

Presentation on Mid-term Financial Statements and Business Performance

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

November 29, 2006



Contents of Today's Presentation

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

Director/President : **Katsuya Ohta**

**Senior Managing Director/
General Manager of Development, Technology & Production Division** : **Hiroyuki Kaji**

**Senior Managing Director/
General Manager of Administration Division** : **Fumio Shirahase**
Director/Sales Manager : **Yoshinao Nishida**

Corporate Profile



- **Company name** : SHOFU Inc.
- **Representative** : Director/President Katsuya Ohta
- **Address** : 11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan
- **Date of establishment** : May 15, 1922
- **Capital** : ¥4,474,646,614
- **Listing** : 2nd Section of Osaka Stock Exchange (Date of listing: November 9, 1989)
- **Number of employees** : 426 (Entire group: 692, with 187 of these in overseas subsidiaries)
- **Business** : Manufacture and sale of dental materials and equipment
- **Main customers** : Dental institutions (via agencies)
- **Group companies** : 9 (3 in Japan, 6 overseas)

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2

Main Products

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



Artificial teeth



- Porcelain teeth, porcelain powder, resin teeth

Abrasives



- Diamond abrasive
- Carborundum abrasive
- Silicon polisher
- 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.

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See "Product Profiles" attached to this document.

3

⇒ Overview of Mid-term Business Performance for the Year Ending March 31, 2007

Overview of Mid-term Business Performance

⇒ Overview of mid-term business performance for the year ending March 31, 2007

■ Plus factors ■ Minus factors

P/L

- Recently introduced products are selling well. (Sales of new products: ¥784 million / 12.0% of non-consolidated sales)
- Due mainly to decline of equipment sales, domestic sales showed **slight decrease of 0.2%**.
- Thanks to commencement of full operation of sales subsidiary in China, and increased sales of artificial teeth (ceramic) and abrasives in the U.S., **overseas sales grew 16.4% (Overseas sales rate: 24.9%, an all-time high)**.
- Sales reached ¥7,488 million **(up 3.5%) (all-time high as mid-term figure)**.
- Cost percentage decreased 1.3% due to improved sales mix and effects of cost reduction efforts. This offset the impacts of commencement of full operation of Chinese sales subsidiary and increased spending related to construction of the training center, allowing **operating profit to reach ¥767 million (up 7.7%)**.
- Due to impacts of the non-operating income situation in previous mid-term, **current profit declined 2.4%**.

B/S

- Due to a decline in share prices, we suffered a ¥518 million decrease in net unrealized holding gains on securities.
- Due to completion of the training center, tangible fixed assets increased.

C/F

- Due to payment of corporate taxes and increased inventory assets, operating cash flow decreased. (¥701 million in previous mid-term → ¥321 million)

Overview of Mid-term Business Performance for the Year Ending March 31, 2007 (Comparison with Previous Mid-term)

Overview of mid-term business performance
for the year ending March 31, 2007



Unit: Millions of yen, %

	Year ended March 31, 2006 (Mid-term)	Year ending March 31, 2007 (Mid-term)	Comparison
	Amount (% of sales)	Amount (% of sales)	Amount (%)
Sales	7,238 (100.0)	7,488 (100.0)	250 (3.5)
(Domestic sales)	5,634 (77.8)	5,621 (75.1)	△ 12 (△0.2)
(Overseas sales)	1,604 (22.2)	1,866 (24.9)	262 (16.4)
Operating profit	713 (9.9)	767 (10.3)	54 (7.7)
Current profit	797 (11.0)	778 (10.4)	△ 18 (△2.4)
Current net profit	488 (6.7)	464 (6.2)	△ 23 (△4.9)
Current net profit per share	¥30.73	¥29.25	
Return on equity	2.68%	2.37%	

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6

Sales by Product Category (Comparison with Previous Mid-term)

Overview of mid-term business performance
for the year ending March 31, 2007



Unit: Millions of yen

Figures in () represent percentages of all product categories and rates of increase or decrease (Unit: %)

	Year ended March 31, 2006 (Mid-term)	Year ending March 31, 2007 (Mid-term)	Comparison
Artificial teeth	1,343 (18.6)	1,406 (18.8)	62 (4.7)
Abrasives	1,812 (25.0)	1,912 (25.5)	99 (5.5)
Metal products	232 (3.2)	236 (3.2)	3 (1.7)
Chemical products	1,365 (18.9)	1,415 (18.9)	49 (3.6)
Cements, etc.	721 (10.0)	810 (10.8)	89 (12.3)
Equipment, etc.	1,762 (24.3)	1,707 (22.8)	△ 54 (△3.1)
Total	7,238 (100.0)	7,488 (100.0)	250 (3.5)

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7

Overview of Mid-term Business Performance for the Year Ending March 31, 2007 (Comparison with Projected Mid-term Figures)

Overview of mid-term business performance for the year ending March 31, 2007



Unit: Millions of yen, %

	Year ending March 31, 2007 (Projected mid-term figures)	Year ending March 31, 2007 (Actual mid-term figures)	Comparison
	Amount (% of sales)	Amount (% of sales)	Amount (%)
Sales	7,523 (100.0)	7,488 (100.0)	△ 35 (△0.5)
(Domestic sales)	5,674 (75.4)	5,621 (75.1)	△ 53 (△0.9)
(Overseas sales)	1,848 (24.6)	1,866 (24.9)	18 (1.0)
Operating profit	675 (9.0)	767 (10.3)	92 (13.7)
Current profit	674 (9.0)	778 (10.4)	104 (15.5)
Current net profit	405 (5.4)	464 (6.2)	58 (14.5)
Current net profit per share	¥25.56	¥29.25	
Net profit to net worth ratio	-	2.37%	

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8

Sales by Product Category (Comparison with Projected Mid-term Figures)

Overview of mid-term business performance for the year ending March 31, 2007



Unit: Millions of yen

Figures in () represent percentages of all product categories and rates of increase or decrease (Unit: %)

	Year ending March 31, 2007 (Projected mid-term figures)	Year ending March 31, 2007 (Actual mid-term figures)	Comparison
Artificial teeth	1,422 (18.9)	1,406 (18.8)	△ 16 (△1.2)
Abrasives	1,877 (25.0)	1,912 (25.5)	34 (1.9)
Metal products	240 (3.2)	236 (3.2)	△ 4 (△1.7)
Chemical products	1,438 (19.1)	1,415 (18.9)	△ 23 (△1.6)
Cements, etc.	758 (10.1)	810 (10.8)	51 (6.8)
Equipment, etc.	1,785 (23.7)	1,707 (22.8)	△ 77 (△4.3)
Total	7,523 (100.0)	7,488 (100.0)	△ 35 (△0.5)

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9

Domestic Sales

Unit: Millions of yen

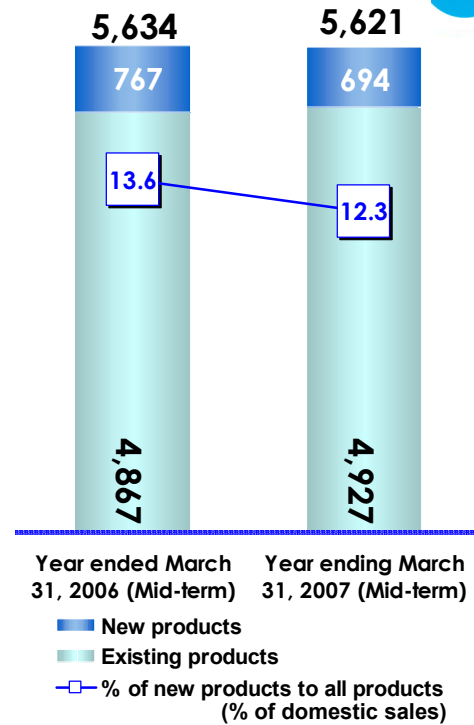
■ Plus factors ■ Minus factors

Existing products

- Despite deteriorating business environment caused by decreased medical treatment fees, sales of abrasives, chemical products & cements have been relatively steady.
- But, with sales activities continuously exposed to severe competition, earnings from artificial teeth and equipment decreased.
- Entire domestic sales reached ¥5,621 million, down ¥12 million (0.2%) from previous mid-term figure.

Major new products recently rolled out

- Glass ionomer resin cement "Hy-Bond Resiglass"
- Automatic casting machine for dental treatment "Argoncaster-AE"
- Light-cured hard composite resin material for crowns & bridges "Ceramage"
- Digital camera for dental use "Eye Special I, II" (Sales discontinued)



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New products shown above are those introduced in the last 3 years.

10

Overseas Sales

Unit: Millions of yen

■ Plus factors ■ Minus factors

North America, Latin America

- We have enjoyed steady sales in abrasives, the major product category in these markets, and artificial teeth (ceramic) & cements.
- Sales showed a 10.0% increase in local currency.

Europe

- Due to increased sales of abrasives, chemical products & cements, sales showed a 2.6% increase in local currency.

Asia & Oceania

- China: ¥60 million up from previous mid-term
- South Korea/Taiwan: ¥9 million up from previous mid-term

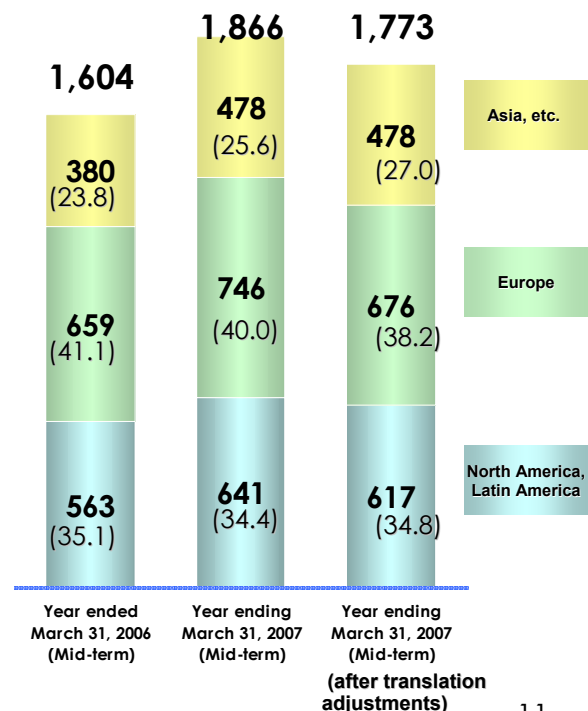
Exchange rates

- US dollar: ¥117.90 (¥113.19 in previous mid-term)
- Euro: ¥149.77 (¥136.13 in previous mid-term)

Percentage of overseas sales to total sales

- 24.9% (22.2% in previous mid-term) (24.0% after translation adjustments)

Figures in () represent the percentage (%) of total overseas sales



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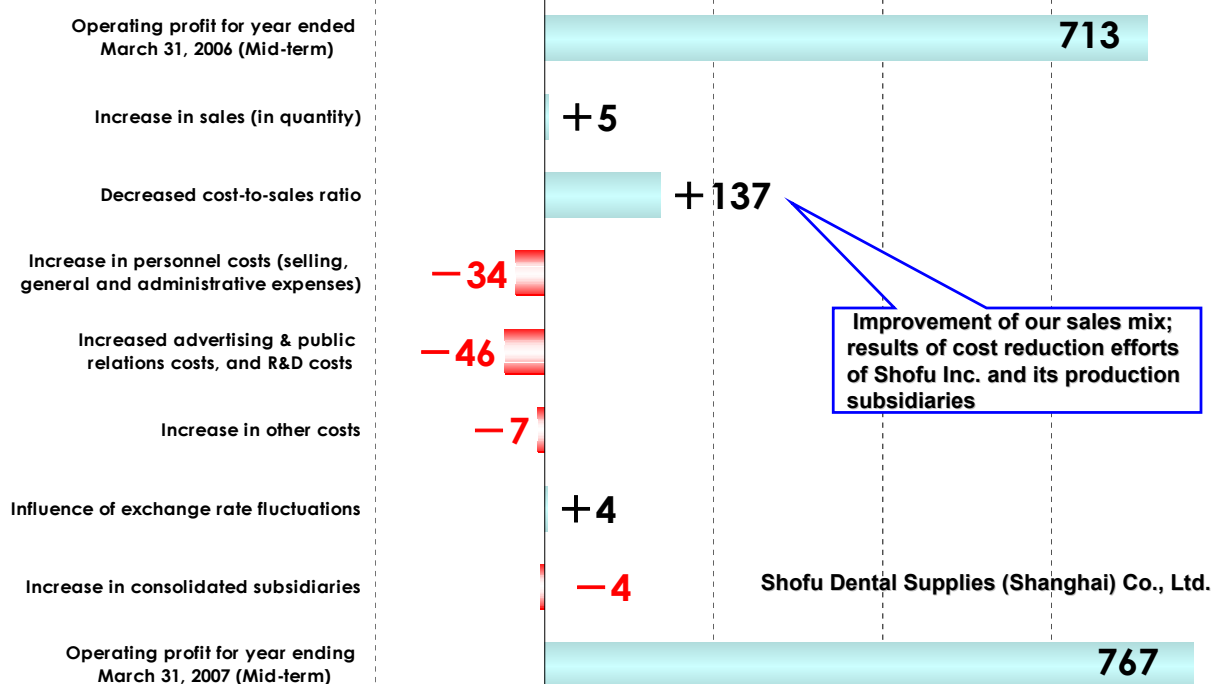
11

Factors Underlying the Change in Operating Profit

Overview of mid-term business performance for the year ending March 31, 2007



Unit: Millions of yen



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12

Financial Status — Major Accounts in the B/S

Overview of mid-term business performance for the year ending March 31, 2007



Unit: Millions of yen

	Year ended March 31, 2006	Year ending March 31, 2007 (Mid-term)	Comparison	Factors underlying changes - Special notes
Cash	6,558	6,789	231	
Notes and accounts receivable	2,518	2,557	39	
Inventories	2,910	3,067	157	
Marketable securities, investment securities	7,464	6,642	△ 822	¥518 million loss from devaluation of marketable securities ¥299 million bonds purchased. ¥600 million bonds redeemed Tangible fixed assets increased ¥262 million.
Other assets	5,533	5,790	256	
Assets	24,985	24,848	△ 137	
Long-term and short-term loans	1,035	1,030	△ 5	
Retirement allowance for employees, retirement allowance for directors and auditors	501	518	17	
Other liabilities	3,873	3,723	△ 149	Deferred tax liability decreased ¥211 million due to decreased gains from devaluation of marketable securities. Bills payable for construction of facilities increased ¥145 million.
Liabilities	5,409	5,272	△ 137	
Net worth	19,576	19,576	△ 0	¥ 308 million loss from devaluation of marketable securities
Total liabilities and net worth	24,985	24,848	△ 137	
Net worth ratio	78.4%	78.8%		
Net worth per share	¥1,231	¥1,233		

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13

Cash Flow

➡ Overview of mid-term business performance for the year ending March 31, 2007



(Unit: 100 million yen)

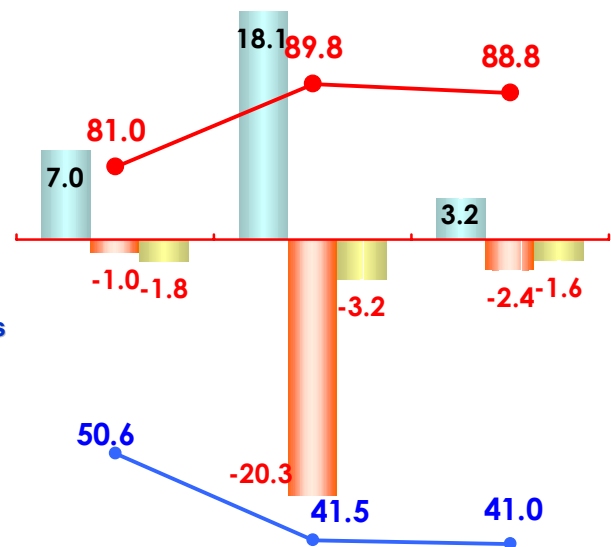
Year ended March 31, 2006: Mid-term Full year ended March 31, 2006 Year ending March 31, 2007: Mid-term

❖ Cash flow in the current year

- Cash flow from operating activities
 - Before taxes and other adjustments
 - Current net profit : ¥786 million
 - Corporate taxes paid : △ ¥396 million
 - Increased inventory assets : △ ¥139 million
- Cash flow from investment activities
 - Acquisition of tangible fixed assets : ¥260 million
- Cash flow from financing activities
 - Cash dividends : ¥158 million

❖ Includes balance of deposits and bonds ≥ 3 months (shown as "Year-end balance II" in graph)

- Year ended March 31, 2006: Mid-term : ¥8.10 billion
- Year ended March 31, 2006 : ¥8.98 billion
- Year ending March 31, 2007 : Mid-term : ¥8.88 billion



*"Year-end balance I" is the balance in "cash and cash equivalents" shown in the consolidated cash flow statement.

14

➡ Outlook of Business Performance for the Full Year Ending March 31, 2007



Overview of Business Performance for the Full Year

Outlook of Business Performance for Full Year Ending March 31, 2007



* No changes have been made to initial projections released May 15, 2006.

P/L

- ◇ In Japan, due to the largest-ever curtailment in medical service and treatment fees, the business situation for dentists is and will continue to be difficult. There is concern that this trend might have an indirect impact on the demand for dental materials.
- ◇ Introduction of new products is expected to be limited next year because of timing in the production 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: ¥1,454 million/11.2%>
- ◇ Steady growth is anticipated in all overseas markets. Our Chinese sales subsidiary is expected to contribute to increased sales throughout the year.
- ◇ Sales are projected to be ¥15,019 million (up 2.5%).
- ◇ Increased sales and growing earnings from overseas operations will compensate for the increase in personnel costs, advertisement costs, and expenses accompanying the construction of a training center. As a result, operating profit is expected to be ¥1,416 million (up 8.3%).
- ◇ The current profit is expected to increase slightly to ¥1,347 million (up 0.2%), because of the effect of non-operating income, one of the plus factors, recorded as of March 31, 2006.

B/S

- ◇ A training center for customers (product users) will be completed.

C/F

- ◇ ¥673 million will be spent for construction of the training center and purchase of other tangible fixed assets.
- ◇ The year-end balance, including the balance resulting from bond dealings, is expected to be about ¥8.9 billion.

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16

Comparison of Major Indices

Outlook of Business Performance for Full Year Ending March 31, 2007



Unit: Millions of yen, %

	Actual amount, full year ended March 31, 2006 (% of sales)	Projected amounts, year ending March 31, 2007			Comparison with previous year (% of change)
		Actual amount, H1 (% of sales)	Projected amount, H2 (% of sales)	Projected amount, full year (% of sales)	
Sales	14,650	7,488	7,530	15,019	368 (2.5)
(Domestic sales)	11,350 (77.5)	5,621 (75.1)	5,724 (76.0)	11,345 (75.5)	△ 4 (△0.0)
(Overseas sales)	3,299 (22.5)	1,866 (24.9)	1,806 (24.0)	3,673 (24.5)	373 (11.3)
Operating profit	1,308 (8.9)	767 (10.3)	648 (8.6)	1,416 (9.4)	108 (8.3)
Current profit	1,344 (9.2)	778 (10.4)	569 (7.6)	1,347 (9.0)	2 (0.2)
Current net profit	822 (5.6)	464 (6.2)	354 (4.7)	818 (5.5)	△ 4 (△0.5)
Current net profit per share	¥49.42	¥29.25	¥22.33	¥51.58	¥2.16

Note: When calculating the current net profit per share for the year ended March 31, 2006, bonuses to directors and auditors were deducted from the current net profit. However, no such consideration has been made in projecting the current net profit for the year ending March 31, 2007.

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17

Sales by Product Category



Unit: Millions of yen

Figures in () represent percentages of all product categories and rates of increase or decrease (Unit: %)

	Actual amount, full year ended March 31, 2006	Projected amounts, year ending March 31, 2007			Comparison with previous year (% of change)
		Actual amount, H1	Projected amount, H2	Projected amount, full year	
Artificial teeth	2,697 (18.4)	1,406 (18.8)	1,436 (19.1)	2,843 (18.9)	145 (5.4)
Abrasives	3,659 (25.0)	1,912 (25.5)	1,829 (24.3)	3,741 (24.9)	82 (2.2)
Metal products	462 (3.2)	236 (3.2)	230 (3.1)	467 (3.1)	4 (0.9)
Chemical products	2,748 (18.8)	1,415 (18.9)	1,449 (19.2)	2,864 (19.1)	115 (4.2)
Cements, etc.	1,531 (10.4)	810 (10.8)	737 (9.8)	1,548 (10.3)	16 (1.1)
Equipment, etc.	3,549 (24.2)	1,707 (22.8)	1,845 (24.5)	3,553 (23.7)	4 (0.1)
Total	14,650 (100.0)	7,488 (100.0)	7,530 (100.0)	15,019 (100.0)	368 (2.5)

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18

Domestic Sales

No changes have been made to initial projections.



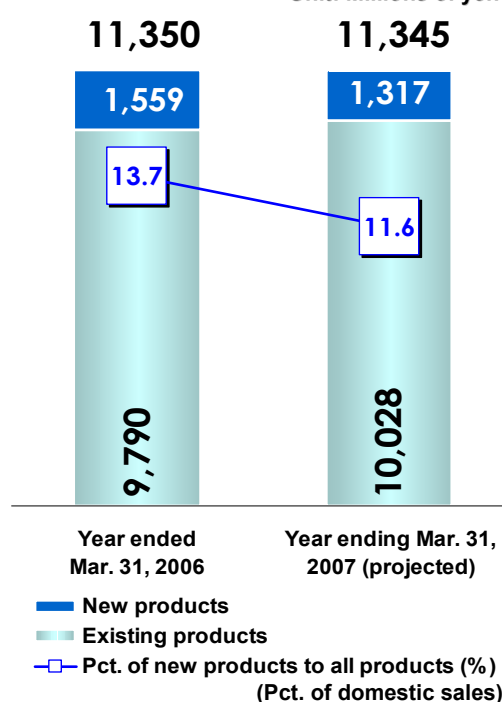
Unit: Millions of yen

Our perception and basic policies with respect to the domestic market

- Due to the largest-ever curtailment in medical service and treatment fees, the business situation for dentists is and will continue to be difficult. There is concern that this trend might have an indirect impact on the demand for dental materials.
- Introduction of new products is expected to be limited next year because of timing in the production development cycle. However, more efforts will be exerted to ensure that recently introduced products will be accepted more widely in the market.

Major factors underlying the decrease in new products

- Self-curing acrylic resin "Provinice"
--- 3 years after introduction
- Digital cameras for dental use
"Eye Special I, II"
--- Sales suspended. No succeeding models are in the pipeline.



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*New products are those products introduced in the last 3 years.

19

Overseas Sales

No changes have been made to initial projections.



Overview

- Good sales are expected in all regions.
- Projected sales of the Chinese sales subsidiary in the first year of operation: ¥384 million

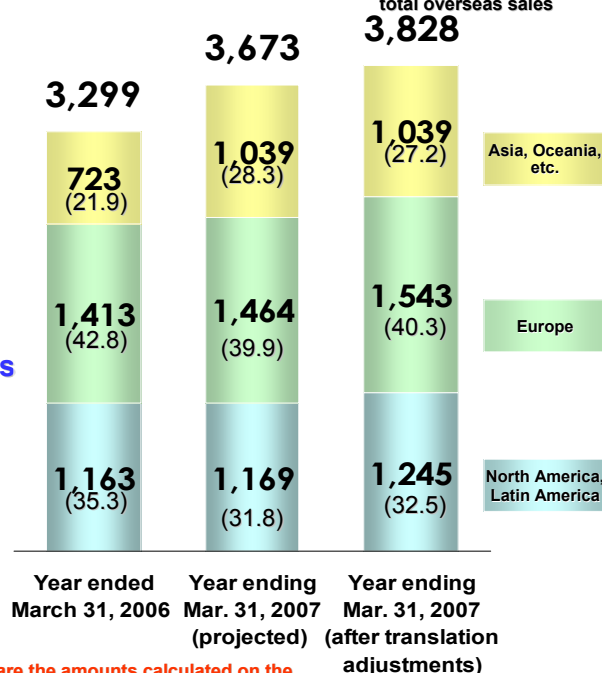
Exchange rates

- US dollar: ¥110 ← ¥117.47 in previous year
(Effect: -¥75 million)
- Euro: ¥135 ← ¥142.81 in previous year
(Effect: -¥79 million)

Percentage of overseas sales to total sales

- 24.5% (22.5% in previous year)
(25.2% after translation adjustments)

Unit: Millions of yen
Figures in () represent percentages (%) of total overseas sales



* The projected figures after translation adjustments are the amounts calculated on the assumption that the exchange rates remain the same as on March 31, 2006.

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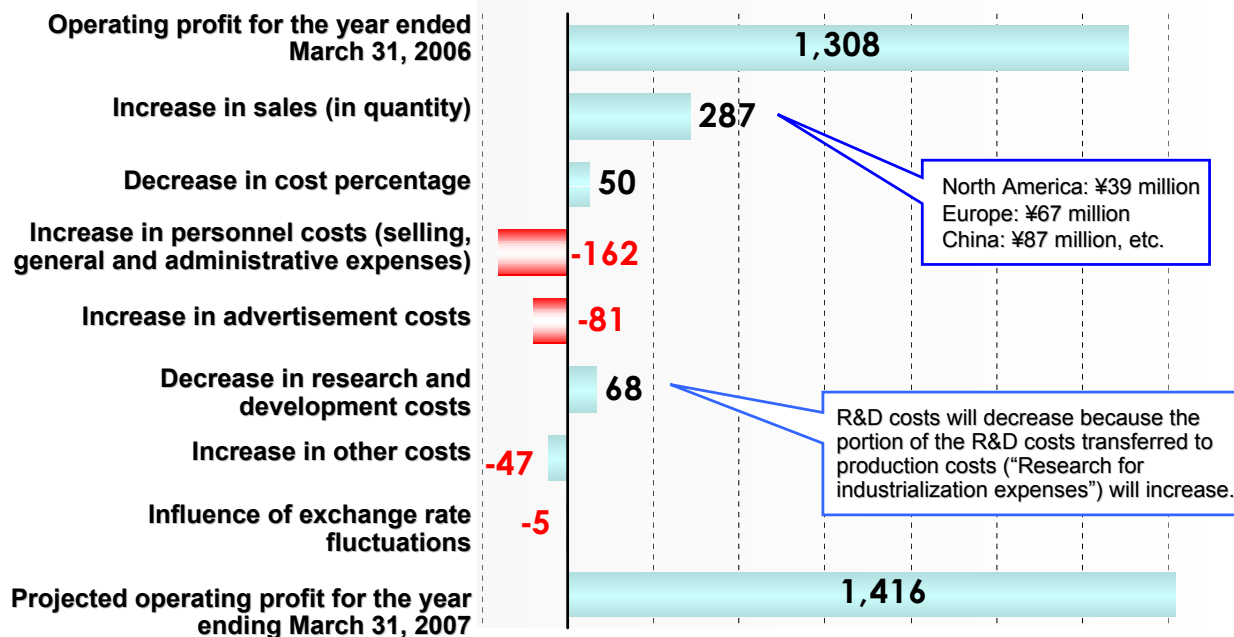
20

Factors Underlying the Change in Operating Profit



No changes have been made to initial projections.

Unit: Millions of yen



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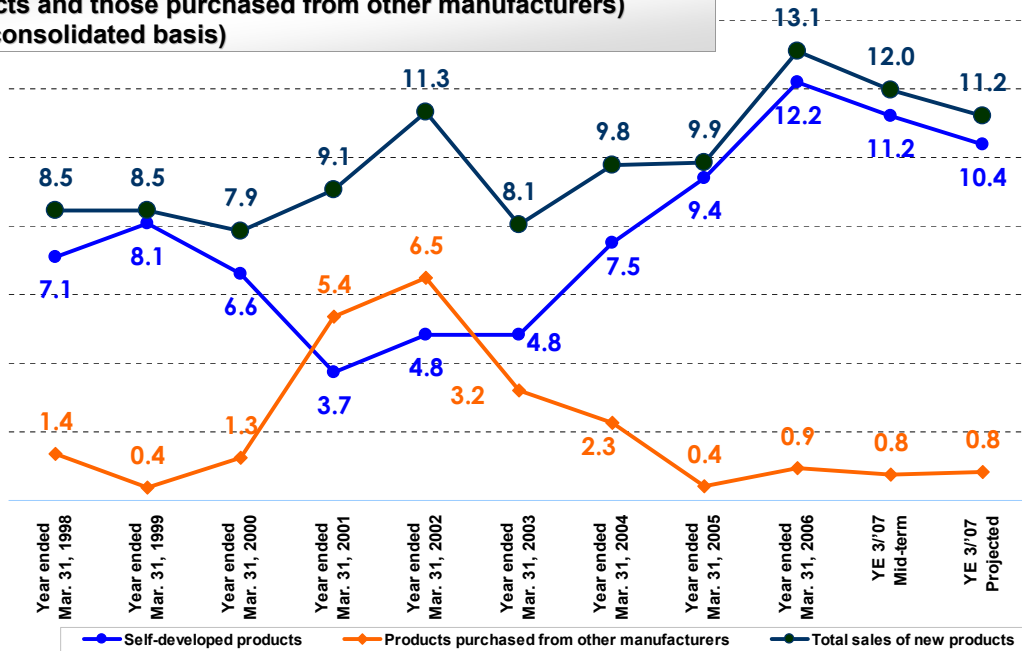
21

Trend of Sales of New Products



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

Unit: %



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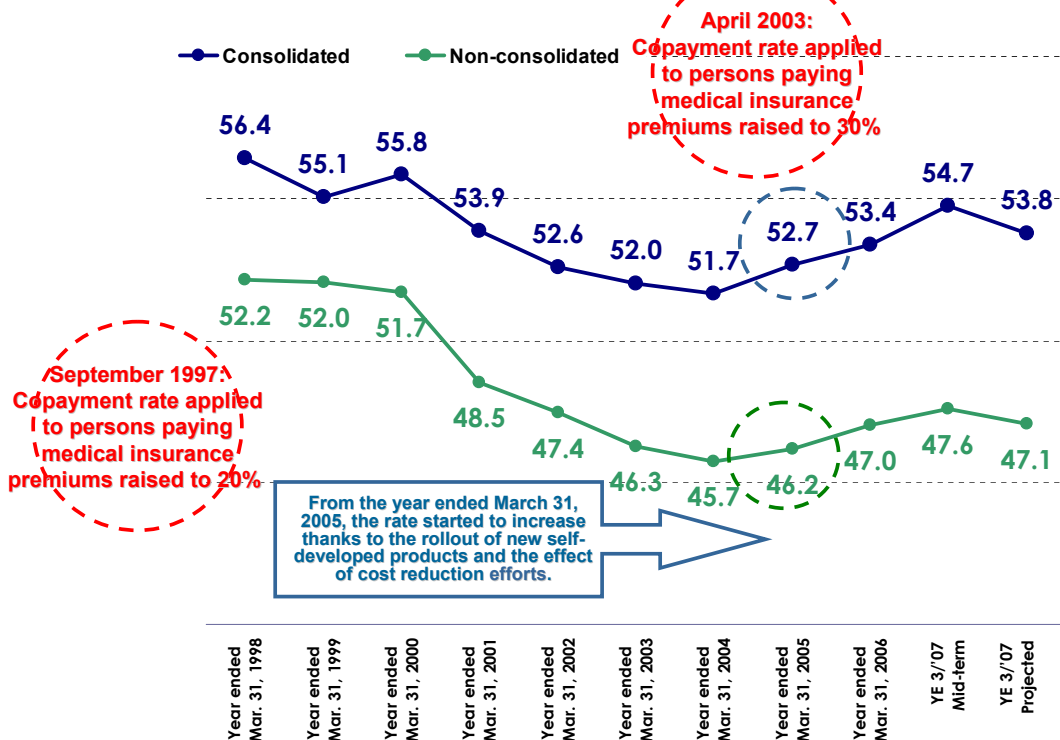
Major products purchased from other manufacturers: J&J products, laser equipment, EMS products

22

Trend of Gross Profit Margin Rate



Unit: %

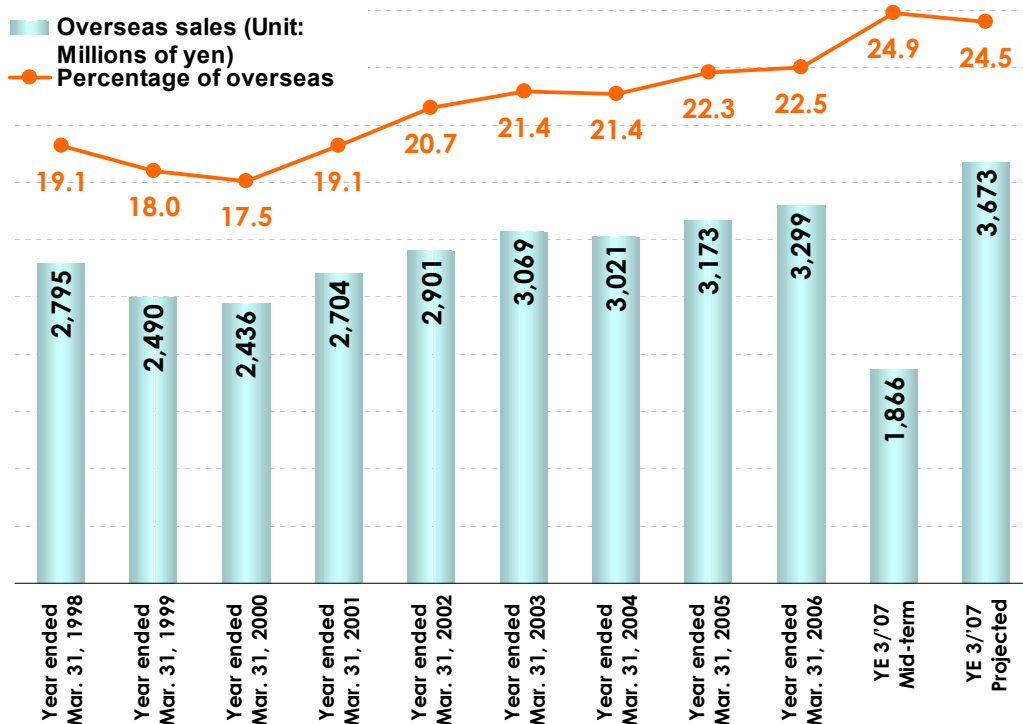


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23

Overseas Sales / Percentage of Overseas Sales to Total Sales

Outlook of Business Performance for Full Year Ending March 31, 2007



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24

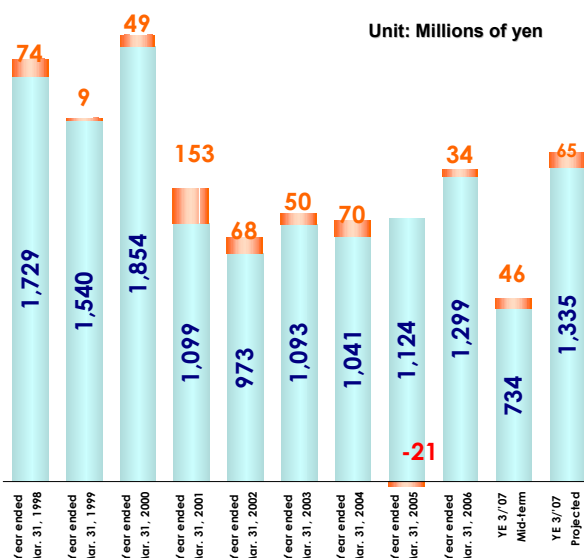
Segment Operating Profit by Location

Outlook of Business Performance for Full Year Ending March 31, 2007



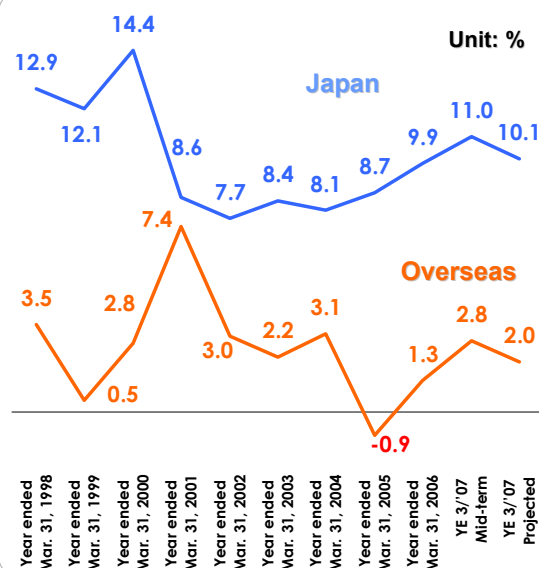
Amount of operating profit

Unit: Millions of yen



Operating profit rate

Unit: %



Note: Amounts and percentages shown in the graph are those before consolidation adjustments.

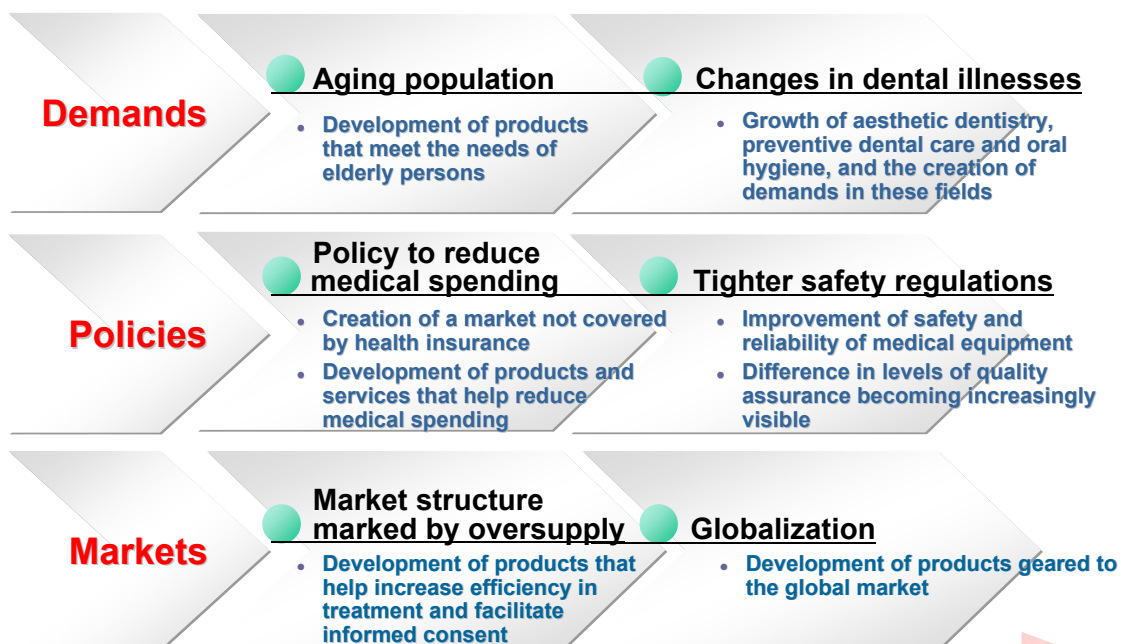
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25

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

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

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



The severe business environment is expected to continue.



Management Emphases

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 the domestic market

Restoring the consolidated operating profit margin to 10%

→ Aiming to achieve 15% operating profit margin in the long run

Specific Measures — Research and Development

* The rate of R&D to sales decreased after the year ended March 31, 2006 because the portion of R&D cost transferred to the production expense account ("Research for industrialization costs") increased.

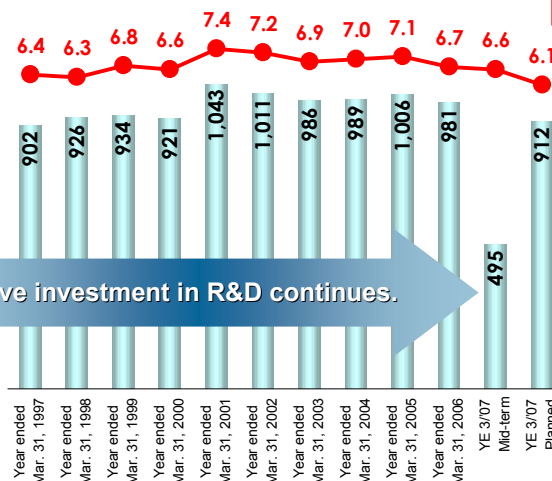
Quality competitiveness

Marketing strength

Price competitiveness

Research and development
(millions of yen)

Percentage of R&D to sales (%)



Active investment in R&D continues.

Providing value to customers

Creating demand

Raising efficiency and speed of research activities



Specific Measures — Production

⇒ Inheriting and continuously improving production technology

- To cope with an increasing number of employees reaching their 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 the Revised Pharmaceutical Affairs Law

⇒ Cost reduction

- Promoting a cost-down project in each production site and office
- Increased ¥214 million in mid-term of year ending March 31, 2007 (compared to year ended March 31, 2003).

Strengthening quality competitiveness

Strengthening price competitiveness

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



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, gum-disease-related care
- Regenerative medicine — e.g., commercialization of bone repairing materials
- Sales related to PMTC (materials, equipment): ¥278 million
- Sales related to tooth whitening : ¥102 million

More intensive promotion of a customer-first attitude

Enhancing marketing strength

Flexible and efficient sales policies

* PMTC (Professional Mechanical Tooth Cleaning)
Figures represent actual sales in year ending March 31, 2007 (mid-term).

Construction of Training Center Completed

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

Core facility to address dental care needs & gather relevant info



Treatment training room



Dental technology training room

Core facility to provide info concerning our products

For better customer service

32

Specific Measures — Overseas Operations

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



⇒ 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 items to be produced
 - ◆ Sales: Increasing items for sale
- Commencing efforts to develop markets in India and Vietnam

Enhancing marketing functions

Strategic activities with the aim of rolling out new products

[Key products]

- Porcelain powder
- Hard resin for crowns
- Filling and restorative dental materials

Sales and Production Subsidiaries in China ①

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



	Sales subsidiary	Production subsidiary
Name	Shofu Dental Supplies (Shanghai) Co., Ltd.	Shanghai Shofu Dental Materials Co., Ltd.
Capital	US\$1 million	¥350 million
Representative	Pres. Toshiaki Seki (Sen. managing director, Shofu Inc.)	
Employees	26	57
Established	August 29, 2005	April 16, 2003
Address	No. 645 Jiye Road, She Shan Industry Park, Songjiang 201602, Shanghai, China	

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34

Sales and Production Subsidiaries in China ②

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



Full view of production subsidiary



Carbo production process in production subsidiary



Full view of sales subsidiary



[Trend of sales to China]



Training center

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Years ended March 31, 1998–2007 (Unit: ¥1 million)

35

Mid-term Plan — Major Numerical Targets

Future Business Environment and
Mid- and Long-term Strategies



★—All-time high

Unit of amount: ¥100 million

	Performance in the year ended March 31, 2006	Year ending March 31, 2007	Year ending March 31, 2008	Year ending March 31, 2009
Sales	★ 14,650	★ 15,019	★ 15,392	★ 15,871
(compared to previous year)	(2.9%)	(2.5%)	(2.5%)	(3.1%)
Domestic sales	11,350	11,345	11,481	11,707
(compared to previous year)	(2.6%)	(-0.0%)	(1.2%)	(2.0%)
Overseas sales	★ 3,299	★ 3,673	★ 3,911	★ 4,164
(compared to previous year)	(4.0%)	(11.3%)	(6.5%)	(6.5%)
Operating profit	1,308	1,416	1,914	★ 2,216
(percentage to sales)	(8.9%)	(9.4%)	(12.4%)	(14.0%)
Current profit	1,344	1,347	★ 1,846	★ 2,147
(percentage to sales)	(9.2%)	(9.0%)	(12.0%)	(13.5%)
Current net profit	822	818	★ 1,065	★ 1,246
(percentage to sales)	(5.6%)	(5.5%)	(6.9%)	(7.9%)
Current net profit per share	¥ 49.42	¥ 51.58	¥ 67.12	¥ 78.49
Return on equity	4.4%	4.1%	5.2%	★ 5.9%
Percentage of overseas sales to total sales	★ 22.5%	★ 24.5%	★ 25.4%	★ 26.2%

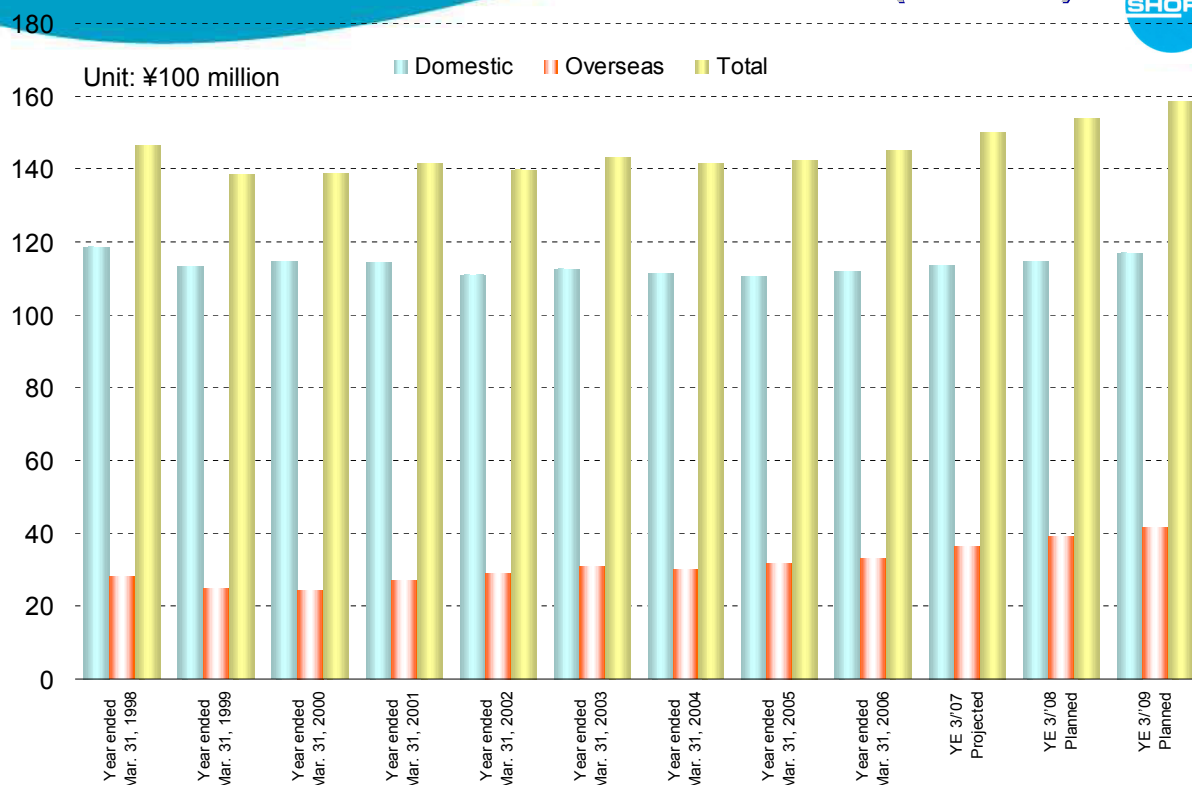
Amortization of the difference (approx. ¥1.8 billion) generated as a result of the introduction of an accounting standard for retirement benefits will be completed in the year ending March 31, 2007. To amortize this difference, ¥256 million is being spent yearly as operating expenses from the year ended March 31, 2001 through the year ending March 31, 2007.

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36

Trend of Business Performance (Sales)

Future Business Environment and
Mid- and Long-term Strategies

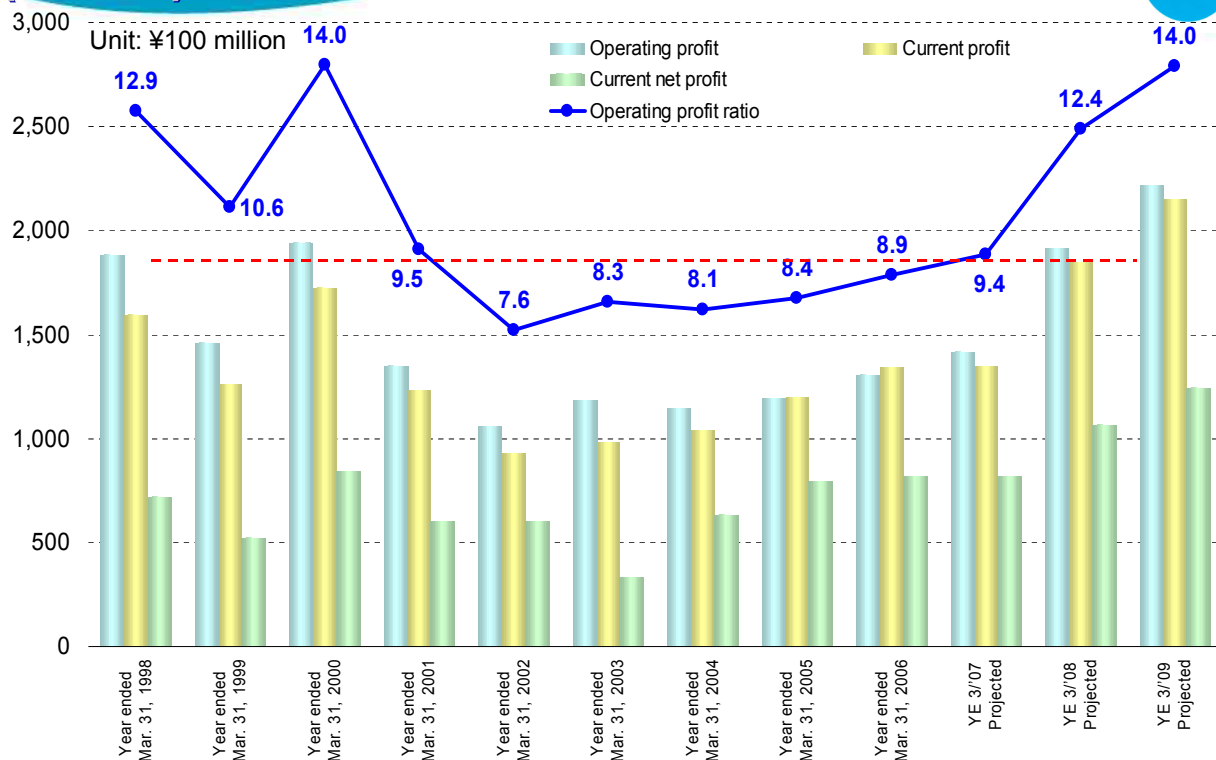


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37

Trend of Business Performance (Profit)

Future Business Environment and Mid- and Long-term Strategies

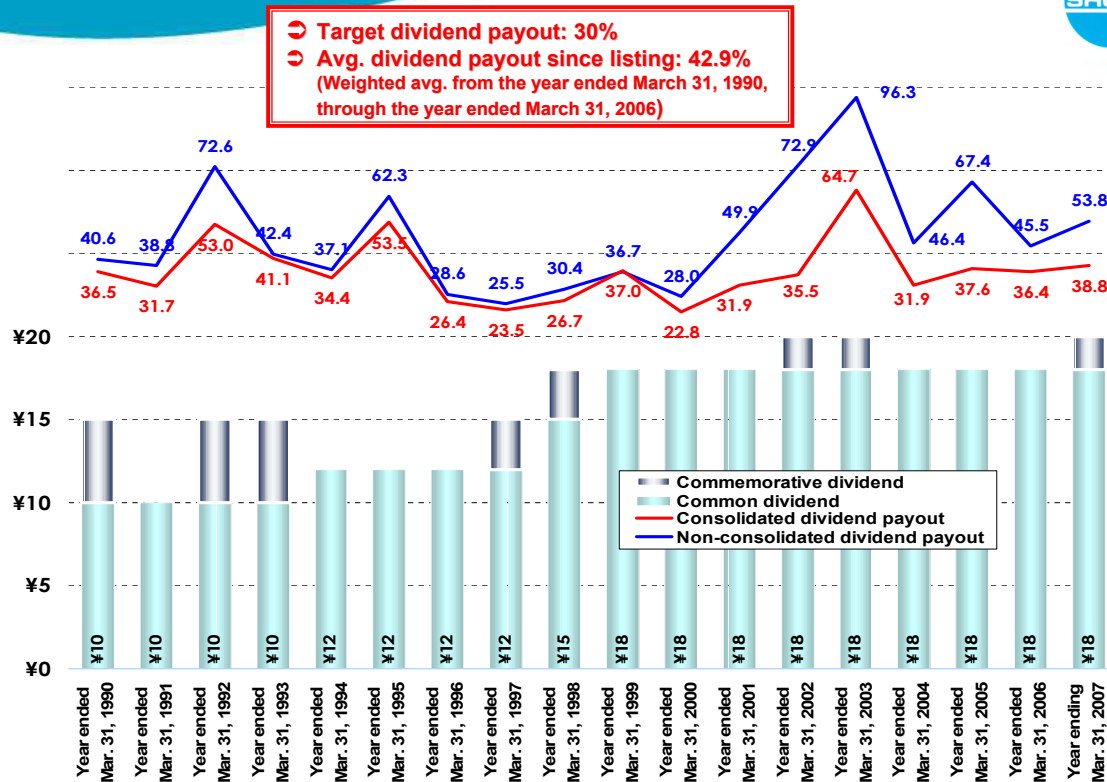


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38

Dividend Policy

Future Business Environment and Mid- and Long-term Strategies



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39

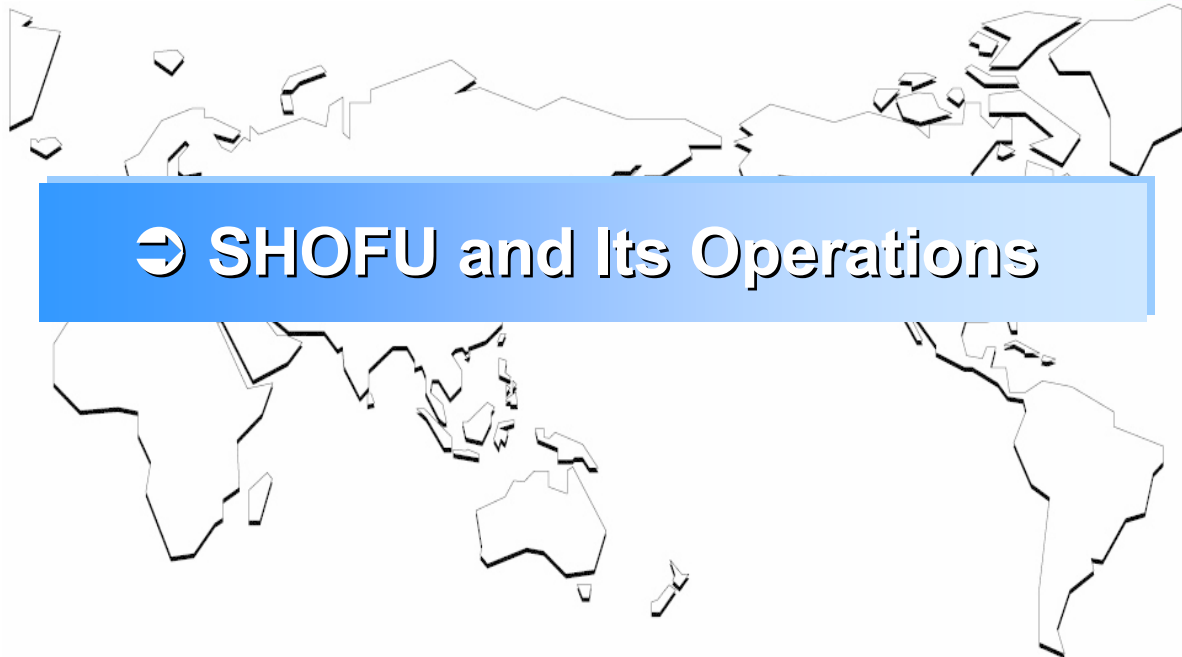


Projections in this document are based on information and data available at this moment as well as on assumptions concerning uncertain factors that might affect our future business performance. Depending on various factors, our actual business performance could turn out to be greatly different from the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

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



Corporate History

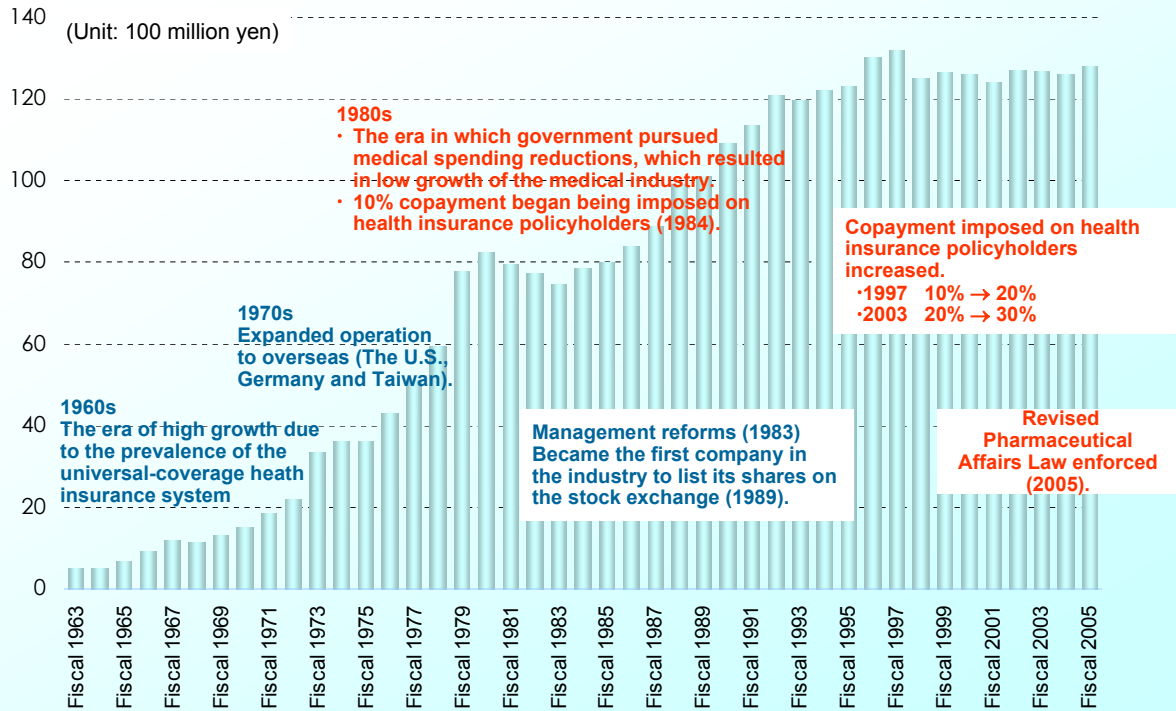
SHOFU and Its Operations



- 1922 Shofu Dental Manufacturing. Co., Ltd. founded for the manufacture and sale of Japan's first artificial teeth.
- 1963 Shofu shares were registered as over-the-counter stocks.
- 1971 - 1978 Established sales subsidiaries in the U.S. and Germany.
Started production overseas (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 shares listed on the stock exchange.
- 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. Acquired a CE marking certificate.
- 1996 Founded Promech Inc. Established the Shofu Inc. Shanghai Representative Office in Shanghai, China.
- 2002 - 2003 Celebrated the company's 80th anniversary (May 2005). Established the Shofu Inc. Beijing Representative Office in Beijing, China. Obtained ISO 14001 (environmental management systems) certification (both for the Shofu headquarters and the entire Shofu group).
- 2004 Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China (Shanghai).
- 2005 Wholly obtained Shoken Inc. through exchange of shares (February).
Dissolved and liquidated Taiwan Shofu, a production site in Taiwan (March).
Commenced construction of a training center aimed at enhancing customer services (July).
Established Shofu Dental Supplies (Shanghai) Co., Ltd., a sales subsidiary in China (August).
- 2006 Training Center designed to promote customer service completed (August).

Corporate History — Sales Trend

SHOFU and Its Operations



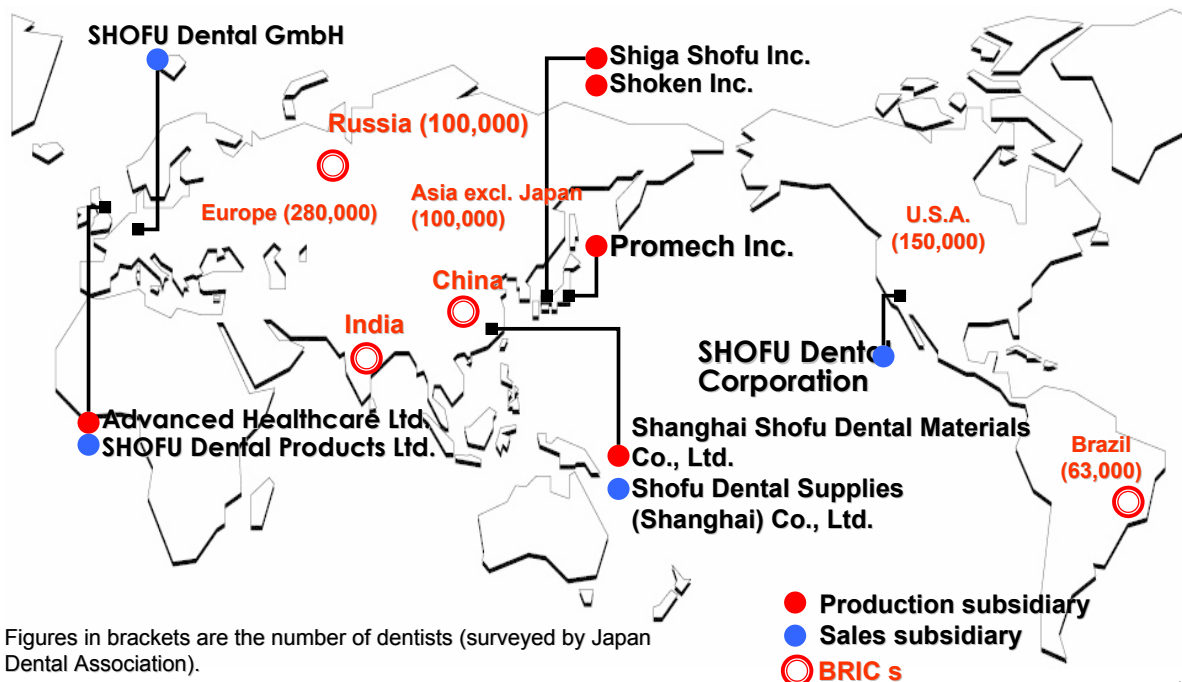
Note: Figures shown in the graph are non-consolidated sales.

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44

Group Profile ①

SHOFU and Its Operations



SHOFU INC.

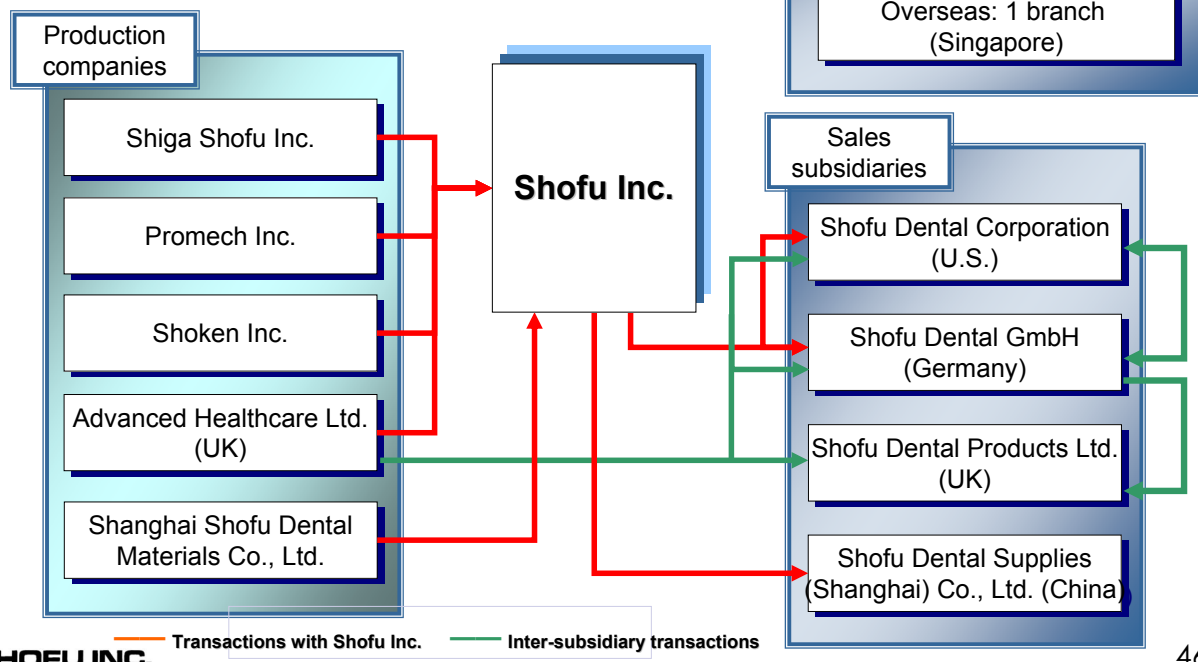
45

Group Profile ②

SHOFU and Its Operations



Composition – Shofu Inc. and its 9 subsidiaries
Business – Manufacture and sale of dental materials and equipment



SHOFU INC.

46

Relations between Major Dental Treatments and Shofu's Businesses

SHOFU and Its Operations



Product category Type of dental treatment	Artificial teeth	Abrasives	Metal products	Chemical products (resins, impression materials, waxes)	Cements (dental cements, dental stones and investments)	Equipment and appliances
Dentures	• Hard resin teeth • Resin teeth • Porcelain teeth	• Abrasives • Polishers	• Metal materials	• Impression materials, waxes • Denture base materials • Immediate self-curing resin • Self-curing acrylic resin, denture liner	• Dental stones and investments	• Foundry machine, polymerization apparatus, articulator • Dental engine • Denture cleanser
Crown prostheses	• Porcelain powder	• Abrasives • Polishers	• Metal materials	• Hard resin for crowns • Impression materials, waxes	• Luting cement • Luting resin cement • Luting glass ionomer cement	• Foundry machine, furnace • Polymerization apparatus, articulator • Color meter • Dental air turbine
Fillings and restoration	—	• Abrasives • Polishers	—	• Impression materials, waxes • Light-cured composite resin • Bonding materials	• Filling glass ionomer cement • Denture lining cement • Temporary cement	• Photopolymerization apparatus
Oral hygiene	—	• Polishers	—	—	—	• Liquid-type tooth cleaning agent, plaque disclosing agent • Mouthwash, interdental brush, floss • Tooth surface cleaner • Ultrasonic scaler
Others	—	—	—	• Dental laser equipment • Dental digital camera • ... Treatment instruments and machines • Tooth surface cleaning aid "HiLite" • ... Tooth whitening products	—	• Root canal treatment apparatus • Materials for prevention and hygiene • Dental treatment instruments and machines • Laboratory instruments and machines • Products related to infection prevention • Tooth whitening products • Orthodontic equipment

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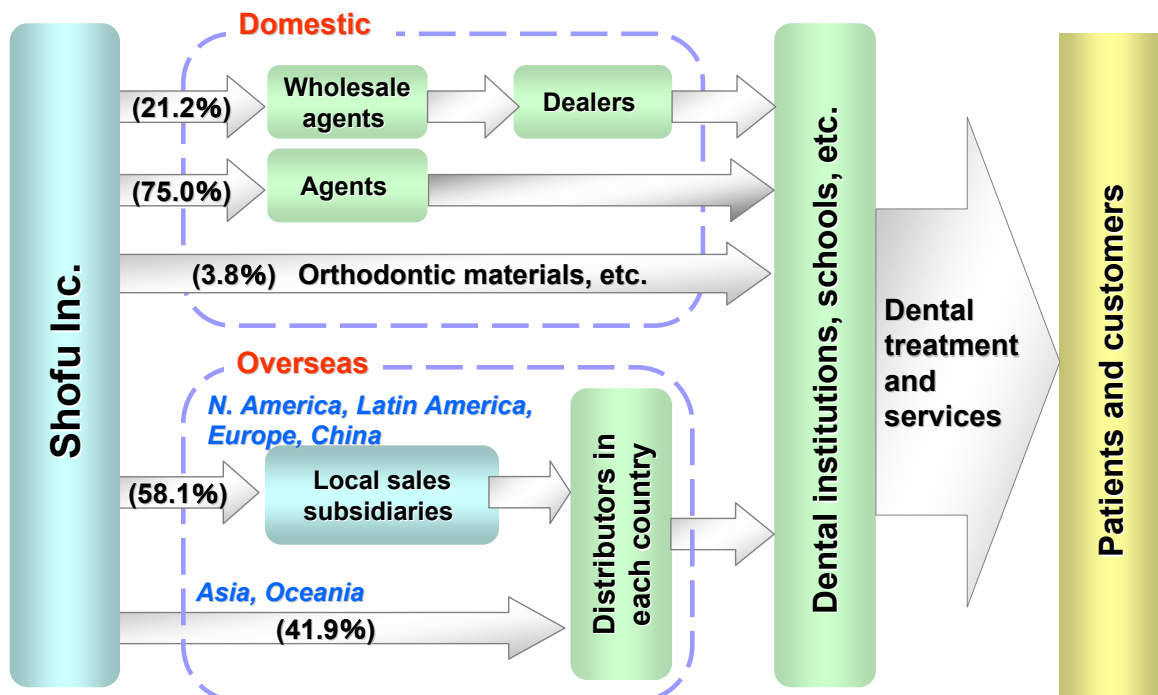
47

Sales Channels

SHOFU and Its Operations



Figures in () represent the percentage of total sales for each sales channel (Non-consolidated figures as of March 31, 2006). For China, figures are available only for January - March 2006.

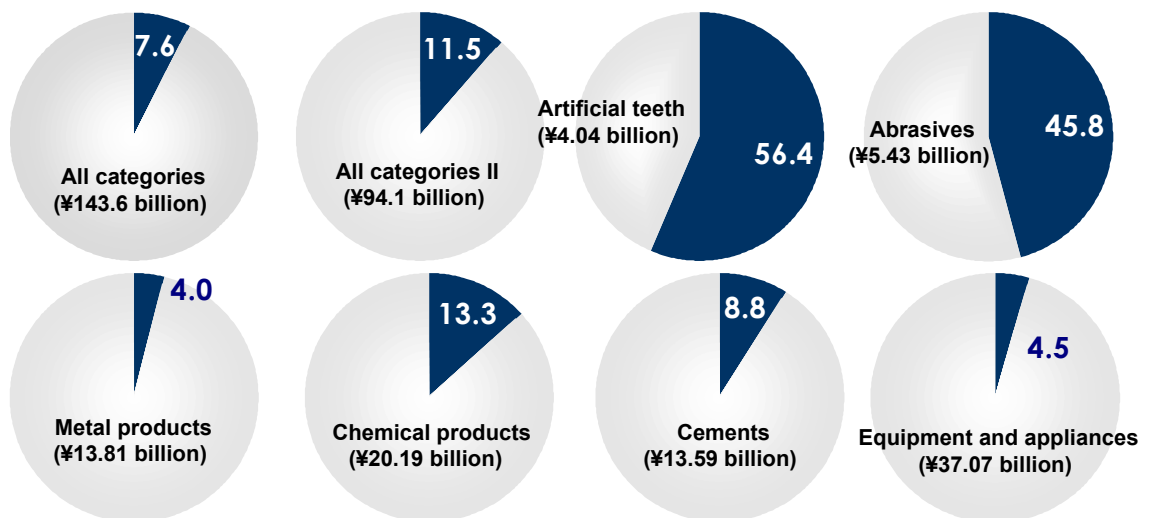


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48

Market Share by Product Category

SHOFU and Its Operations



"All categories" represents a market share including "gold-silver-palladium alloy" and "machines and equipment for dental clinics." "All categories II" and other market shares are figures excluding "gold-silver-palladium alloy" and "machines and equipment for dental clinics."

Source: Based on a Survey of Pharmaceutical Industry Productions (shown by manufacturers' shipment value) conducted by the Ministry of Health, Labor and Welfare (Domestic data, 2004). Unit: % Figures in () represent market sizes.

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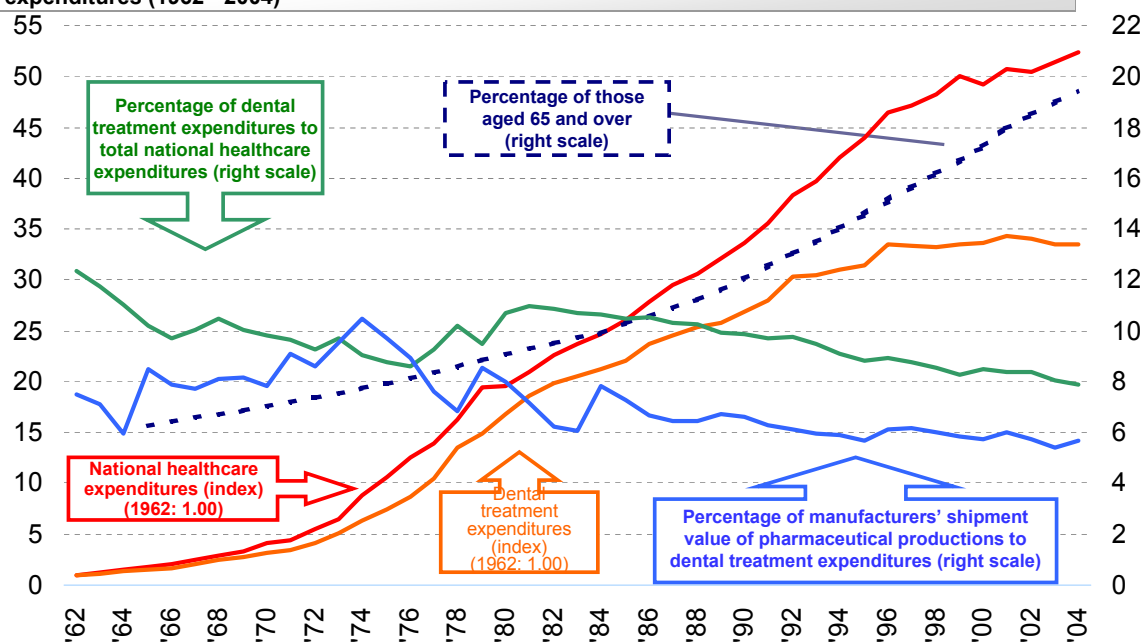
49

➡ Reference <Dentistry Data>

Long-term Trend of Dentistry-related Statistics

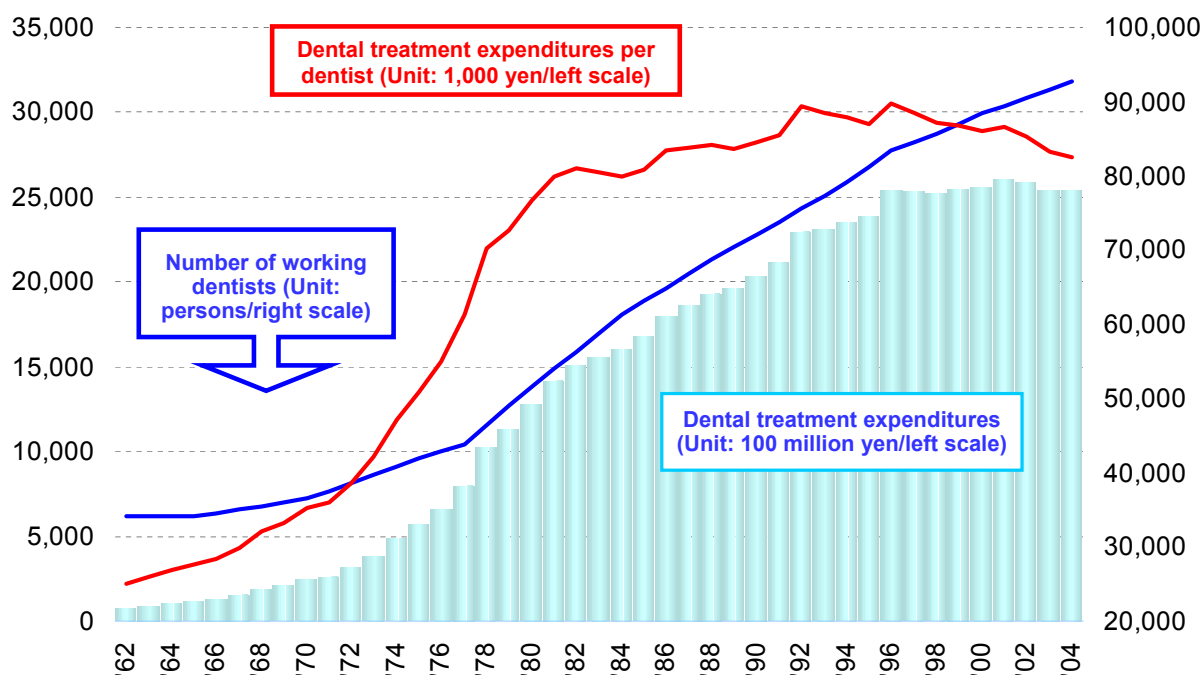
➡ Reference: Dentistry Data

Trends of national healthcare expenditures, the percentage of the population aged 65 and over, the percentage of dental treatment expenditures to total national healthcare expenditures, and the percentage of manufacturers' shipment value of pharmaceutical productions to dental treatment expenditures (1962 - 2004)



Trend of the Number of Dentists and Dental Treatment Expenditures

Reference: Dentistry Data



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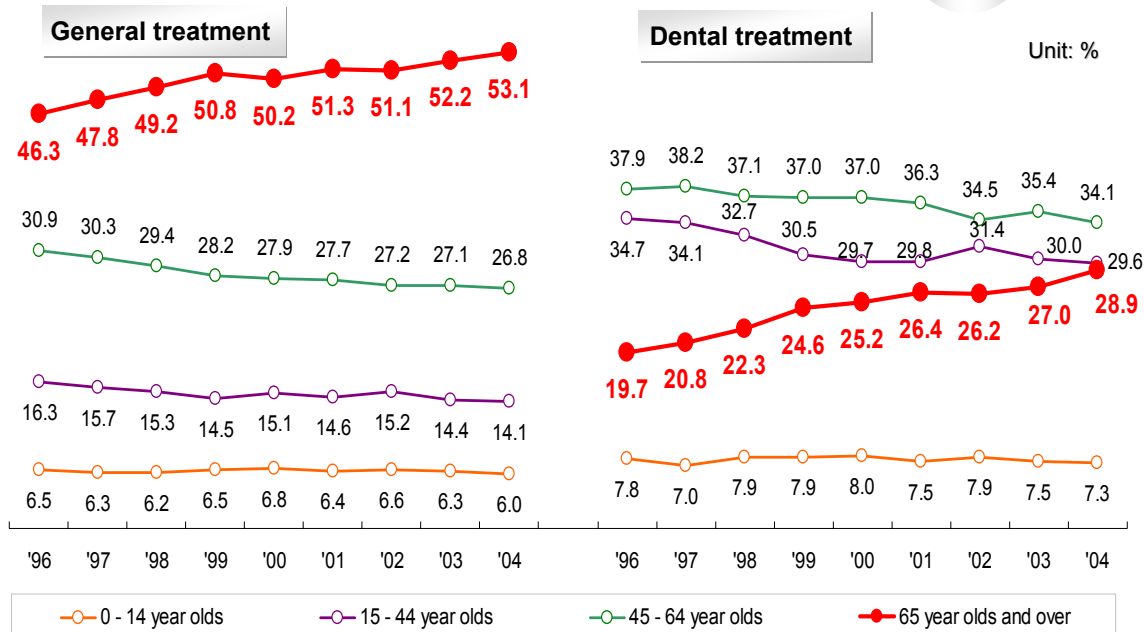
52

Healthcare Costs by Age Group (% of total)

Reference: Dentistry Data



Those aged 65 years old and over tend to place less importance on dental treatment than general medical treatment.

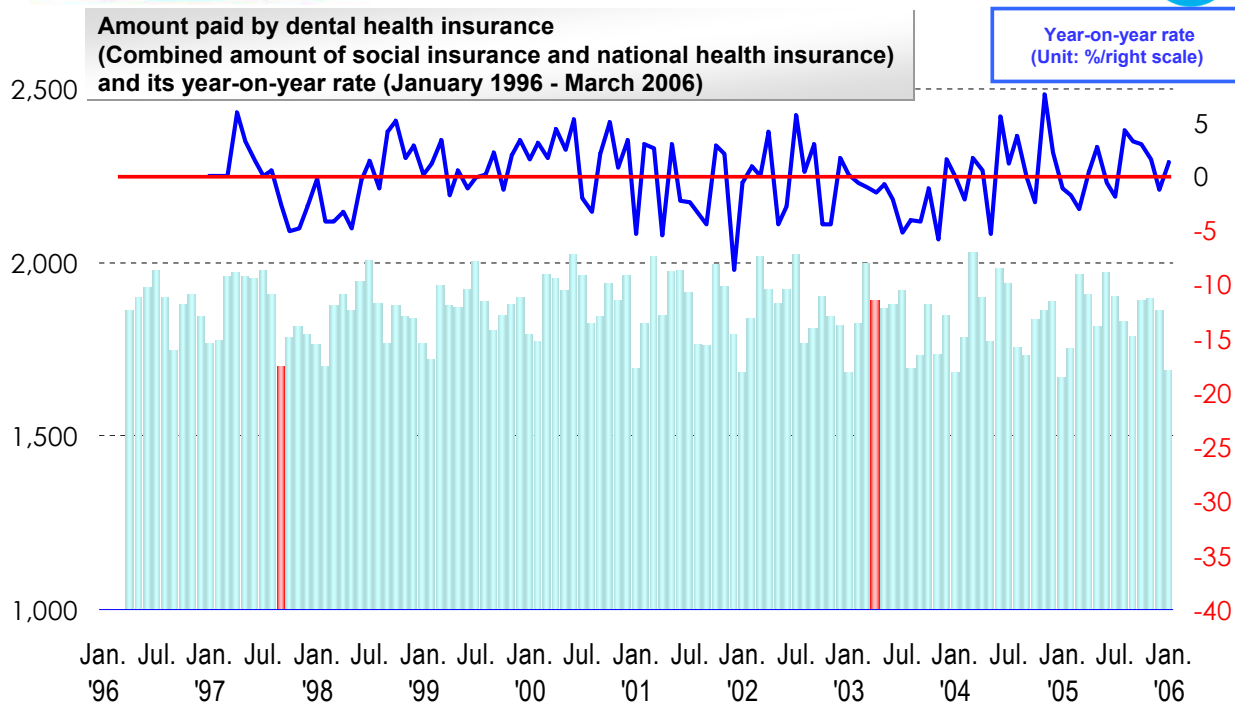


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53

Trend of Dental Treatment Costs ①

Reference: Dentistry Data

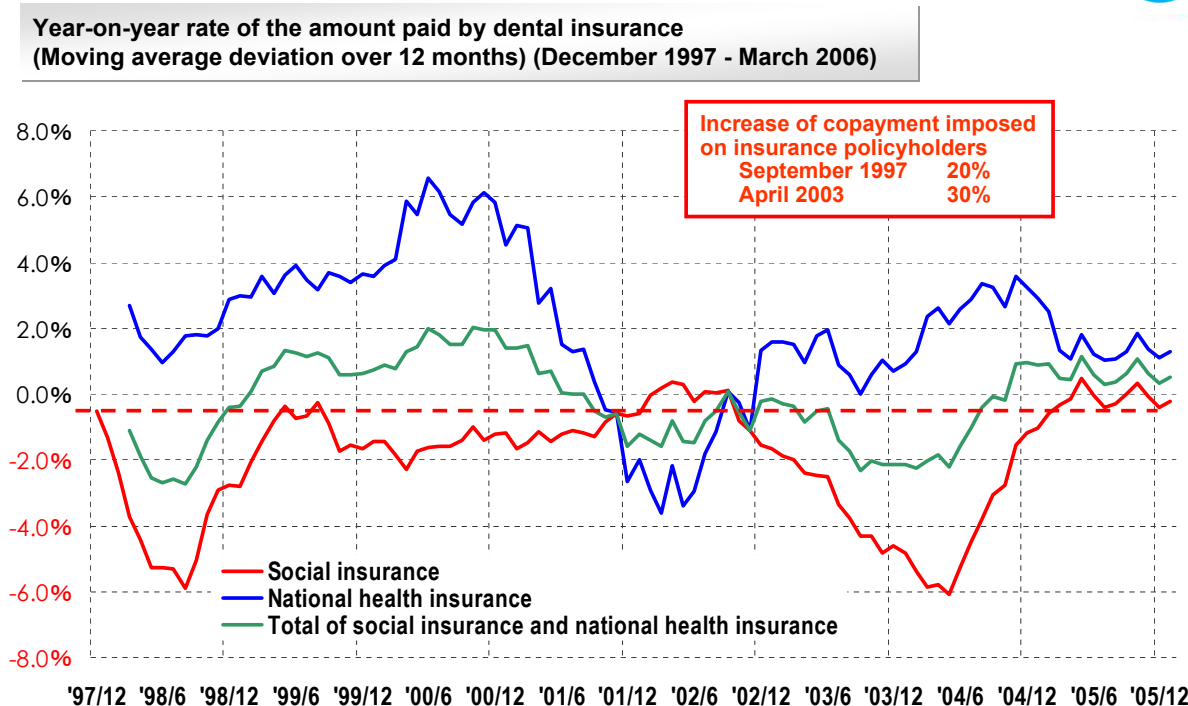


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54

Trend of Dental Treatment Costs ②

Reference: Dentistry Data



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55

Trend of Shipment Value of Pharmaceutical Industry Productions

Reference: Dentistry Data



Shipment value Unit: 100 million yen

