

[Code Number:7979]

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

November 22, 2022

**Tetsuo Takami,
President and CEO**



New Corporate Message



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

Main Products - Dental business ①



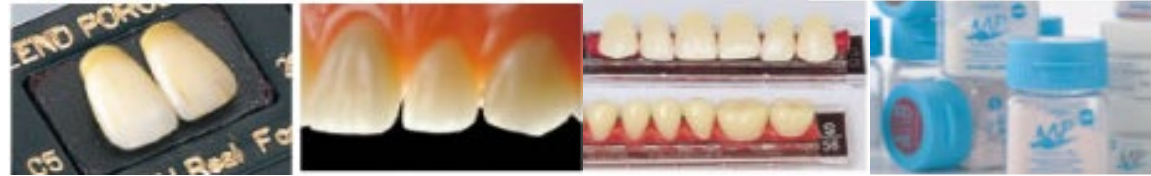
We manufacture and market a wide range of dental materials and equipment.

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.



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



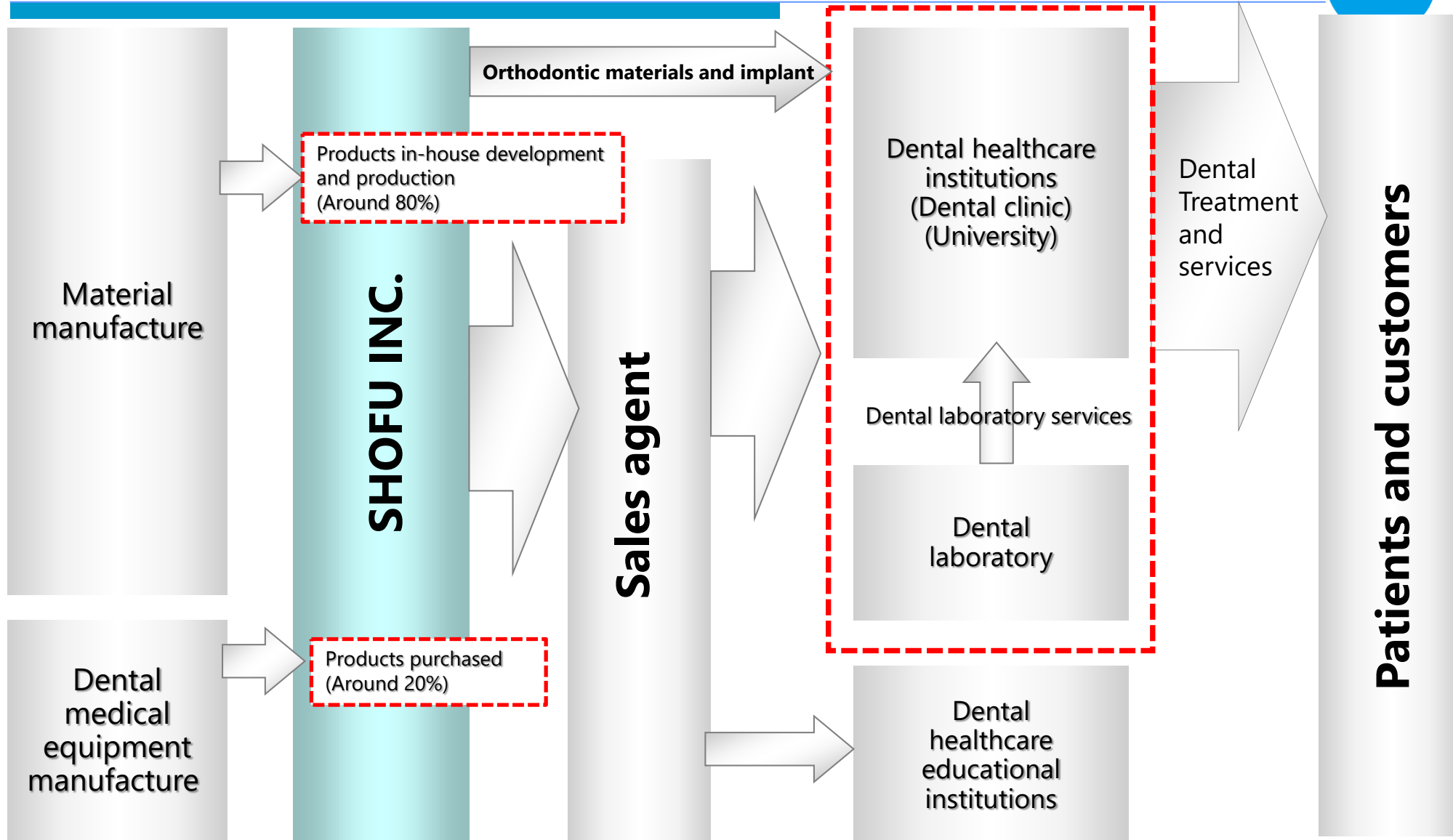
CAD/CAM



CAD/CAM



Business Model - Dental business



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	

Contents of Today's Presentation



- 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.



Summary of Business Results for the Current Period

Units: millions of yen, %

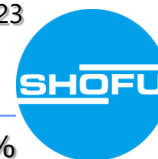
	Fiscal March 2022 (2Q Results) (% of sales)	Fiscal March 2023 (2Q Forecast) (% of sales)	Fiscal March 2023 (2Q Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	13,867 (100.0)	15,523 (100.0)	15,831 (100.0)	1,964 (14.2)	308 (2.0)
(Domestic sales)	6,631 (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

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)) .

Domestic Sales (Comparison with Previous Period)



■ 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)

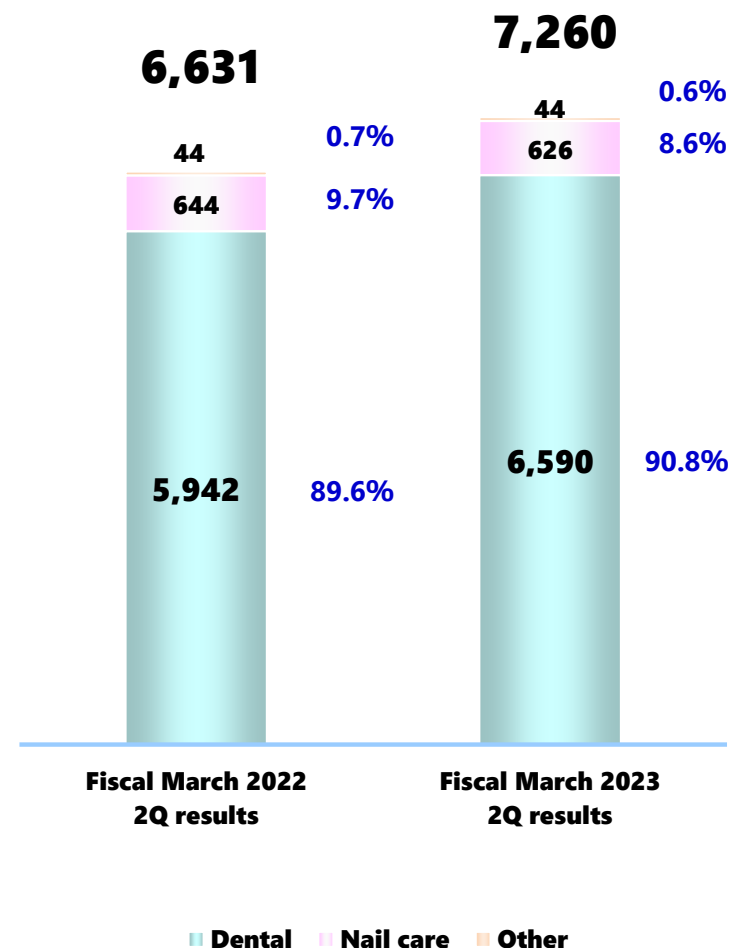
▶ Resin material for dental cutting processing

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%)

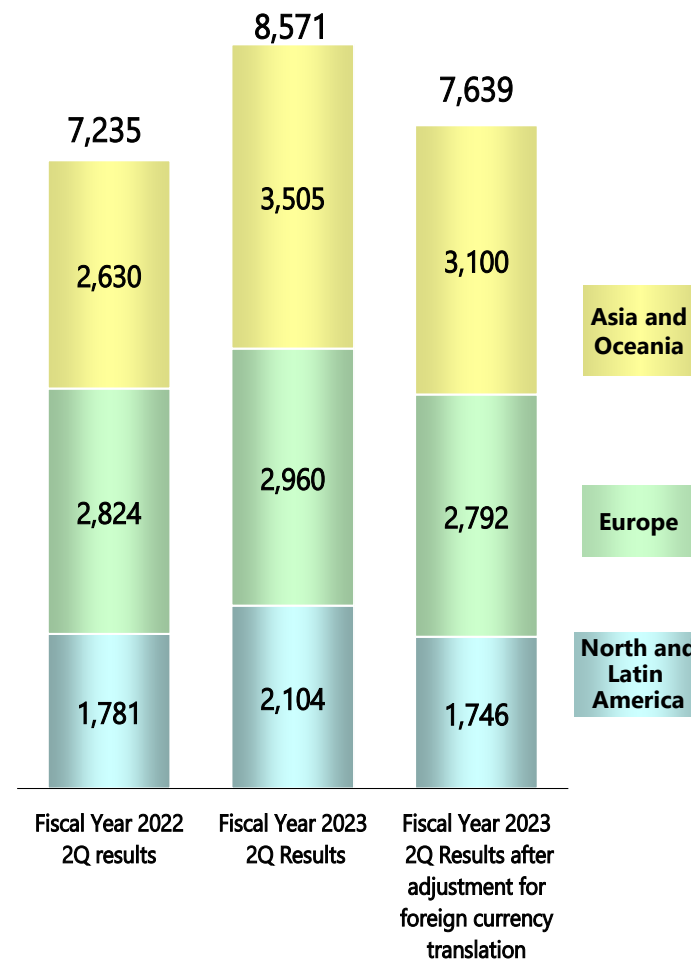
Asia (Other): +592 million yen (+56.5%)

■ (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

Units: millions of yen, %



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

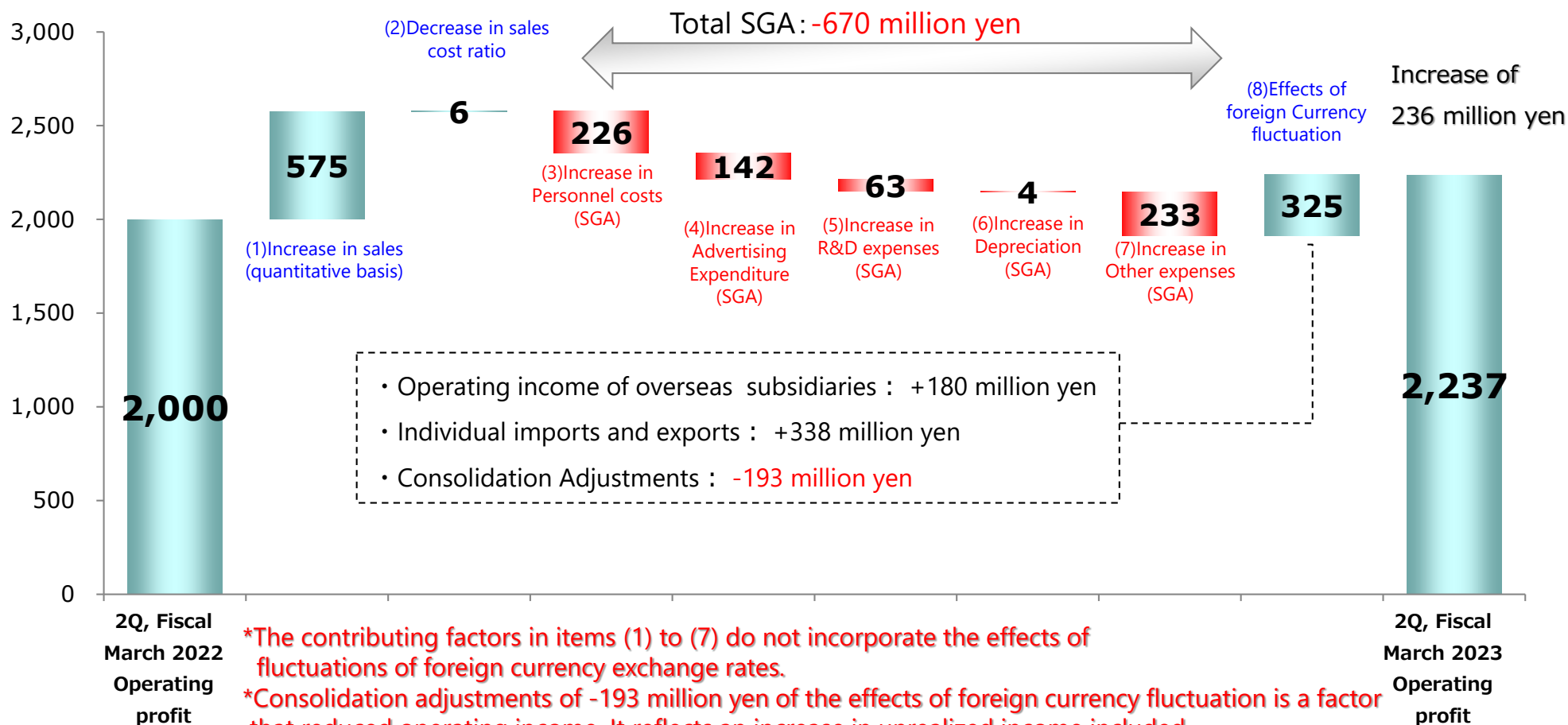
*Fiscal March 2023 forecasts are based on financial result forecasts announced on August 1st, 2022.

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.

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.



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)

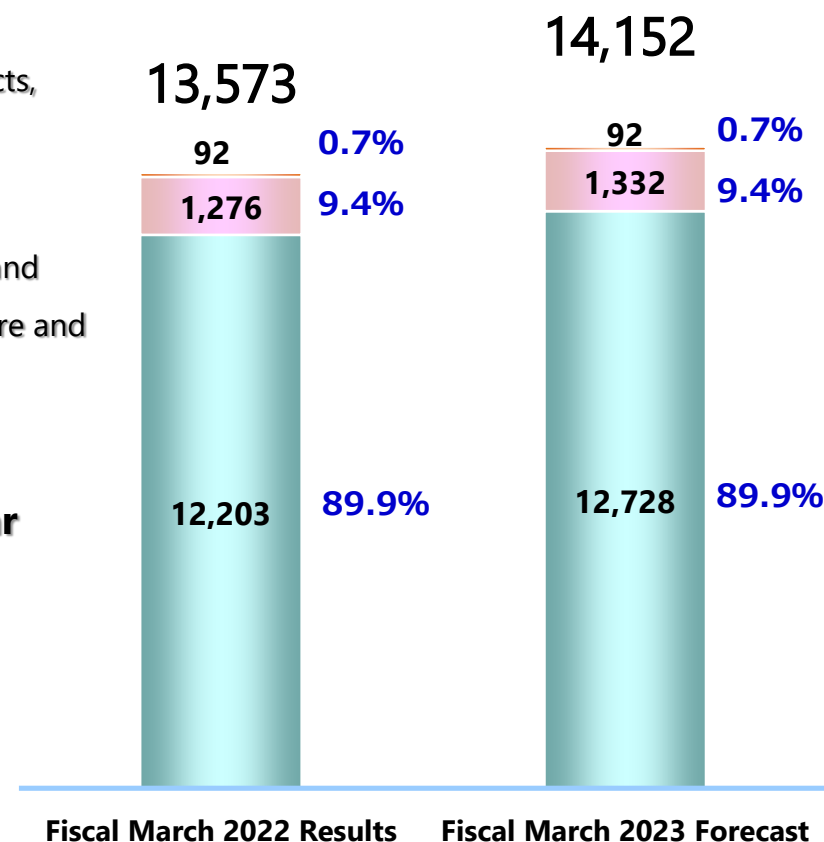
▶ Resin material for dental cutting processing

SHOFU BLOCK HC HARD II (Chemical Products)

SHOFU BLOCK HC HARD AN (Chemical Products)

▶ Dental composite resin cement

ResiSemEX (Cements and others)



■ Dental ■ Nail care ■ Other

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.

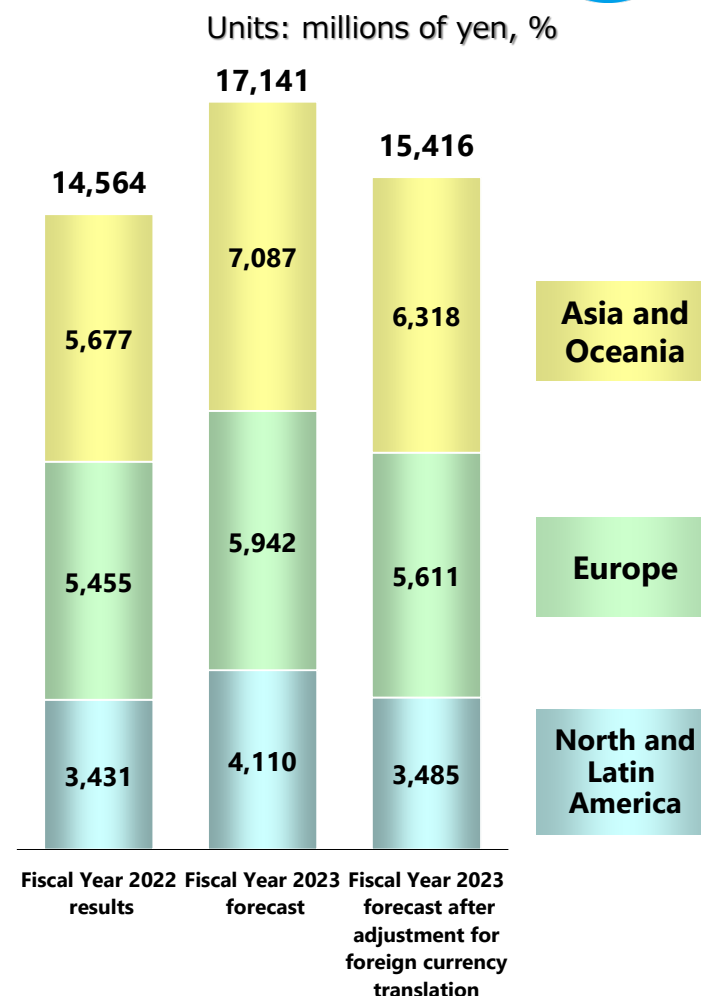
[Local currency basis] + 641million yen (+11.1%)

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) Amount (% of sales)	Fiscal March 2023 (Forecast) Amount (% of sales)	Change from Previous Period
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.

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

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



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%)

**Company-wide
targets**

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

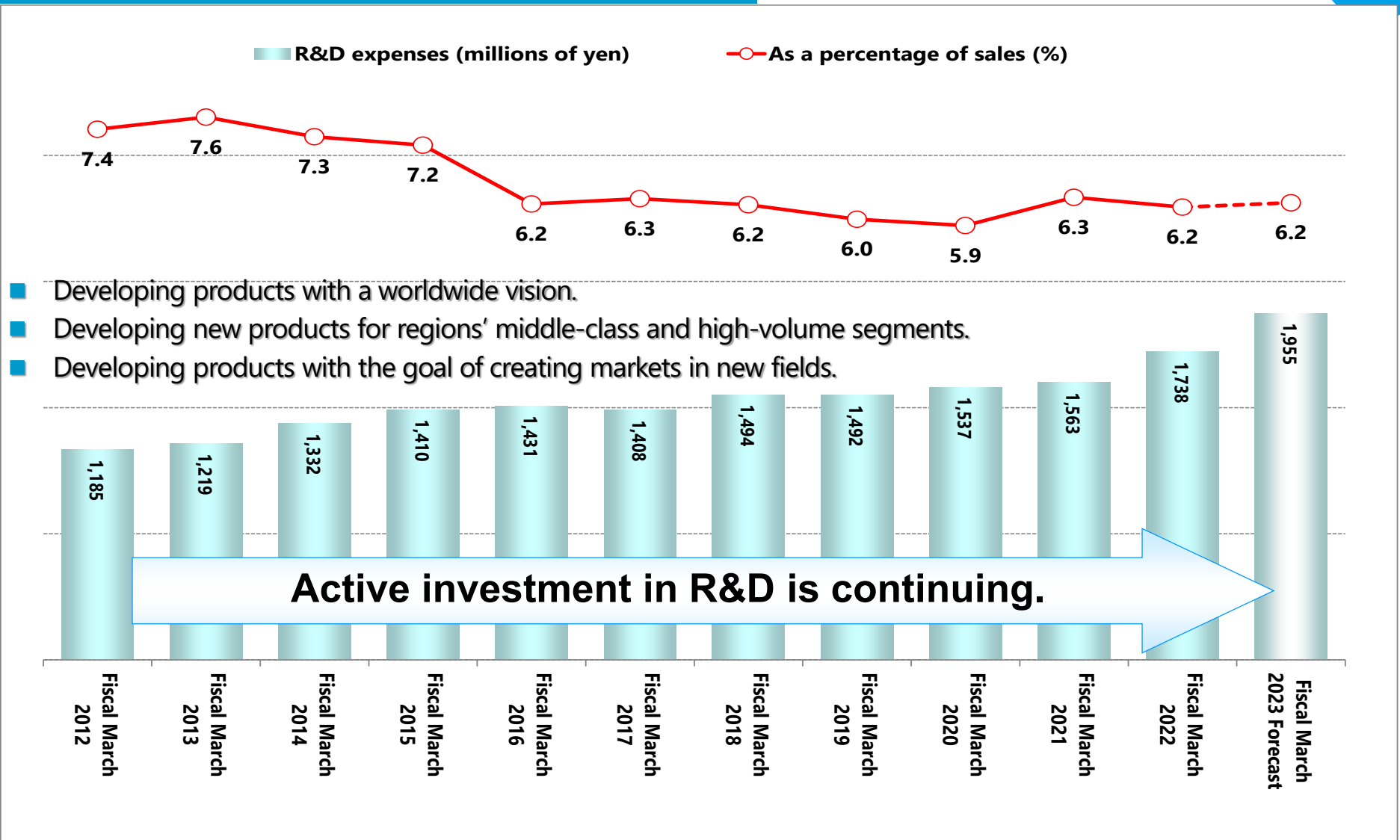
Company-wide targets in the fiscal year ending March 2024

- **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	<ul style="list-style-type: none"> • Business tie-up with Mitsui Chemicals and Sun Medical • Promotion of M&As • Establishment of the group governance system
Production	Relocation of production sites and expansion of offshore production	
Sales	Improvement of our sales network/ Realignment of sales offices Establishment of domestic and international academic networks	
HR	Development of human resources and securing of skilled employees to actively promote overseas operation	
Finance	Capital procurement in response to increasing investment demands	

Specific Efforts – R&D



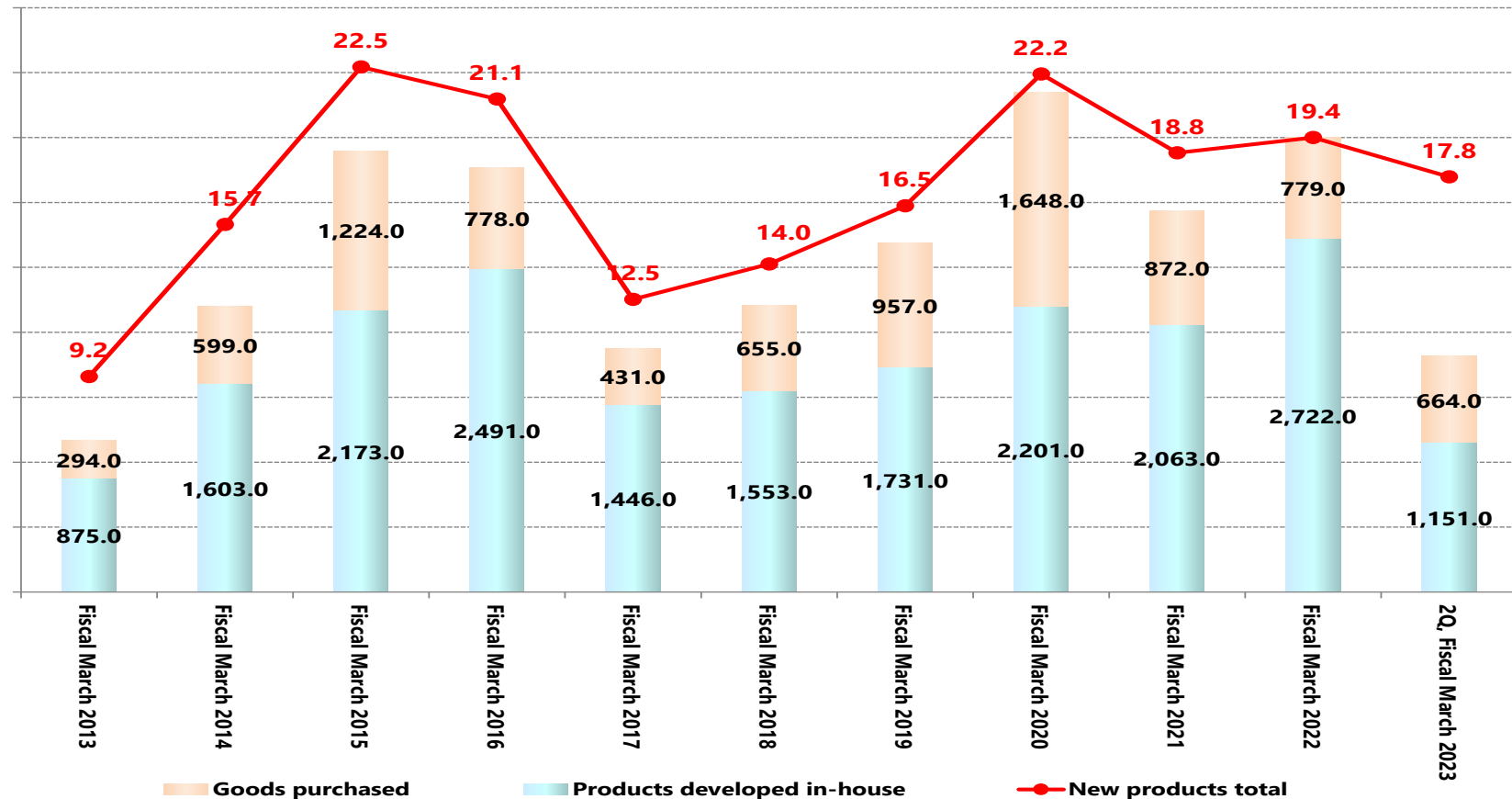


Trends for Sales Ratio of New Products (Non-consolidated basis)

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, %



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.



Specific Efforts – Production

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

March, 2013

Relocation and expansion of
domestic production subsidiary

July, 2014

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

April, 2015

Completed new
plant in the SHOFU
headquarters

March, 2017

Established production
subsidiary in Vietnam
(SHOFU Products Vietnam)

April, 2020



FY 2013/3

FY 2014/3

FY 2015/3

FY 2016/3

FY 2017/3

FY 2018/3

FY 2019/3

FY 2020/3

FY 2021/3

March, 2014

Completed CAD/CAM
processing center at
domestic production subsidiary

January, 2015

Completed new plant at
production subsidiary
in Shiga

September, 2015

Established CAD/CAM processing
company in Germany

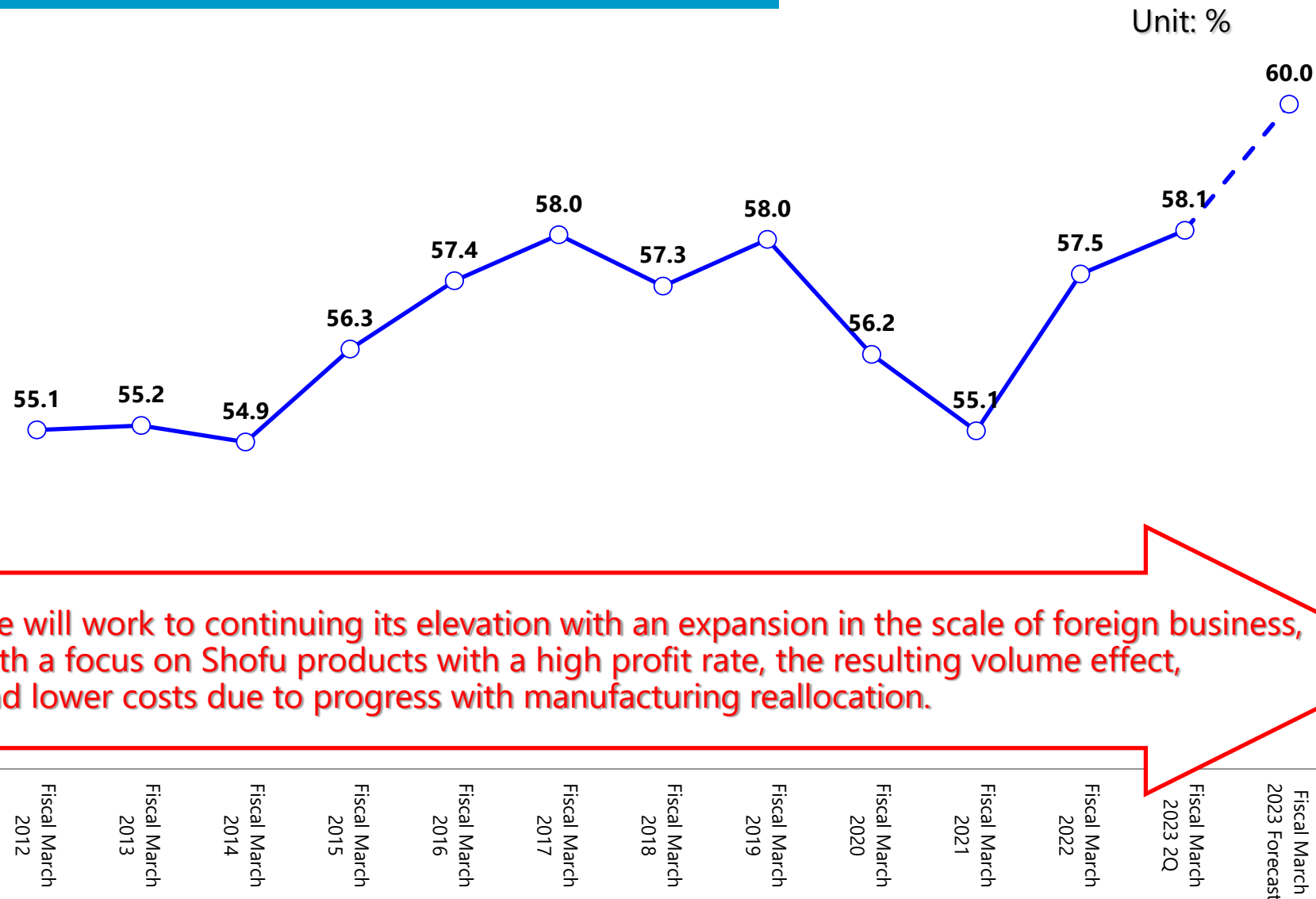
March, 2019

Completed new plant
at Merz Dental GmbH.

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



Trends for Gross Profit Margin Rates



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

Specific Efforts – Sales

■ 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)

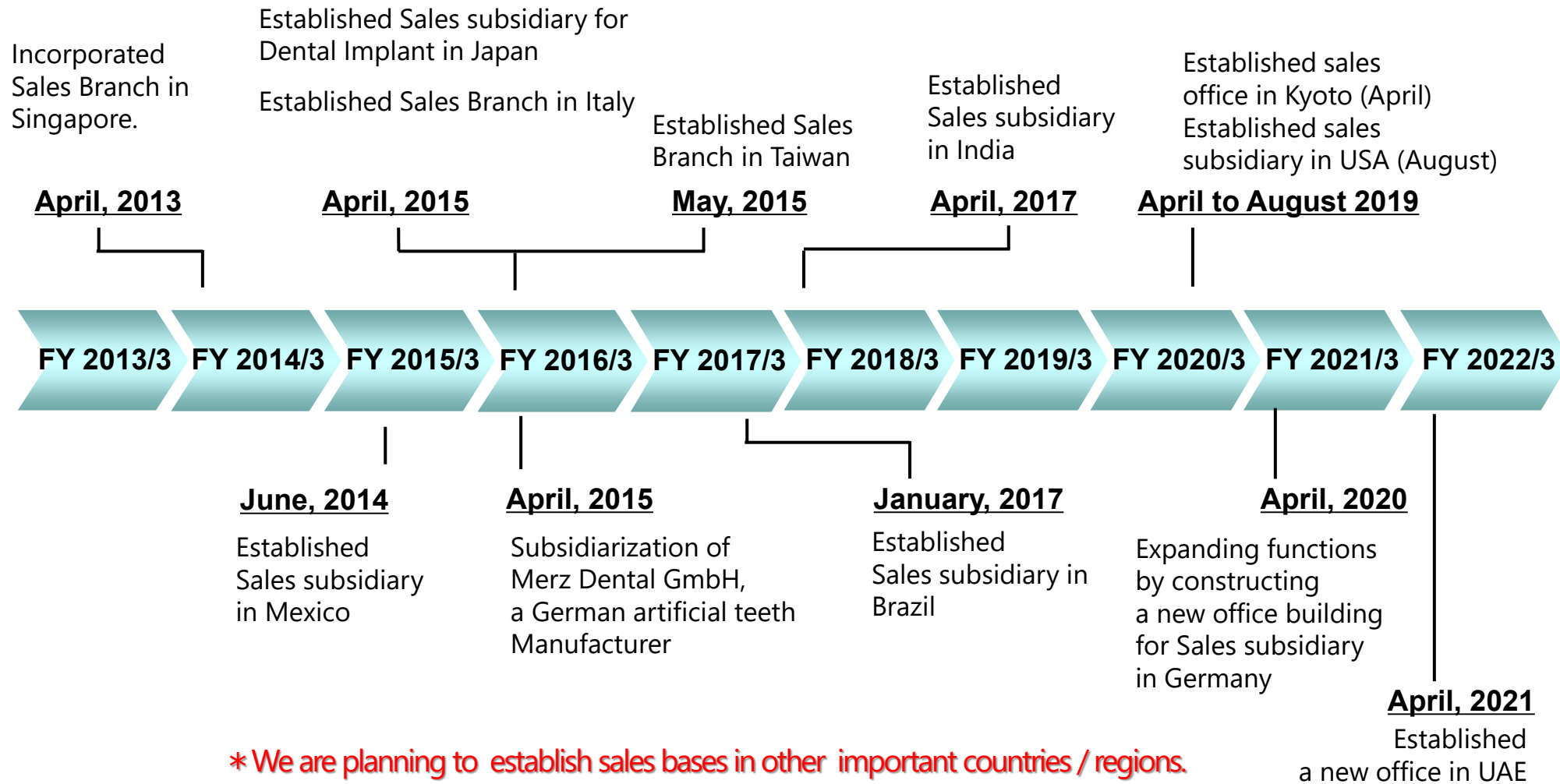
[Other overseas bases]

Sales company: Mexico, Brazil, India

Sales base : UK, Taiwan, Italy

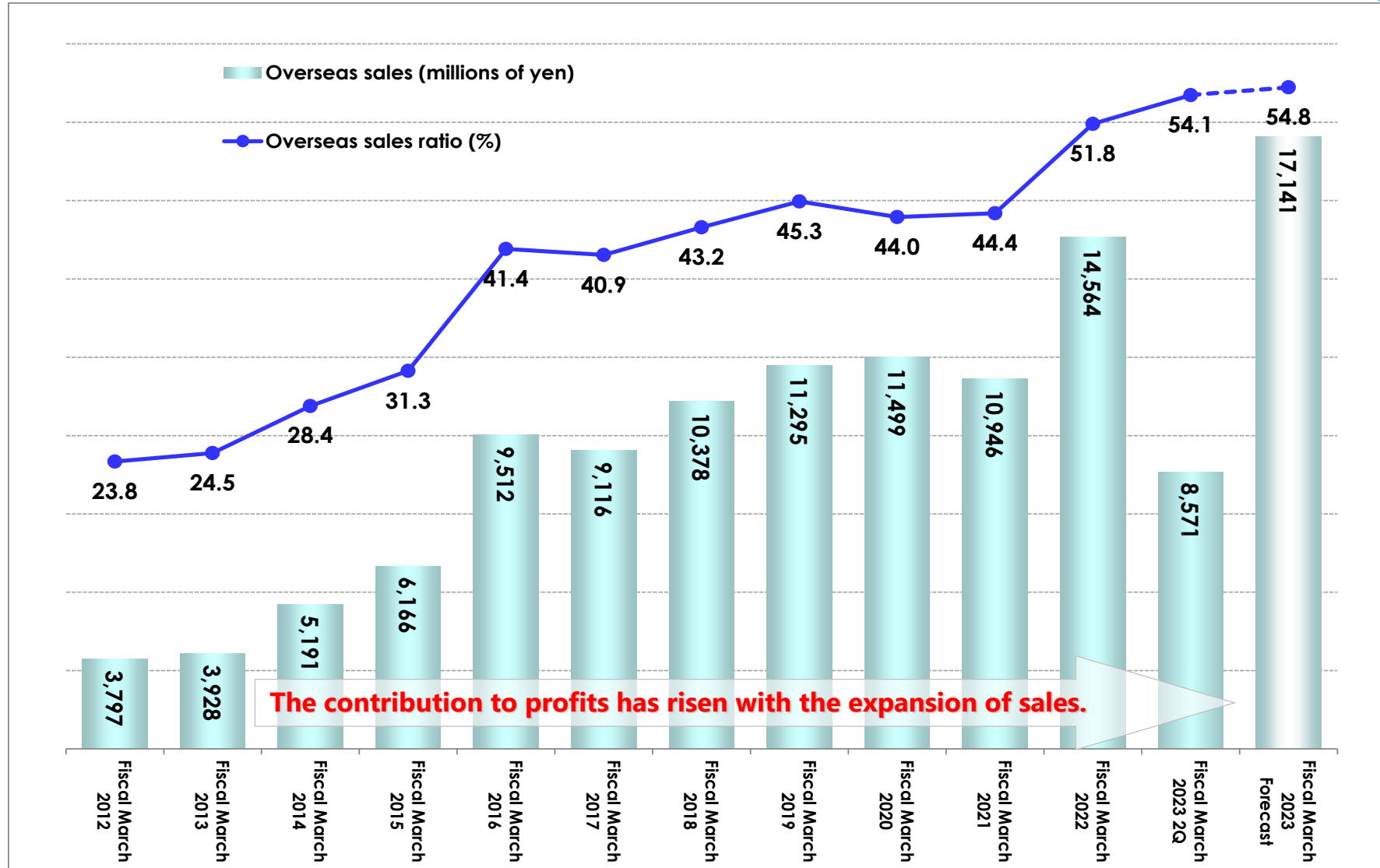


Specific Efforts – Development of sales base





Trends for Overseas Sales and Overseas Sales Ratios

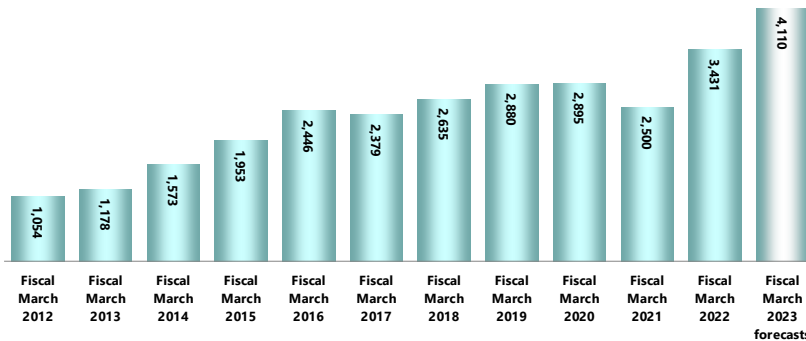




Trends for Sales by Region

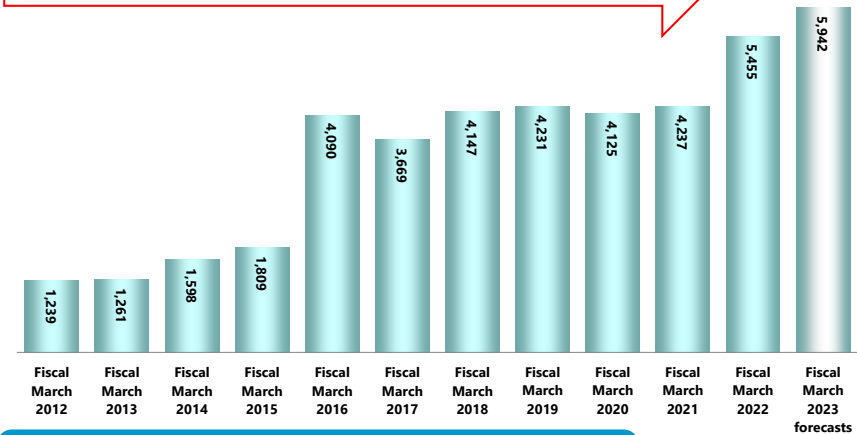
North & Latin America Sales

CAGR 12.5%



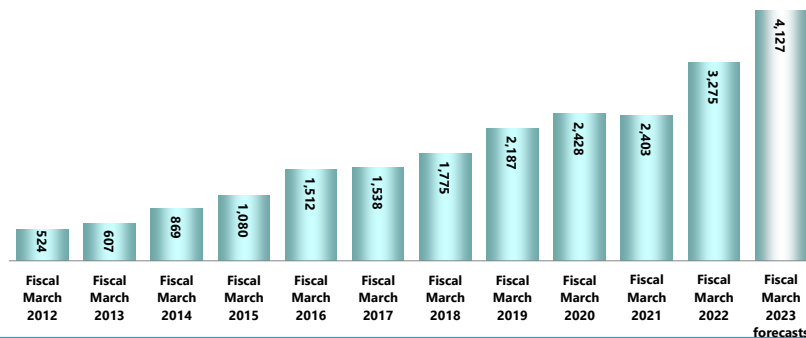
Europe Sales

CAGR 16.0%



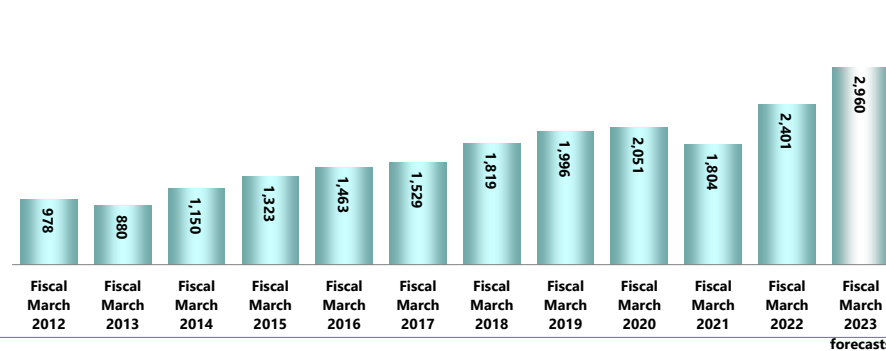
China Sales

CAGR 20.1%



Elsewhere in Asia Sales

CAGR 9.4%



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.



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

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



■ Capital tie-up

- Shofu issued 1,780,000 new shares in a third-party allocation
MCI received these shares (total value of 2,988 million yen)
- MCI's shareholdings increased from 11.17% to 20.01%
(Shofu became an equity-method affiliate)
- Shofu acquired 20% of MCI's 70% shareholding in Sun Medical
- MCI's shareholding: 70.0%⇒50.0%
Shofu's shareholding: 0.0%⇒20.0% (Sun Medical became Shofu's equity-method affiliate)

■ Business tie-up

- New product development
- Expansion of product lineup
- Use of sales networks in Japan and overseas
- Augmentation and sharing of manufacturing functions









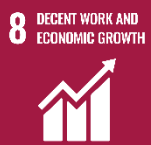
■ Exchange of personnel

- MCI sent one part-time director to Shofu's board
- Shofu sent one part-time director to Sun Medical's board



Shofu'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 	  

Medium-term Management Plan: Principle Targets



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.



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)			
	Amout	%	Amout	%	Amout	%	Amout	%	Amout	%
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



: 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.



Dividend policy

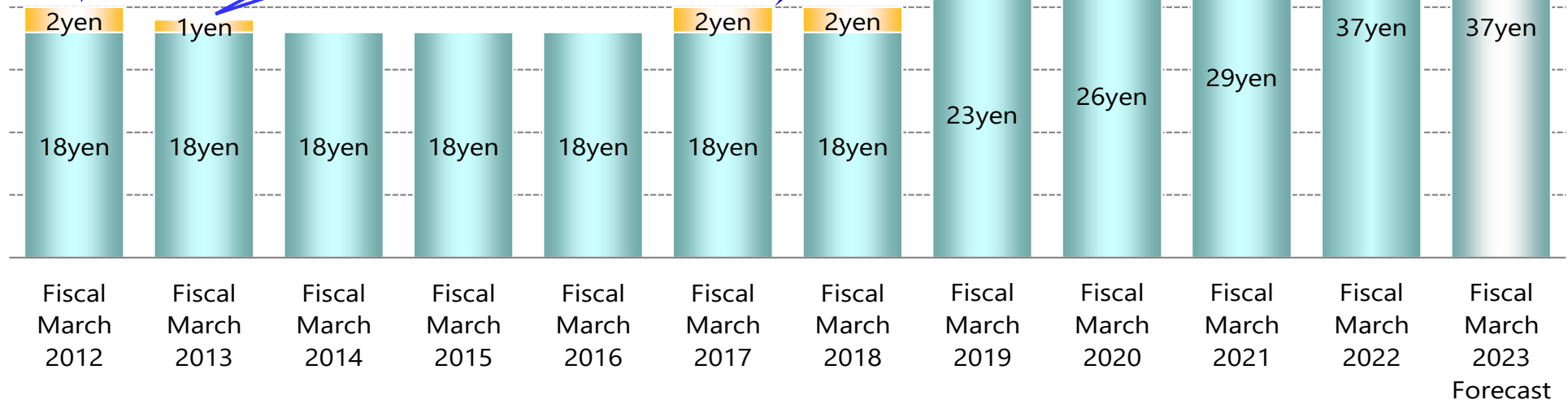
Dividend payout ratio on consolidated basis : 30% or more
Ratio of dividends to net assets (DOE) : Around 1.7%

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

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

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

90th anniversary commemorative
dividend of 1 yen.



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

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

SHOFU INC.

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

E-mail: ir@shofu.co.jp

Contact: Corporate Planning Department



**The pages below are provided only for your reference.
The information on these pages will not be covered in the
financial analysis meeting.**

SHOFU and Its Operations (Summary of the Company Profile and Its Businesses)



Company Profile

(As of September 30, 2022)

■ Company name	SHOFU Inc.
■ Representative	Tetsuo Takami, President and CEO
■ Address	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan
■ Date of establishment	May 15, 1922
■ Capital	5,968,956,614 yen
■ Listed exchanges	Prime Market of Tokyo Stock Exchange
■ Number of employees	473 (entire group: 1291, including 631 in overseas subsidiaries)
■ Business	Manufacture and sale of dental materials and equipment
■ Main customers	Dental institutions (via sales agencies)
■ Number of group companies	Subsidiaries 19 (four in Japan, fifteen overseas) Affiliates 1 (one in Japan) Dental companies: 17 (four in Japan, thirteen overseas) Nail care companies: 3 (one in Japan, two overseas)



Corporate History (1)

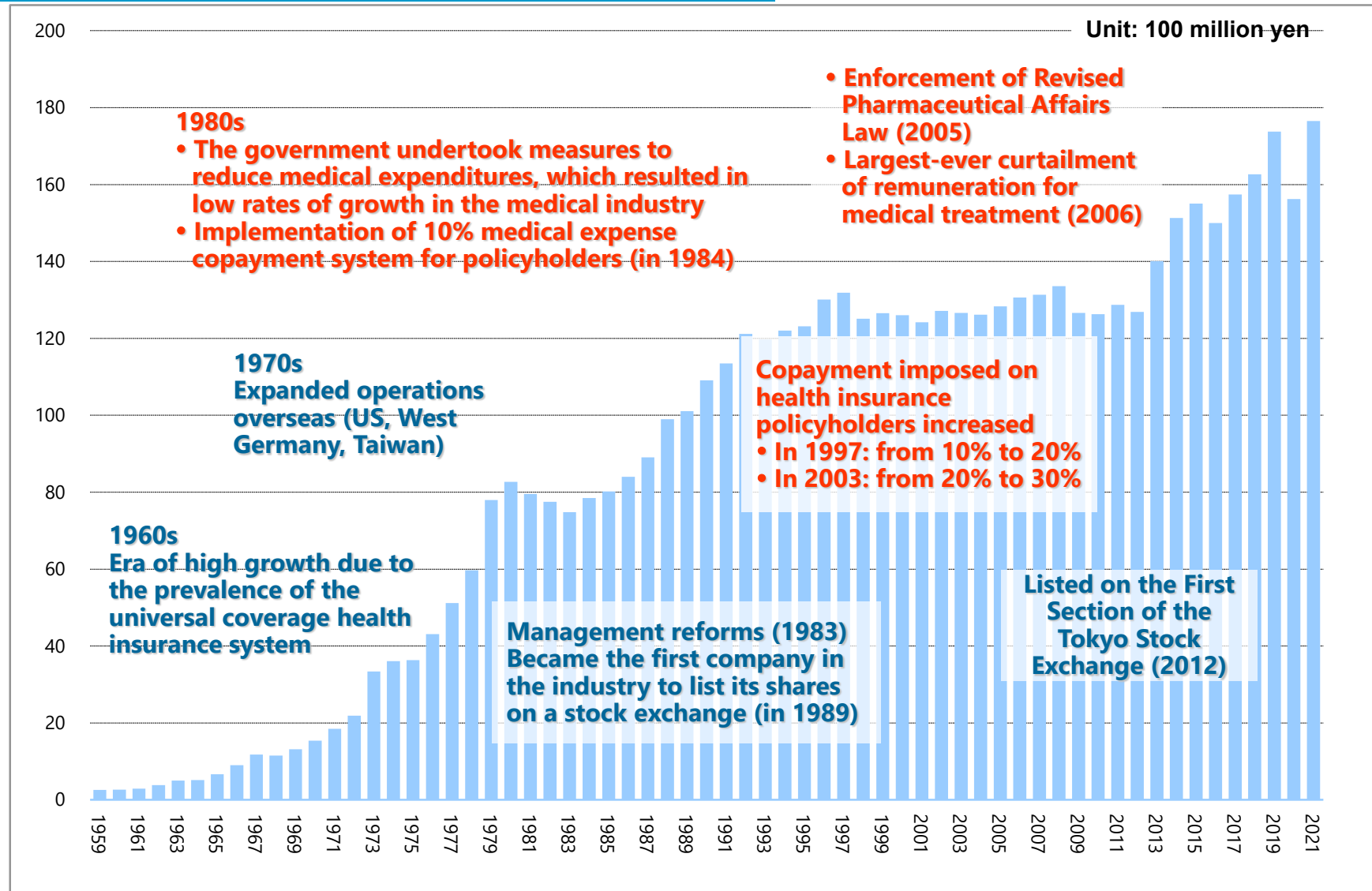
• 1922	Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
• 1963	Shofu shares listed on the over-the-counter market.
• 1971~ 1978	Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). Established Shiga Shofu Inc. as a manufacturing facility for resin teeth.
• 1983	Changed the company name to SHOFU Inc. Commenced management reforms.
• 1989	Shofu's shares listed on the Second Section of the Osaka Securities Exchange (in November).
• 1990~ 1997	Purchased a British research & development and manufacturing company. Founded a sales subsidiary in the U.K. Obtained the UK GMP (Good Manufacturing Practice) Certificate. Obtained a CE marking certificate.
• 1996	Founded Promech Inc. Established Liaison Office in Shanghai, China.
• 1997	Established the industry's largest research facility as a part of a project to commemorate Shofu's 75th anniversary.
• 2002~ 2003	Celebrated the 80th anniversary of its founding. Established Liaison Office in Beijing, China. Obtained ISO 14001 (Environmental Management System) certification (both for the headquarters and all group companies). Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China.
• 2005	Acquired Shoken Inc. as a wholly owned subsidiary through a share exchange. Established Shofu Dental Supplies (Shanghai) Co., Ltd., a sales facility in China.
• 2006	Training Center designed to promote customers service completed (in August).
• 2007	Celebrated the 85th anniversary of its founding. Shofu's shares listed on the Second Section of the Tokyo Stock Exchange (in February).
• 2008	Acquired and turned Nail Labo Co., Ltd. into a subsidiary. Acquired 1.6 million of the company's own shares in accordance with the purchase of the company's own shares scheme in the J-NET market of the Osaka Securities Exchange.



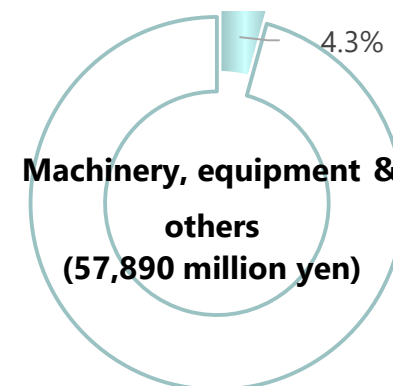
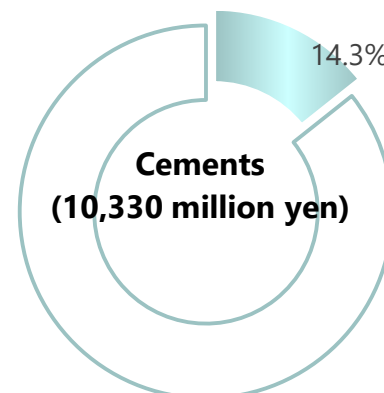
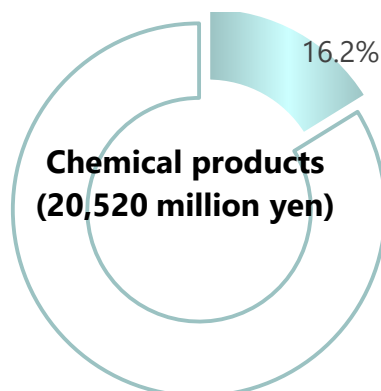
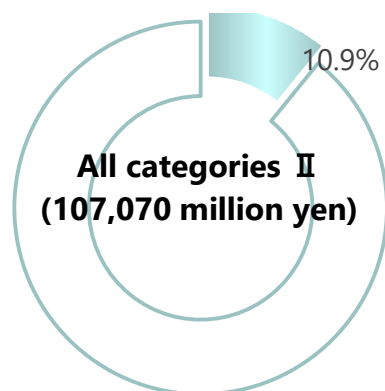
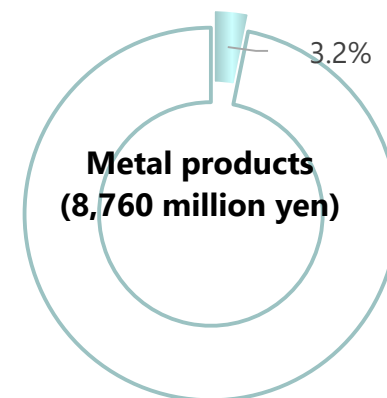
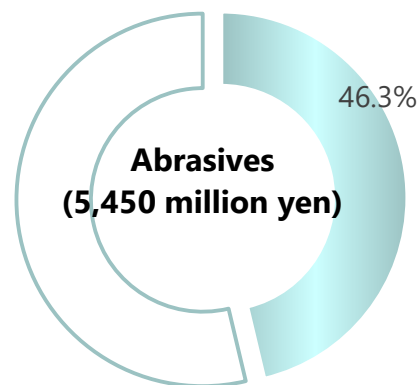
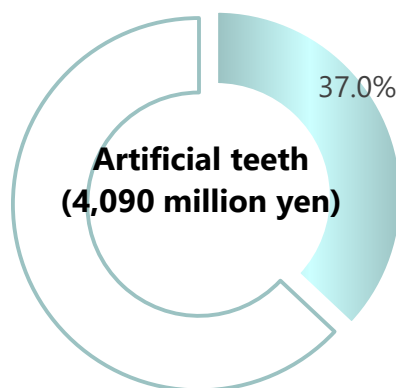
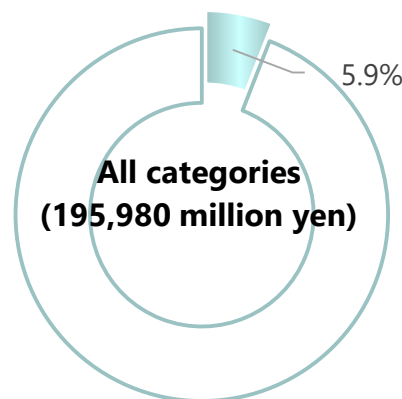
Corporate History (2)

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

Corporate History - Sales



Domestic Market share by product category



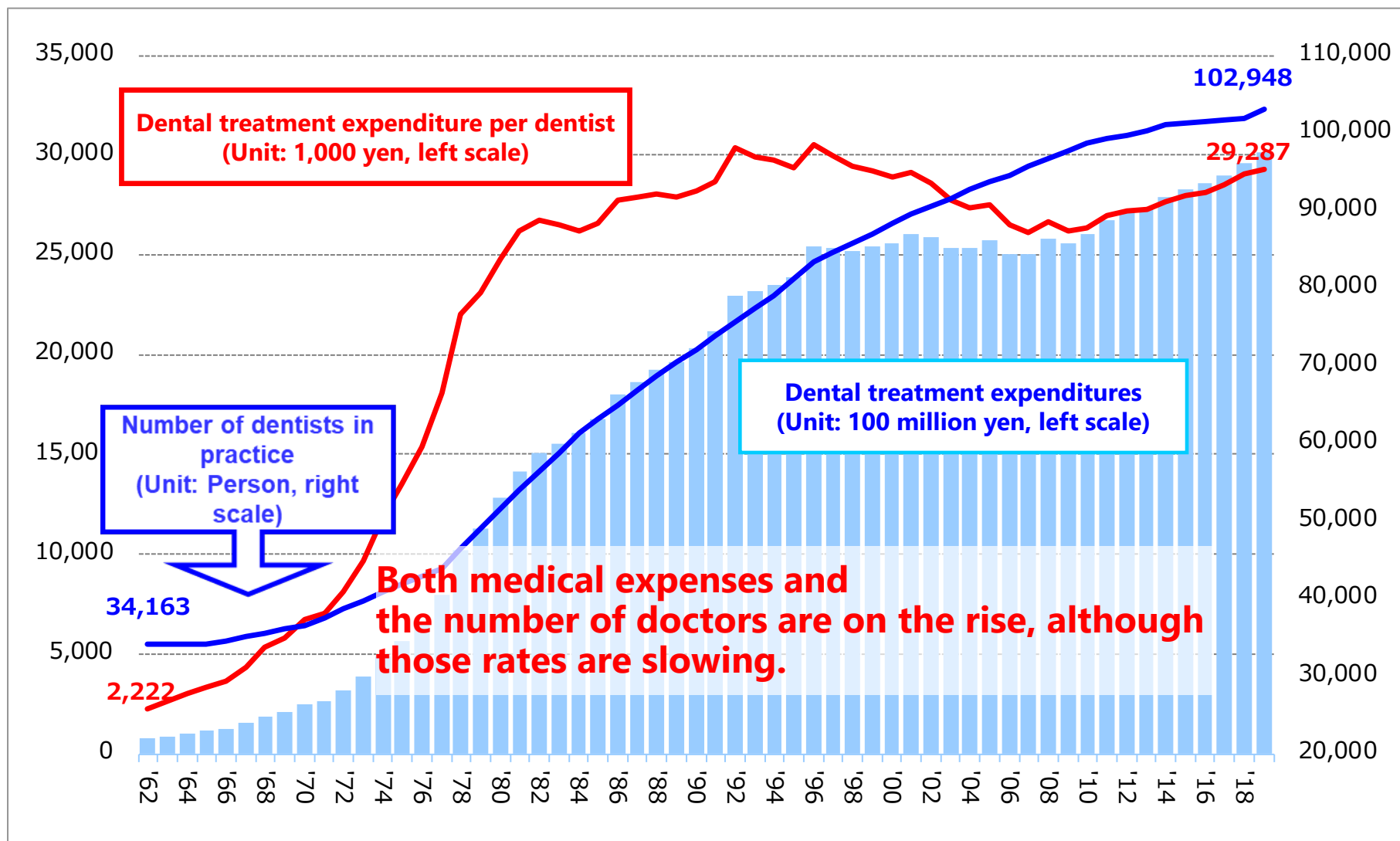
"All categories" includes "gold-silver-palladium alloy" and "machines and equipment for dental clinics." "All categories II" and other categories do not include "gold-silver-palladium alloy" and "machines and equipment for dental clinics."

Source: Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), Ministry of Health, Labour and Welfare (Domestic data, Calendar Year 2018)
Figures in parentheses represent market size. (Figures rounded down to the nearest ten million yen)

Reference <Dentistry Data>

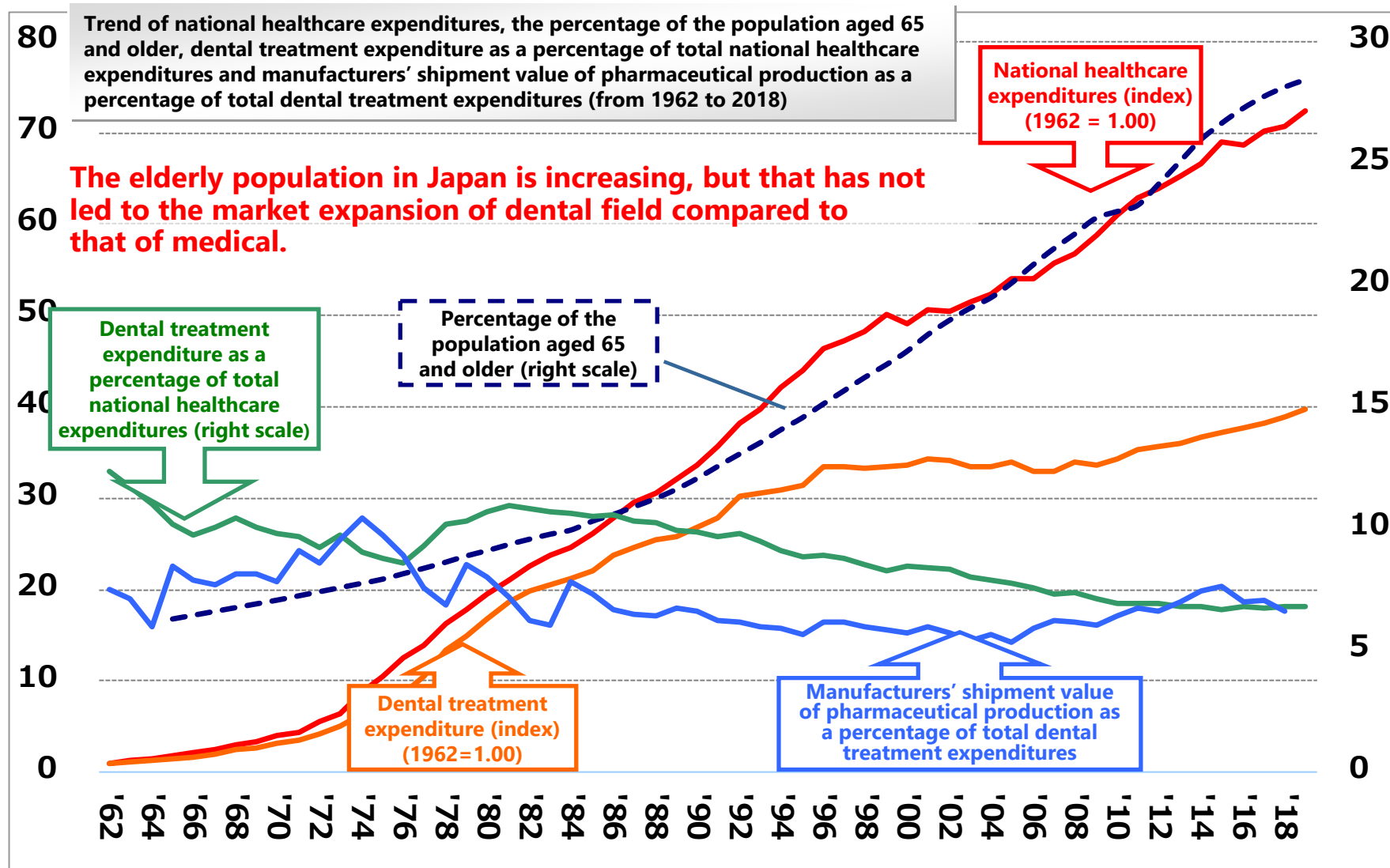
Trend of the Number of Dentists and Dental Treatment Expenditure

■ Reference <Dentistry Data>



Long-term Trend of Dentistry-Related Statistics

■ Reference <Dentistry Data>



Healthcare Expenditures by Age Group (Component ratio)

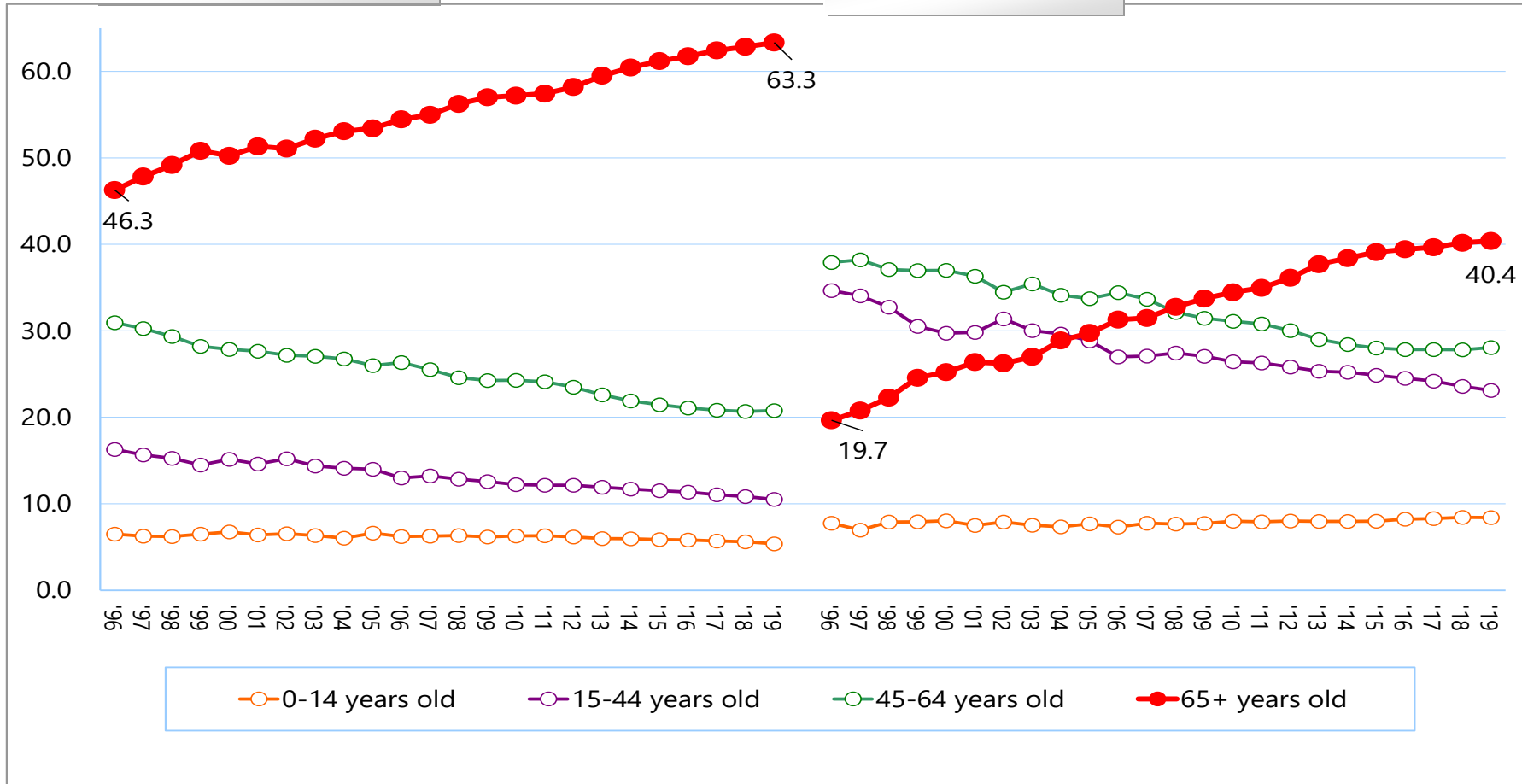
■ Reference <Dentistry Data>



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

General treatment

Dental treatment



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

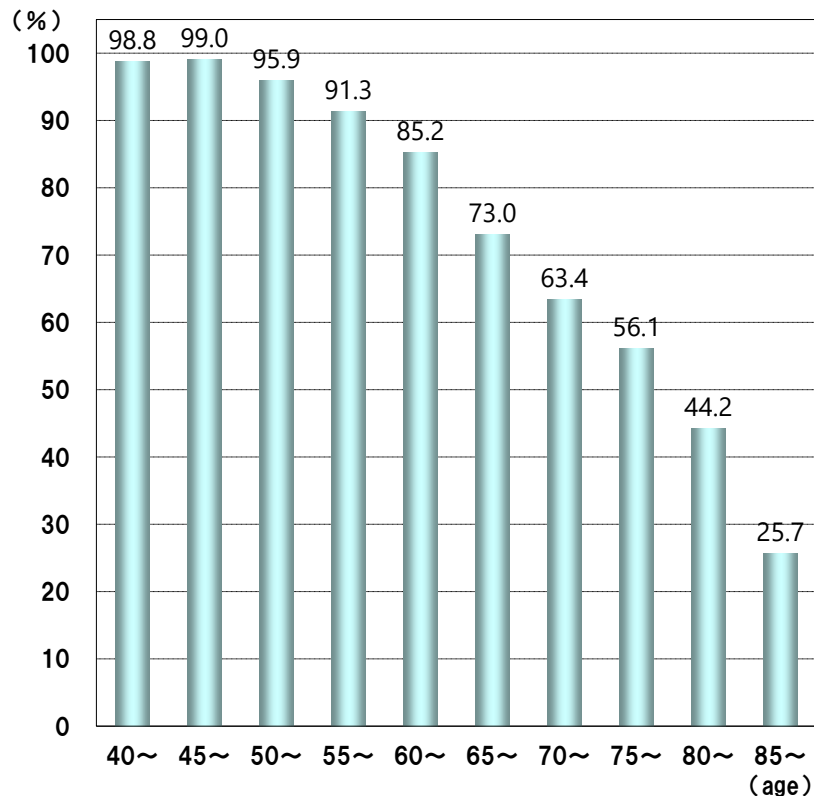
The 8020 Movement and Changes in Dental Diseases

■ Reference <Dentistry Data>



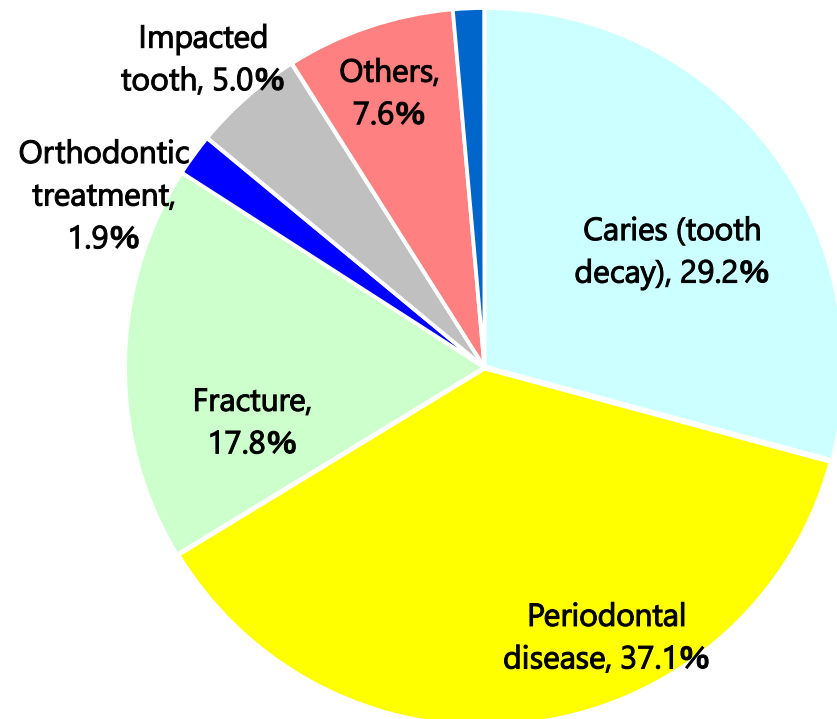
The cause of tooth loss changes in accordance with the number of increasing remaining teeth.

Percentage of people with 20 or more of their own teeth



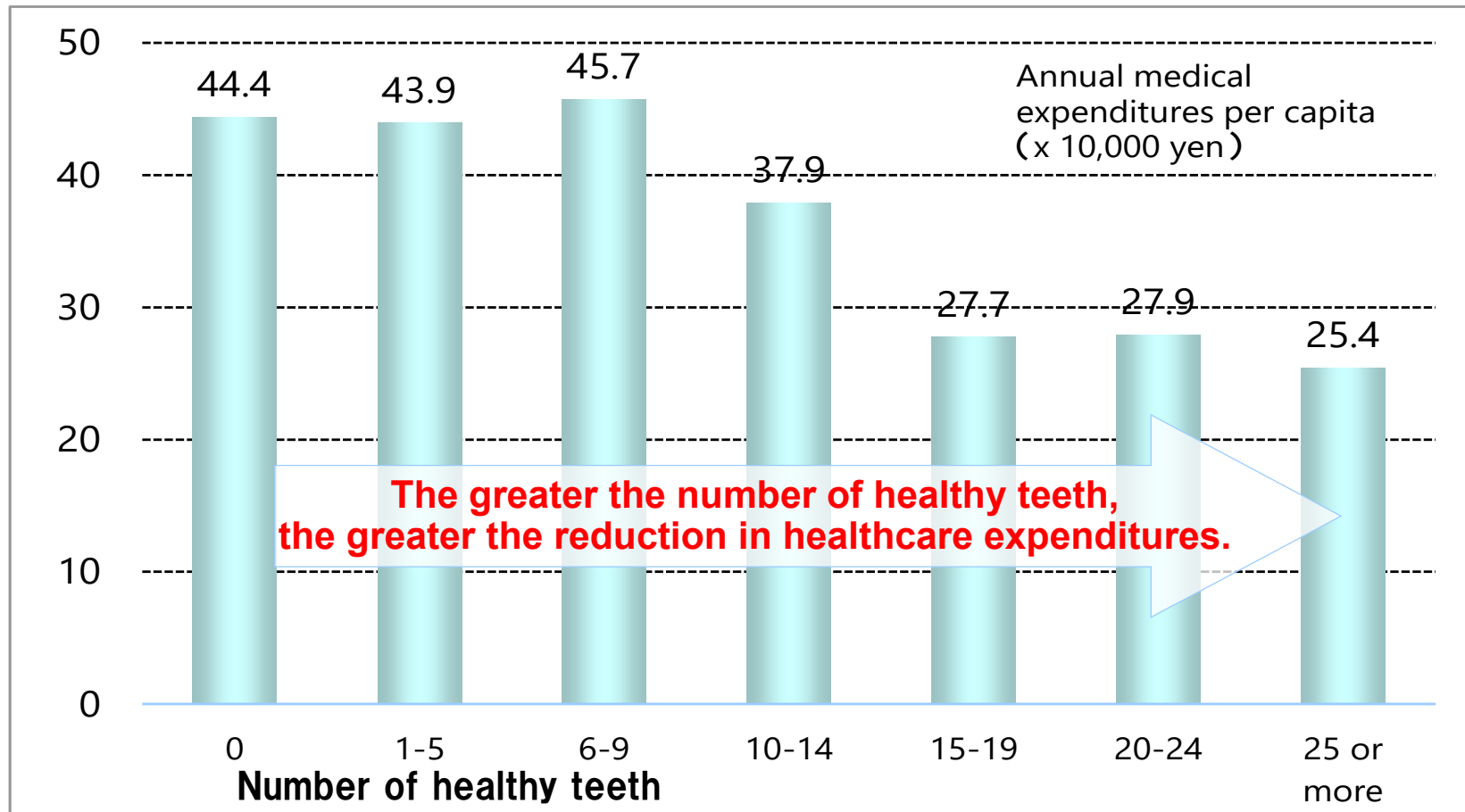
Survey of Dental Diseases 2016
(Ministry of Health, Labour and Welfare)

Causes of tooth loss



(Survey by the 8020 Promotion Foundation in 2018)

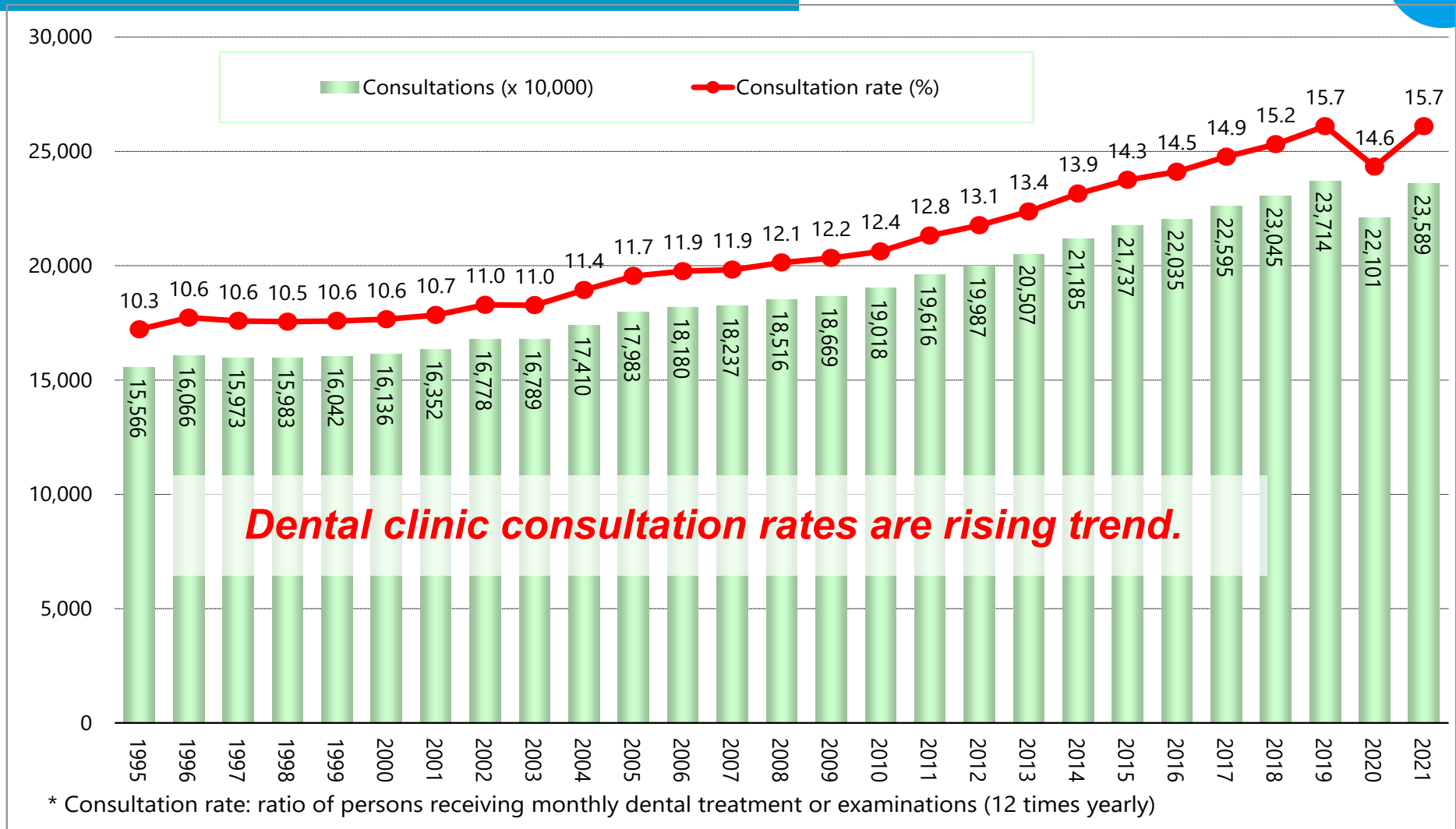
Correlation between Number of Healthy Teeth and Healthcare Expenditures



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)

Dental Clinic Consultation Rates

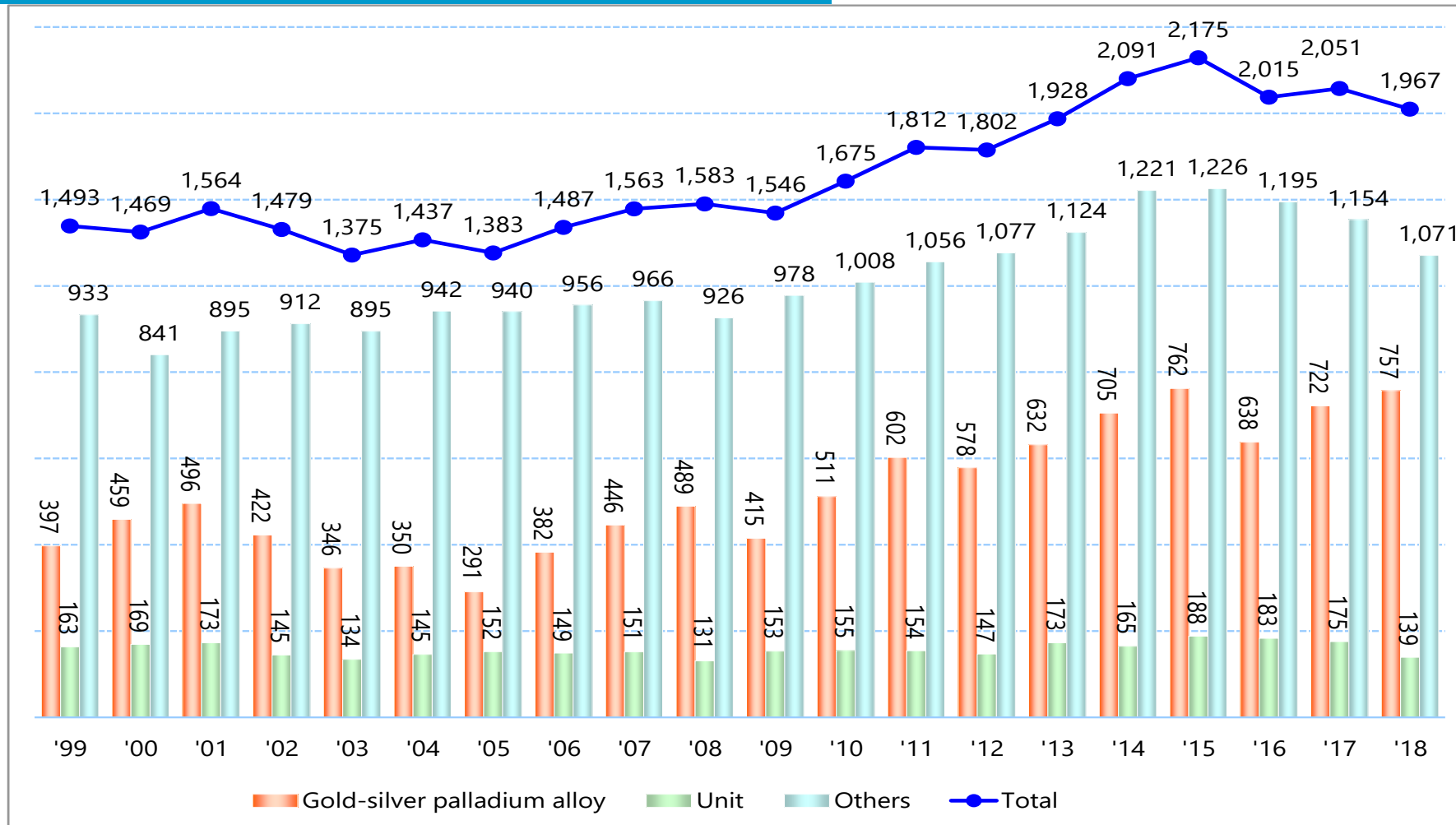
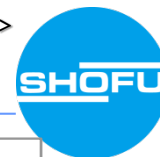
■ Reference <Dentistry Data>



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

Trend of Shipment Value of Pharmaceutical Industry Production

■ Reference <Dentistry Data>



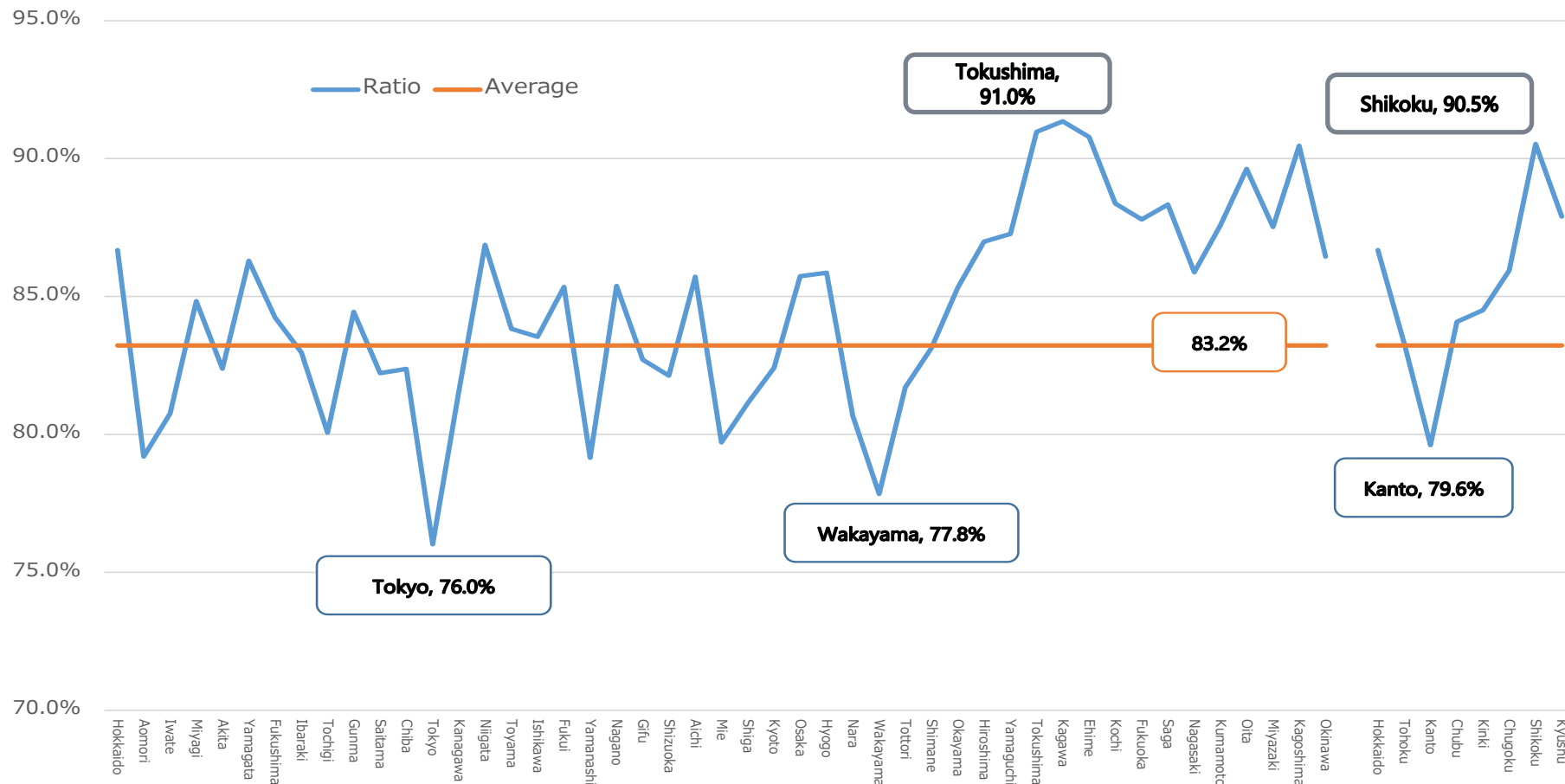
Prepared using data from Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

Aggregated data on medical institutions with facilities that satisfy requirements for CAD/CAM

■ Reference <Dentistry Data>



[Ratio of dentistry institutions with registration of CAD/CAM crowns to all dentistry institutions by prefecture (as of October 1, 2022)]



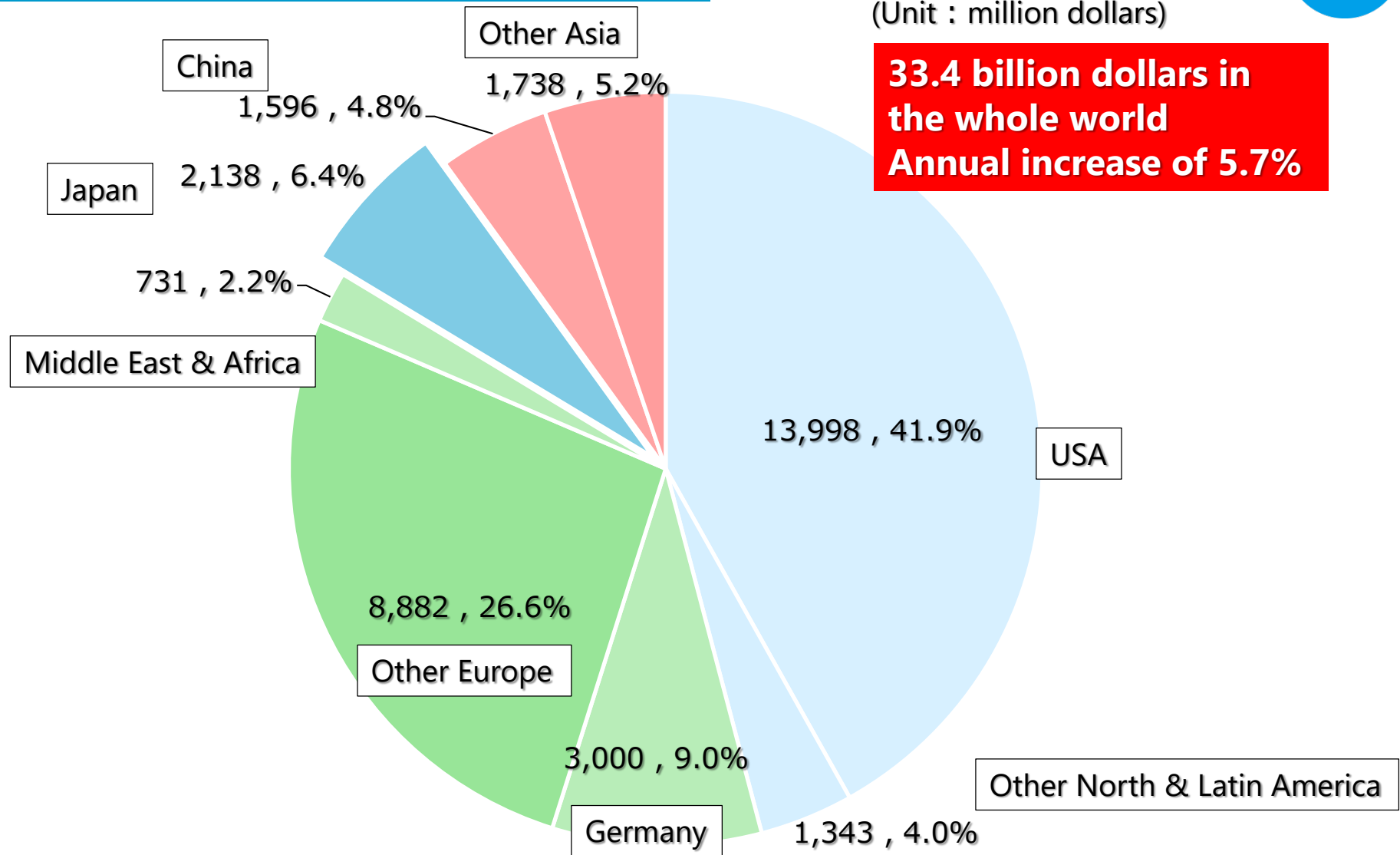
(Prepared by referring to the status of healthcare institutions and insurance pharmacies which submitted a notification regarding facility standards that was accepted by regional public welfare bureaus (List of healthcare institutions regarding submission and acceptance of notification), compiled by the Ministry of Health, Labour and Welfare)

Global dental equipment market size (amount ・ component ratio)

■ Reference <Dentistry Data>



(Unit : million dollars)

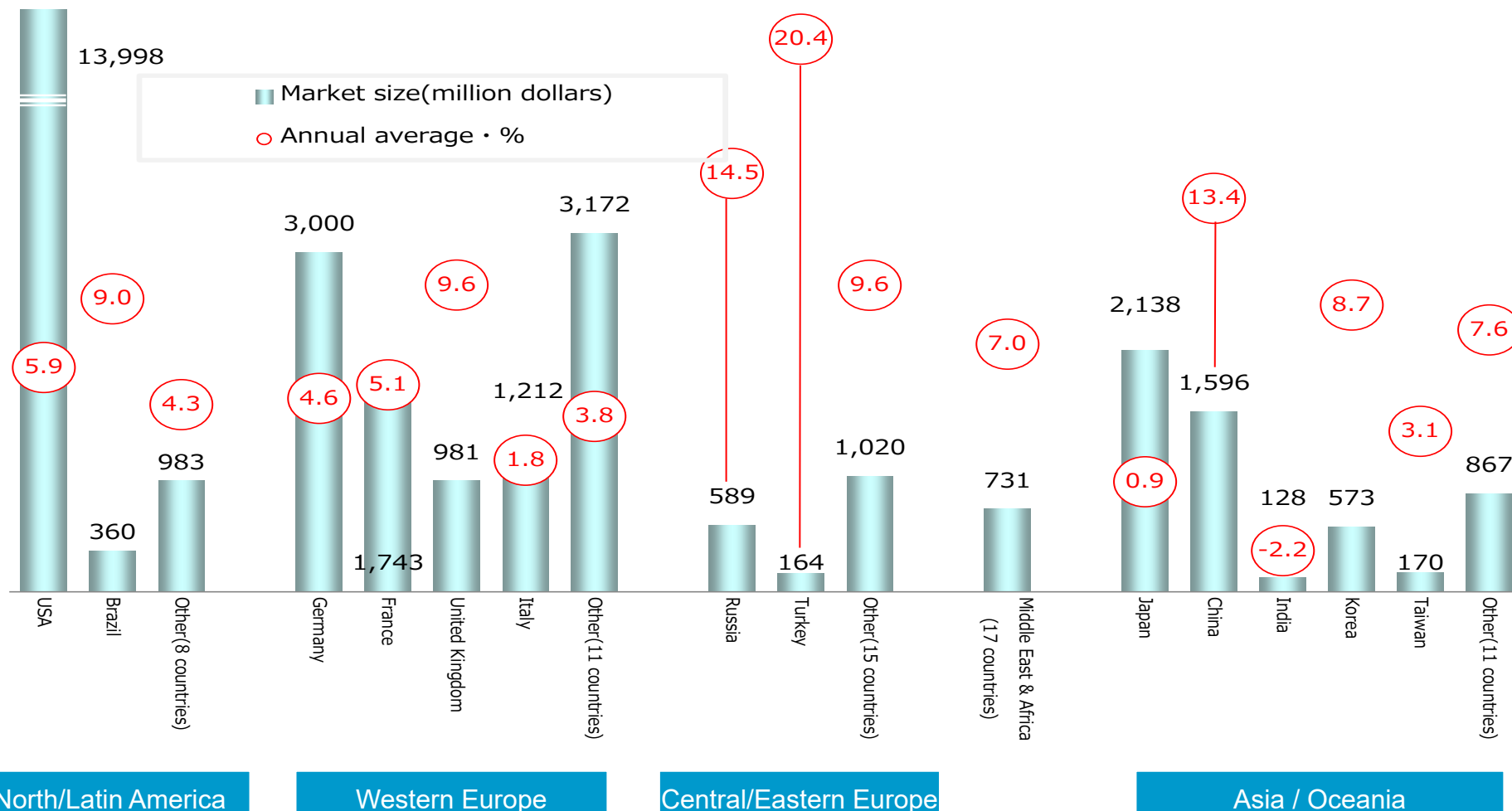


Global dental market— Market size and growth potential

■ Reference <Dentistry Data>



Global Dental Equipment Market :33.4 billion dollars
Growth rate in the last 5 years : increase of 5.7% per year



Number of Dentists in the World

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

(Unit : 100 thousand)

