

Presentation on Consolidated Financial Statements and Business Performance

**Year Ended March 31, 2007
(135th business year)**

May 25, 2007



Contents of Today's Presentation

- **Overview of consolidated business performance for the year ended March 31, 2007**
- **Outlook of consolidated business performance for the year ending March 2008**
- **Future business environment and mid- and long-term strategies**

Director/President: Katsuya Ohta

➔ Overview of Consolidated Business Performance for the Year Ended March 31, 2007

Overview of Business Performance

➔ Overview of Consolidated Business Performance for the Year Ended March 31, 2007

■ Positive factors ■ Negative factors

P/L

- Recently introduced products have been selling well. However, sales of new products have declined, since some of the successful products that have been in the marketplace for more than three years are no longer considered new products. < Sales of new products: ¥1,556 million, or 11.9% of non-consolidated sales >
- Domestic sales showed slight decrease of 0.5%, due mainly to decline of equipment sales.
- Overseas sales grew 22.4%, due to commencement of full operation of a sales subsidiary in China, favorable sales in all overseas markets and positive effects of foreign exchange rate fluctuations. (Overseas sales ratio to total sales: 26.3%, an all-time high)
- Sales reached ¥15,332 million (up 4.7%) (all-time high)
- Cost percentage decreased 1.4% due to sales increase, improved sales mix and effects of cost reduction efforts. This offset increased administrative and selling expenses, enabling operating profit to reach ¥1,480 million (up 13.2%).
- Due to increased operating profit, current profit rose 5.9% to ¥1,424 million, and current net profit increased 5.1% to ¥865 million.)

B/S

- Due to a decline in share prices, we suffered a ¥389 million decrease in net unrealized holding gains on securities.
- Due to completion of the training center, tangible fixed assets increased.

Overview of Current Business Performance (Comparison with Previous Year)



Unit: Millions of yen, %

	FY '06/3	FY '07/3	Comparison with previous year
	Amount (% of sales)	Amount (% of sales)	Amount (%)
Sales	14,650 (100.0)	15,332 (100.0)	681 (4.7)
(Domestic sales)	11,350 (77.5)	11,294 (73.7)	△55 (△0.5)
(Overseas sales)	3,299 (22.5)	4,037 (26.3)	737 (22.4)
Operating profit	1,308 (8.9)	1,480 (9.7)	172 (13.2)
Current profit	1,344 (9.2)	1,424 (9.3)	79 (5.9)
Current net profit	822 (5.6)	865 (5.6)	42 (5.1)
Current net profit per share	¥49.42	¥54.49	
Return on equity	4.39%	4.37%	

Sales by Product Category (Comparison with Previous Year)



Unit: Millions of yen

Figures in parentheses represent component percentages and rates of increase or decrease (Unit: %).

	FY '06/3	FY '07/3	Comparison with previous year
	Amount (%)	Amount (%)	Amount (%)
Artificial teeth	2,697 (18.4)	2,922 (19.0)	224 (8.3)
Abrasives	3,659 (25.0)	3,839 (25.0)	179 (4.9)
Metal products	462 (3.2)	469 (3.1)	6 (1.3)
Chemical products	2,748 (18.8)	2,864 (18.7)	115 (4.2)
Cements etc.	1,531 (10.4)	1,698 (11.1)	166 (10.9)
Equipment etc.	3,549 (24.2)	3,538 (23.1)	△11 (△0.3)
Total	14,650 (100.0)	15,332 (100.0)	681 (4.7)

Overview of Business Performance (Comparison with Projected Figures)

Overview of Consolidated Business Performance for the Year Ended March 31, 2007



Unit: Millions of yen, %

	FY '07/3 Projections	FY '07/3 Results	Comparison
	Amount (% of sales)	Amount (% of sales)	Amount (%)
Sales	15,019 (100.0)	15,332 (100.0)	312 (2.1)
(Domestic sales)	11,345 (75.5)	11,294 (73.7)	△51 (△0.5)
(Overseas sales)	3,673 (24.5)	4,037 (26.3)	364 (9.9)
Operating profit	1,416 (9.4)	1,480 (9.7)	64 (4.5)
Current profit	1,347 (9.0)	1,424 (9.3)	76 (5.7)
Current net profit	818 (5.5)	865 (5.6)	46 (5.6)
Current net profit per share	¥51.58	¥54.49	
Return on equity	4.14%	4.37%	

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Sales by Product Category (Comparison with Projected Figures)

Overview of Consolidated Business Performance for the Year Ended March 31, 2007



Unit: Millions of yen

Figures in parentheses represent component percentages and rates of increase or decrease (Unit: %).

	FY '07/3 Projections	FY '07/3 Results	Comparison
Artificial teeth	2,843 (18.9)	2,922 (19.0)	79 (2.8)
Abrasives	3,741 (24.9)	3,839 (25.0)	97 (2.6)
Metal products	467 (3.1)	469 (3.1)	2 (0.4)
Chemical products	2,864 (19.1)	2,864 (18.7)	0 (0.0)
Cements etc.	1,548 (10.3)	1,698 (11.1)	149 (9.7)
Equipment etc.	3,553 (23.7)	3,538 (23.1)	△15 (△0.4)
Total	15,019 (100.0)	15,332 (100.0)	312 (2.1)

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Domestic Sales

Unit: Millions of yen



Positive factors Negative factors

Existing products

- The cements segment enjoyed favorable sales (4.1% increase), due to expanded sales of recently introduced products, including glass ionomer resin cement "Hy-Bond Resiglass."
- Sales of artificial teeth, our mainstay product, declined 1.3%, and sales of equipment etc. dropped 2.1%, due mainly to discontinued sales of digital cameras for dental use.

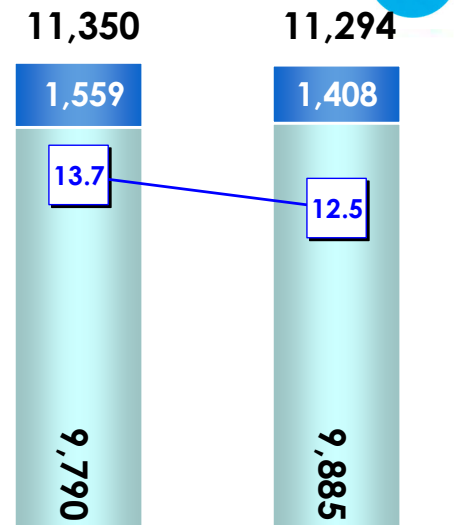
New product sales decrease

- Sales of new products decreased, since the self-curing acrylic resin "Province" and other products that have been in the marketplace for more than three years are no longer considered new products.
- New products launched during the fiscal year under review

Micro-implant system "Abso Anchor"

Filling composite resin for aesthetic dental care "BEAUTIFIL II"

Light-cured adhesive system "FL-BOND II"



FY '06/3

FY '07/3

Existing products New products

Ratio of new product to all products (in terms of domestic sales)

New products shown above are those introduced during the past 3 years. 8

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Overseas Sales

Unit: Millions of yen



Figures in parentheses represent component ratios (%).

Positive factors Negative factors

North America, Latin America

- Steady sales of abrasives, our mainstay product category in these markets, and significant sales increase in artificial teeth (porcelain powder)
- 11.7% sales increase in terms of local currency

Europe

- Steady sales, particularly of abrasives and chemical products
- 4.0% sales increase in terms of local currency

Asia & Oceania

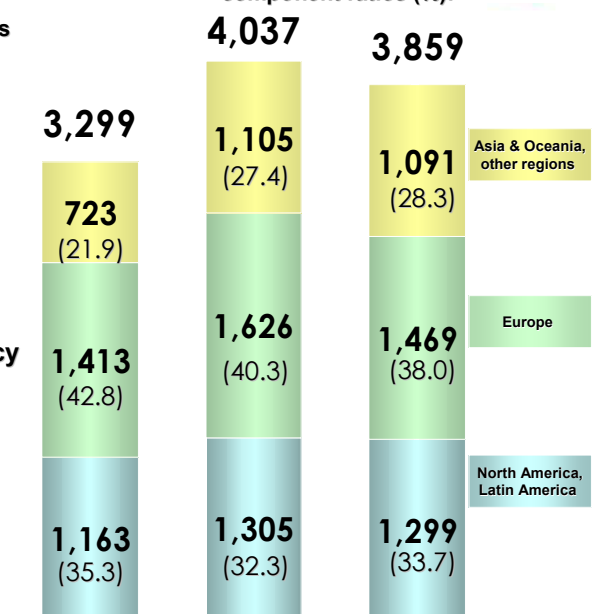
- Full-scale operation of sales subsidiary in China
- Sales in China: ¥102 million → ¥316 million

Exchange rates

- US dollar: ¥118.05 (¥117.47 in pervious year)
- Euro: ¥157.33 (¥142.81 in previous year)

Ratio of overseas sales to total sales

- 26.3% (22.5% in previous year) (25.5% after foreign currency translation adjustments)



FY '06/3

FY '07/3

FY '07/3

After translation adjustments

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Segment Information by Region

Overview of Consolidated Business Performance for the Year Ended March 31, 2007



Unit: Millions of yen

Figures in parentheses represent component percentages and rates of increase or decrease (Unit: %).

		FY '06/3	FY '07/3	Comparison with previous year
		Amount (% of sales)	Amount (% of sales)	Amount (%)
Japan	Sales	13,133	13,388	254 (1.9)
	Operating profit	1,299 (9.9)	1,308 (9.8)	9 (0.7)
Americas	Sales	1,151	1,280	129 (11.2)
	Operating profit	32 (2.8)	36 (2.8)	3 (11.3)
Europe	Sales	1,561	1,824	262 (16.8)
	Operating profit	41 (2.7)	62 (3.4)	20 (49.3)
Asia	Sales	13	421	408 (3131.2)
	Operating profit	△ 39 (△ 302.1)	3 (0.8)	42 (△ 108.4)
Overseas total	Sales	2,726	3,526	799 (29.3)
	Operating profit	34 (1.3)	101 (2.9)	66 (193.2)
Total before consolidation adjustments	Sales	15,860	16,914	1,054 (6.6)
	Operating profit	1,333 (8.4)	1,409 (8.3)	76 (5.7)

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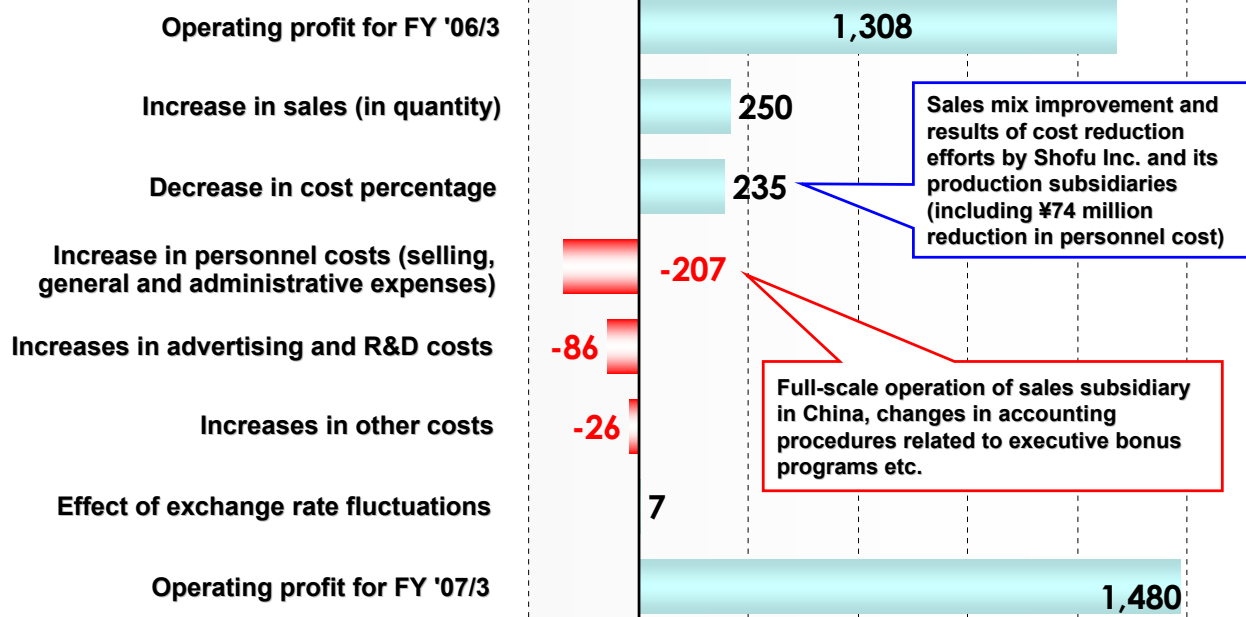
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Factors Underlying Change in Operating Profit

Overview of Consolidated Business Performance for the Year Ended March 31, 2007



Unit: Millions of yen



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* Figures for above items were calculated excluding effect of exchange rate fluctuations.

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Financial Status – Major Accounts in the B/S



Unit: Millions of yen

	FY '06/3	FY '07/3	Comparison	Factors underlying changes / Special notes
Cash	6,558	6,653	95	Full-scale operation of sales subsidiary in China, and gains from translation into Japanese yen, of accounts receivable of overseas affiliated companies
Notes and accounts receivable	2,518	2,738	219	
Inventories	2,910	3,007	96	Due to full-scale operation of sales subsidiary in China
Marketable securities, investment securities	7,464	7,066	△ 398	Loss from devaluation of marketable securities
Other assets	5,533	5,723	189	
Assets	24,985	25,189	203	
Long-term and short-term loans	1,035	1,025	△ 10	¥ 181 million decrease in deferred tax liability due to decreased gains from devaluation of marketable securities
Retirement allowance for employees, retirement allowance for directors and auditors	501	557	56	
Other liabilities	3,873	3,590	△ 282	
Liabilities	5,409	5,173	△ 235	
Net worth	19,576	20,015	439	¥ 207 million loss from devaluation of marketable securities
Total liabilities and net worth	24,985	25,189	203	
Net worth ratio	78.4%	79.5%		Year-end retirement benefit obligations: ¥4,984 million Plan assets at fair value: ¥5,932 million
Net worth per share	¥1,231	¥1,261		

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➡ Outlook of Consolidated Business Performance for the Year Ending March 31, 2008

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Overview of Business Performance for the Next Business Year

Outlook of Consolidated Business Performance for the Year Ending March 31, 2008



Positive factors Negative factors

P/L

- In Japan, due to the lingering effects of the largest-ever curtailment in medical service and treatment fees, implemented in April 2006, dentists are facing increasingly difficult business conditions. There is concern that this trend might have an indirect impact on the demand for dental materials.
- The introduction of new products is expected to be limited next year, because of timing in the product development cycle. However, more effort will be exerted to ensure that recently introduced products will be accepted more widely in the market. <Sales of new products: ¥1,346 million, or 10.2% of non-consolidated sales>
- ■ Steady growth is expected in all overseas markets, although the yen is expected to be stronger against other currencies, compared to the fiscal year under review. <Effects on overseas sales: - ¥235 million>
- Sales are projected to be ¥15,445 million (up 0.7%).
- Operating profit is expected to reach ¥1,774 million (up 19.8%), since increases in R&D and sales promotion expenses will be offset by a decrease in cost percentage, due to the effects of increased domestic sales and a decrease in personnel costs due to reduction in retirement benefit expenses.
- Due to the effects of increased operating profit, current profit is expected to reach ¥1,708 million (up 20.0%) and current net profit, ¥1,062 million (up 22.8%).

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Comparison of Major Indices

Outlook of Consolidated Business Performance for the Year Ending March 31, 2008



Unit: Millions of yen, %

	FY '07/3	FY '08/3 (projected)	Comparison
	Amount (% of sales)	Amount (% of sales)	Amount (%)
Sales	15,332 (100.0)	15,445 (100.0)	113 (0.7)
(Domestic sales)	11,294 (73.7)	11,409 (73.9)	115 (1.0)
(Overseas sales)	4,037 (26.3)	4,036 (26.1)	△1 (△0.0)
Operating profit	1,480 (9.7)	1,774 (11.5)	293 (19.8)
Current profit	1,424 (9.3)	1,708 (11.1)	284 (20.0)
Current net profit	865 (5.6)	1,062 (6.9)	197 (22.8)
Current net profit per share	¥54.49	¥66.92	
Return on equity	4.37%	5.24%	

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Sales by Product Category

Outlook of Consolidated Business Performance for the Year Ending March 31, 2008



Unit: Millions of yen

Figures in parentheses represent component percentages and rates of increase or decrease (Unit: %).

	FY '07/3	FY '08/3 (projected)	Comparison
Artificial teeth	2,922 (19.0)	2,925 (19.0)	2 (0.1)
Abrasives	3,839 (25.0)	3,866 (25.0)	26 (0.7)
Metal products	469 (3.1)	467 (3.0)	Δ1 (Δ0.3)
Chemical products	2,864 (18.7)	3,006 (19.5)	142 (5.0)
Cements etc.	1,698 (11.1)	1,687 (10.9)	Δ10 (Δ0.6)
Equipment etc.	3,538 (23.1)	3,492 (22.6)	Δ45 (Δ1.3)
Total	15,332 (100.0)	15,445 (100.0)	113 (0.7)

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Domestic Sales

Outlook of Consolidated Business Performance for the Year Ending March 31, 2008



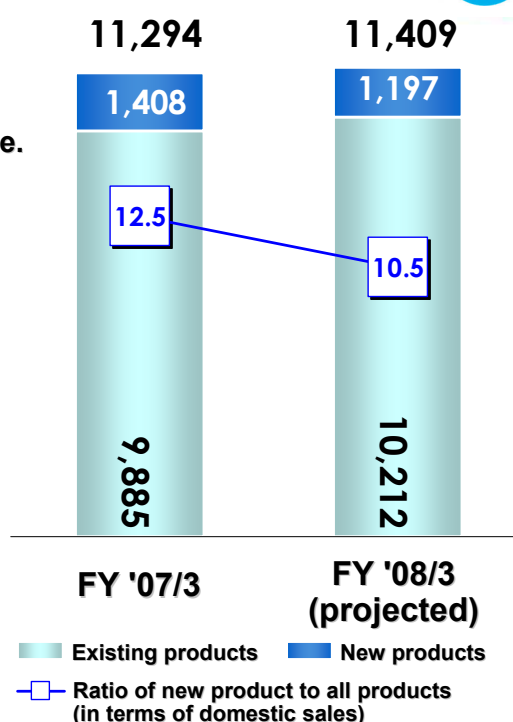
Unit: Millions of yen

Overview

- The introduction of new products is expected to be limited next year because of timing in the product development cycle.
Ratio of new product sales to total sales: 10.5%
- Greater efforts will be exerted to ensure that recently introduced products will be accepted more widely in the market.

Recently introduced major products

- Filling and restorative materials
"BEAUTIFIL II"
"FL-BOND II"
- Cement systems
"Hy-Bond Resiglass"
"ResiCem"
- Micro-implant system for orthodontic use
"Abso Anchor"



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* "New products" are defined as products introduced during the last three years. 17

Overseas Sales

Outlook of Consolidated Business Performance for the Year Ending March 31, 2008



Overview

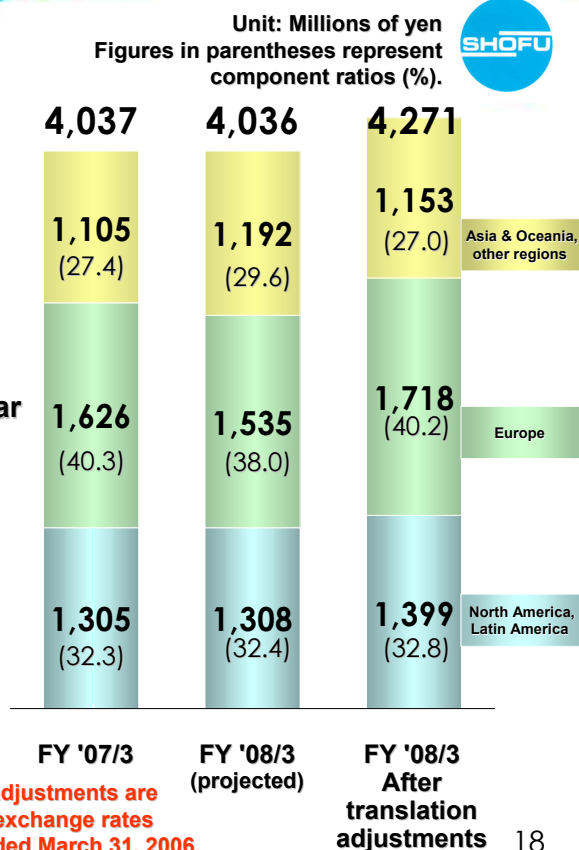
- Steady sales are expected in all regions.
- Sales growth rates in local currencies
 - North America, Latin America 7.2%
 - Europe 5.7%
 - Asia & Oceania 4.3%
 - Total overseas sales 5.8%

Exchange rates

- US dollar: ¥110 ← ¥118.05 in pervious year (Effect: -¥91 million)
- Euro: ¥140 ← ¥157.33 in previous year (Effect: -¥149 million)

Ratio of overseas sales to total sales

- 26.1% (26.3% in previous year) (27.2% after foreign currency translation adjustments)

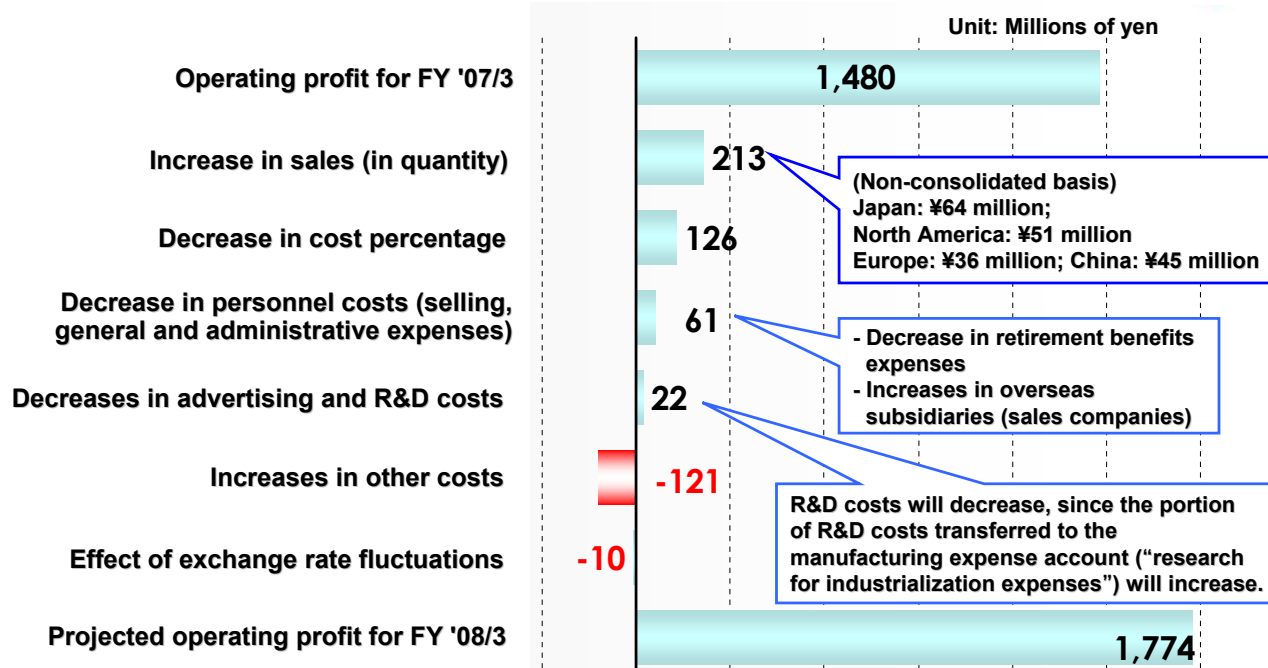


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Factors Underlying the Change in Operating Profit

Outlook of Consolidated Business Performance for the Year Ending March 31, 2008



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* Figures for above items were calculated excluding effect of exchange rate fluctuations.

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Financial Status – Major Accounts in the B/S



Unit: Millions of yen

	FY '07/3	FY '08/3 (projected)	Comparison	Factors underlying changes / Special notes
Cash	6,653	6,972	318	Increase in profit, reduction in equipment investment Collections plans are conservatively estimated.
Notes and accounts receivable	2,738	2,861	123	
Inventories	3,007	3,032	25	
Marketable securities, investment securities	7,066	7,066	0	
Other assets	5,723	5,892	168	
Assets	25,189	25,824	635	
Long-term and short-term loans	1,025	1,015	△9	
Retirement allowance for employees, retirement allowance for directors and auditors	557	605	47	
Other liabilities	3,590	3,647	56	
Liabilities	5,173	5,267	94	
Net worth	20,015	20,556	541	
Total liabilities and net worth	25,189	25,824	635	
Net worth ratio	79.5%	79.6%		Year-end retirement benefit obligations: ¥4,709 million Plan assets at fair value: ¥5,765 million
Net worth per share	¥1,261	¥1,295		

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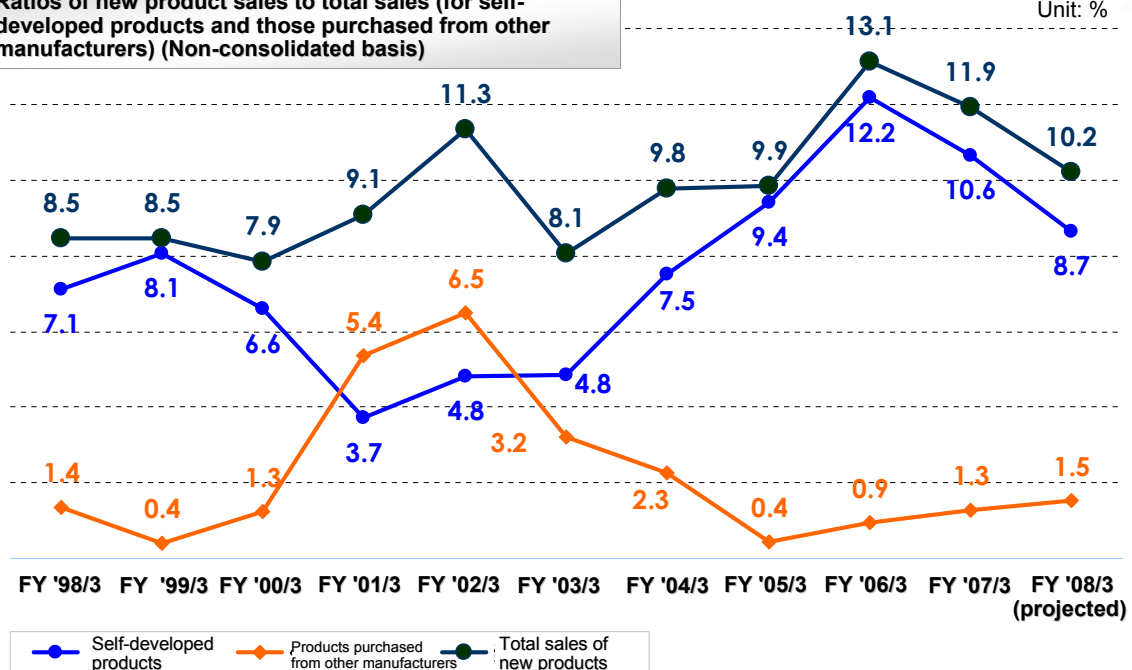
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Trend in Sales of New Products



Ratios of new product sales to total sales (for self-developed products and those purchased from other manufacturers) (Non-consolidated basis)

Unit: %



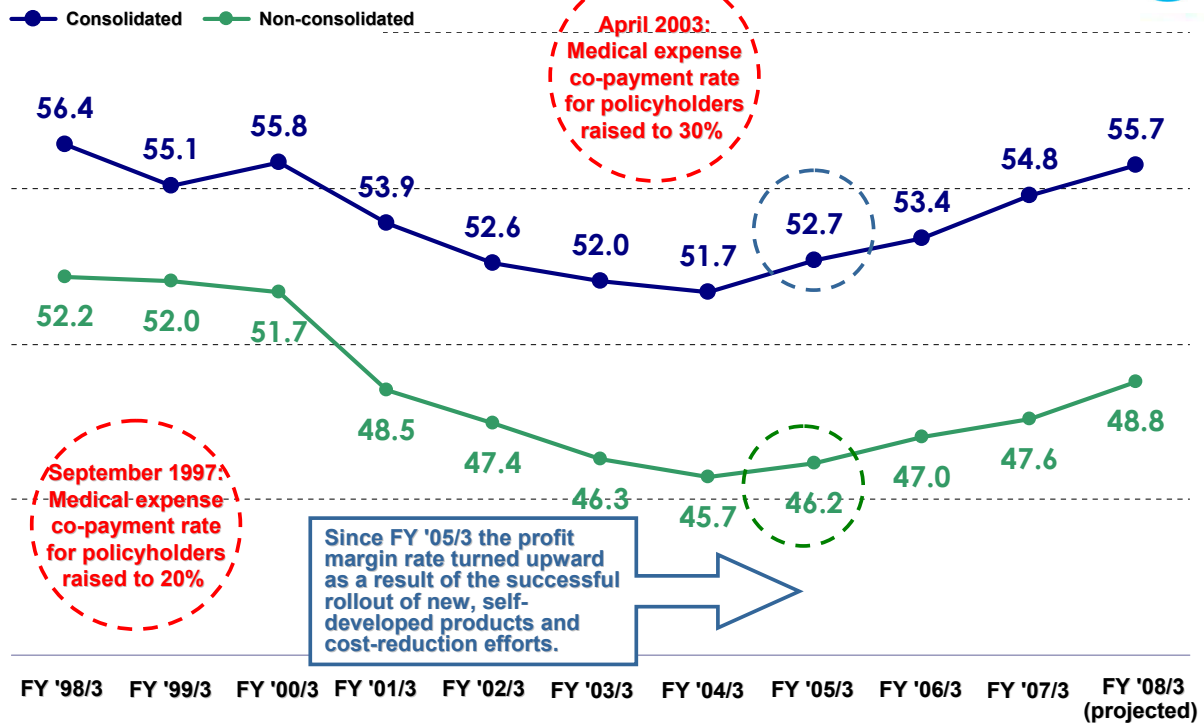
➡ Major products purchased from other manufacturers: Johnson & Johnson products, laser equipment, ultrasonic and other scalers etc.

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Trend in Gross Profit Margin Rate



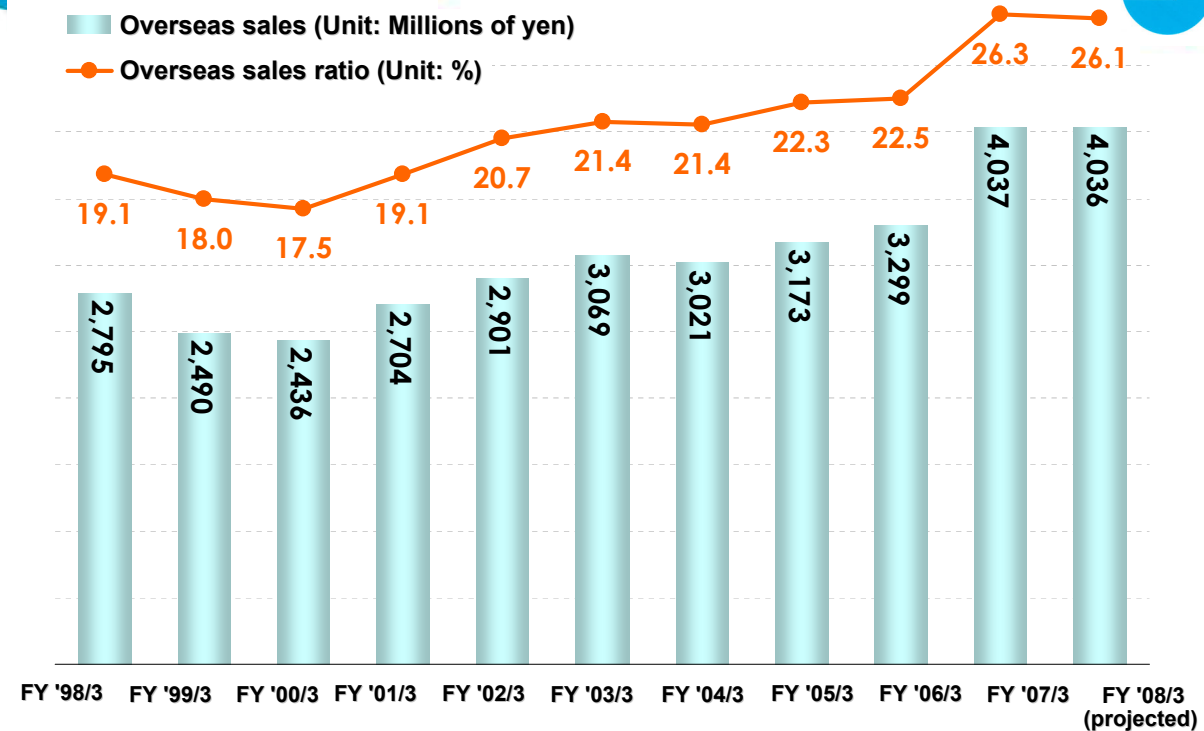
Unit: %



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Overseas Sales / Ratio of Overseas Sales to Total Sales



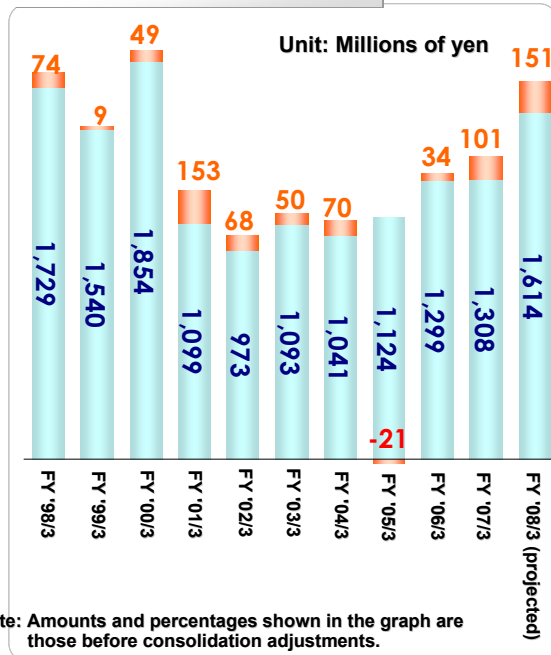
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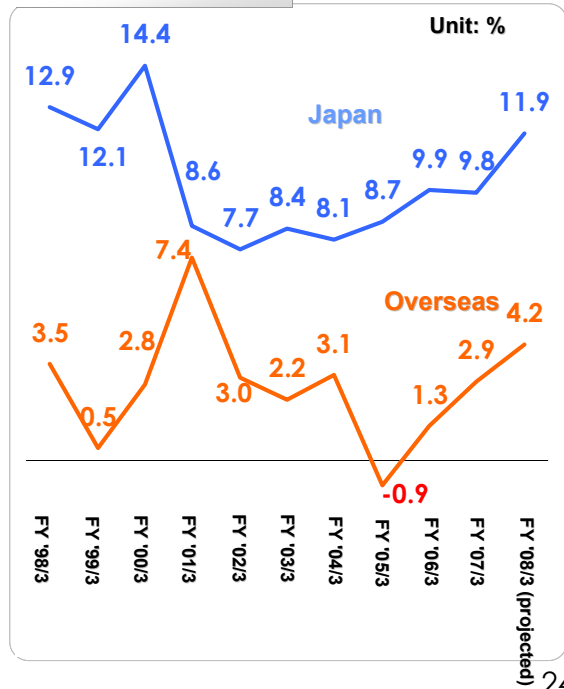


Segment Operating Profit by Location

Amount of operating profit



Operating profit rate



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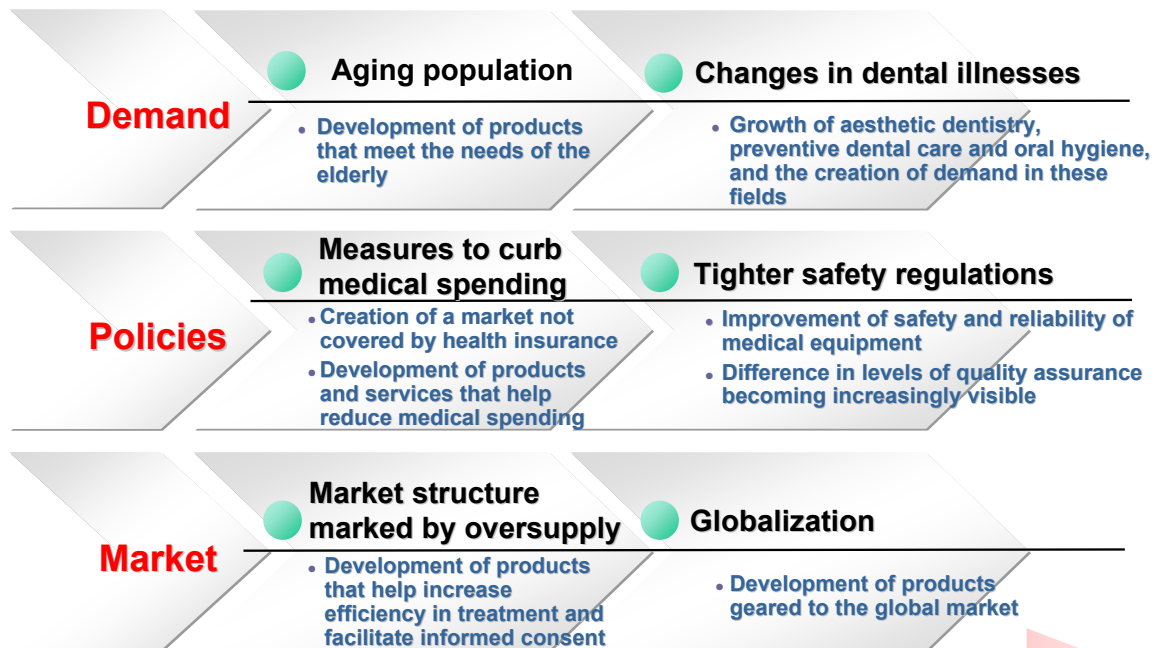
➡ Future Business Environment and Mid- and Long-term Strategies

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Our Perception of the Current Business Environment and Basic Attitude toward Expected Changes

Business Environment/Mid- and Long-term Strategies



The severe business environment is expected to continue.

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Management Emphases

Business Environment/Mid- and Long-term Strategies



⇒ Functions that need to be strengthened

- Quality competitiveness
- Marketing strength
- Price competitiveness

⇒ Company-wide goals

- Creation of new markets and expansion of market shares by rolling out new products and technologies
- Expansion of overseas operations

⇒ Four numerical targets

- Overseas sales: 30%
- Cost reduction: 20%
- New product sales: 15%
- Market share increase in domestic market

Restoring the consolidated operating profit margin to 10%
→ Aiming to achieve 15% operation profit margin over the long term

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Specific Measures – Research and Development

Business Environment/Mid- and Long-term Strategies

* Ratios of R&D expenses to sales turned downward in FY '06/3, since the portion of R&D expenses transferred to the manufacturing expense account ("research for industrialization expenses") increased.

⇒ Quality competitiveness

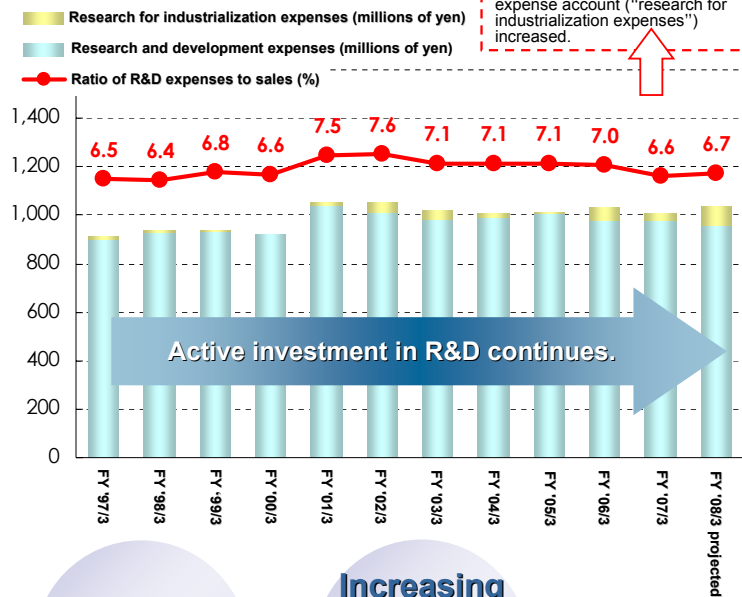
⇒ Marketing strength

⇒ Price competitiveness

Providing value to customers

Creating demand

Increasing efficiency and speed of research activities



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R&D is the source of many types of competitive advantages.

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Specific Measures – Production

Business Environment/Mid- and Long-term Strategies

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⇒ Inheriting and continuously improving production technology

To cope with the increasing number of employees reaching retirement age, measures should be taken to inherit technologies from them and to save labor.

⇒ Enhancing efficiency in production and logistics, and improving customer service

Enhancing efficiency in production and logistics through new production systems

Establishing a system to ensure traceability, in compliance with Revised Pharmaceutical Affairs Law

⇒ Cost reduction

Promoting a cost-down project in each production site and office

Reduction in cost percentage (Result for FY '07/3 compared with FY '03/3)
 Cost percentage of in-house production lowered 6.3 points, saving ¥489 million

Strengthening quality competitiveness

Strengthening price competitiveness

Cost reduction
 Cutting the cost percentage of in-house production by 20%

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Specific Measures – Domestic Operations

⇒ Expanding market share in existing product categories

- Artificial teeth/dentures, Abrasives, Filling and restorative dental materials
- Hard resin for crowns, Luting and bonding materials

⇒ Market creation in new fields

- Aesthetic dentistry - e.g., tooth whitening, orthodontic dentistry
- Preventive dentistry, oral hygiene - e.g., PMTC
- Regenerative medicine - e.g., commercialization of bone-repairing materials
- Gum-disease-related care - e.g., diagnosis kit for detecting gum disease
- Sales related to PMTC (materials, equipment): ¥521 million
Sales related to tooth whitening: ¥195 million

More intensive promotion of customer-first attitude

Enhancing marketing strength

Flexible and efficient sales policies

※ PMTC (Professional Mechanical Tooth Cleaning)

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Specific Measures – Overseas Operations



⇒ U.S.A.

- Expanding export markets – Brazil, Mexico
- Enhancing efforts to work with dental equipment evaluation organizations

⇒ Europe

- Entry into the artificial teeth (resin teeth) market
- Developing markets in Eastern Europe

⇒ Asia

- Measures to expand market share in China
 - ◆ Production: Commencing export of artificial teeth and abrasives
→ Increasing number of production items
 - ◆ Sales : Increasing number of items for sale
- Commencing efforts to develop markets in India and Vietnam

Enhancing marketing functions

Strategic activities aimed at rolling out new products

[Key products]
 - Porcelain powder
 - Hard resin for crowns
 - Filling and restorative dental materials

Mid-term Plan – Major Numerical Targets

Business Environment/Mid- and Long-term Strategies

★ All-time high Unit: Millions of yen



	FY '07/3 Result	FY '08/3	FY '09/3	FY '10/3
Sales	★ 15,332	★ 15,445	★ 15,753	★ 16,147
(compared to previous year)	(4.7%)	(0.7%)	(2.0%)	(2.5%)
Domestic sales	11,294	11,409	11,509	11,654
(compared to previous year)	(-0.5%)	(1.0%)	(0.9%)	(1.3%)
Overseas sales	★ 4,037	4,036	★ 4,243	★ 4,492
(compared to previous year)	(22.4%)	(-0.0%)	(5.1%)	(5.8%)
Operating profit	1,480	1,774	★ 2,049	★ 2,288
(ratio to sales)	(9.7%)	(11.5%)	(13.0%)	(14.2%)
Current profit	1,424	1,708	★ 1,984	★ 2,222
(ratio to sales)	(9.3%)	(11.1%)	(12.6%)	(13.8%)
Current net profit	★ 865	★ 1,062	★ 1,262	★ 1,425
(ratio to sales)	(5.6%)	(6.9%)	(8.0%)	(8.8%)
Current net profit per share	¥54.49	★ ¥66.92	★ ¥79.51	★ ¥89.80
Return on equity	4.4%	5.2%	★ 6.0%	★ 6.5%
Ratio of overseas sales to total sales	★ 26.3%	26.1%	★ 26.9%	★ 27.8%

⇒ Amortization of the difference (approx. ¥1.8 billion) resulting from the introduction of an accounting standard for retirement benefits was completed in the year ended March 31, 2007. To amortize the difference, ¥256 million was spent yearly as operating expenses, from FY '01/3 through FY '07/3.

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Mid-term Plan – Segment Information by Region

Business Environment/Mid- and Long-term Strategies



Unit: Millions of yen

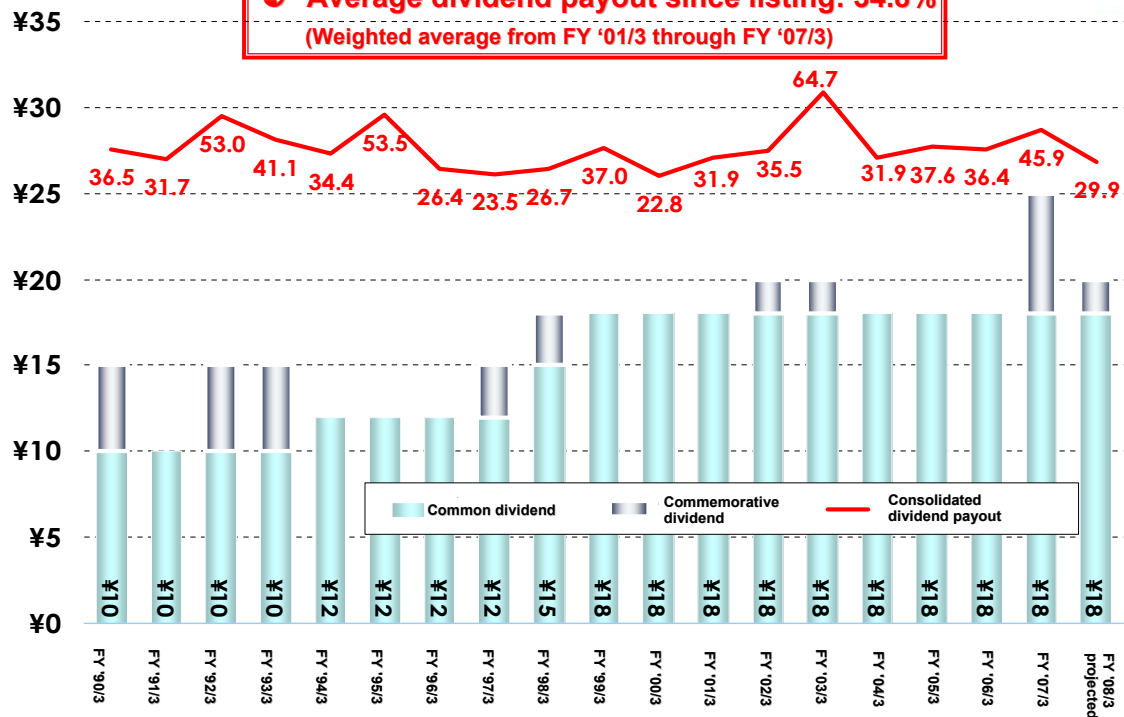
		FY '07/3 Result	FY '08/3 Projected	FY '09/3 Planned	FY '10/3 Planned
Japan	Sales	13,388	13,518	13,700	13,931
	Operating profit (ratio to sales)	1,308 (9.8%)	1,614 (11.9%)	1,793 (13.1%)	1,932 (13.9%)
Americas	Sales	1,280	1,285	1,380	1,496
	Operating profit (ratio to sales)	36 (2.8%)	56 (4.4%)	91 (6.6%)	129 (8.6%)
Europe	Sales	1,824	1,697	1,779	1,867
	Operating profit (ratio to sales)	62 (3.4%)	66 (3.9%)	94 (5.3%)	119 (6.4%)
Asia	Sales	421	600	692	805
	Operating profit (ratio to sales)	3 (0.8%)	29 (4.9%)	54 (7.9%)	91 (11.3%)
Overseas total	Sales	3,526	3,582	3,852	4,170
	Operating profit (ratio to sales)	101 (2.9%)	151 (4.2%)	239 (6.2%)	339 (8.1%)
Total before consolidation adjustments	Sales	16,914	17,101	17,553	18,101
	Operating profit (ratio to sales)	1,409 (8.3%)	1,766 (10.3%)	2,033 (11.6%)	2,272 (12.6%)

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- Target dividend payout: 30%
- Average dividend payout since listing: 34.8%
(Weighted average from FY '01/3 through FY '07/3)



Policy toward Large-Scale Purchases of SHOFU Shares (Takeover Defensive Measures) (1)



- Purposes of adoption:
Protection and enhancement of our corporate value and the common interests of our shareholders
- Type:
Prior disclosure and decision-making at emergency shareholders' meeting
- Target:
Substantial purchases of SHOFU shares with the intent of holding 20% or more of the total voting rights of SHOFU
- Actions
 - In the event of compliance with the Large-scale Purchase Rules:
[In principle] At a general shareholders' meeting, a decision will be made as to whether or not defensive measures should be implemented.
 - In the event of compliance with the Large-scale Purchase Rules:
[By way of exception] Defensive measures will be implemented if the large-scale purchase falls under any of the four categories, which includes greenmail, as defined by the High Court, or is deemed a coercive, two-tiered takeover.
 - In the event of non-compliance with the Large-scale Purchase Rules:
Defensive measures will be implemented.



■ Establishment of independent committee

- ✧ A Corporate Value Study Committee will be established, comprising five independent outsiders.
- ✧ The Board of Directors must consult the Committee as to whether or not defensive measures should be implemented, whether it is necessary to hold a general shareholders' meeting and other issues, and shall respect the recommendations of the Committee to the maximum extent possible in making decisions.

■ Confirmation of shareholders' will

- ✧ The issue of Rules adoption will be placed on the agenda of the 135th fixed general meeting of shareholders scheduled for June 27 of this year. (At the board meeting of May 15, the Board of Directors decided to adopt the Rules, which came into effect on that day. At the coming shareholders' meeting, the shareholders' wishes will be confirmed regarding continuation of the Rules.)

■ Validity period

- ✧ The Rules will be effective for three years from June 27, 2007, assuming that Rules continuation is approved at the 135th general shareholders' meeting to be held on that day.

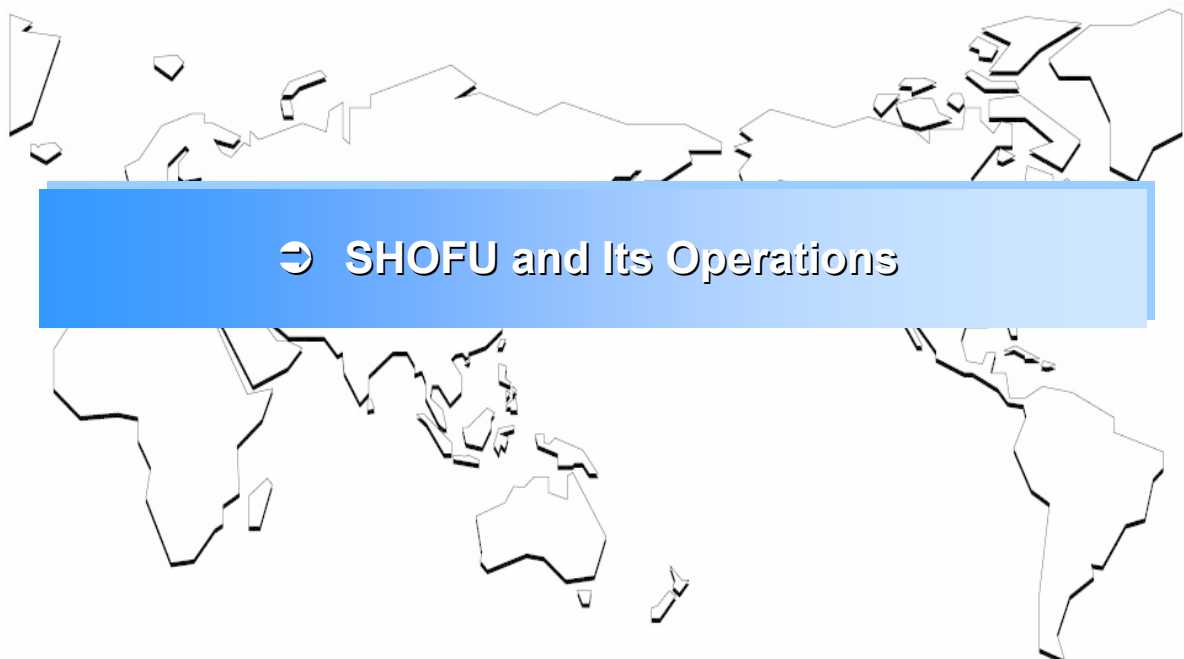


Projections in this document are based on information and data available at this moment, as well as on assumptions concerning uncertain factors that might affect our future business performance. Depending on various factors, our actual business performance could differ greatly from the projections contained in this document.

SHOFU Inc.
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Fax: +81-(0)75-561-1227
URL: <http://www.shofu.co.jp>
E-mail: ir@shofu.co.jp
Contact: General Planning Section



**The pages below are provided for reference only.
This information will not be covered in the presentation.**





- **Company name** : SHOFU Inc.
- **Representative** : Director/President Katsuya Ohta
- **Address** : 11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan
- **Established** : May 15, 1922
- **Capital** : ¥4,474,646,614
- **Stock listed** : Tokyo Stock Exchange (Second Section) (Feb. 15, 2007)
Osaka Stock Exchange (Second Section) (Nov. 9, 1989)
- **Number of Employees** : 420 (Entire group: 695, including 198 in overseas subsidiaries)
- **Business** : Manufacture and sales of dental materials and equipment
- **Main customers** : Dental institutions (via agencies)
- **Group companies** : 9 (3 in Japan, 6 overseas)

SHOFU INC.

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Main Products

SHOFU and Its Operations



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

Artificial teeth



- Porcelain teeth, porcelain powder, resin teeth

Abrasives



- Diamond abrasives
- Carborundum abrasives
- Silicon polishers
- Other carving and polishing materials
- Industrial grinding and polishing materials

Metal products



- Alloys for casting, silver alloys
- Other metals

Chemical products



- Synthetic resins
- Impression materials
- Waxes

Cements



- Dental cements
- Dental stones and investments

Equipment and appliances



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

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

SHOFU INC.

See "Product Profiles" attached to this document.

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Corporate History

SHOFU and Its Operations



- **1922:** Shofu Dental Manufacturing Co., Ltd. founded to engage in manufacture and sale of Japan's first artificial teeth.
- **1963:** Registered Shofu shares for over-the-counter trading.
- **1971-1978:** Established sales subsidiaries in U.S. and Germany.
Commenced production overseas (Taiwan).
Established Shiga Shofu Inc. as manufacturing base for resin teeth.
- **1983:** Company name changed to Shofu Inc.; Commenced management reforms.
- **1989:** Shofu shares listed on Second Section of Osaka Stock Exchange (in November).
- **1990-1997:** Purchased British R&D and manufacturing company, and established sales subsidiary in U.K.
Obtained UK GMP (Good Manufacturing Practice) certificate and CE marking.
- **1996:** Established Promech Inc. Opened representative office in Shanghai, China.
- **1997:** Set up research institute, largest of its kind in the industry, as part of project commemorating 75th anniversary of our founding.
- **2002-2003:** Celebrated 80th anniversary of our founding (in May 2002). Opened representative office in Beijing, China.
Obtained ISO 14001 (Environmental Management Systems) certification for headquarters and all Group companies.
- **2004:** Established Shanghai Shofu Dental Materials Co., Ltd. as production base in China.
- **2005:** Shoken Inc. became wholly owned subsidiary through share exchange (in February).
Established Shofu Dental Supplies (Shanghai) Co., Ltd., sales subsidiary in China (in August).
- **2006:** Training center completed with aim of offering enhanced customer service (in August).
- **2007:** Shofu shares listed on Second Section of Tokyo Stock Exchange (in February).

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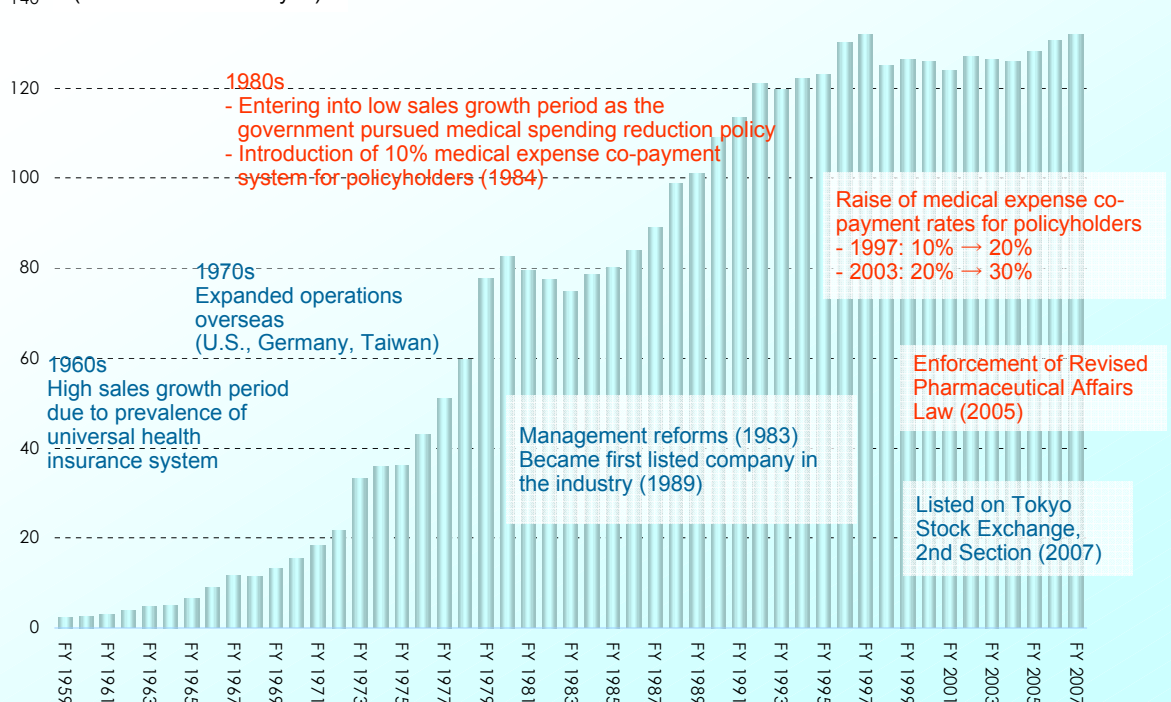
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Corporate History – Sales Trend

SHOFU and Its Operations



(Unit: 100 millions of yen)



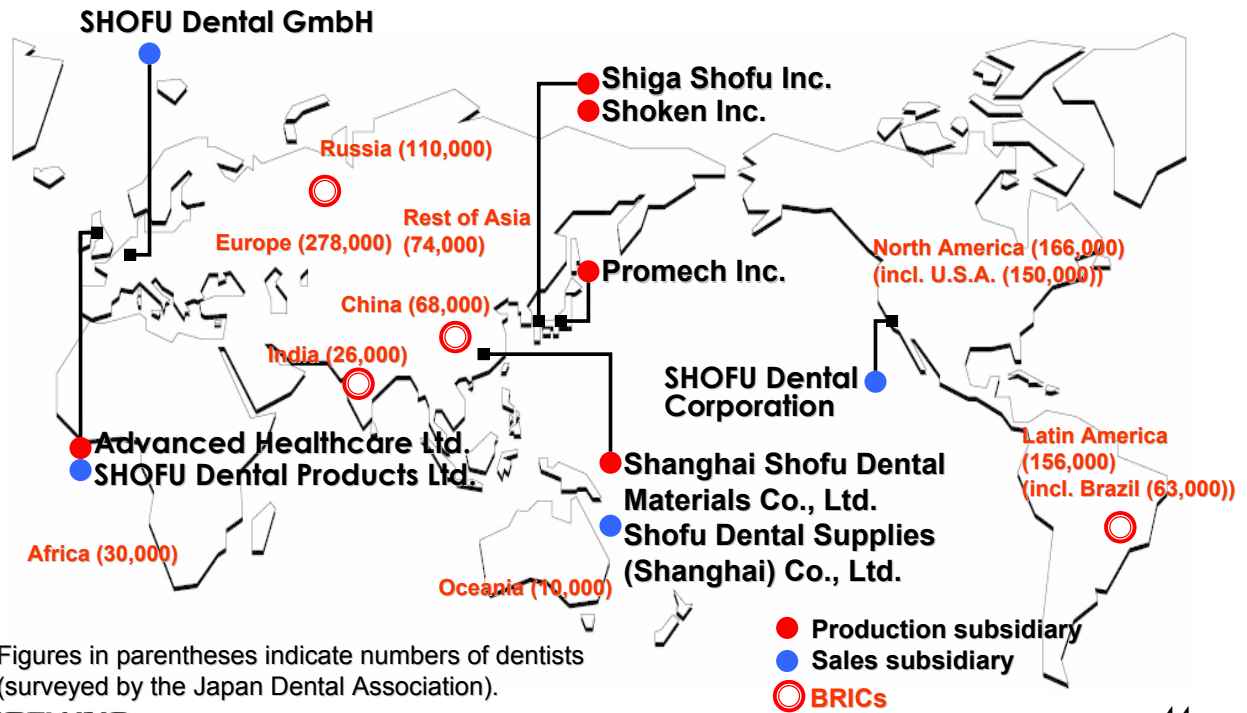
SHOFU INC.

Note: Figures shown in graph are non-consolidated sales.

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Group Profile

SHOFU and Its Operations

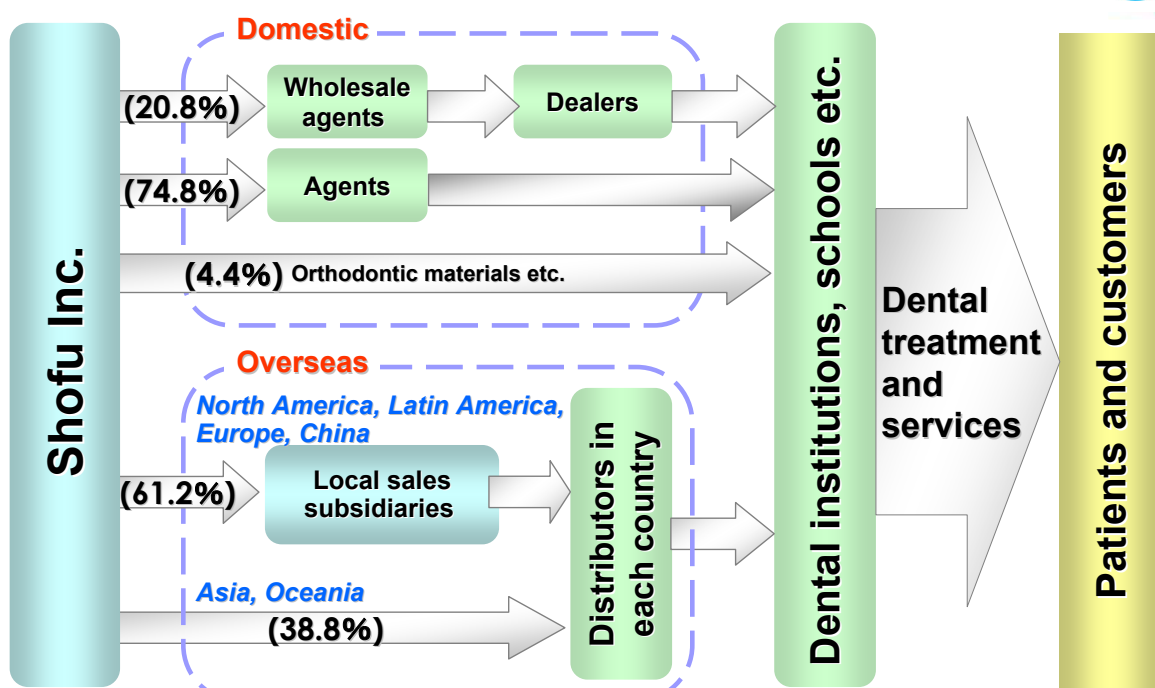


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Sales Channels

SHOFU and Its Operations



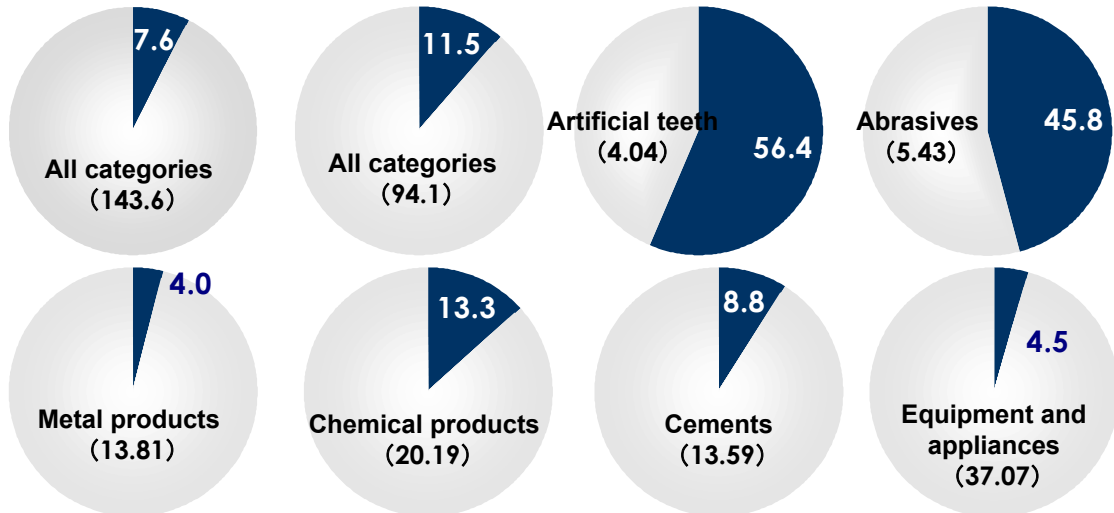
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Figures in parentheses represent ratio of sales through each sales channel to total sales (data for FY '07/3 on non-consolidated basis).

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Market Share by Product Category

⇒ SHOFU and Its Operations



"All categories" includes "gold-silver-palladium alloys" and "machines and equipment for dental clinics", whereas "All categories II" and other categories exclude "gold-silver-palladium alloys" and "machines and equipment for dental clinics."

Source: Statistics of Production by Pharmaceutical Industry (Manufacturers' Shipment Values), Ministry of Health, Labor and Welfare (Domestic data, 2004)

Unit: %

Figures in parentheses represent market size (billions of yen).

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⇒ Reference <Dentistry Data>

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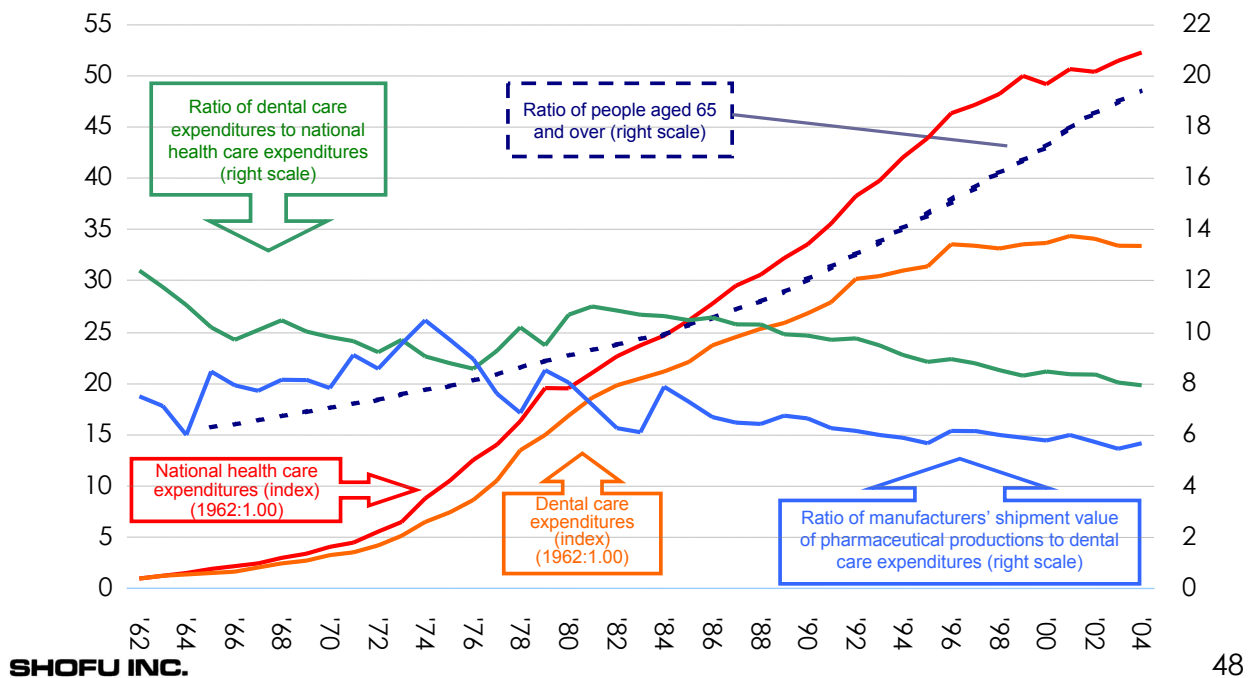
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Long-term Trend in Dentistry-related Statistics

Reference <Dentistry Data>

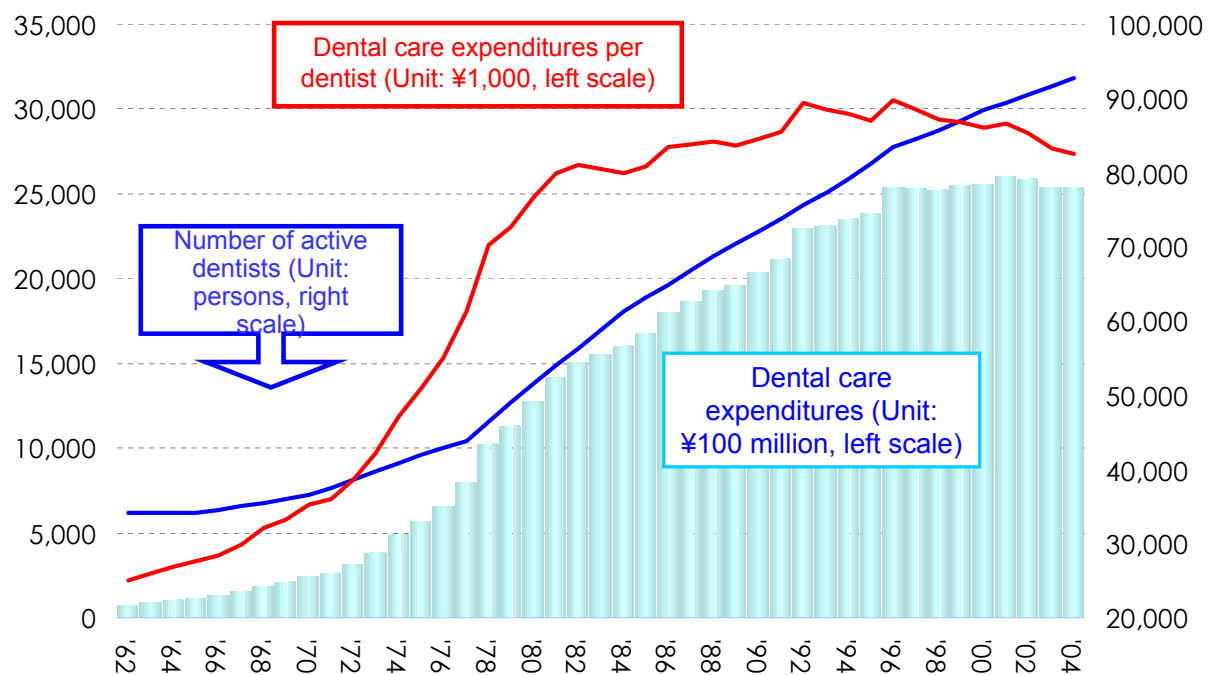


Changes in national health care expenditures, ratio of population aged 65 and over, ratio of dental care expenditures and ratio of manufacturers' shipment value of pharmaceutical productions to dental care expenditures (1962 - 2004)



Trend in Number of Dentists and Dental Care Expenditures

Reference <Dentistry Data>

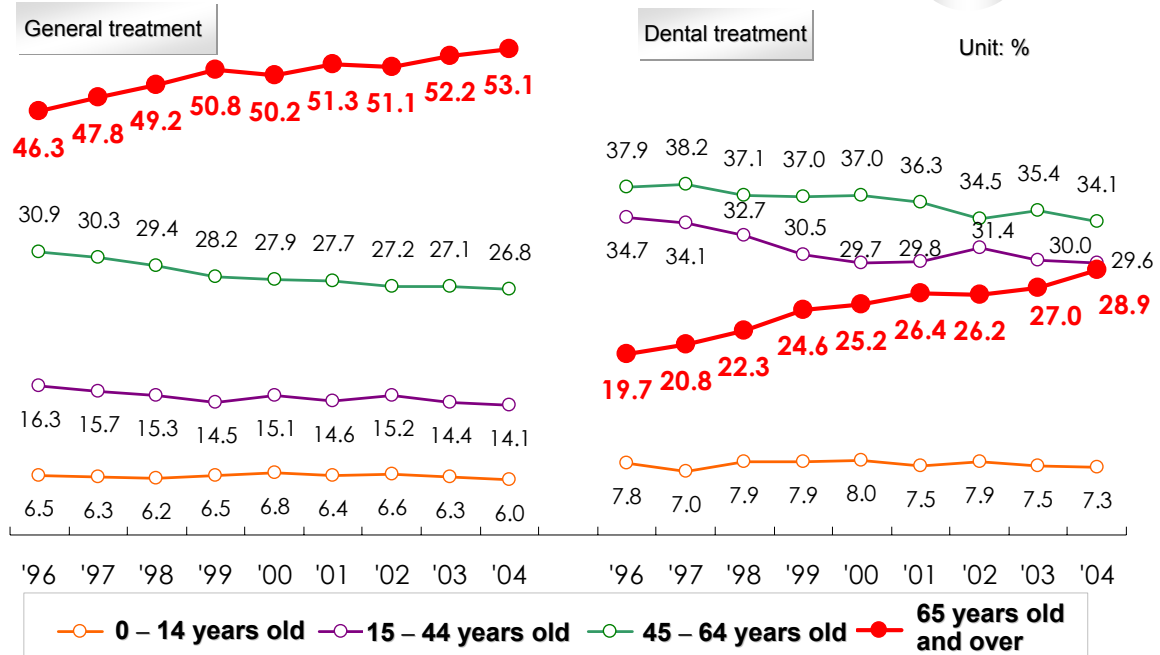


Health Care Costs by Age Group (% of Total)

Reference <Dentistry Data>



Dental treatment expense
total health care costs tha



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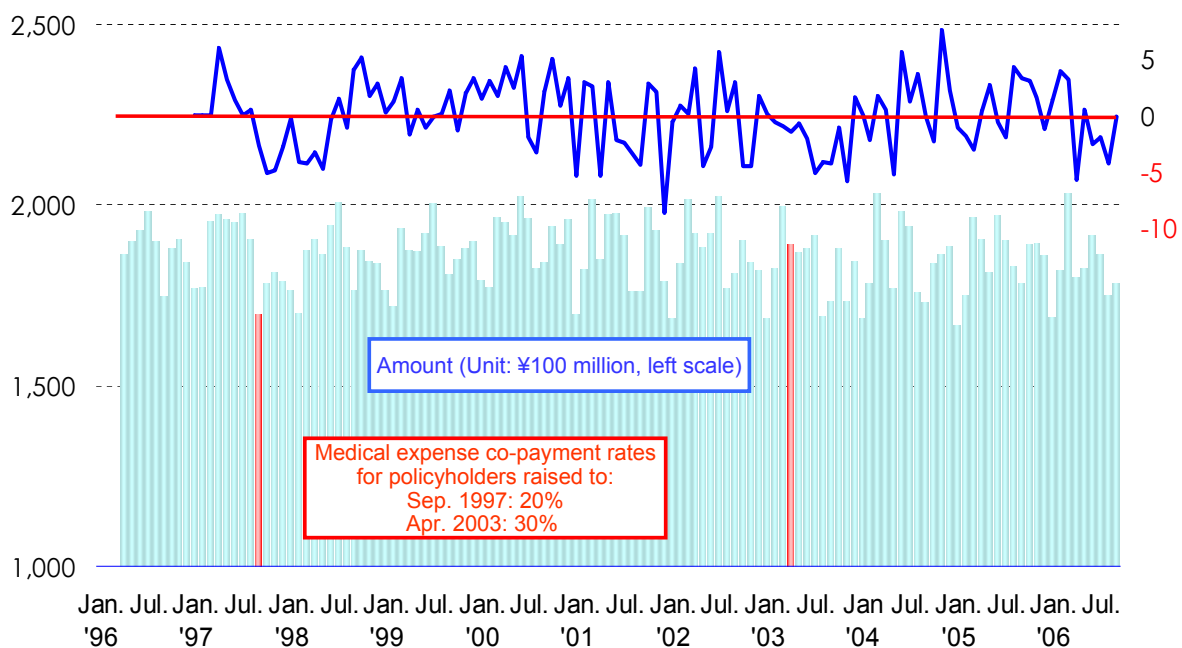
Trend in Dental Treatment Costs (1)

Reference <Dentistry Data>



Dental treatment costs paid by health insurances (total of Employees' and National Health Insurance Systems) and year-on-year rates (Jan. 1996 - Sep. 2006)

Year-on-year rate
(Unit: %, right scale)



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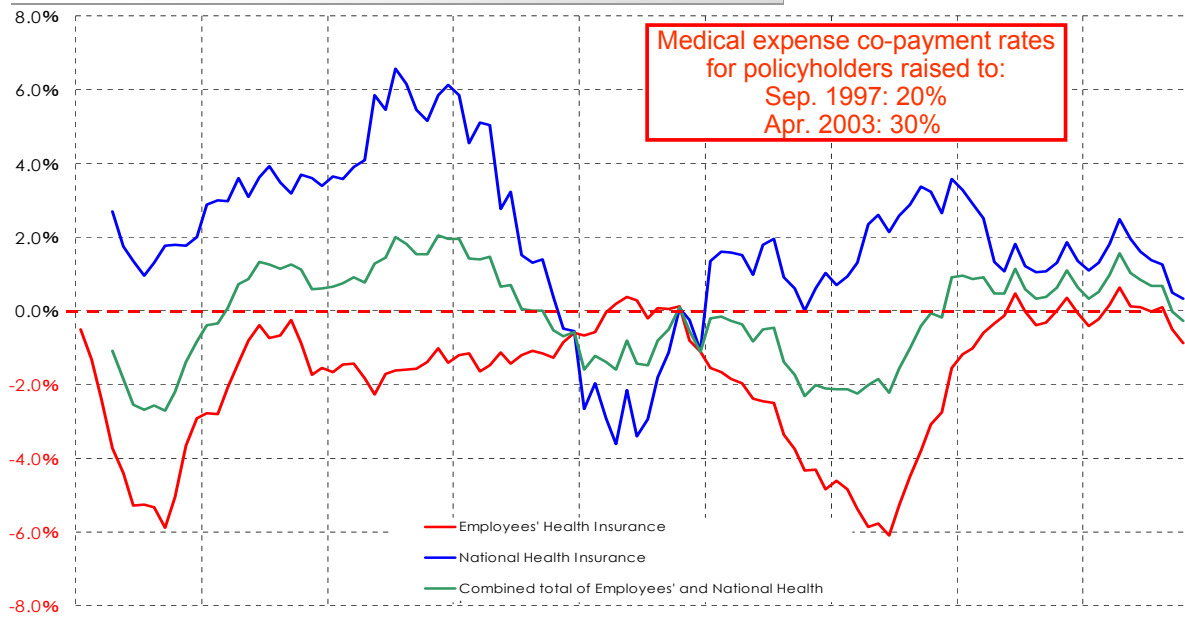
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Trend in Dental Treatment Costs (2)

Reference <Dentistry Data>



Dental treatment costs paid by health insurance (Moving average deviations over 12 months) (Dec. 1997 – Sep. 2006)



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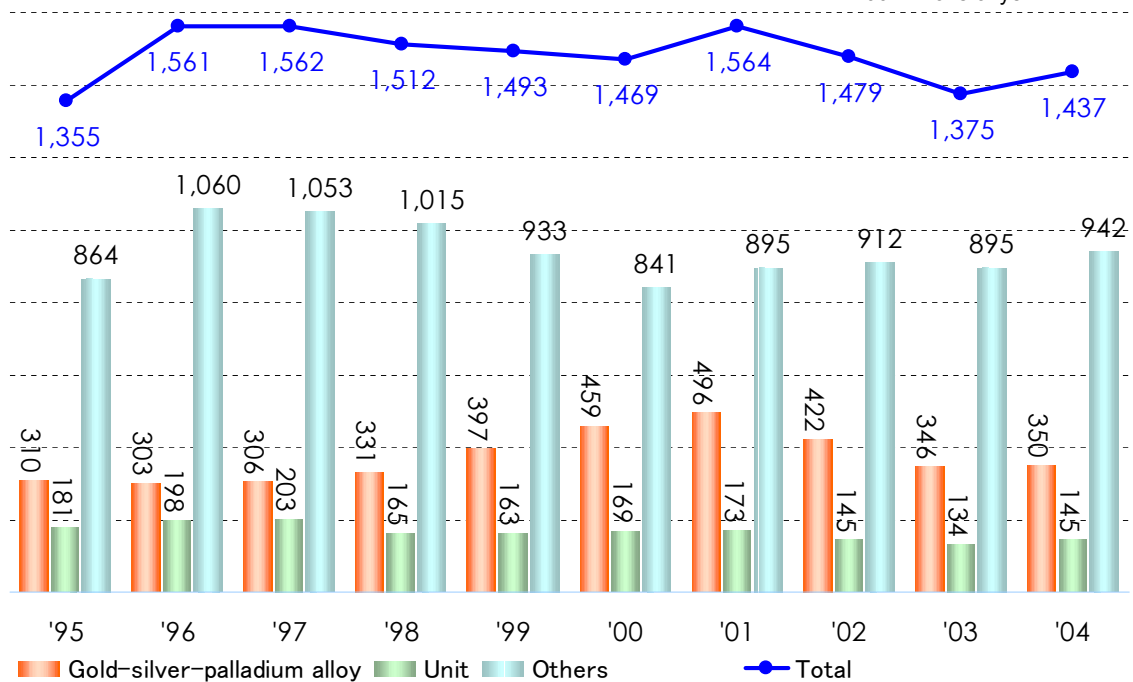
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Trend in Shipment Value of Pharmaceutical Industry Productions

Reference <Dentistry Data>



Shipment value Unit:
100 millions of yen



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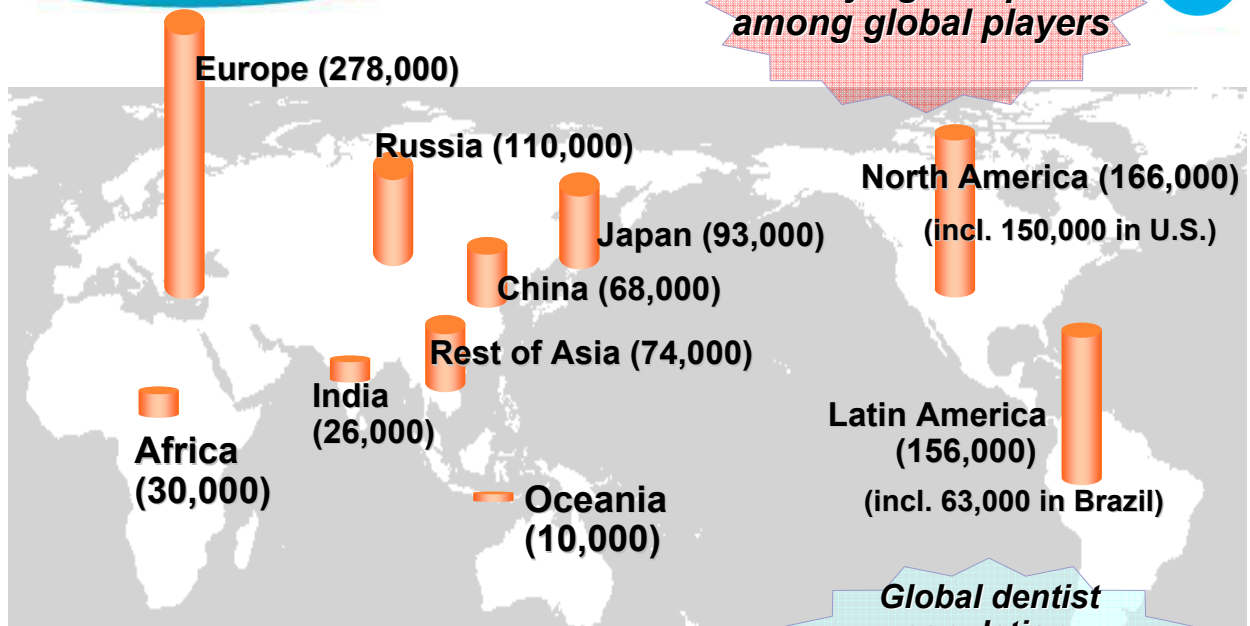
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Number of Dentists Worldwide

Reference <Dentistry Data>



**Intensifying competition
among global players**



◆Source:
For numbers of dentists: "World Dentistry Conditions and Patient's Guide--For Your Peace of Mind", Japan Dental Association, and other materials
For estimated market size: "Dental Equipment Industry Vision (draft)", Japan Dental Trade Association

**Global dentist
population:
approx. 1 million
Estimated market size:
approx. 2 trillion yen**