previous period and the forecasts. In this slide, we explain the comparison with the revised forecasts announced on August 1st, this year.

Net sales increased by 308 million yen, or 2.0%, compared with the forecast. The primary reason is that domestic sales were generally our expectations and overseas sales was growth in Asia region and positive impact of foreign exchange fluctuations.

In terms of profit, operating income climbed 23.6%, to 427 million yen, thanks to an increase in net sales and a decrease in selling, general, and administrative expenses caused by a slower disbursement of expenditure.

Ordinary income increased by 607 million yen or 28.4%, and net income increased by 646 million yen or 43.4% due to the improvements of other income and special income like the reason of year on year comparison.

Sales by Product Category (Comparison with Previous Period)

■ Summary of 2nd Consolidated Business
Performance for fiscal year Ending March 2023



Units: millions of yen, %

	Fiscal March 2022 (2Q Results)	Fiscal March 2023 (2Q Results)	Change from previous period		
				Domestic	Overseas
Artificial teeth	2,531	3,014	482 (19.1)	67	415
Abrasives	2,300	2,523	222 (9.7)	29	193
Metal products	110	98	-12 (-11.2)	-12	0
Chemical products	3,786	4,370	584 (15.4)	-4	588
Cements and others	1,193	1,354	161 (13.5)	8	152
Equipment and others	2,841	3,289	448 (15.8)	558	-110
Dental business total	12,764	14,651	1,887 (14.8)	648	1,239
Nail care business	1,058	1,136	77 (7.3)	-18	96
Other	44	44	-0 (-0.9)	-0	0
Total	13,867	15,831	1,964 (14.2)	629	1,335

The effect of foreign currency fluctuations* on overseas net sales was +931 million yen.
(Dental business +866 million yen, Nail care business +64 million yen)

* (U.S. dollar (USD), Euro (EUR), British pound (GBP), Chinese yuan (CNY), Indian Rupee (INR),
New Taiwan dollar (NTD) and Brazilian Real (BRL)).

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Slide No. 11 shows that net sales by segment in comparison with the previous period.

Overall, sales increased 1,964 million yen, of which sales in the dental business increased by 1,887 million yen, sales in the nail business increased by 77 million yen.

In our domestic dental business, both materials and machines of CAD-CAM related products contributed to sales. In the materials fields, sales of both zirconia materials not covered by insurance and products that use resin materials covered by insurance were solid. On the other hand, in the machinery field, sales rose significantly, reflecting higher capital investment demand for dental laboratories' CAD/CAM crowns, insurance coverage for which expanded with the medical service fee revision in April 2022. As a result, sales in our domestic dental business increased by 648 million yen, or 10.9%.

In the overseas dental business, sales of machinery and equipment decreased due to the impact of the absence of the purchases and sales of materials related to infection prevention measures (masks) that had occurred a year ago in Europe, while sales in the materials and products fields were solid on the back of the positive impact from the weakening yen and other factors. As the above reasons, sales in our overseas dental business increased by 1,239 million yen, or 18.2%.

In our nail care business, domestic sales decreased by 18 million yen, or 2.9% because of the sluggish sales of gel nail products for general consumers. On the other hand, in our overseas region, sales increased by 23.3% or 96 million yen, owing to the demand recovery in Taiwan and the positive impact of foreign exchange fluctuations.

Domestic Sales (Comparison with Previous Period)

■ Summary of 2nd Consolidated Business
Performance for fiscal year Ending March 2023



■ Positive factors ■ Negative factors

Units: millions of yen

■ Dental business : +648 million yen (+10.9%)

- Due to expand CAD/CAM related products, machinery and equipment significantly contributed sales as well as a group of material products.

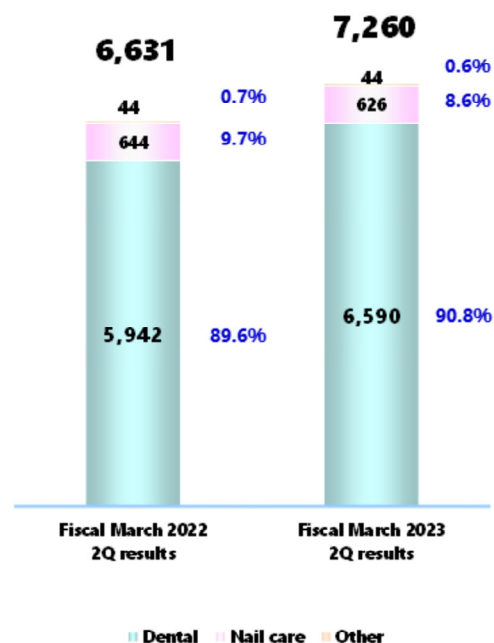
■ Nail care business : -18 million yen (-2.9%)

- Gel nail products for consumers remained sluggish due to aggressive sales by competitors.

■ Other business : -0 million yen (-0.9%)

■ Principal new products launched during recent fiscal year

- ▶ Dentine bonding product for dental use
BeautiBond Xtreme (Chemical products)
- ▶ Resin material for dental cutting processing
SHOFU BLOCK HC HARD II (Chemical Products)
SHOFU BLOCK HC HARD AN (Chemical Products)
- ▶ Dental composite resin cement
ResiSemEX (Cements and others)



Overseas Sales (Comparison with Previous Period)

■ Summary of 2nd Consolidated Business
Performance for fiscal year Ending March 2023



■ Positive factors ■ Negative factors

■ North, and Latin America : +323 million yen (+18.2%)

■ Dental business remained at the same level as the previous year. Foreign exchange fluctuations had a positive impact, resulting in a significant increase in sales.

[Local currency basis] -34 million yen (-1.9%)

■ Europe : +136 million yen (+4.8%)

■ Although sales of material products, especially artificial teeth, remained strong, machinery and equipment sales sharply declined in reaction to the special demand in the previous period.

[Local currency basis] -31 million yen (-1.1%)

■ Asia and Oceania : +875 million yen (+33.3%)

■ Sales of all products, especially chemical products and artificial teeth, were strong.

[Local currency basis] +470 million yen (+17.9%)

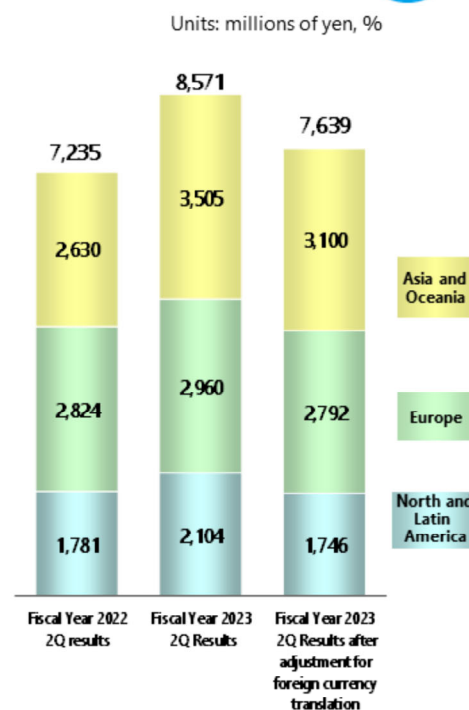
China : +282 million yen (+17.8%)

Asia (Other): +592 million yen (+56.5%)

■ (Dental business) Overseas sales ratio of 55.0%

53.4% for the same quarter of the previous fiscal year

52.2% after adjustment for fluctuations of foreign currency exchange rates



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

Overseas sales on local currencies bases were on a par with the level a year ago in Europe and the United States, partly due to the impact of special demand for the adjustment of channel inventories that had been previously been suppressed at low levels. Excluding these special factors, the Company considers that its business activities are making steady progress.

Also, sales in Asia and Oceania significantly increased. The main reason is that although sales in China, which was affected by the lockdown, were lower than before, Southeast Asia, South Korea and Taiwan performed well.

Performance by Segment (Sales and Operating Income)

■ Summary of 2nd Consolidated Business
Performance for fiscal year Ending March 2023



Units: millions of yen, %

		Fiscal March 2022 (2Q Results) Amount (% of sales)	Fiscal March 2023 (2Q Forecast) Amount (% of sales)	Fiscal March 2023 (2Q Results) Amount (% of sales)	Change from Previous Period	Change from Forecast
Dental	Net Sales	12,764	14,178	14,651	1,887	473
	Operating income (operating income margin)	1,928 (15.1)	—	2,195 (15.0)	267	—
Nail care	Net Sales	1,058	1,293	1,136	77	-157
	Operating income (operating income margin)	67 (6.4)	—	34 (3.1)	-32	—
Other	Net Sales	47	52	46	-0	-5
	Operating income (operating income margin)	1 (4.1)	—	4 (9.4)	2	—
Total before consolidation	Net Sales	13,870	15,523	15,834	1,964	310
	Operating income (operating income margin)	1,997 (14.4)	—	2,234 (14.1)	236	—
Consolidated	Net Sales	13,867	15,523	15,831	1,964	308
	Operating income (operating income margin)	2,000 (14.4)	1,810 (11.7)	2,237 (14.1)	236	427

*Fiscal March 2023 forecasts are based on financial result forecasts announced on August 1st, 2022.

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

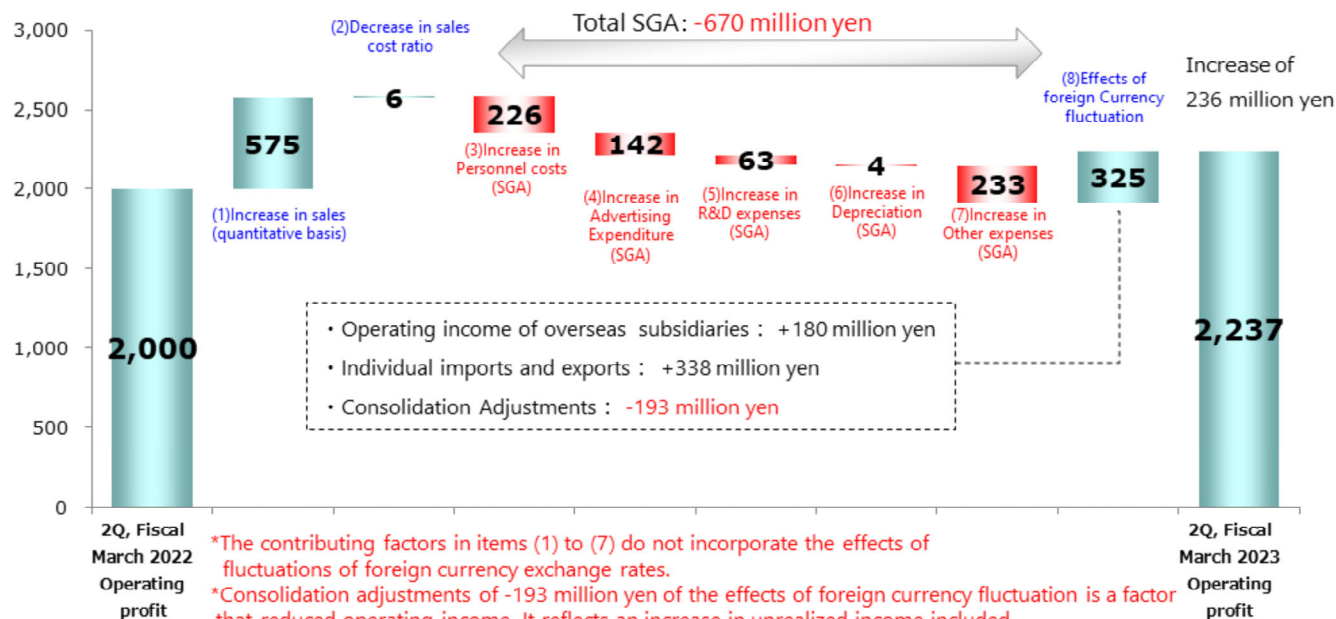
Net sales were as described before, and operating income increased by 236 million yen year on year due to the sales increase in the dental business and a rise of gross profit accompanying increase of sales ratio.

Contributors to Change in Operating Income <Comparison with Previous Period>

■ Summary of 2nd Consolidated Business Performance for fiscal year Ending March 2023



Units: millions of yen, %



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

*Consolidation adjustments of -193 million yen of the effects of foreign currency fluctuation is a factor that reduced operating income. It reflects an increase in unrealized income included in inventories at the end of the fiscal year due to changes in exchange rates (conversions using exchange rates at the end of the fiscal year).

*In terms of (2), "the lower cost of sales ratio", that is calculated excluding the effects of fluctuations of foreign currency exchange rates.

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

Operating income increased by 236 million yen or 11.8%. The main reason is that restrictions on sales activities that were imposed during the pandemic have gradually been eased, so activity expenses which are included in SG&A expenses increased, but sales rose and the positive impact of foreign exchange fluctuation.

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



Sales, Operating income, Ordinary income and Net income* will be record highs.

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

■ Net Sales

- Domestic: We will conduct focused sales activities for CAD/CAM related products, which are expected to be in demand in the mainstay dental business. In addition, in the nail business, we will strengthen web-based sales and conduct aggressive promotions, so we expect an increase of sales.
- Overseas: We will continue to promote market development in Asian region and expect an increase in sales due to the positive impact of exchange rate fluctuations.

■ Income

- Although selling, general and administrative expenses will increase, operating income is expected to increase significantly due to higher sales and improvements of gross profit margin.
- We expect ordinary income and net income to increase, owing to improvements of non-operating income of increasing foreign exchange profits and to those of extraordinary income of posting settlement income and gain on sales investment securities.

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

Sales are expected to increase 11.2% or 31,294 million yen. Broken down, domestic net sales will be 14,152 million yen, an increase of 4.3%, and overseas net sales will be 17,141 million yen, an increase of 17.7%. In the domestic dental business, we plan to pursue targeted sales activities for CAD/CAM-related products and chemical products, which are expected to attract stronger demand and in key areas, while working on dissemination of information for dental professionals by marketing activities online and sales promotional tools. Also, in our domestic nail care business, we will promote sales activities, including online sales.

In the overseas region, we expect to expand market mainly in Asia and the positive impact of foreign exchange fluctuation.

On the profit side, operating income will increase by 16.6%, or 3,750 million yen because an increase in net sales and a rise in the gross margin ratio are expected, despite an anticipated increase in selling, general, and administrative expenses due to the restoration of business activity levels from the COVID-19 crisis and the need for investment in future growth. Also, ordinary income is expected to be 4,320 million yen, an increase of 18.1% due to improvements of non-operating income of increasing foreign exchange profits, and net income will be increasing by 33.1%, to 3,389 million yen due to posting settlement income and gain on sales of investment securities as extraordinary income. For the above reason, we expect net sales, operating income, ordinary income and profit all to be reached record highs.



Comparison of Major Statistics

Units: millions of yen, %

	Fiscal March 2022 Results (% of sales)	Fiscal March 2023 Forecast			Year-on-year Change (% change)
		2Q Results (% of sales)	3Q-4Q Forecast (% of sales)	Yearly Forecast (% of sales)	
Sales	28,137 (100.0)	15,831 (100.0)	15,462 (100.0)	31,294 (100.0)	3,156 (11.2)
(Domestic sales)	13,573 (48.2)	7,260 (45.9)	6,891 (44.6)	14,152 (45.2)	579 (4.3)
(Overseas sales)	14,564 (51.8)	8,571 (54.1)	8,570 (55.4)	17,141 (54.8)	2,576 (17.7)
Operating profit	3,217 (11.4)	2,237 (14.1)	1,513 (9.8)	3,750 (12.0)	533 (16.6)
Ordinary profit	3,658 (13.0)	2,745 (17.3)	1,574 (10.2)	4,320 (13.8)	661 (18.1)
Net profit	2,546 (9.1)	2,133 (13.5)	1,256 (8.1)	3,389 (10.8)	842 (33.1)
Net profit per share	143.22yen	119.77yen	70.43yen	190.17yen	46.94yen
Return on equity	8.1%	6.3%	—	9.9%	—
Foreign exchange rates					
US dollar	112.86	133.46	133.46	133.46	20.60
Euro	131.01	138.79	138.79	138.79	7.78
Renminbi	17.03	18.98	19.51	19.32	2.29

*Fiscal March 2023 forecasts are based on financial result forecasts announced on October 25th, 2022.

*Effect of exchange rate fluctuations (Change from previous period): Sales + 1,727, Operating income + 744.

Domestic Sales (Comparison with Previous Period)

■ Forecast of Consolidated Business
Performance for fiscal year Ending March 2023



■ Positive factors ■ Negative factors

Units: millions of yen, %

■ Dental business : +524 million yen (+4.3%)

- We will conduct focused sales activities for CAD/CAM-related products, which are expected to be in demand.

■ Nail care business : +55 million yen (+4.3%)

- We will strengthen our web sales by renewing our e-commerce site and focus on improving our brand power by renovating our Harajuku store and strengthening our collaboration with famous manicurists.

■ Other business : -1 million yen (-0.7%)

■ Principal new products launched during recent fiscal year

▶ Dentine bonding product for dental use

BeautiBond Xtreme (Chemical products)

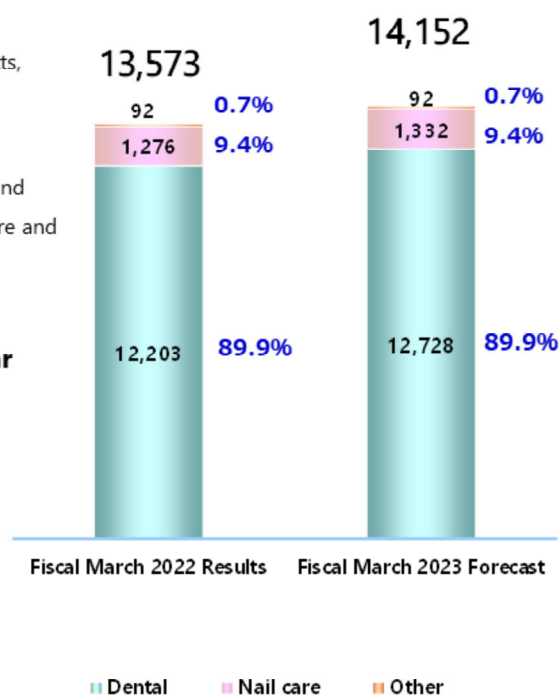
▶ Resin material for dental cutting processing

SHOFU BLOCK HC HARD II (Chemical Products)

SHOFU BLOCK HC HARD AN (Chemical Products)

▶ Dental composite resin cement

ResiSemEX (Cements and others)



Overseas Sales (Comparison with Previous Period)

■ Forecast of Consolidated Business
Performance for fiscal year Ending March 2023



■ Positive factors ■ Negative factors

■ North, and Latin America : +678 million yen (+19.8%)

- We expect dental business to be the same level as the previous year, but, resulting in a significant increase in sales because of the positive impact of foreign exchange fluctuations.

[Local currency basis] +54 million yen (+1.6%)

■ Europe : +487 million yen (+8.9%)

- ■ Although sales of machinery and equipment declined in reaction to the special demand, material products, especially in artificial teeth will contribute to sales.

[Local currency basis] +156 million yen (+2.9%)

■ Asia and Oceania : +1,410 million yen (+24.8%)

- We expect to increase sales in China and Asian region.

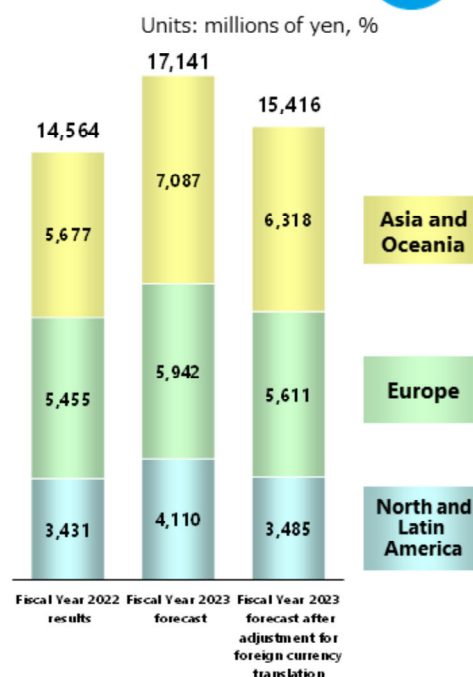
[Local currency basis] +641million yen (+11.1%)

China: +851 million yen (+26.0%)

Asia (Other): +558 million yen (+23.3%)

■ (Dental business) Overseas sales ratio of 56.0%

52.8% in the previous fiscal year, 53.4% after foreign currency translation adjustment



Performance by Segment (Net Sales and Operating Income)

■ Forecast of Consolidated Business
Performance for fiscal year Ending March 2023



Units: millions of yen, %

		Fiscal March 2022 (Results)	Fiscal March 2023 (Forecast)	Change from Previous Period
		Amount (% of sales)	Amount (% of sales)	
Dental	Net Sales	25,876	28,904	3,028
	Operating income (operating income margin)	3,065 (11.8)	—	—
Nail care	Net Sales	2,168	2,296	128
	Operating income (operating income margin)	131 (6.1)	—	—
Other	Net Sales	99	92	-6
	Operating income (operating income margin)	14 (14.2)	—	—
Total before consolidation	Net Sales	28,144	31,294	3,150
	Operating income (operating income margin)	3,211 (11.4)	—	—
Consolidated	Net Sales	28,137	31,294	3,156
	Operating income (operating income margin)	3,217 (11.4)	3,750 (12.0)	533

*Fiscal March 2023 forecasts are based on financial result forecasts announced on October 25th, 2022.



Impact of Foreign Exchange Fluctuations

Forecast for Fiscal March 2023

(Unit: millions of yen)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen strength	
	Fiscal March 2022 result	Fiscal March 2023 forecast	Sales	Operating income	Sales	Operating income
US Dollar	112.86	133.46	766	299	-37	-14
Euro	131.01	138.79	305	63	-39	-8
RMB	17.03	19.32	483	344	-211	-151

*Fiscal March 2023 forecasts are based on financial result forecasts announced on October 25th, 2022.

Slide No.22 shows the effect of exchange rate fluctuations of each major currency for the forecasts of fiscal year ending March 2023.

The Company's overseas sales ratio has risen to over 50%, while its overseas production ratio is hovering around 15%. Accordingly, a weakening of the yen has a positive impact on our performance.

Future Business Environment and Medium and Long-term Business Strategies



Business Environment Awareness

■ Domestic dental market

- Rising demand in aesthetic and preventive fields
- Decrease in population and occurrence of cavities
- Maintenance of a certain market scale, but significant growth is unlikely.

■ Overseas dental market

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

Slide No. 24 shows business environment awareness in the domestic and overseas markets.

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

With respect to dentistry, the growth of the population who wear dentures is more gradual than the pace of aging of society, because elderly people do not necessarily require expensive treatment, and because the state of oral health among the elderly has improved. Moreover, dental medicine is expected to assume a new role in terms of the connection between oral and systemic health.

Overseas, however, there is a market that is currently around 15 times the size of the domestic market. In addition to this, when considering the economic growth and rising living standards in regions worldwide, including developing nations, demand for dental care is anticipated to increase dramatically. Even accounting for the differences in price level, we believe that the global dental market could grow to 20 times or more the size of the Japanese dental market.

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

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



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



Group net sales: 50 billion yen

**<Domestic sales: 17 billion yen;
overseas sales: 33 billion yen>**

**Group operating income: 7.5 billion yen
(Operating profit margin: 15%)**

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

SHOFU INC.

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Slide No. 25 shows the vision for our company to pursue over the medium- to long-term.

Since its establishment, we have pursued its business as a comprehensive manufacturer of dental materials and equipment in line with its Corporate Philosophy of "Contribution to dentistry through innovative business activities." However, with an overseas market around 15 times the size of the domestic Japanese market, our contribution and presence to date has been insufficient.

We take net sales as the barometer of "contribution" and considers "presence" as being among the top 10 in the world.

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



Fiscal 2021 to 2023 Medium-term Management Plan

Company-wide targets in the fiscal year ending March 2024

- **Group net sales 31.5 billion yen**
 < Domestic sales:14.8 million yen / Overseas sales 16.6 million yen /
 Overseas dental sales ratio: 54.4 % >
- **Group operating income 3.79 billion yen**
 < Operating income rate:12.0% >
- **ROE 8.0%**

Key issues to achieve goals

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

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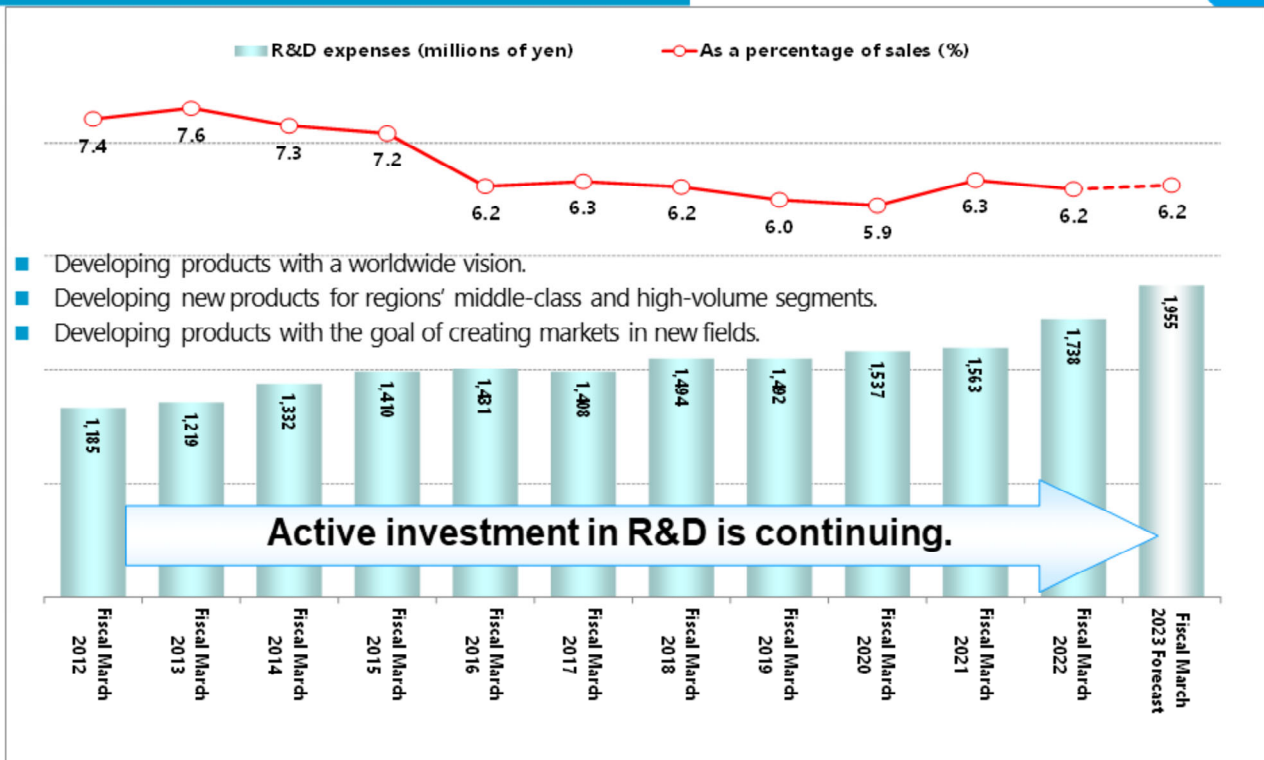
Slide No.26 shows key issues of the Fourth Mid-term Management Plan, which started at the previous fiscal year (fiscal year ended March, 2022).

Based on the progress of our priority issues we have worked on and recovery of dental business activities from the COVID-19 pandemic, we revised up the numerical targets "Group net sales: 31.5 billion yen, Group operating income: 3.79 billion yen, Group operating income rate: 12.0% and ROE: 8.0%" for the fiscal year ending March 31, 2024, which is the final year of the Fourth Mid-Term management plan.

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

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

Specific Efforts – R & D



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Slide No. 27 shows priority efforts related to research and development.

We aim to pursue global growth as an R&D-driven company and will continue to develop products with a worldwide vision.

In addition to the above, however, considering that there are differences in the level of economic development and dental treatment around the world, the Company is determined to work on developing products that are adapted to each region.

In the meantime, we will focus on areas that we have not sufficiently developed in the dentistry field, and on research and development geared to creating new markets. Researching and developing the dental treatment materials that the Company handles entail a wide range of technologies, including organic chemistry, inorganic chemistry, metals, machinery, electricity, electronics and biotechnology. The accumulation and optimized integration of these technologies to ensure a superior capability to develop new products are among the Company's strengths.

As of the end of the March 2022, we currently hold the number of 405 patents.

Also, we show the trend in R&D investment in this slide and will continue and expand this trend.

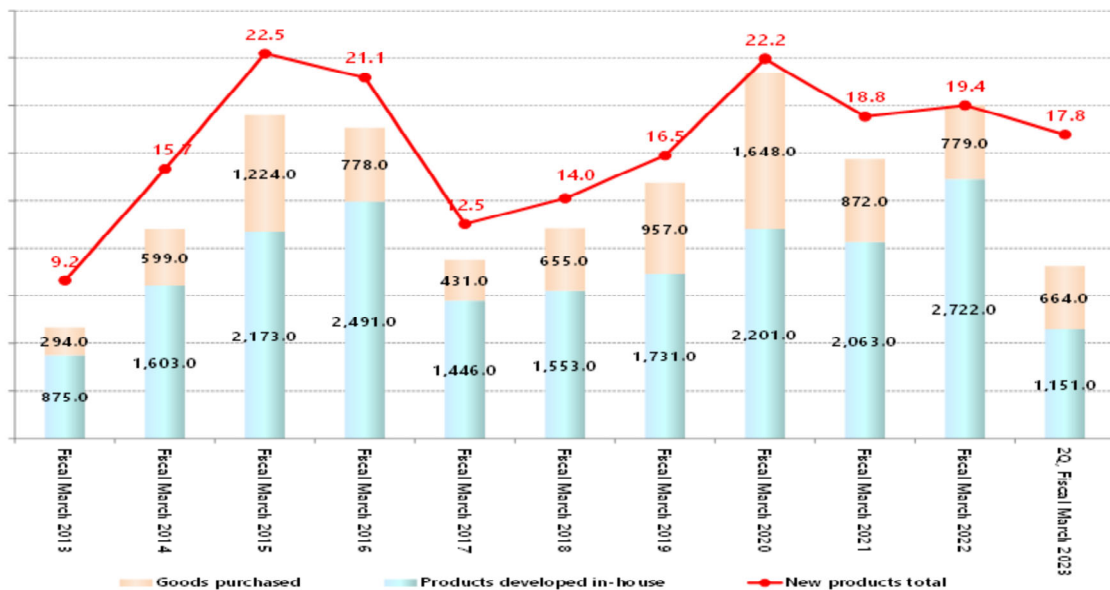


Trends for Sales Ratio of New Products (Non-consolidated basis)

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

Aim for the sales ratio of new products* : 20% or more.
*New products: Within 36 months of launch.

Units: Millions of yen, %



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Slide No. 28 shows trends for the sales ratio of new products, which are an indicator of the performance evaluation of research and development.

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

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

Although the weighting in net sales of digital-related products, which are goods that we purchase, has become greater in recent years, we plan to achieve growth mainly in the in-house development of medical treatment materials.

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)

Purpose of repositioning of production

- Better delivery service to users.
- Limited productions capacity of SHOFU Headquarters.
- High production costs in Japan.
- Avoid impacts of currency fluctuations
- Avoid high tariff.
- Reduce high shipping costs for hazardous and heavy goods

● Expanding overseas production

Overseas manufacturing Group production



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



Advanced Healthcare Ltd. (UK)



Merz Dental GmbH (Germany)



SHOFU PRODUCTS VIETNAM
CO., LTD (Vietnam)

Overseas production is around 15%.
The gap of overseas sales ratio over 50% is a high cost factors.

Slide No. 29 shows priority efforts related to production.

The manufacturing challenges that we face are the reinforcement of production capability and improvement in cost competitiveness (cost reduction). In order to achieve the above, we are working to reallocate production bases, for instance by making effective use of domestic subsidiaries and expanding overseas production.

With respect to overseas production, we have been making greater use of the production company in Germany that we acquired seven years ago, while establishing production bases in other regions.

As a recent development, we established a production company in Vietnam two years ago and started full-scale production at the end of last year.

Currently, the overseas production ratio is around 15%, and 85% is made in Japan.

While the superiority of “Made in Japan” remains unchanged, the gap created by the Company’s overseas sales ratio of more than 50% has been a cause of higher costs in various aspects. We will seek a balance and shift production overseas.



Specific Efforts – Production

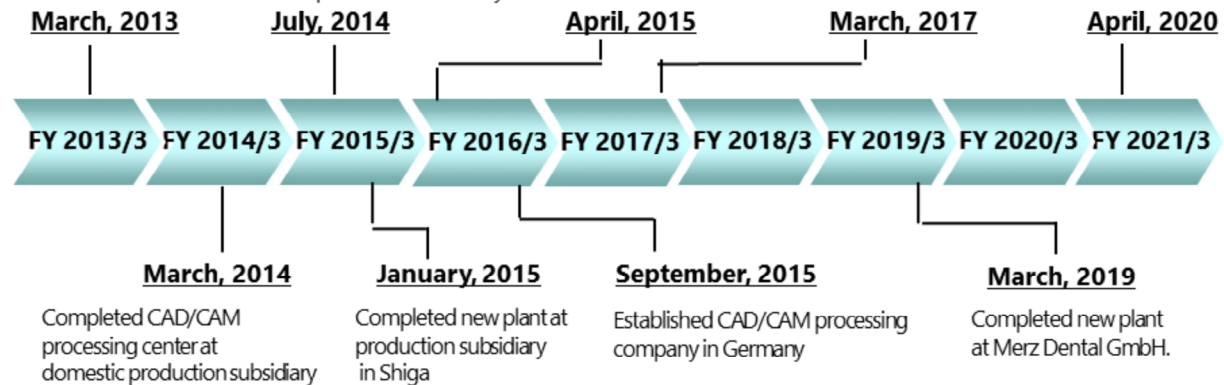
Reorganization of
manufacturing functions of
dental business and nail care business
Consolidation of manufacturing
and sales functions
in nail subsidiary

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

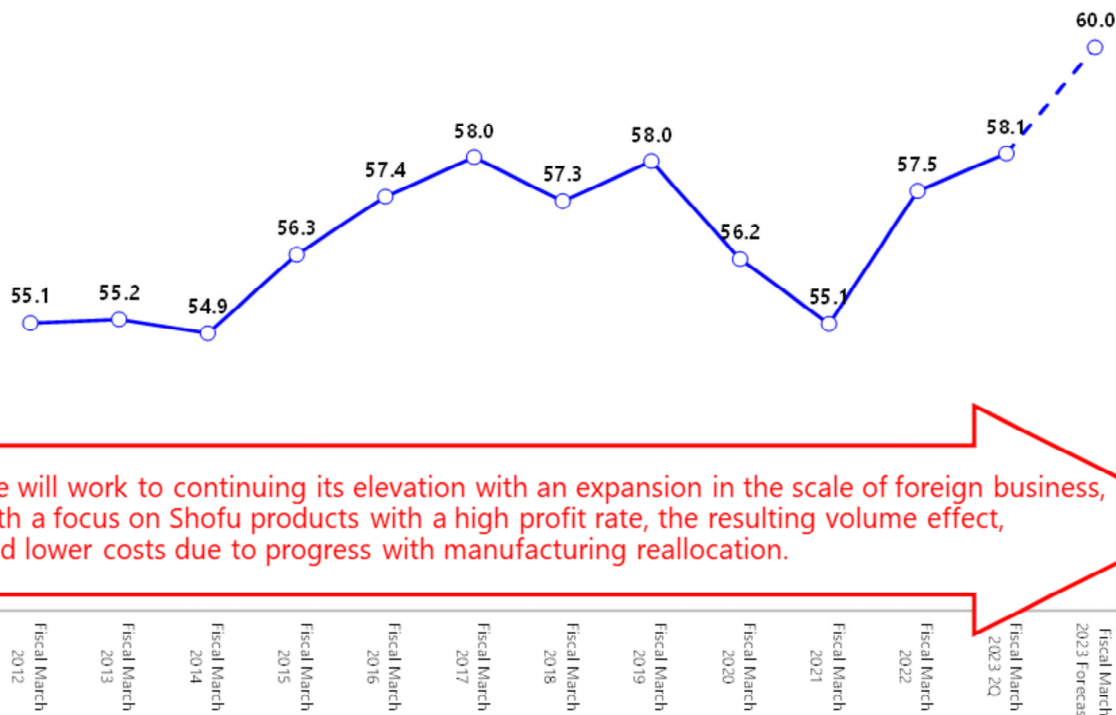
Established production
subsidiary in Vietnam
(SHOFU Products Vietnam)



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

Trends for Gross Profit Margin Rates

Unit: %



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

Slide No. 31 shows trends for gross profit margin rates.

Although the gross margin ratio plummeted in the fiscal year ended March 31, 2021, mainly due to the impact of the COVID-19 pandemic which caused a drop in the rate of operations at production facilities, the impact has generally run its course since the fiscal year ended March 31, 2022. The Company aims to raise its gross margin through increases in overseas sales, mainly of in-house products, and cost cutting based on a reallocation of production.

Although the business performance in the first half of the fiscal year ending March 31, 2023 was affected by surges in raw material prices, the gross margin ratio rose, thanks to an improved rate of production facilities operations in tandem with the expanded scale of business and an enhanced ratio of overseas sales centering on in-house products.

Specific Efforts – Sales

■ Basic policy

- Improving product recognition among dental professionals and rebuilding the system

■ Specific effort

- Expansion sales network
- Development of sales base
- Building domestic and overseas academic networks : Provide direct information to dental professionals and strengthen product introduction activities.

[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 .LTD.
(Singapore)



Merz Dental
GmbH.(Germany)

[Other overseas bases]

Sales company: Mexico, Brazil, India

Sales base : UK, Taiwan, Italy

Slide No. 32 shows priority efforts related to sales.

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

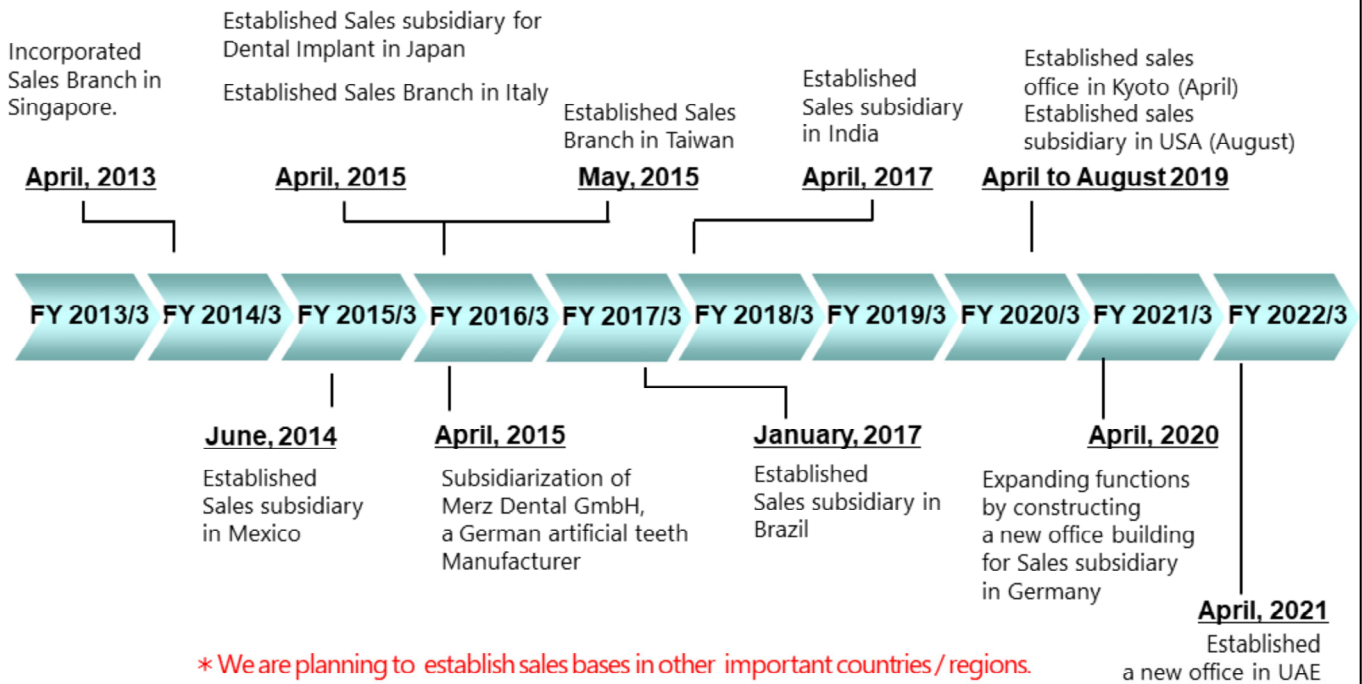
Although we take pride in the competitiveness of our products compared with those of our rivals, it is necessary to improve our name recognition and brand power, which are current insufficient, particularly in overseas markets, while avoiding price competition.

However, we believe that our track record shows the benefits of our initiatives in establishing bases and bolstering personnel, even though this has been time consuming.

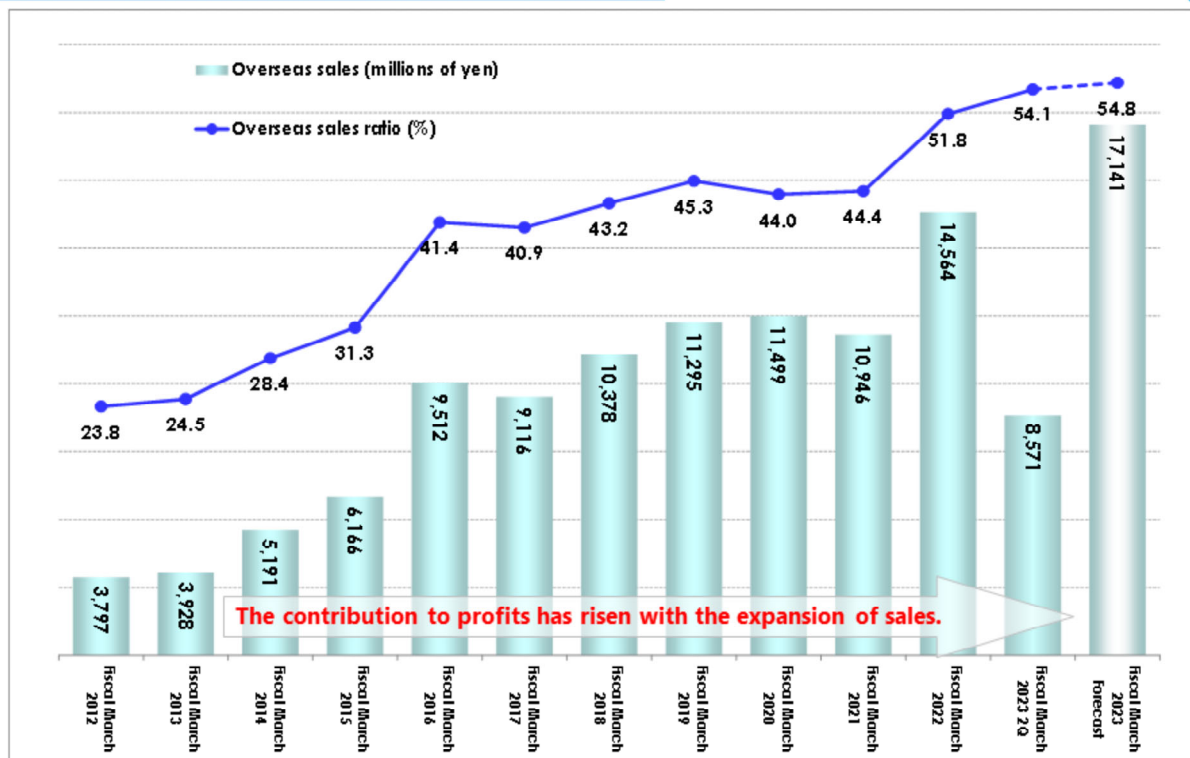
Going forward, we will gradually develop and enhance our sales network in key countries and regions.



Specific Efforts – Development of sales base



Trends for Overseas Sales and Overseas Sales Ratios



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Slide No. 34 shows trends for overseas sales and overseas sales ratios.

Overseas sales have been increasing, excluding the fiscal year ended March 2021, which was spread to COVID-19, resulted in decreasing sales.

We think that efforts we have worked on so far are steadily leading to good results and there is no doubt about the direction.

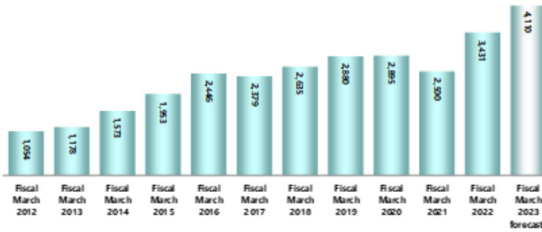
In the fiscal year ended March 2022, this was the first time that overseas sales exceeded domestic sales. Going forward we intend to shift allocations of management resources heavily overseas with the aim to boost overseas sales.



Trends for Sales by Region

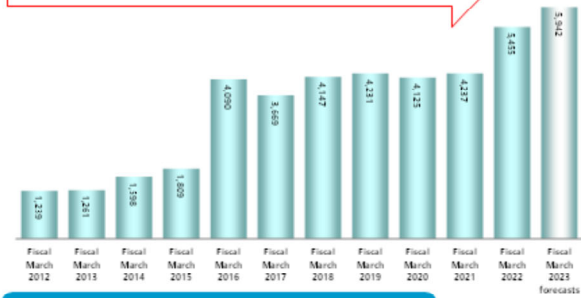
North & Latin America Sales

CAGR 12.5%



Europe Sales

CAGR 16.0%



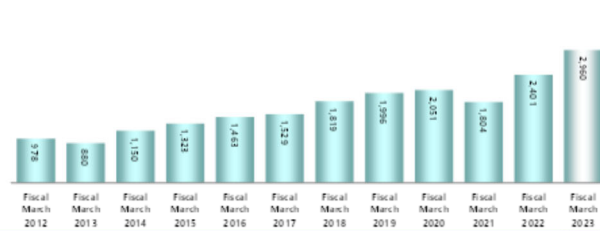
China Sales

CAGR 20.1%



Elsewhere in Asia Sales

CAGR 9.4%



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

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Slides No. 35 shows fluctuations in sales by overseas region.

Overseas sales by region have been growing firmly, with sales in Europe reflecting the effect of a corporate acquisition and sales in Asia and Oceania, excluding China, showing slight declines.

Our initiatives include, but are not limited to, responding to regional differences in dental medical practices and market environments. We believe that they have generated solid results.

Specific Efforts – Nail Care Business

■ Basic Policy

- ▶ Work to expand the nail care business by taking advantage of the R&D and production engineering capabilities that the company has developed in the dental materials business.
- ▶ Ensuring profitability by improvement of in-house products ratio
- ▶ Expanding sales channels in overseas markets

■ Specific Efforts

- ▶ Capturing share in the 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"
- ▶ Established joint venture in Taiwan, began operation in January 2015
- ▶ Launched new "ageha Gel" brand of gel nail products for nail salons
- ▶ Strengthen web-based sales by renewing the EC site.



Slide No. 36 shows our basic policy and priority efforts related to the nail care business.

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

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

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

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



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

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Slide No. 37 shows strengthening of capital and business tie-up with Mitsui Chemicals and Sun medical.

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

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

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



Shofu's Sustainability

Based on its corporate philosophy of "Contribution to dentistry through innovative business activities," the Shofu Group, in collaboration with its stakeholders, will work to solve social issues through its corporate activities and aim to achieve both the medium- to long-term enhancement of its corporate value and the realization of sustainable society.

Key theme	Material issues	Related SDGs
1. Contribution to higher QOL of people	<ul style="list-style-type: none"> ■ Quality assurance and stable supply of products ■ Ensuring proper use of products ■ Providing products and services that solve issues in dentistry ■ Providing information for higher dental IQ 	
2. Promotion of corporate activities friendly to global environment	<ul style="list-style-type: none"> ■ Contributing to a sound material-cycle society ■ Addressing climate change and contributing to a decarbonized society ■ Preventing environmental pollution 	
3. Strengthening of the management base to support corporate value enhancement	<ul style="list-style-type: none"> ■ Respecting human rights ■ Enforcing thorough compliance ■ Promotion of risk management ■ Strengthening corporate governance ■ Disclosing information appropriately and having dialogue with stakeholders 	
4. Cultivation of a rewarding organizational culture and development of human resources	<ul style="list-style-type: none"> ■ Enhancing employees' health and ensuring safety in work environment ■ Promotion of human resource development ■ Promoting diversity and inclusion ■ Realizing work-life balance 	

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Slide No. 38 shows key themes regarding our sustainability and challenges, which we set in this April.

The starting point in terms of the inauguration of the enterprise was the sense of mission to "make teeth for the Japanese people" and the business attitude of addressing social issues using technology to contribute to society.

Since its founding, the Company has been contributing to the development of dental medicine with other stakeholders in the field. We believe that meeting society's expectations through dental medicine is our mission and the source of our corporate value.

Having evolved this belief, we have established the management philosophy of "Contribution to dentistry through innovative business activities" under which we are determined to work on solving social issues through corporate activities in cooperation with stakeholders, aiming to improve corporate value over the medium- to long-term on the one hand and achieve a sustainable society on the other.

Medium-term Management Plan: Principle Targets

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



Units: millions of yen, %

★ : Record high

	Fiscal March 2021 (Results)	Mid-term Management Plan			Fiscal March 2023 (Forecasts)
		Fiscal March 2022 (Results)	Fiscal March 2023 (Forecasts)	Fiscal March 2024 (Forecasts)	
Net sales	24,680	★ 28,137	★ 29,314	★ 31,509	★ 31,294
(Change from Previous Period)	(-5.5%)	(14.0%)	(4.2%)	(7.5%)	(11.2%)
(Domestic sales)	13,733	13,573	14,182	★ 14,840	★ 14,152
(Change from Previous Period)	(-6.0%)	(-1.2%)	(4.5%)	(4.6%)	(4.3%)
(Overseas sales)	10,946	★ 14,564	★ 15,132	★ 16,669	★ 17,141
(Change from Previous Period)	(-4.8%)	(33.1%)	(3.9%)	(10.2%)	(17.7%)
Operating income	2,300	★ 3,217	2,732	★ 3,791	★ 3,750
(Percentage of sales)	(9.3%)	(11.4%)	(9.3%)	(12.0%)	(12.0%)
Ordinary income	2,523	★ 3,658	2,850	★ 3,927	★ 4,320
(Percentage of sales)	(10.2%)	(13.0%)	(9.7%)	(12.5%)	(13.8%)
Net income	1,674	★ 2,546	1,975	★ 2,764	★ 3,389
(Percentage of sales)	(6.8%)	(9.1%)	(6.7%)	(8.8%)	(10.8%)
Dental business Overseas sales ratio	45.1%	★ 52.8%	★ 53.1%	★ 54.4%	★ 56.0%

* "Mid-term-Management Plan" is the revised budget announced on May 11th, 2022.

* "Fiscal March 2023 forecasts are based on financial result forecasts announced on October 25th, 2022.

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No. 39 shows the principle targets "Fiscal year ending March 2022 to March 2024, Fourth Mid-term Management Plan".

On May 11, 2022, we announced an upward revision of the major numerical targets in the medium-term management plan, based on the progress in initiatives for our priority issues and the recovery in demand in the dentistry industry from the COVID-19 crisis. In the fiscal year ending March 31, 2023, which is the second year of this Mid-term Management Plan, we plan to make aggressive investments for future growth. For that reason, we expect to decrease in profit compared with the fiscal year ended March 2022 results. However, based on the steady business activities in Japan and overseas, we announced, on October 25th this year, the financial results forecasts of the fiscal year ending March 2023, which is expected to continue to record high profits.



Medium-term Management Plan by Segment

Units: millions of yen, %

	Fiscal March 2021 (Results)		Mid-Term Management Plan						Fiscal March 2023 (Forecasts)	
			Fiscal March 2022 (Results)		Fiscal March 2023 (Forecasts)		Fiscal March 2024 (Forecasts)			
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Dental business	22,334	90.5	25,876	92.0	26,730	91.2	28,782	91.3	28,904	98.6
Nail care business	2,268	9.2	2,168	7.7	2,479	8.5	2,606	8.3	2,296	7.8
Other businesses	81	0.3	92	0.3	104	0.4	120	0.4	92	0.3
Net sales	24,685	100.0	28,137	100.0	29,314	100.0	31,509	100.0	31,294	106.8
Dental business	2,091	9.4	3,065	11.8	2,598	9.7	3,612	12.6	—	-
Nail care business	201	8.9	131	6.1	125	5.1	166	6.4	—	-
Other businesses	2	2.6	14	15.1	7	7.5	12	10.5	—	-
Operating income	2,294	9.3	3,211	11.4	2,732	9.3	3,791	12.0	3,750	12.0

* "Mid-term-Management Plan" is the revised budget announced on May 11th, 2022.

* "Fiscal March 2023 forecasts are based on financial result forecasts announced on October 25th, 2022.

Medium-term Management Plan

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



: Capital Investments, Depreciation Expenses, R&D Expenses

Units: millions of yen, %

	Fiscal March 2021 (Results)	Mid-Term Management Plan			Fiscal March 2023 (Forecast)
		Fiscal March 2022 (Results)	Fiscal March 2023 (Forecasts)	Fiscal March 2024 (Forecasts)	
Capital investment	1,097	1,100	2,483	1,227	2,541
Depreciation expenses	955	901	1,014	1,022	981
R&D expenses	1,563	1,738	1,853	1,834	1,955
Foreign exchange rate					
US dollar	106.17	112.86	115.00	115.00	133.46
Euro	123.73	131.01	130.00	130.00	138.79
Renminbi	15.44	17.03	18.00	18.00	19.32

* "Mid-term-Management Plan" is the revised budget announced on May 11th, 2022.

* "Fiscal March 2023 forecasts are based on financial result forecasts announced on October 25th, 2022.

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Slides No. 41 shows the Mid-term management plan of capital investments, depreciation expenses and R&D expenses.

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

Dividend policy

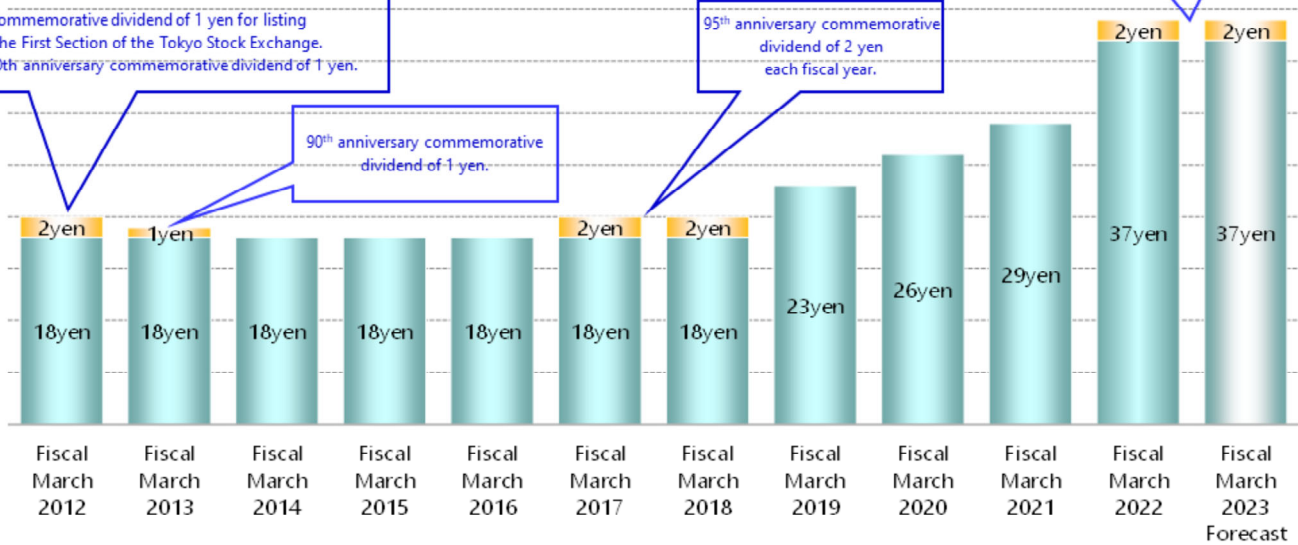
Dividend payout ratio on consolidated basis : 30% or more
Ratio of dividends to net assets (DOE) : Around 1.7%

■ Commemorative dividend of 1 yen for listing
on the First Section of the Tokyo Stock Exchange.
■ 90th anniversary commemorative dividend of 1 yen.

90th anniversary commemorative
dividend of 1 yen.

95th anniversary commemorative
dividend of 2 yen
each fiscal year.

100th anniversary commemorative
dividend of 2 yen
each fiscal year.



Reference: Consolidated dividend payout ratio since listing in November 1989: 38.1%
(Weighted average from fiscal March 1990 to fiscal March 2022)

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Slides No. 42 shows the dividend policy.

In terms of our dividend policy, we target a payout ratio of 30% or more on a consolidated basis and dividends on equity (DOE) of around 1.7%.

Moreover, we have paid commemorative dividends every 5 years twice in addition to ordinary dividends.

In the fiscal year ending March 2023, we plan to pay an ordinary dividend of 37 yen plus a 100th anniversary commemorative dividend of 2 yen, resulting in a total dividend of 39 yen.

Forecasts in this document are based on information and data available at the time of release as well as on assumptions concerning uncertain factors that might affect the company's future business performance.

Depending on various factors, actual business performance could differ substantially from the forecasts contained in this document.

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