
**Fiscal Year Ended March 2023
(151th Business Year)
Financial Analyst Meeting**

May 26, 2023



Proven Products for Better Dentistry

SHOFU INC.

**Tetsuo Takami,
President and CEO**

Main Products



Dental Business

Artificial Teeth Products

Domestic Share No.1

Porcelain teeth/resin teeth
/porcelain powder,
CAD/CAM materials (Zirconia)



Resin teeth



Zirconia(disk)

Abrasive Products

Domestic Share No.1

Diamond abrasive,
Carborundum abrasive



Diamond abrasive

Chemical Products

Composite resins for fillings,
Light-curing bonding materials,
CAD/CAM materials (resin)



Composite Resins
for Fillings



CAD/CAM
materials (resin)

Cement Products

Dental cements

Metal Products

Alloys for casting,
Alloys for firing

Machinery, Equipment & Other Products

Tooth Cleaning Ultrasonic Scaler,
SHOFU S-WAVE CAD/CAM
system (software/hardware)



Tooth Cleaning
Ultrasonic Scaler



Oral scanner



Desktop scanner



Processing
machine



Dust collector



Software

SHOFU S-WAVE CAD/CAM system

Nail Care Business

Materials for gel/acrylic nails,
Nail machine



Other Businesses

Industrial rubber abrasives



Contents of Today's Presentation



- Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2023
- Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2024
- Future Business Environment and Medium and Long-term Business Strategies
- Topics

Appendix



Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2023



Summary of Business Results for the Current Period

- **Domestic sales of CAD/CAM products were strong**, following revisions to health insurance rules which resulted in expanded eligibility for CAD/CAM crowns.
- Against a backdrop of global demand recovery, strong performance, **especially in Asia and Oceania.**
- Opportunity losses as raw material procurement, personnel, and facilities were unable to keep up with the rapid increase in demand. Ongoing increases in raw material prices and high labor and other costs have emerged as future business risks.



Summary of Business Results for the Current Period

Units: millions of yen, %

| | Fiscal March 2022 (Results) (% of sales) | Fiscal March 2023 (Forecast) (% of sales) | Fiscal March 2023 (Results) (% of sales) | Change from Previous Period (% change) | Change from Forecast (% change) |
|-------------------------------|---|--|---|--|---------------------------------------|
| Net sales | 28,137 (100.0) | 31,294 (100.0) | 31,678 (100.0) | 3,540 (12.6) | 384 (1.2) |
| (Domestic sales) | 13,573 (48.2) | 14,152 (45.2) | 14,282 (45.1) | 709 (5.2) | 129 (0.9) |
| (Overseas sales) | 14,564 (51.8) | 17,141 (54.8) | 17,396 (54.9) | 2,831 (19.4) | 255 (1.5) |
| Operating profit | 3,217 (11.4) | 3,750 (12.0) | 3,824 (12.1) | 607 (18.9) | 74 (2.0) |
| Ordinary profit | 3,658 (13.0) | 4,320 (13.8) | 4,238 (13.4) | 579 (15.8) | -81 (-1.9) |
| Net income | 2,546 (9.1) | 3,389 (10.8) | 3,135 (9.9) | 588 (23.1) | -254 (-7.5) |
| Net income per share | 143.22yen | 190.17yen | 176.10yen | 32.88yen | -14.07yen |
| Return on equity | 8.1% | 9.9% | 9.2% | 1.1P | -0.7P |
| Foreign exchange rates | | | | | |
| US dollar | 112.86 | 133.46 | 134.95 | 22.09 | 1.49 |
| Euro | 131.01 | 138.79 | 141.24 | 10.23 | 2.45 |
| Renminbi | 17.03 | 18.98 | 19.38 | 2.35 | 0.40 |

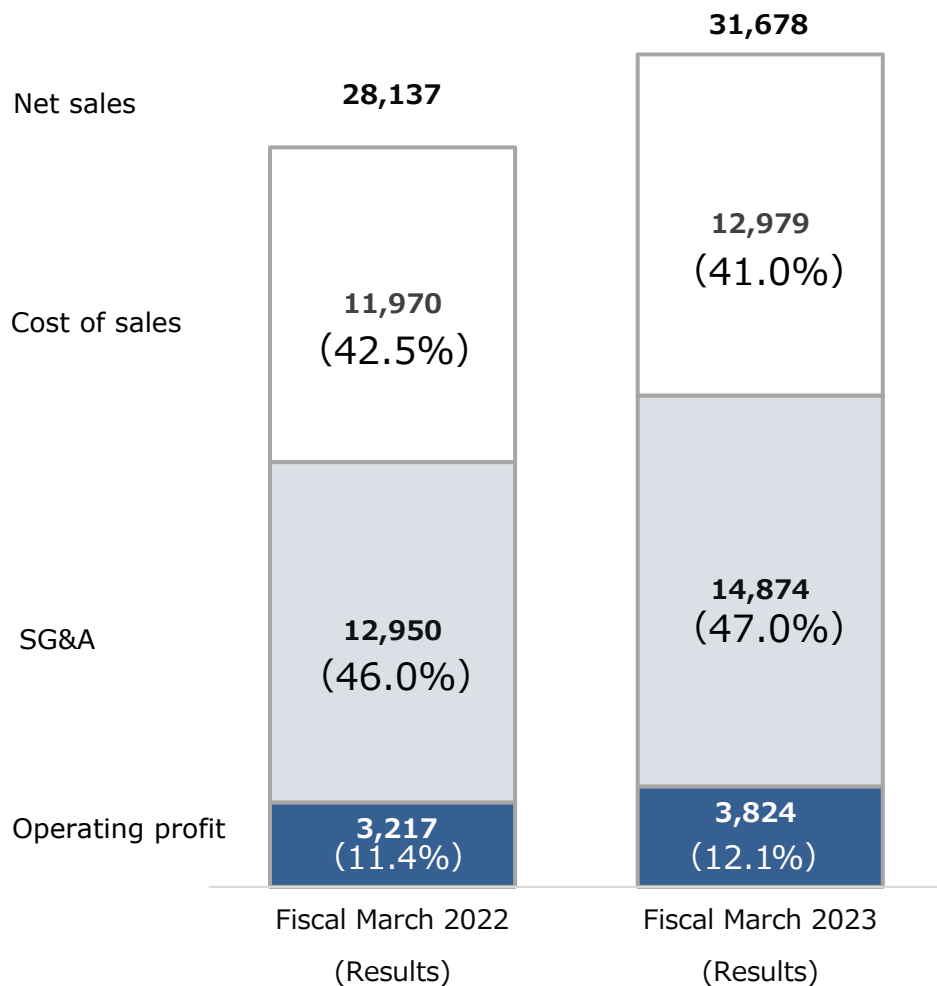
*Fiscal March 2023 forecasts are based on financial result forecasts announced on October 25th, 2022.

*Effect of foreign exchange fluctuations [Change from previous period] : Sales +1,878
[Change from Forecast] : Sales +160



Profit Structure <YoY Comparison>

Units: millions of yen, Composition ratio (%)



Net sales : +¥3,540 million +12.6%

Second consecutive year of sales growth (record high)

Steady growth even excluding the effect of foreign exchange rate fluctuations.

Operating income: +¥607 million +18.9%

Fourth consecutive year of increased profits (record high)

Gross profit increased due to higher sales, absorbed increase in SG&A expenses.

Cost of sales ratio: -1.5pt

Cost of sales ratio in overseas business decreased due to yen depreciation.

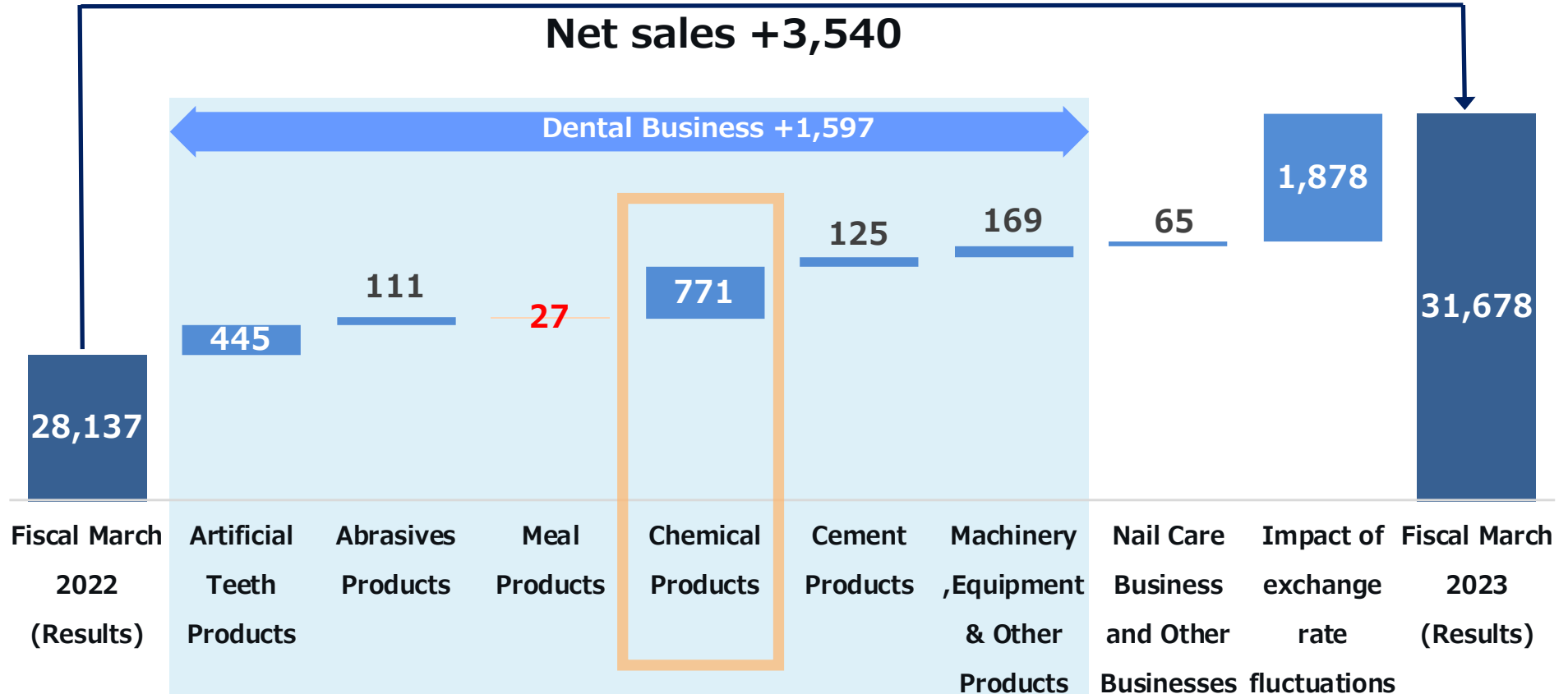
S.G.&A. expense ratio : +1.0pt

SG&A expenses increased due to resumption of proactive sales activities



Sales by Product Category <YoY change>

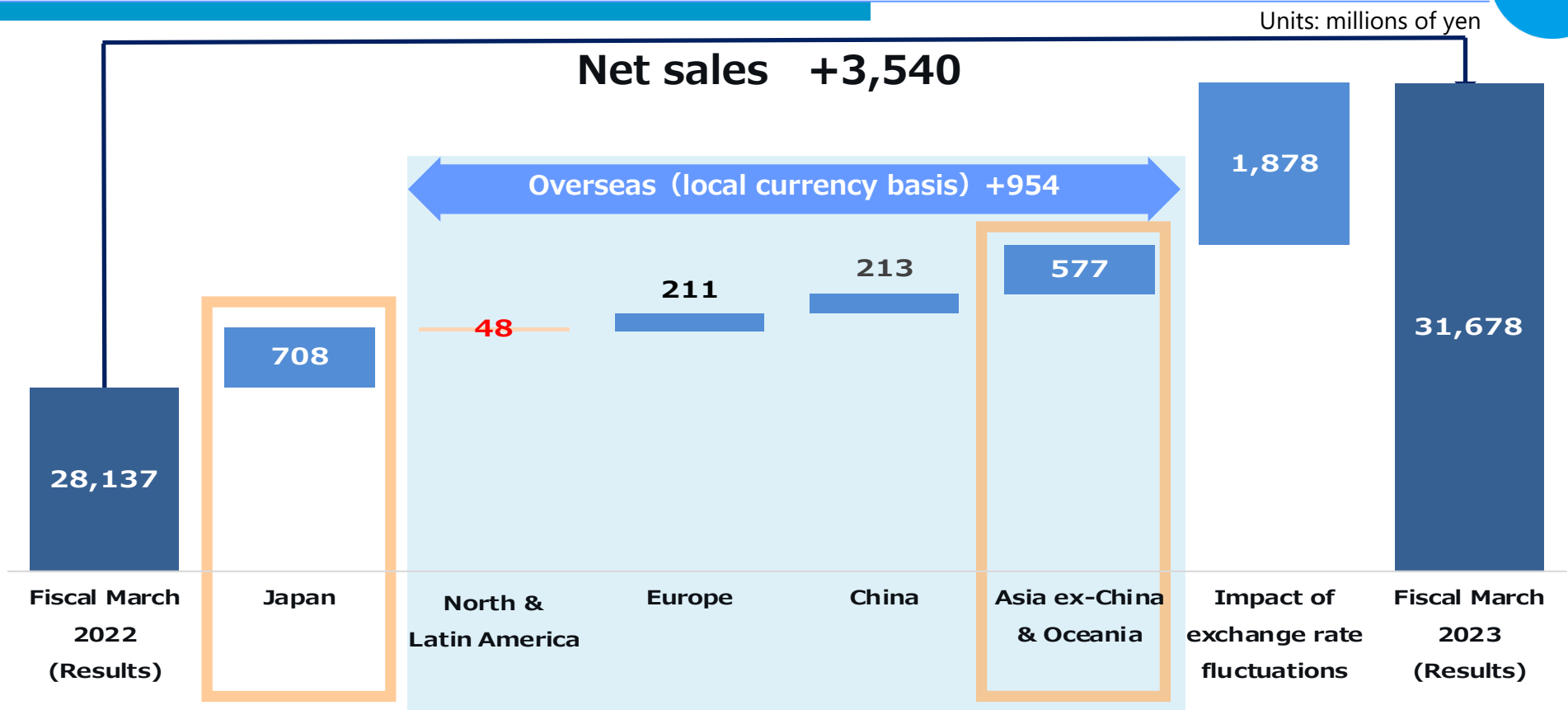
Units: millions of yen



- ✓ **Dental Business sales increased 6.2% yoy** (excluding forex impact)
- ✓ **Sales of Chemical Products increased 10.3% yoy** (excluding forex impact)
- ✓ **Sales of Artificial Teeth Product increased mainly due to zirconia materials and porcelain powder materials for CAD/CAM**



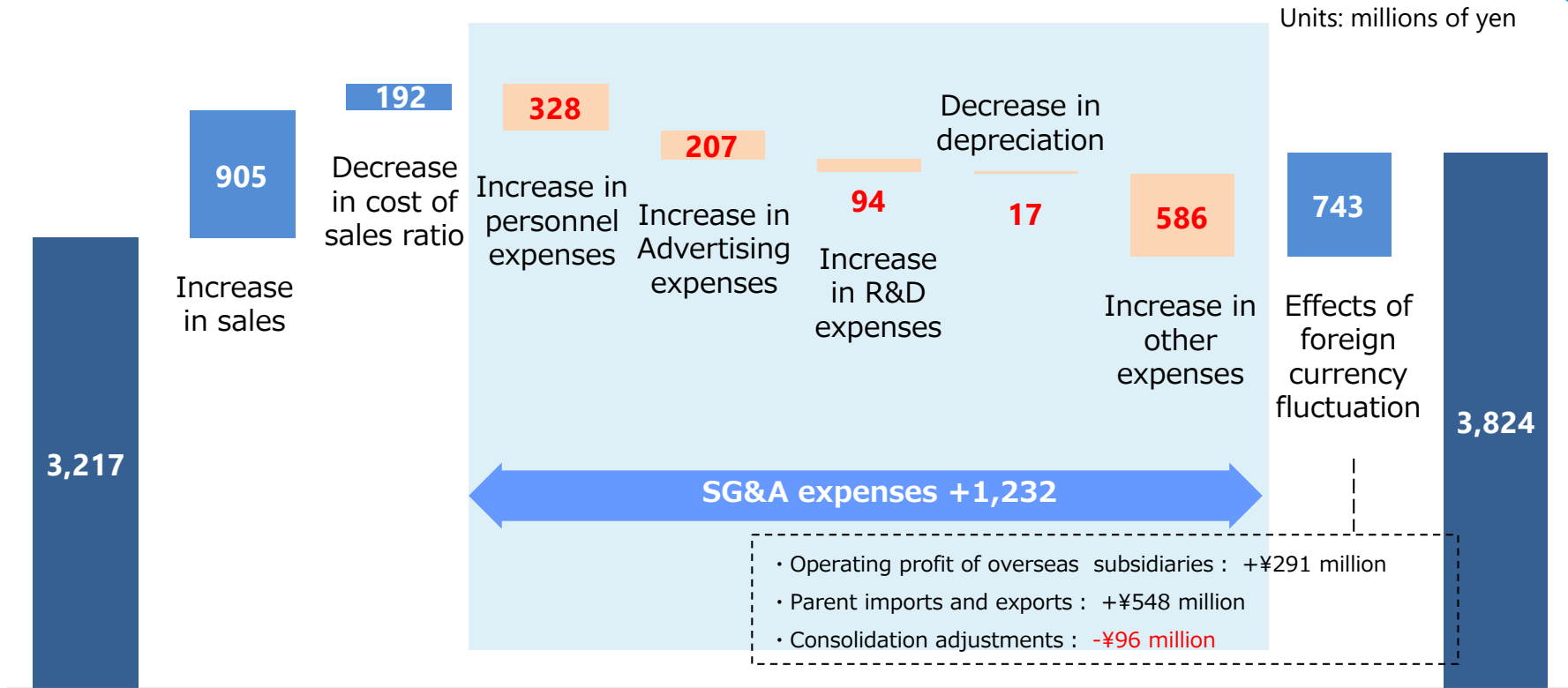
Sales by Region <YoY change>



- ✓ Steady Sales of Machinery and Equipment for CAD/CAM Systems in Japan
- ✓ Overseas, increased demand in India contributed significantly to sales
- ✓ Demand recovered to the level before the COVID-19 pandemic



Contributors to Change in Operating Profit <YoY change>



Increase in sales, decrease in cost of sales ratio and the effect of foreign exchange fluctuation (yen depreciation) absorbed the increase in SG&A expenses.

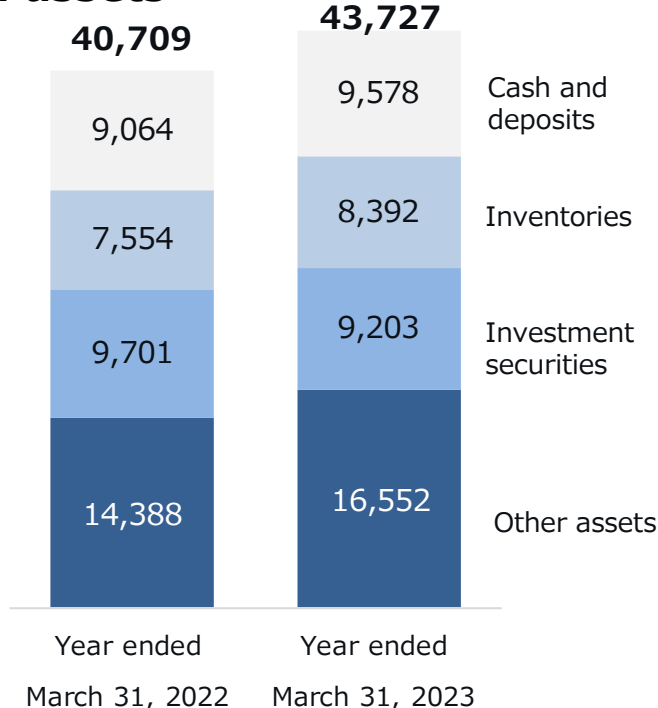
Balance Sheet

■ Summary of Full-Year Results for the Fiscal Year Ended March 31, 2023

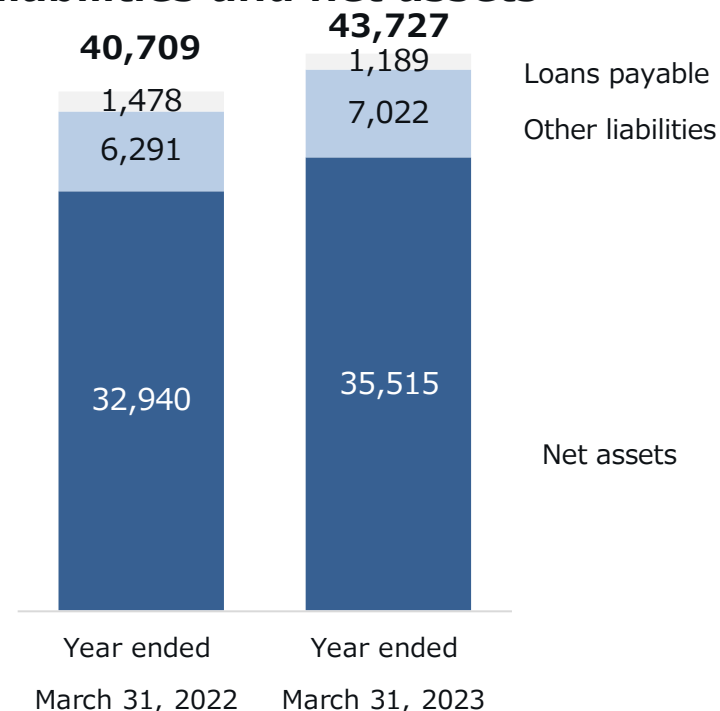
Units: millions of yen



Total assets



Total liabilities and net assets



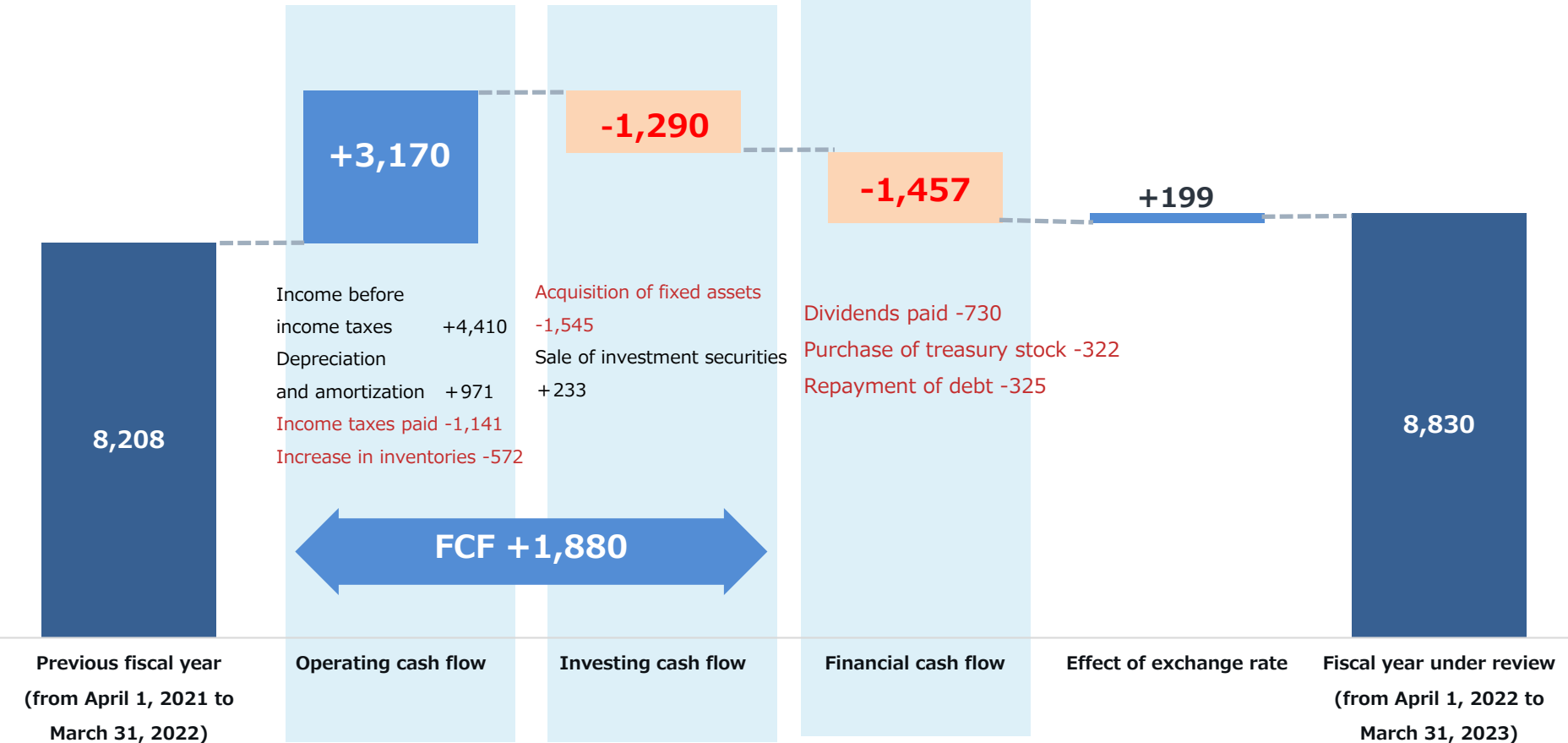
Finances are very sound and high equity is maintained

- ✓ Total assets (+3,017) : Tangible fixed assets increased due to construction of new building at Headquarters, inventories increased due to business expansion
- ✓ Total liabilities (+441) : Increase in accounts payable-facilities, decrease in loans payable
- ✓ Net assets (+2,575) : Increase in retained earnings due to increasing in net income



Cash Flows

Units: millions of yen



- ✓ With regard to holding investment securities, confirming capital efficiency and synergy effects on business as appropriate
- ✓ Actively return profits to shareholders through dividend payments and share buybacks

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2024



Summary of Full-Year Forecasts

- Global dental market expansion, strong demand expected mainly in emerging countries

→ **Sales to reach a record high for the third consecutive year**

- Aggressive investment in R&D, human resource development, and facilities to enhance corporate value
 - Strengthening sales activities following normalization of global economic activities
 - Higher costs due to rising raw material and energy prices
- **Decrease in operating profit, ordinary profit and net income**

- The backlog of orders that arose in the previous fiscal year when production could not cope with the surge in demand is expected to be eliminated in the current fiscal year.
- **Establish a structure and system to cope with future demand growth and business risks.**



Comparison of Major Indicators

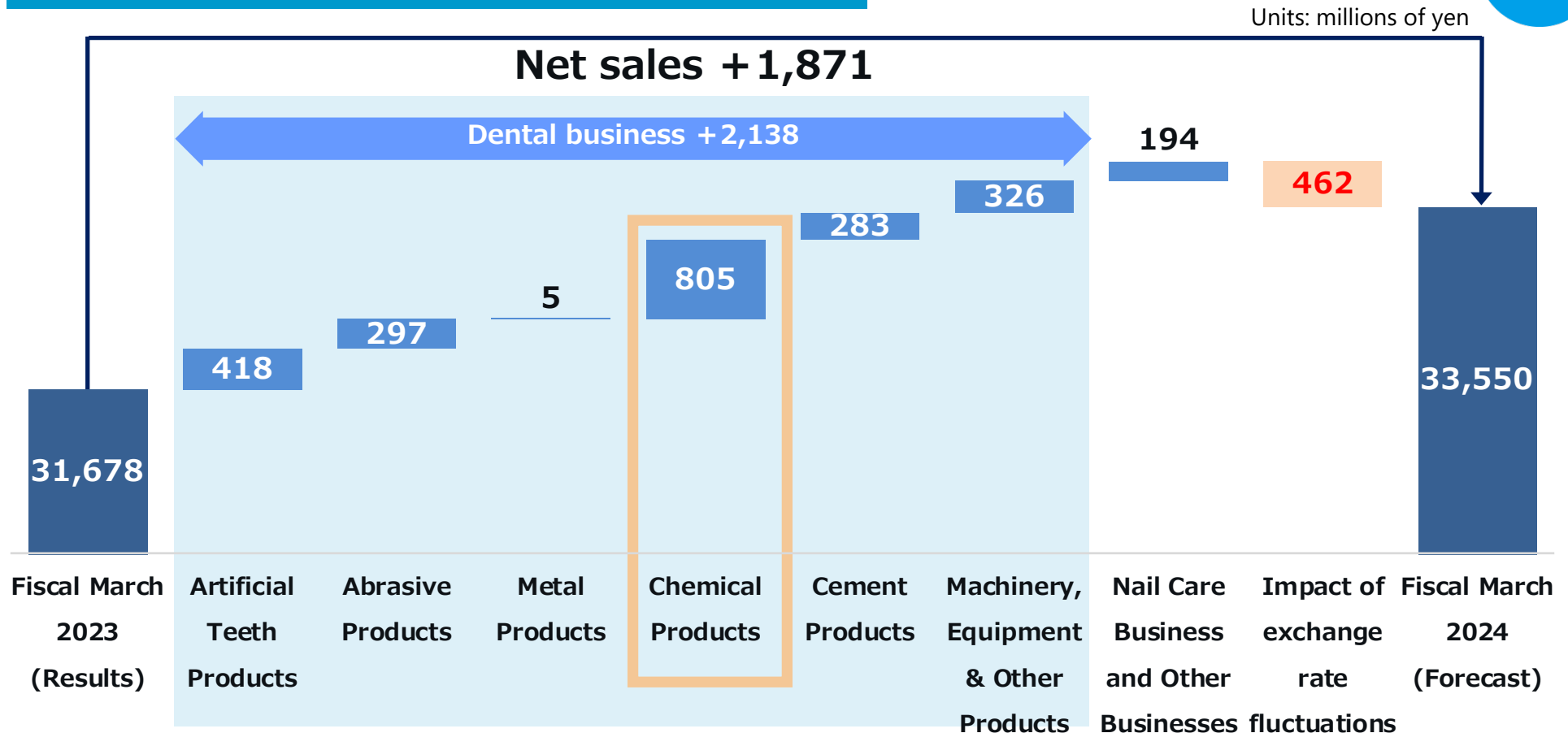
Units: millions of yen, %

| | Fiscal March 2023 Business Performance (% of sales) | | Fiscal March 2024 Forecast (% of sales) | | Change From Previous Period (% change) | |
|--------------------------------|---|---------|---|---------|--|---------|
| Net sales | 31,678 | (100.0) | 33,550 | (100.0) | 1,871 | (5.9) |
| (Domestic sales) | 14,282 | (45.1) | 14,897 | (44.4) | 615 | (4.3) |
| (Overseas sales) | 17,396 | (54.9) | 18,652 | (55.6) | 1,255 | (7.2) |
| Operating profit | 3,824 | (12.1) | 3,820 | (11.4) | - 4.0 | (-0.1) |
| Ordinary profit | 4,238 | (13.4) | 3,938 | (11.7) | - 299.0 | (-7.1) |
| Net income | 3,135 | (9.9) | 2,769 | (8.3) | - 365.0 | (-11.7) |
| Net income per share | 176.10yen | | 156.46yen | | -19.64yen | |
| Return on shareholders' equity | 9.2% | | 7.7% | | -1.6P | |
| Foreign exchange rates | | | | | | |
| US dollar | 134.95 | | 130.00 | | -4.95 | |
| Euro | 141.24 | | 140.00 | | -1.24 | |
| Renminbi | 19.38 | | 19.00 | | -0.38 | |

*Effect of exchange rate fluctuations (Change from previous period): Sales -462, Operating profit -184.



Sales by Product Category <YoY change>

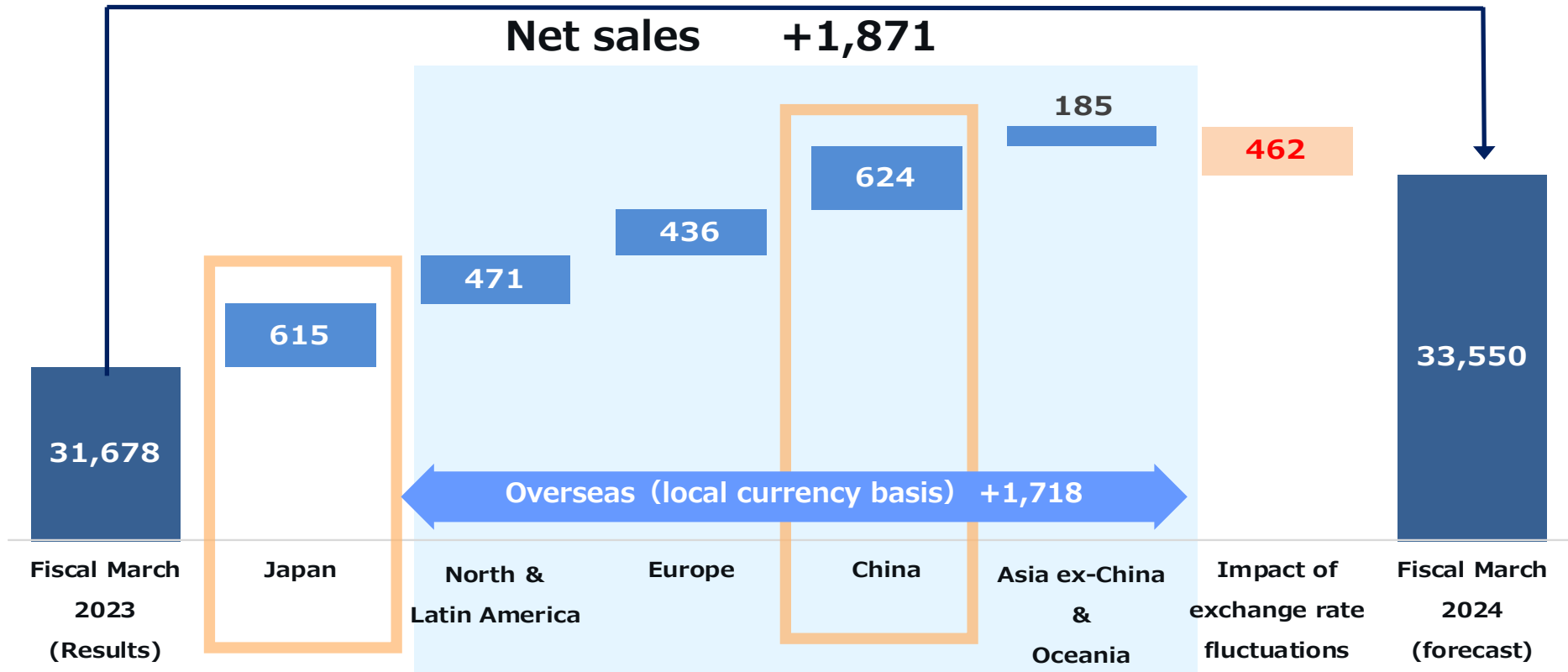


- ✓ Dental Business is expected to increase sales by ¥2,138 million (7.3%) yoy.
- ✓ Chemical Products is expected to be a strong driver of sales growth with an increase of ¥805 million (9.6%) yoy.



Sales by Region <YoY change>

Units: millions of yen

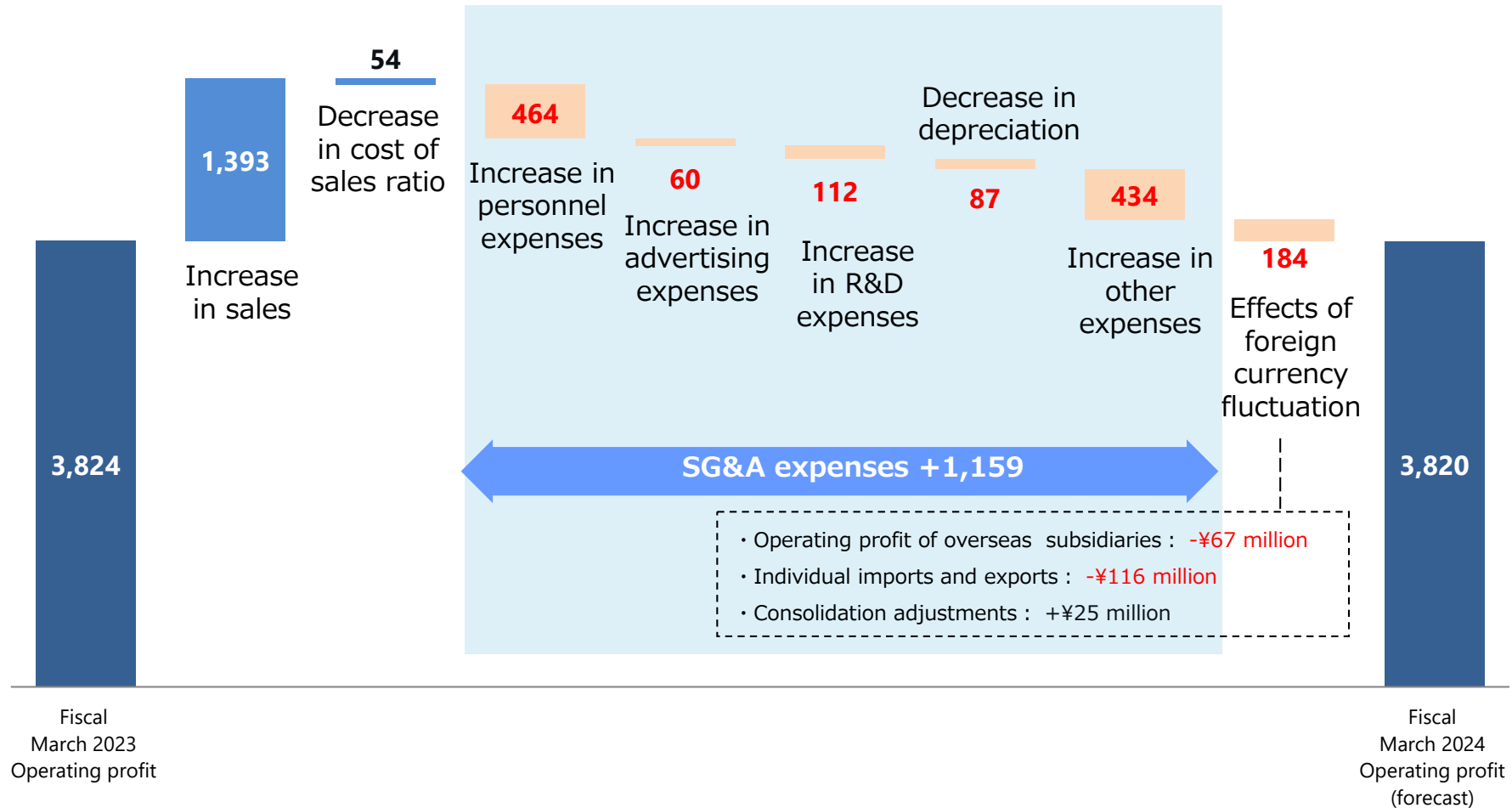


- ✓ Domestic sales to remain steady under stable demand
- ✓ Overseas sales to grow organically by ¥1,718 million (9.9%) YOY (excluding exchange rate effects)
- ✓ Recovery of demand in North & Latin America and China to drive overseas sales significantly



Contributors to Change in Operating Income <YoY change>

Units: millions of yen



Increase in SG&A expenses due to upfront investments in personnel, sales activities and R&D etc. for business expansion



Impact of Exchange Rate Fluctuations

Forecast for Fiscal March 2024

(Unit: millions of yen)

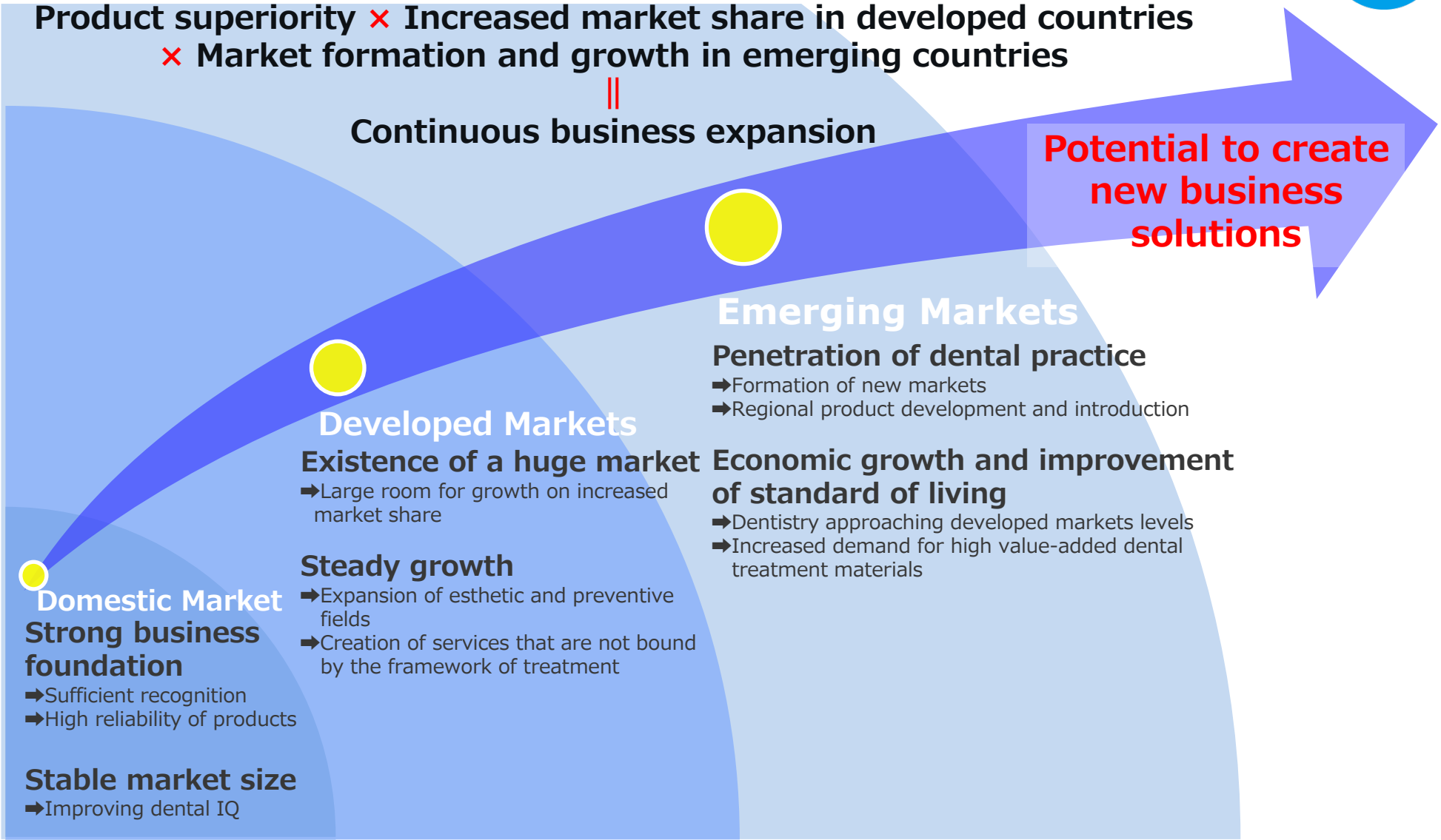
| | Foreign exchange rate | | Impact on consolidated business performance | | Per yen of yen strength | |
|-----------|--------------------------|----------------------------|---|------------------|-------------------------|------------------|
| | Fiscal March 2023 result | Fiscal March 2024 forecast | Sales | Operating profit | Sales | Operating profit |
| US dollar | 134.95 | 130.00 | -207 | -71 | -41 | -17 |
| Euro | 141.24 | 140.00 | -52 | -16 | -42 | -14 |
| RMB | 19.38 | 19.00 | -89 | -95 | -236 | -154 |

✓ Forecasting a slight appreciation of the yen compared to the previous fiscal year

Future Business Environment and Medium and Long-term Business Strategies



Business Environment and Future Prospects





Sources of Competitiveness and Corporate Value

Proprietary technologies and R&D structure

Ratio of R&D expenses to net sales: **5.8%**

Ratio of R&D personnel: **18.7%**

Number of patents held: **423**

Ratio of sales of new products to net sales: **15.7%**

Highly-trusted SHOFU brand and worldwide sales network

Competitive product lineup

Artificial Teeth Products: **37.0%**

Abrasive Products: **46.3%**

Number of countries where our products are sold/number of distributors:

**Approx. 100 countries/
approx. 1,000 companies**

Number of members of Shofu Dental Club:

16,467

Corporate Philosophy

Contribution to dentistry through innovative business activities

~ Proven products for better dentistry ~

Production technology and quality assurance system

Number of items handled:
Approx. 20,000 items

Number of countries where pharmaceutical approval has been obtained: **85 countries**

Global production network:

4 bases in Japan

5 bases in overseas

Human resources supporting SHOFU

Number of group employees:

663 persons in Japan

636 persons overseas

Total number of specialists with expert knowledge (employees qualified as dentists, dental hygienists, dental technicians, pharmacists and others): **66 persons**

Average years of service (parent basis)

17.41 years (men) 15.39 years (women)



Vision for Our Company: Medium-to Long-term Basic Policy

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

Group net sales: ¥50 billion
<Domestic sales: ¥17 billion;
overseas sales: ¥33 billion>

Group operating profit: ¥7.5 billion
(Operating profit margin: 15%)

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



Fiscal 2021 to 2023 Medium-term Management Plan

Company-wide targets in the fiscal year ending March 2024

| | | |
|-----------------------------|---------------|-----------------|
| Group net sales | ¥33.5 billion | +¥2.0 billion * |
| Overseas dental sales ratio | 55.6% | +1.2pt * |
| Group operating income | ¥3.82 billion | +¥30 million * |
| Operating profit margin | 12.0% | |
| ROE | 8.0% | |

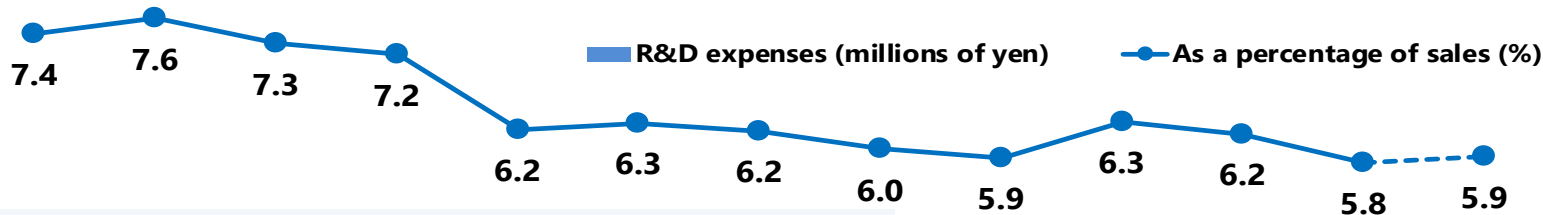
Key issues to achieve goals

*compared with the target of the Medium-term Management Plan

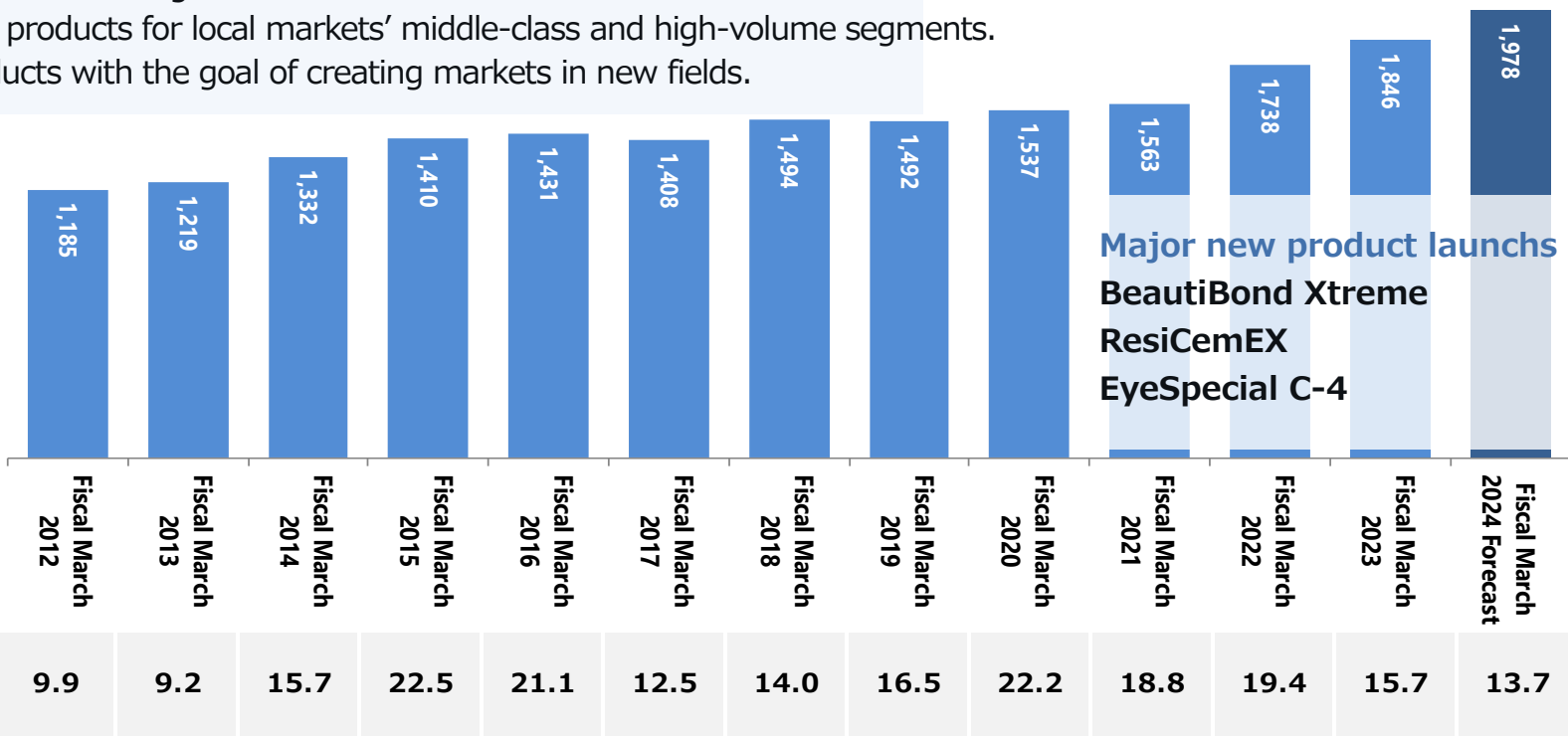
| | | |
|------------|---|--|
| R&D | Development and introduction of new products that match local demand | <ul style="list-style-type: none"> • Synergies from business tie-up with Mitsui Chemicals and Sun Medical • Promotion of M&A • Establishment of group governance system |
| Production | Reallocation of production sites and expansion of overseas production | |
| Sales | Improvement of our sales network/ realignment of sales offices Establishment of domestic and international academic networks | |
| HR | Development of and securing of global talent | |
| Finance | Capital procurement in response to increasing investment demands | |



Specific Initiatives – R&D



- ✓ Developing products with a global vision.
- ✓ Developing new products for local markets' middle-class and high-volume segments.
- ✓ Developing products with the goal of creating markets in new fields.



Ongoing R&D, target 20% new product (within 36 months of launch) sales ratio



Specific Initiatives – Production

Aiming to strengthen international competitiveness by improving production and sales efficiency

Domestic production facilities



Shiga Shofu
(Shiga)



Shofu Products Kyoto
(Kyoto)



Shofu Headquarters
(Kyoto)

- Better delivery service to users
- Relieving Shofu Headquarters plant production constraints
- Reducing production costs
- Reduce high shipping costs for hazardous goods
- Avoid impact of currency fluctuations
- Avoid high tariff.

- ✓ Continued proactive capital investment
- ✓ Improve production and sales efficiency

Status of consideration or implementation

- Expansion of production at the Headquarters plant
- Transfer of production between domestic bases
- Transfer of some products/processes overseas
- Expansion of overseas production



Advanced Healthcare
LTD. (UK)



SHOFU Products Vietnam
(Vietnam)



Merz Dental GmbH
(Germany)



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

Overseas production facilities



Specific Initiatives – Sales

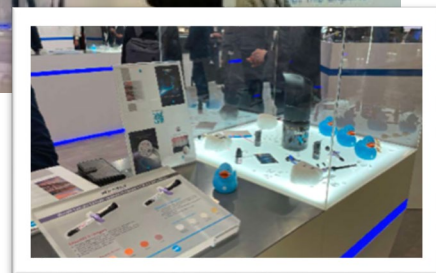
Raise awareness of our products in the dental industry in Japan and overseas.

- Expansion sales network & Development of sales base
- Building domestic and overseas academic networks
- Holding seminars and participating in various exhibitions

Shofu Digital Denture Conferences 2023 (Feb. 2023 Tokyo)



IDS 2023 (March 2023 Germany)



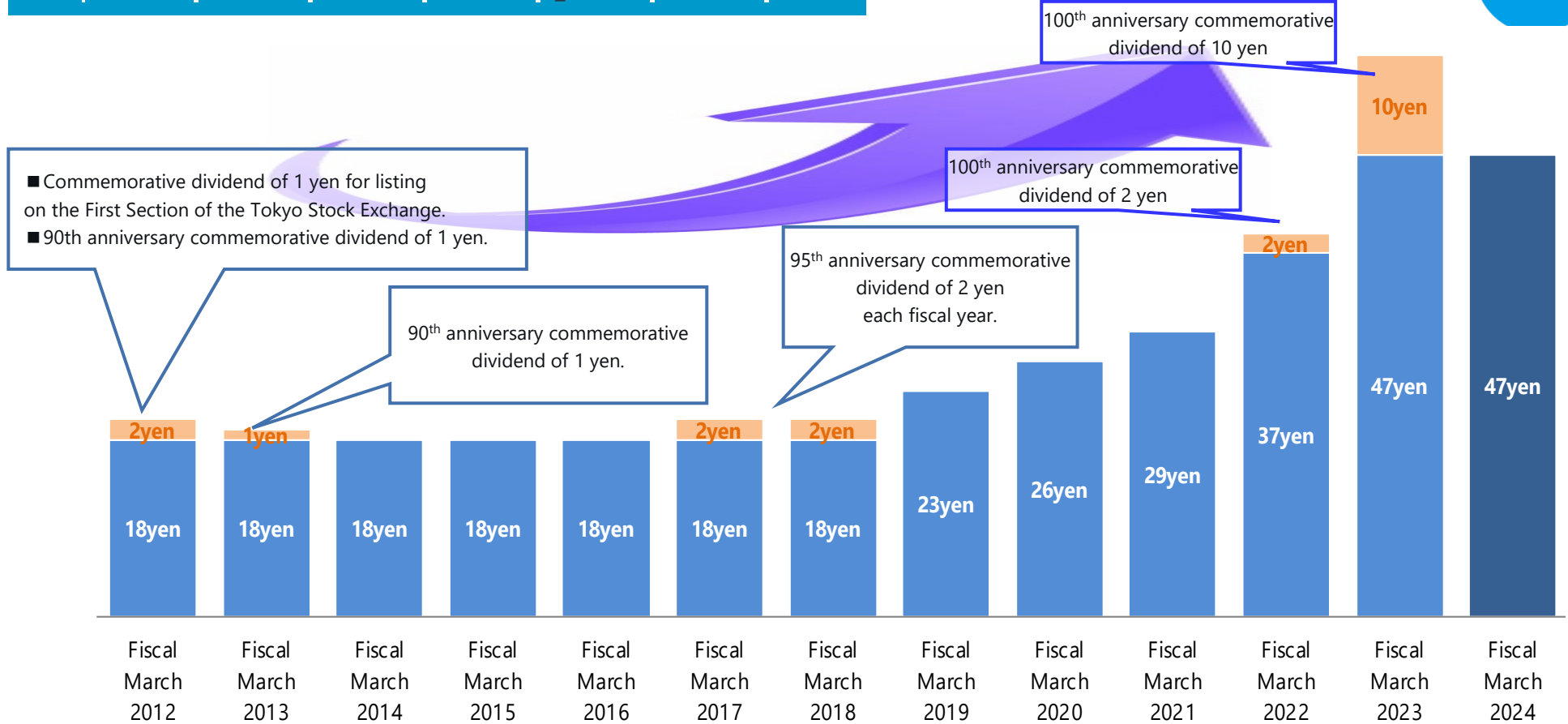
Enhancement of Business and Capital Tie-up with Mitsui Chemicals and Sun Medical



- Capital tie-up
 - Shofu issued 1,780,000 new shares in a third-party allocation Mitsui Chemicals (MCI) received these charges (total value of ¥2,988 million)
 - 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 dispatched one non-executive director to Shofu's board
 - Shofu dispatched one non-executive director to Sun Medical's board



Dividend Policy



★Dividend Payout Ratio(Consolidated)

| ★(%) | 63.0 | 1,623.9 | 56.7 | 49.4 | 36.4 | 38.0 | 36.2 | 30.4 | 58.8 | 30.1 | 27.2 | 32.4 | 30.0 |
|--------|------|---------|------|------|------|------|------|------|------|------|------|------|------|
| DOE(%) | 1.8 | 2 | 1.5 | 1.4 | 1.3 | 1.5 | 1.4 | 1.5 | 1.7 | 1.8 | 2.2 | 3.0 | |

[Target] Consolidated dividend payout ratio: 30% or more DOE: 1.7%



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 people's higher QOL | <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"> ■ Contribution to a recycling-based 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 | |

Topics

Completion of New Company Building [Ayumi Terrace]

Creating opportunities for business negotiations and interaction through new showroom



Showroom Entrance

- **Showroom**
 - **Display and experience products handled**
 - **Historical exhibits and collection of dental materials**
- Employee welfare facilities
- Office floor



Historical Exhibits



Displays of our products



CAD/CAM related products area

Super-Bond™ Dental Adhesive to Launch in Brazil

Three-way business partnership between SHOFU, SUN MEDICAL and Mitsui Chemicals

- Shofu Dental Brasil Comercio de Produtos Odontologicos Ltda. a sales subsidiary of SHOFU, will launch Brazilian sales of SUN MEDICAL's Super-Bond™ dental adhesive.
- Starting with an exhibition at CIOCE 2023 – an international dentistry conference set to be held in Fortaleza over May 6–9, 2023 – efforts will be made to gradually introduce the product across the country via marketing at seminars and other such venues.



※Product Photo Examples

Changes of Directors and Executive Officers

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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**The pages below are provided only for your reference.
The information on these pages will not be covered in the
Financial Analyst Meeting.**

Appendix

(Summary of the Company Profile and its Businesses)



Company Profile

| | | |
|-----------------------------|--|------------------------|
| ■ Company name | SHOFU Inc. | (As of March 31, 2023) |
| ■ 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 | 476 (entire group: 1299, including 636 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 Business companies: 17 (four in Japan, thirteen overseas) Nail Care Business companies: 3 (one in Japan, two overseas) | |



The Origin of Our Company - A Venture Business in the Beginning



Kajo Shofu I

Ceramist
Kiln at the base of the Kiyomizu-zaka
in Kyoto (1830)

Kajo Shofu II

- Worked at Kyoto Toki Co., Ltd. (Establishment in 1887)
- Dedicated to the industrialization of pottery for export

<The founder>

Kajo Shofu III



- Born in Seto City, Aichi Prefecture (1870)
- Worked at Kyoto Toki Co., Ltd.

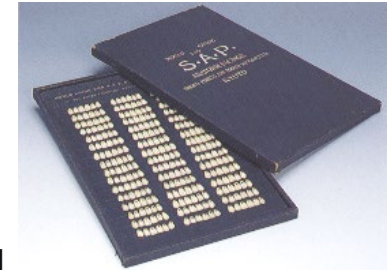
Establishment of
Shofu Porcelain Joint Enterprise
(1906)

Reorganized and changed
company name
to Shofu Industrial Co., Ltd.
(1917)

Established as a sister company

SHOFU DENTAL Mfg. Co., Ltd.
(1922)
Change to the current name
(1983)

- Succeeded in manufacturing Japan's first high-voltage insulators (1905)
- Manufacture of ceramics for export
- Manufacture of high voltage insulators
- Conversion to a military company by national policy during the World War Two
- Dissolved in 1965.



- Developed and released "SHOFU Anatom form porcelain tooth", the first high-quality artificial teeth made in Japan.
- Subsequently, the company expanded its business domain to related materials, leading to its current business format.



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. 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. |
| 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. |

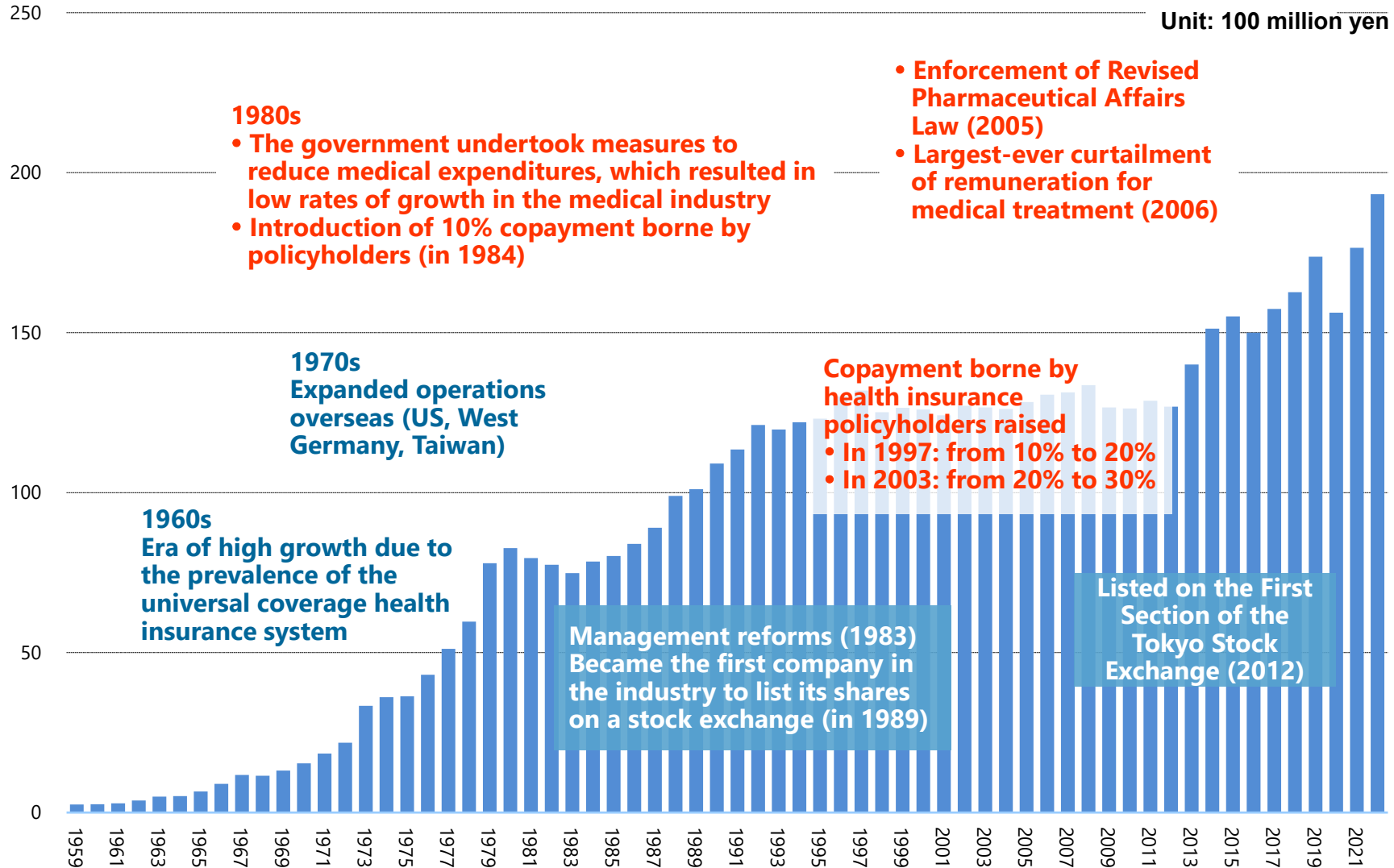


Corporate History (2)

| | |
|------|---|
| 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 Brazil |
| | Established a subsidiary in India |
| 2019 | New plant for Merz Dental GmbH. Completed |
| | Established a subsidiary in U.S. |
| 2020 | Established a subsidiary in Vietnam |
| | Enhancement of business and capital tie-up with Mitsui Chemicals, Inc.,(MCI) and Sun Medical Co., Ltd.(SMC) |
| | Shofu issued 1,780,000 new shares in a third-party allocation and MCI received these charges. |
| | Shofu acquired 20% of MCI's 70% shareholding in SMC. (Shofu became MCI's equity-method affiliate. / SMC became Shofu's equity-method affiliate.) |
| 2023 | Completion of new company building [Ayumi Terrace |



Corporate History (3)- Sales



(Note) Amounts are non-consolidated (parent) sales.

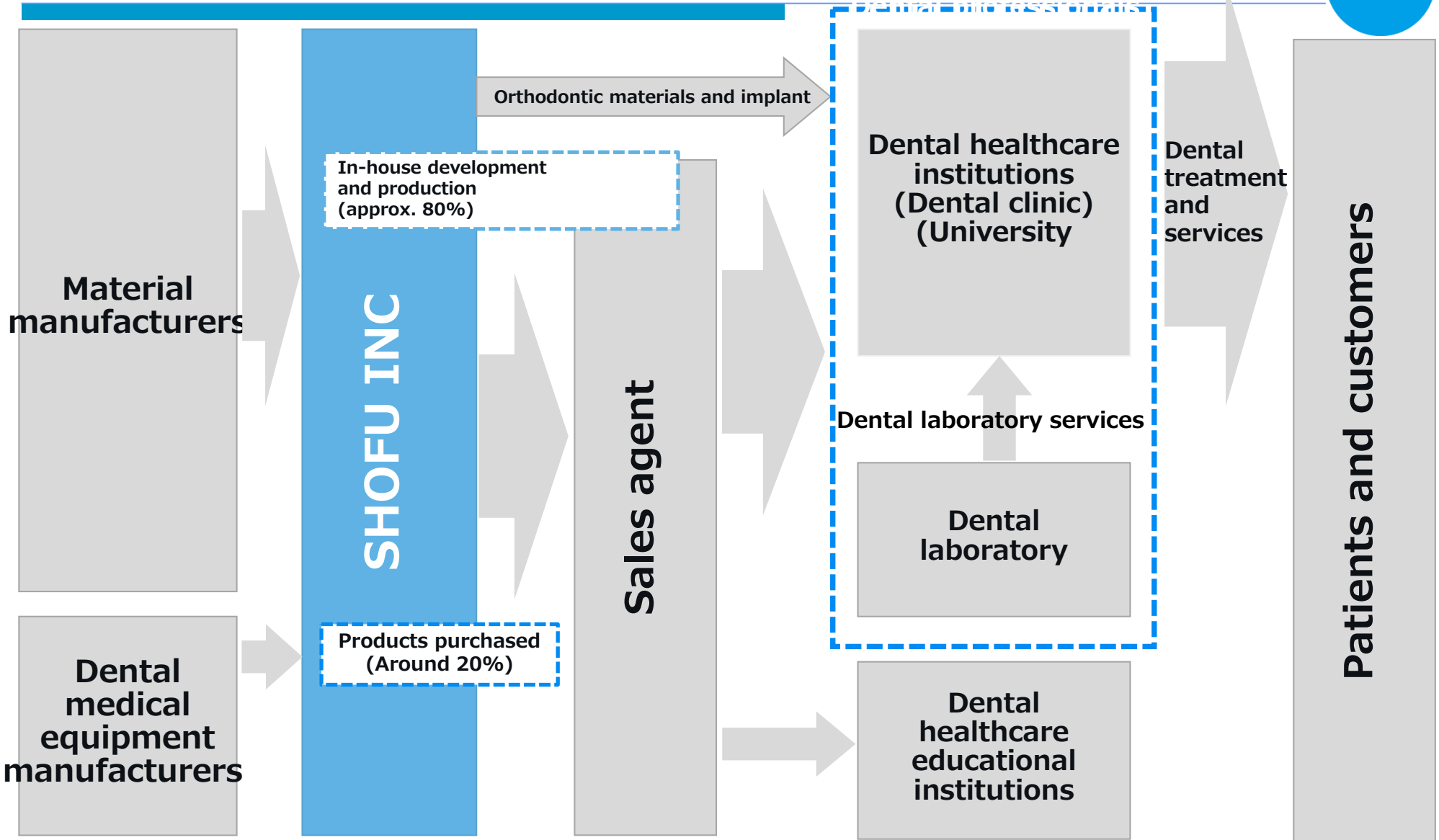


Group Overview [Domestic & Overseas Bases]

| | Consolidated subsidiaries | | | Sales outlets |
|--------|--|--|---|--|
| | Dental Business production subsidiaries | Dental Business sales subsidiaries | Nail Care Business subsidiaries | Dental Business |
| Japan | Shiga SHOFU Inc. SHOFU Products Kyoto Inc. 【Equity-method affiliate】 Sun Medical Co., | SHOFU BIOFIX INC. | Nail Labo Corporation [Production・Sales] | Tokyo Branch Sapporo Sendai Nagoya Kyoto Osaka Fukuoka |
| U.S.A. | | SHOFU Dental Corporation Smart Dentistry Solutions Inc. SHOFU Mexico SHOFU Dental Brasil Comercio De Produtos Odontologicos Ltda | Nail Labo Inc. [Sales] | |
| Europe | Merz Dental GmbH Digital Dental Service GmbH Advanced Healthcare Ltd. | SHOFU Dental GmbH | | SHOFU UK SHOFU Italy |
| Asia | SHANGHAI SHOFU DENTAL MATERIAL CO.,LTD. SHOFU Products Vietnam Co., Ltd. | SHOFU DENTAL TRADING (SHANGHAI) CO.,LTD. SHOFU Dental Asia-Pacific Pte. Ltd. SHOFU Dental India Pvt. Ltd. | Nail Labo Taiwan [Sales] | SHOFU Taiwan |
| Total | 7 subsidaries + 1 affiliate [Domestic 3, overseas 5] | 9 subsidaries [Domestic 1, overseas 8] | 3 subsidiaries [Domestic 1, overseas 2] | |



Business Model - Dental Business





Performance by Segment (Net sales and Operating profit)

Units: millions of yen, %

| | | Fiscal March 2022 (Results) Amount (% of sales) | Fiscal March 2023 (Forecast) Amount (% of sales) | Fiscal March 2023 (Results) Amount (% of sales) | Change from Previous Period | Change from Forecast |
|--|--|---|--|---|-----------------------------------|-------------------------|
| Dental | Net sales | 25,876 | 28,904 | 29,238 | 3,361 | 333 |
| | Operating profit (Operating profit margin) | 3,065 (11.8) | — | 3,719 (12.7) | 654 | — |
| Nail Care | Net sales | 2,168 | 2,296 | 2,345 | 177 | 48 |
| | Operating profit (Operating profit margin) | 131 (6.1) | — | 93 (4.0) | -38 | — |
| Other | Net sales | 99 | 92 | 100 | 1 | 8 |
| | Operating profit (Operating profit margin) | 14 (14.2) | — | 5 (5.4) | -8 | — |
| Total before consolidation adjustment | Net sales | 28,144 | 31,294 | 31,684 | 3,540 | 390 |
| | Operating profit (Operating profit margin) | 3,211 (11.4) | — | 3,818 (12.1) | 607 | — |
| Consolidated | Net sales | 28,137 | 31,294 | 31,678 | 3,540 | 384 |
| | Operating profit (Operating profit margin) | 3,217 (11.4) | 3,750 (12.0) | 3,824 (12.1) | 607 | 74 |



Sales by Product Category (Comparison with Previous Period)

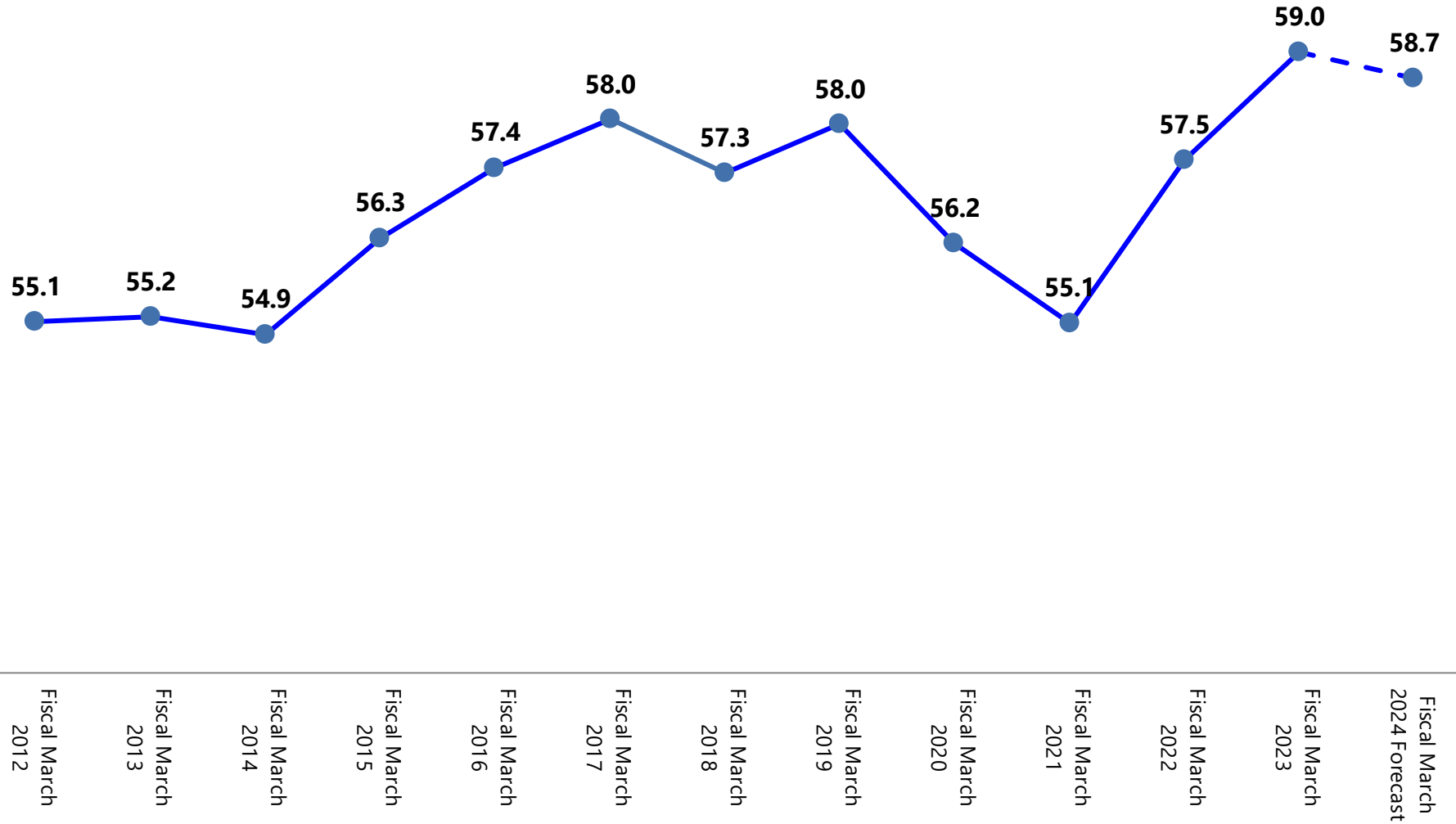
Units: millions of yen, %

| | Fiscal March 2022 (Results) | Fiscal March 2023 (Results) | Change from previous period | | |
|---------------------------|-----------------------------------|-----------------------------------|-----------------------------|------------|--------------|
| | | | | Domestic | Overseas |
| Artificial Teeth Products | 5,229 | 6,112 | 882 (16.9) | 106 | 775 |
| Abrasive Products | 4,540 | 5,041 | 501 (11.0) | 29 | 471 |
| Metal Products | 215 | 187 | -27 (-12.6) | -27 | 0 |
| Chemical Products | 7,529 | 8,972 | 1,443 (19.2) | 80 | 1,363 |
| Cement and Others | 2,373 | 2,664 | 291 (12.3) | 4 | 287 |
| Equipment and Others | 5,988 | 6,259 | 270 (4.5) | 501 | -231 |
| Dental Business total | 25,876 | 29,238 | 3,361 (13.0) | 694 | 2,666 |
| Nail Care Business | 2,168 | 2,345 | 177 (8.2) | 11 | 165 |
| Other Businesses | 92 | 95 | 2 (2.5) | 2 | - |
| Total | 28,137 | 31,678 | 3,540 (12.6) | 709 | 2,831 |



Gross Profit Margin Trends

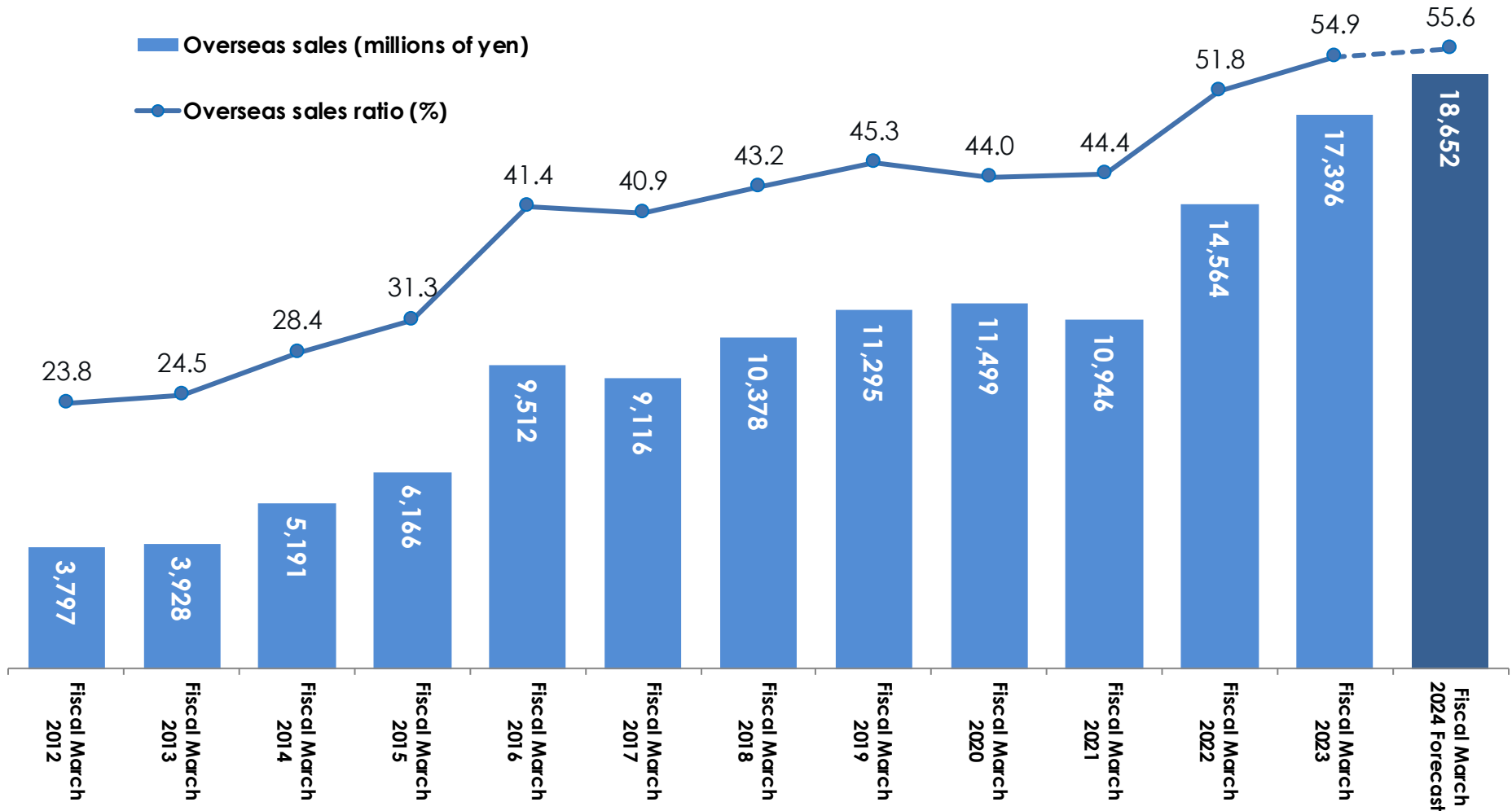
Unit: %





Overseas Sales and Overseas Sales Ratios Trends

Overseas sales have increased approximately 4.9 times in the last 12 years



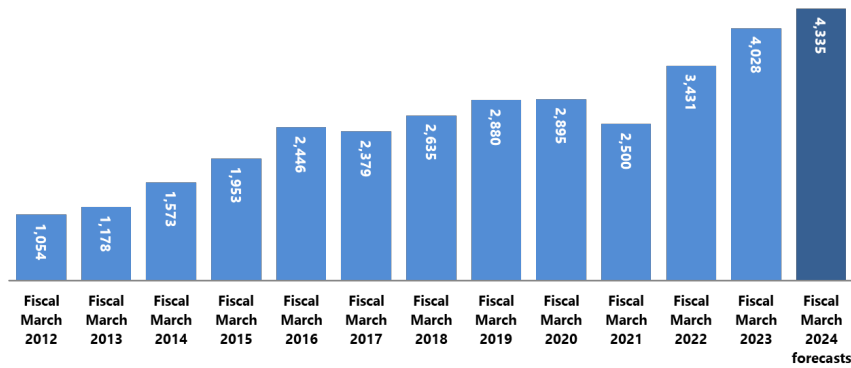


Trends for Sales by Region

Units: millions of yen

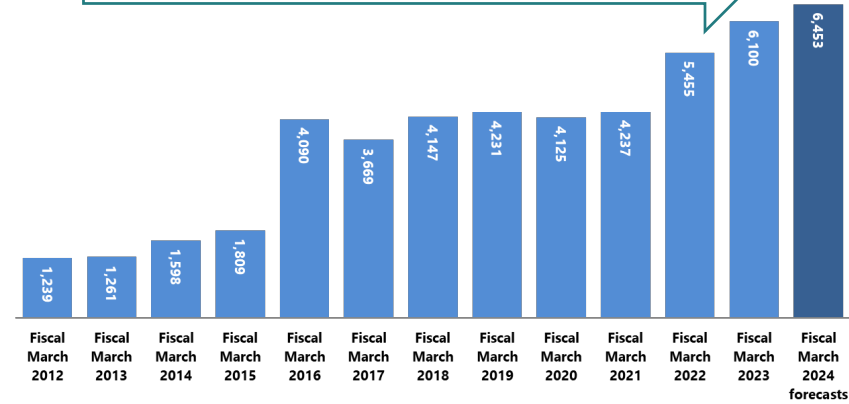
North & Latin America Sales

CAGR 13.0%



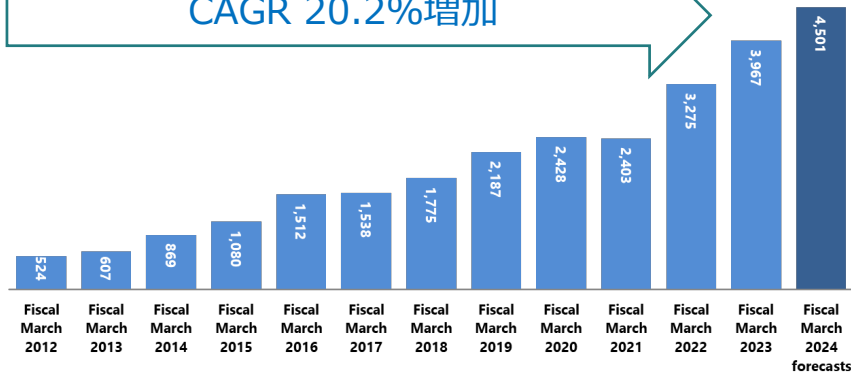
Europe Sales

CAGR 15.6%



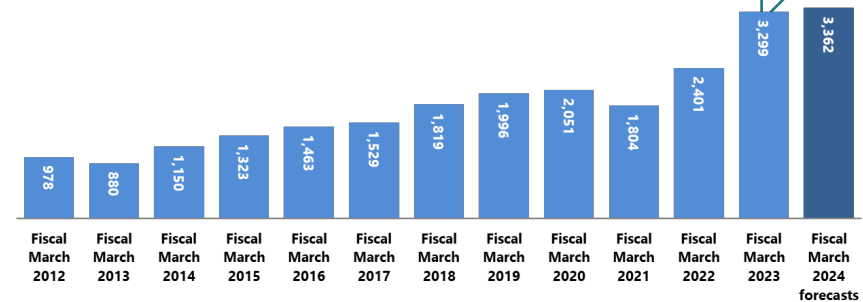
China Sales

CAGR 20.2%增加



Asia ex-China Sales

CAGR 11.7%





Medium-term Management Plan: Main Targets

Units: millions of yen

| | Fiscal March | Mid-term Management Plan | | | | Fiscal March | Fiscal March |
|--|--------------------------|-----------------------------------|---------------------------|----------------------------|----------------------------|---------------------------|--------------|
| | 2021 (Results) | Fiscal March 2022 (Results) | Fiscal March 2023 | Fiscal March 2024 | 2023 (Results) | 2024 (Forecasts) | |
| Net sales (Change from Previous Period) | 24,680 (△5.5%) | ★ 28,137 (14.0%) | ★ 29,314 (4.2%) | ★ 31,509 (7.5%) | ★ 31,678 (12.6%) | ★ 33,550 (5.9%) | |
| (Domestic sales) (Change from Previous Period) | 13,733 (△6.0%) | ★ 13,573 (△1.2%) | ★ 14,182 (4.5%) | ★ 14,840 (4.6%) | 14,282 (5.2%) | ★ 14,897 (4.3%) | |
| (Overseas sales) (Change from Previous Period) | 10,946 (△4.8%) | ★ 14,564 (33.1%) | ★ 15,132 (3.9%) | ★ 16,669 (10.2%) | ★ 17,396 (19.4%) | ★ 18,652 (7.2%) | |
| Operating income (Percentage of sales) | 2,300 (9.3%) | ★ 3,217 (11.4%) | 2,732 (9.3%) | ★ 3,791 (12.0%) | ★ 3,824 (12.1%) | 3,820 (11.4%) | |
| Ordinary income (Percentage of sales) | 2,523 (10.2%) | ★ 3,658 (13.0%) | 2,850 (9.7%) | ★ 3,927 (12.5%) | ★ 4,238 (13.4%) | 3,938 (11.7%) | |
| Net income (Percentage of sales) | 1,674 (6.8%) | ★ 2,546 (9.1%) | 1,975 (6.7%) | ★ 2,764 (8.8%) | ★ 3,135 (9.9%) | 2,769 (8.3%) | |
| Dental business Overseas sales | 45.1% | ★ 52.8% | ★ 53.1% | ★ 54.4% | ★ 55.9% | ★ 56.9% | |

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



Medium-term Management Plan by Segment

Units: millions of yen, %

| | Fiscal March 2021 | | Medium-Term Management Plan | | | | | | Fiscal March 2023 | | Fiscal March 2024 | |
|-------------------------|-------------------|--------------|-----------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|-------------------|--------------|-------------------|--------------|
| | | | Fiscal March 2022 (Results) | | Fiscal March 2023 (Forecasts) | | Fiscal March 2024 (Forecasts) | | | | | |
| | Amout | % | Amout | % | Amout | % | Amout | % | Amout | % | Amout | % |
| Dental Business | 22,334 | 90.5 | 25,876 | 92.0 | 26,730 | 91.2 | 28,782 | 91.3 | 29,238 | 92.3 | 31,000 | 92.4 |
| Nail Care Business | 2,268 | 9.2 | 2,168 | 7.7 | 2,479 | 8.5 | 2,606 | 8.3 | 2,345 | 7.4 | 2,424 | 7.2 |
| Other Businesses | 81 | 0.3 | 92 | 0.3 | 104 | 0.4 | 120 | 0.4 | 95 | 0.3 | 124 | 0.4 |
| Net sales | 24,685 | 100.0 | 28,137 | 100.0 | 29,314 | 100.0 | 31,509 | 100.0 | 31,678 | 100.0 | 33,550 | 100.0 |
| Dental Business | 2,091 | 9.4 | 3,065 | 11.8 | 2,598 | 9.7 | 3,612 | 12.6 | 3,715 | 12.7 | 3,663 | 11.8 |
| Nail Care Business | 201 | 8.9 | 131 | 6.1 | 125 | 5.1 | 166 | 6.4 | 97 | 4.2 | 133 | 5.5 |
| Other Businesses | 2 | 2.6 | 14 | 15.1 | 7 | 7.5 | 12 | 10.5 | 5 | 5.7 | 23 | 18.5 |
| Operating profit | 2,294 | 9.3 | 3,211 | 11.4 | 2,732 | 9.3 | 3,791 | 12.0 | 3,824 | 12.1 | 3,820 | 11.4 |

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



Medium-term Management Plan: Capex, Depreciation, R&D

Units: millions of yen, %

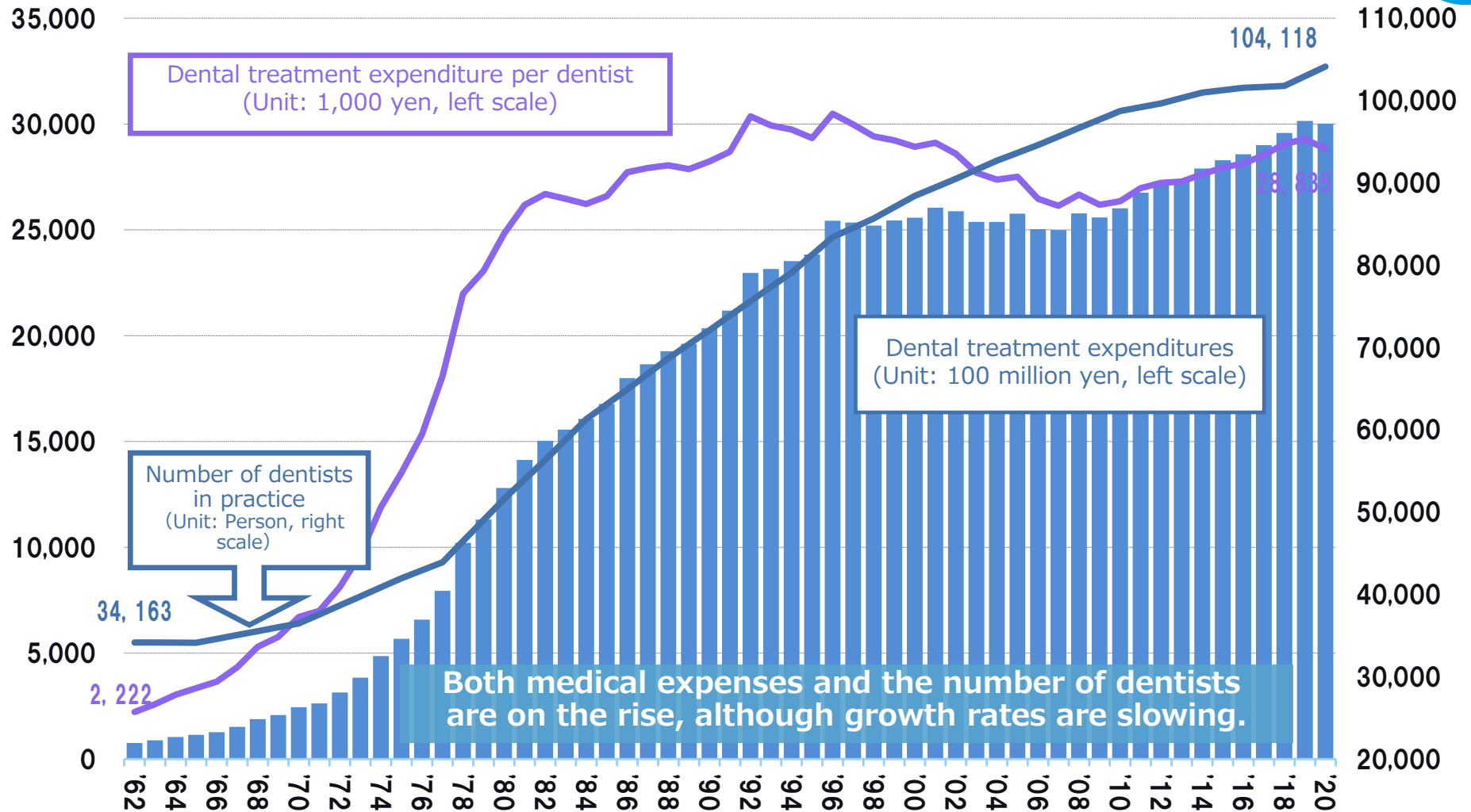
| | Fiscal March 2021 (Results) | Mid-Term Management Plan | | | Fiscal March 2023 (Results) | Fiscal March 2024 (Forecast) |
|-----------------------|--------------------------------------|--------------------------------------|--|--|--------------------------------------|---------------------------------------|
| | | Fiscal March 2022 (Results) | Fiscal March 2023 (Forecasts) | Fiscal March 2024 (Forecasts) | | |
| Capital investment | 1,097 | 1,100 | 2,483 | 1,227 | 2,319 | 1,652 |
| Depreciation expenses | 955 | 901 | 1,014 | 1,022 | 967 | 1,143 |
| R&D expenses | 1,563 | 1,738 | 1,853 | 1,834 | 1,846 | 1,968 |
| Foreign exchange rate | | | | | | |
| US dollar | 106.17 | 112.86 | 115.00 | 115.00 | 134.95 | 130.00 |
| Euro | 123.73 | 131.01 | 130.00 | 130.00 | 141.24 | 140.00 |
| Renminbi | 15.44 | 17.03 | 18.00 | 18.00 | 19.38 | 19.00 |

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

Appendix

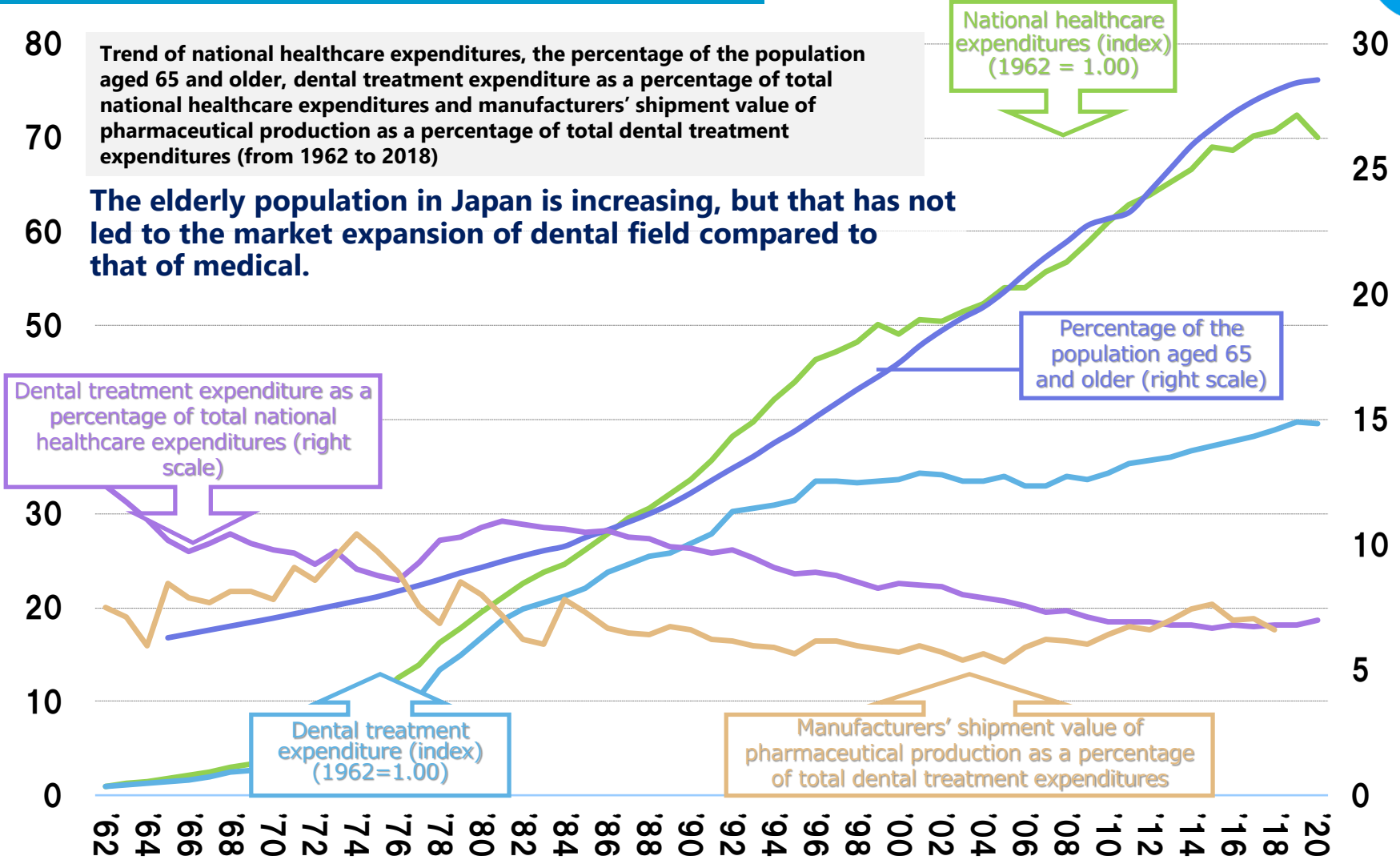
(Dentistry Data)

Trend of the Number of Dentists and Dental Treatment Expenditure





Long-term Trend of Dentistry-Related Statistics

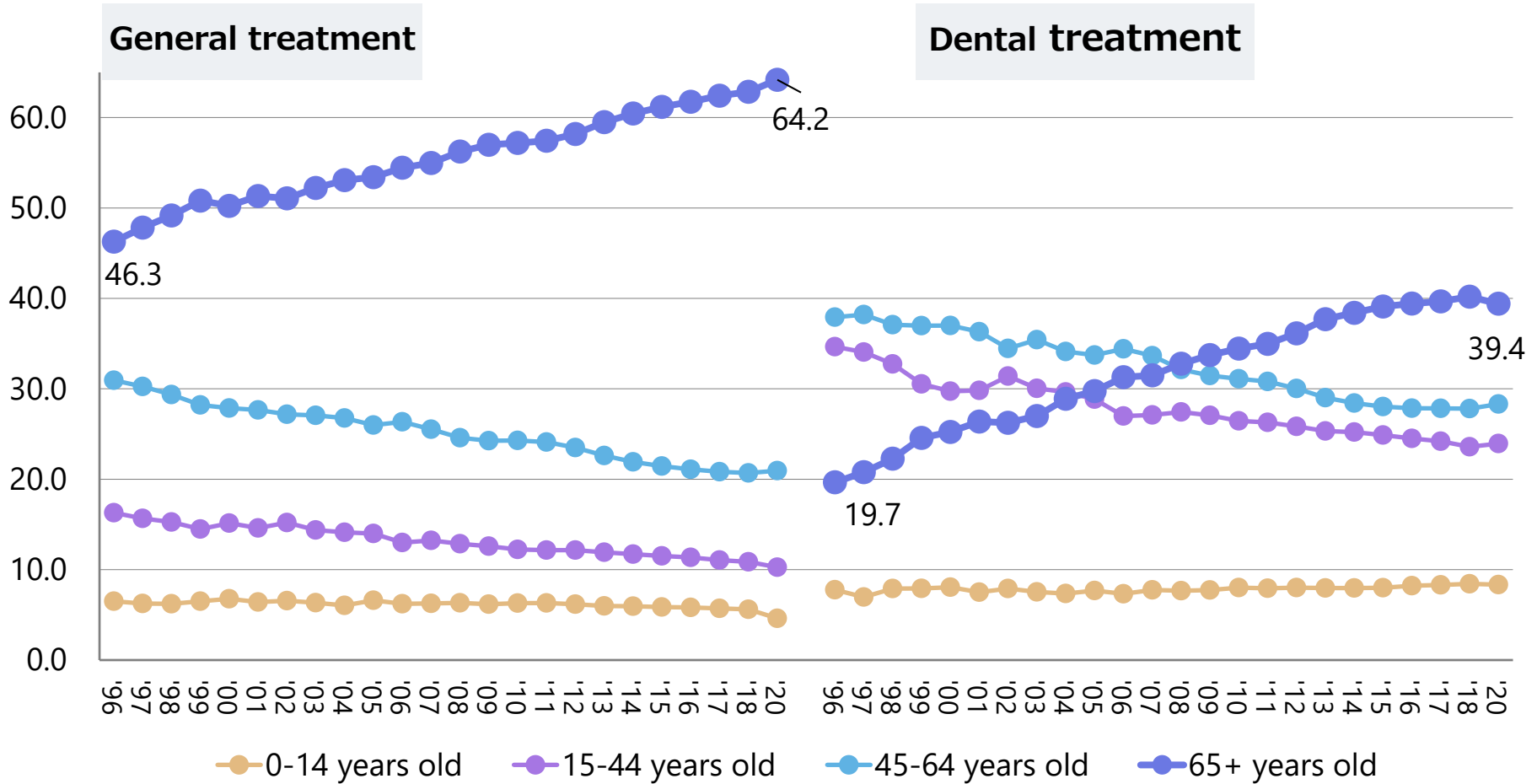


Prepared using yearly data from Summary of National Healthcare Expenditures, Production Statistics issued by the Pharmaceutical Industry (Ministry of Health, Labour and Welfare)



Healthcare Expenditures by Age Group (weight)

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



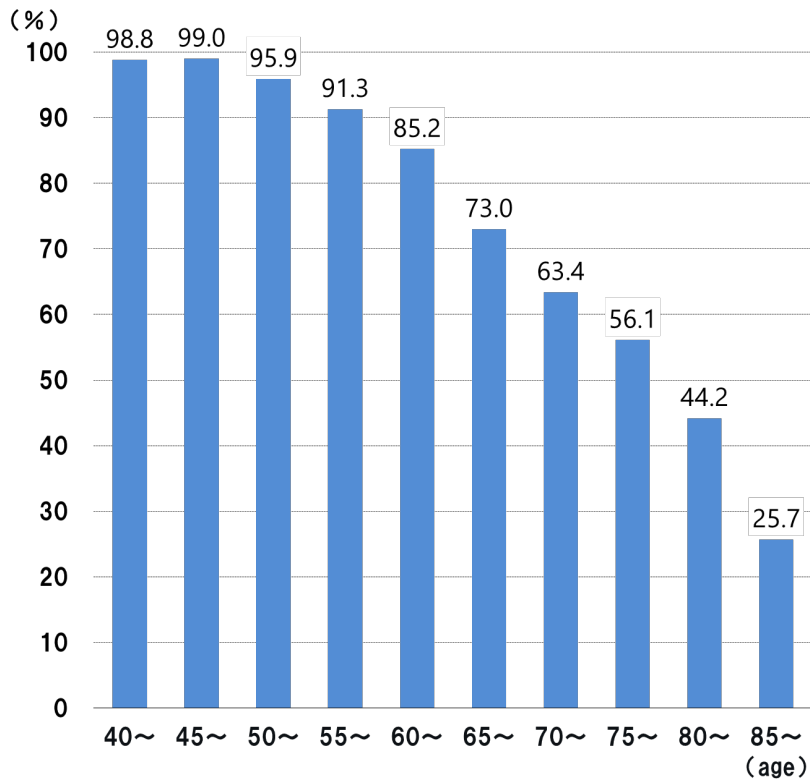
Prepared using yearly data from Summary of National Healthcare Expenditures (Ministry of Health, Labour and Welfare)



The 8020 Movement and Changes in Dental Diseases

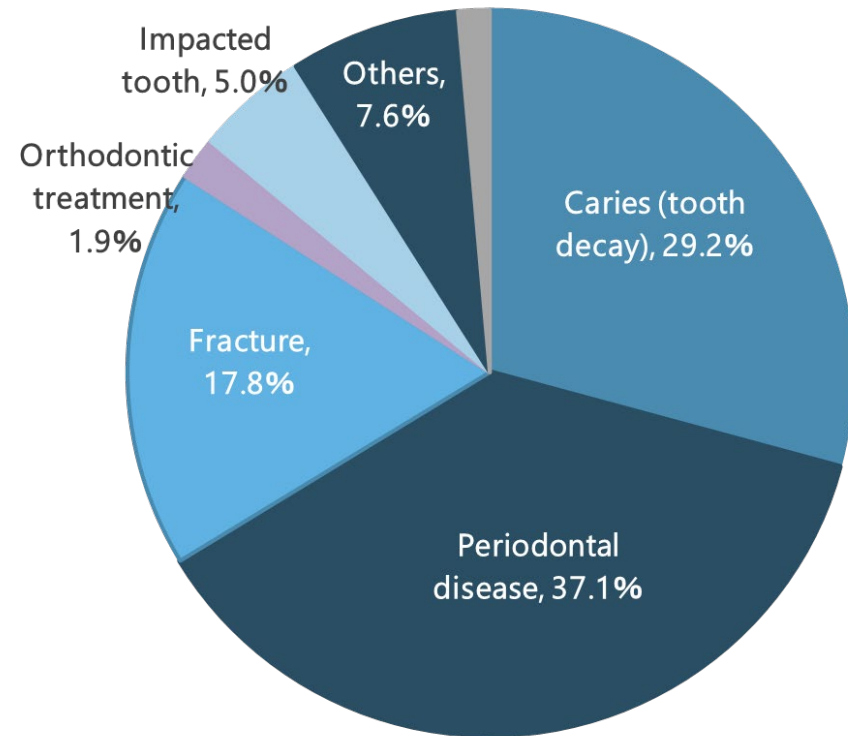
The cause of tooth loss changes in accordance with the number of increasing remaining teeth.

Percentage of people with 20 or more of their own teeth



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

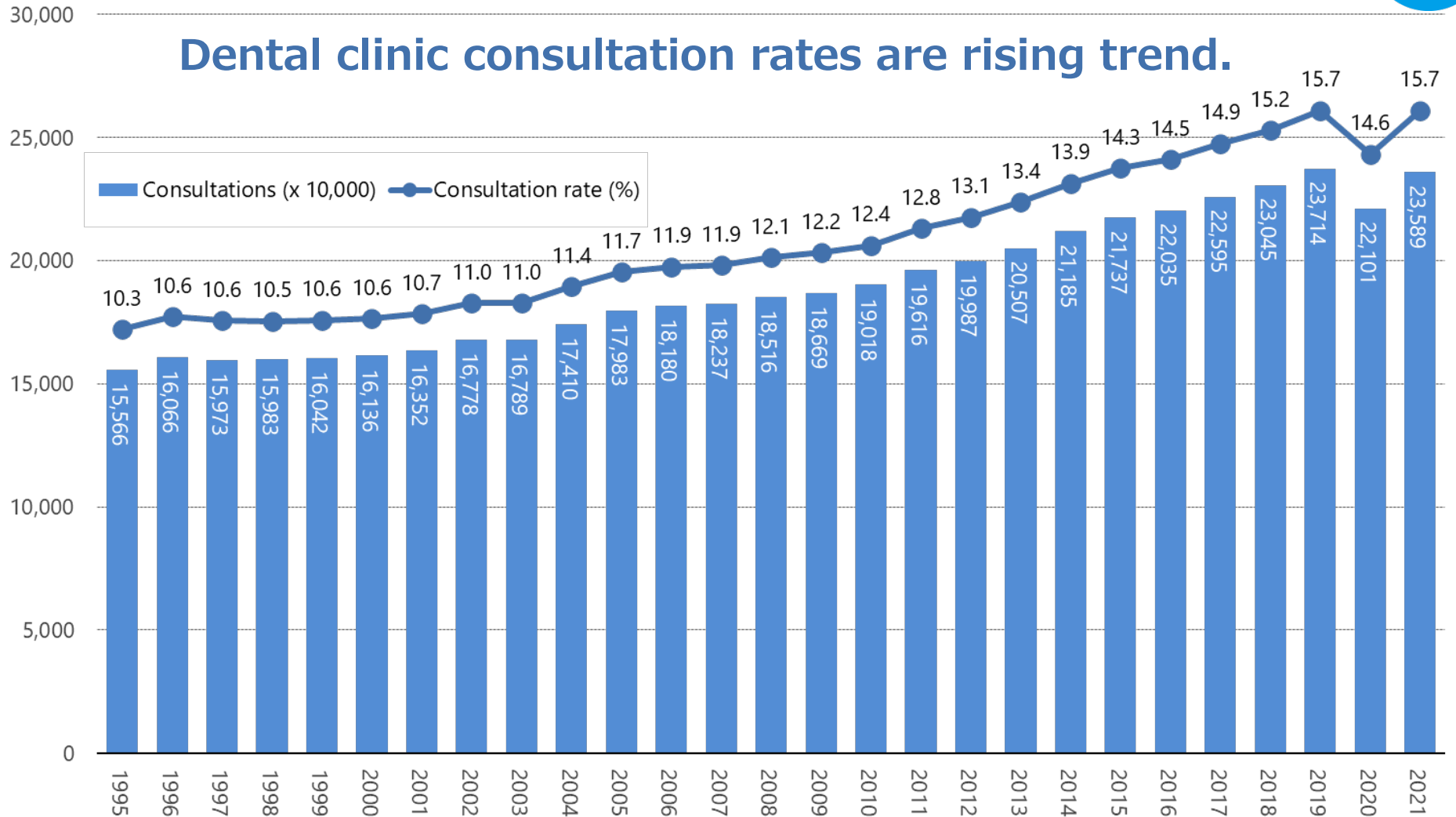
Causes of tooth loss



(Survey by the 8020 Promotion Foundation in 2018)



Dental Clinic Consultation Rates

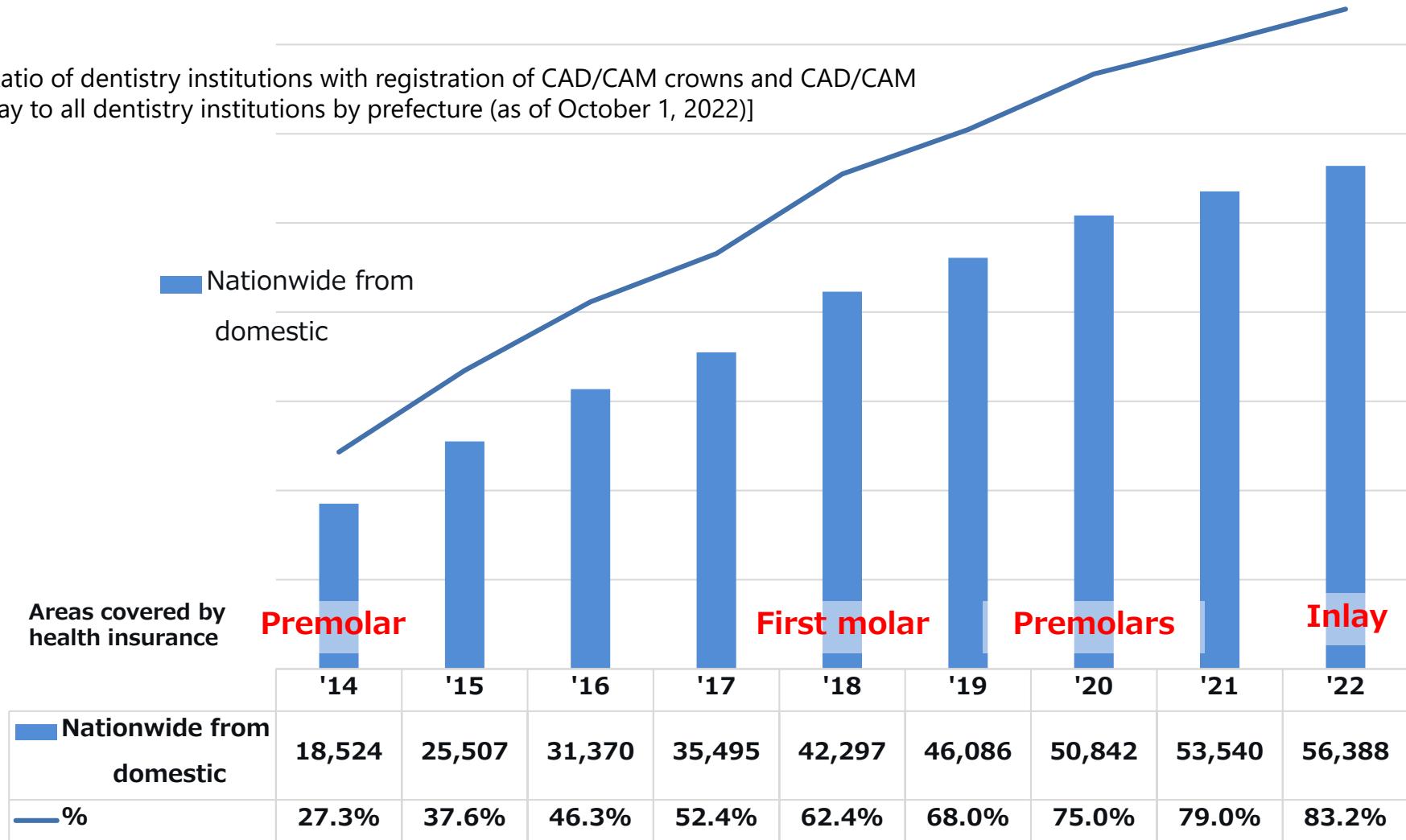


* Consultation rate: ratio of persons receiving monthly dental treatment or examinations (12 times yearly)



Medical Institutions with Facilities that meet CAD/CAM Requirements

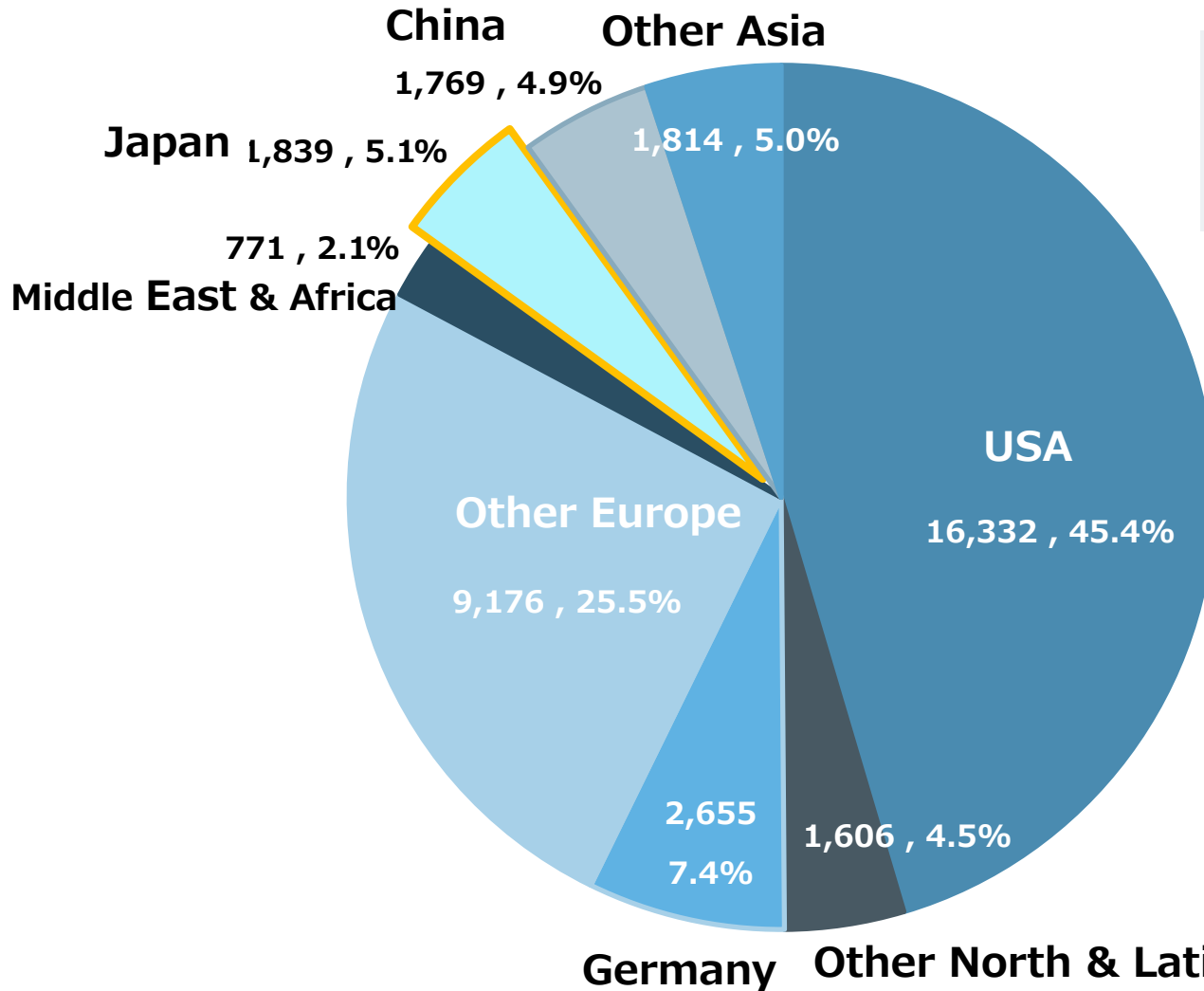
[Ratio of dentistry institutions with registration of CAD/CAM crowns and CAD/CAM inlay to all dentistry institutions by prefecture (as of October 1, 2022)]



((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, weight)

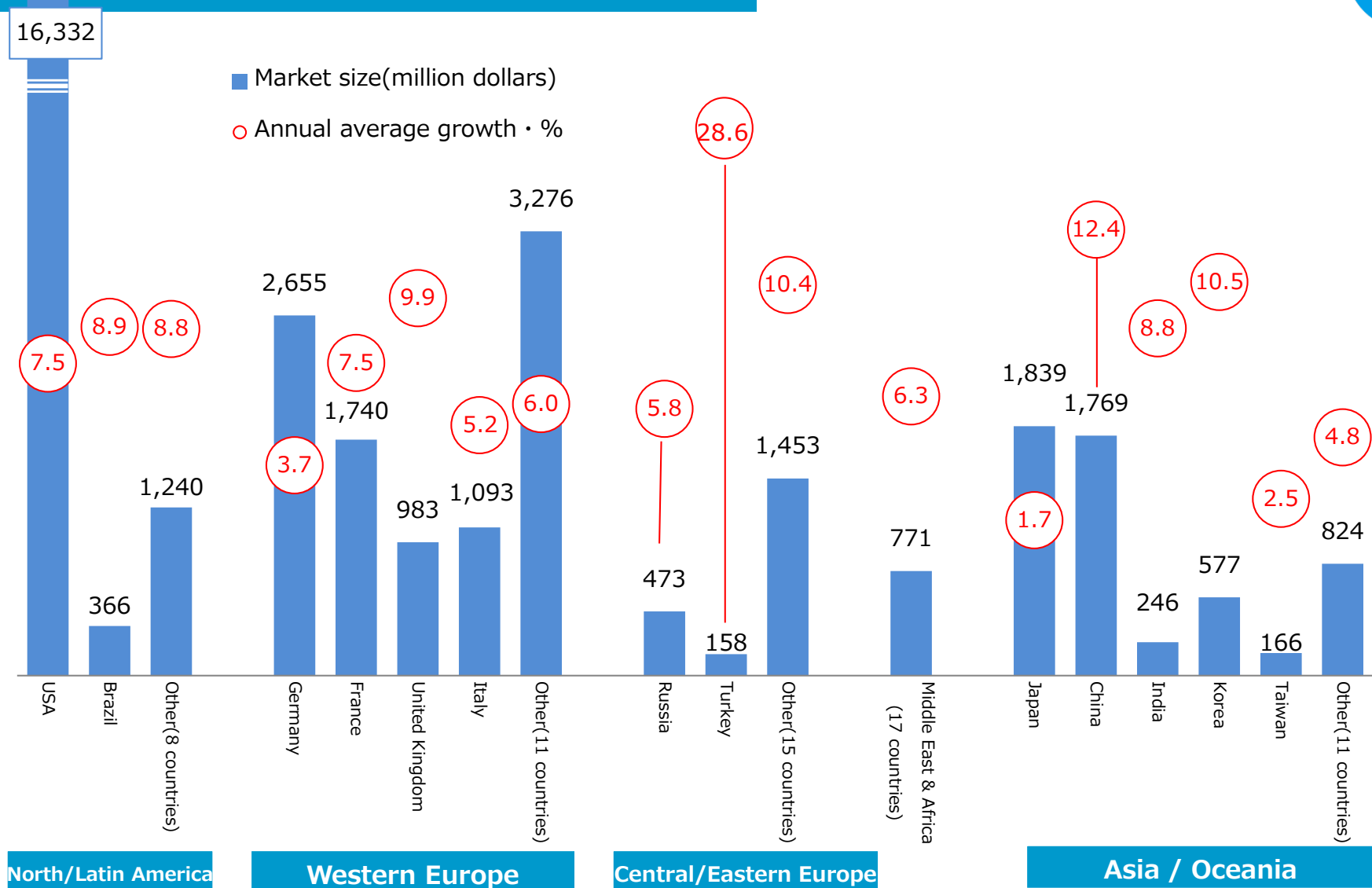


\$35.9 billion globally
Annual increase of 7.0%
(2017-2022)

(Unit : million dollars)



Global Dental Market — Market Size and Growth Potential





Global Dental Market — Number of Dentists

