



Fiscal Year Ended March 31, 2008 (136th Business Year)

Financial Analyst Meeting

May 27, 2008



Contents of Today's Presentation

- **Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2008**
- **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2009**
- **Future Business Environment and Medium-and Long-term Business Strategies**

Director/President Katsuya Ohta

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2008

Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2009

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

Summary of Business Performance (i)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008

■ Positive factors ■ Negative factors

P/L

- Sales of new products decreased due to the fact that no large-scale new products were introduced in this period and the effect of the "Three-Year Rule" (the company's internal definition of a new product: a product that has been in the marketplace for more than three years is no longer considered to be a new product).
<Sales of new products: 1,270 million yen or 9.7% of non-consolidated sales>
- Domestic sales **decreased by 1.8%** due to a decline in sales of artificial teeth and abrasives.
- Overseas sales increased by 2.1% thanks to steady sales in China as well as in the U.S., Europe and Asia offsetting the negative effects of foreign exchange fluctuations. (**Overseas sales ratio: 27.1%**) [Record high]
- **Total sales decreased by 0.8% to 15,212 million yen.**
- **Operating profit declined by 0.8% to 1,468 million yen** due to an increase in expenses related to active research and development activities, despite the ratio of cost to sales improving by 0.3% thanks to a decrease in retirement benefits expenses and cost reduction effects.
- **Ordinary profit increased by 6.3% to 1,513 million yen** due to an increase in non-operating income such as an increase in interest received.
- **Current term net profit increased by 5.3% to 910 million yen** due to extraordinary profit at overseas subsidiaries (refund of customs duty) offsetting an extraordinary loss (loss from revaluation of securities). [Record high]

Summary of Business Performance (ii)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008



Positive factors Negative factors

B/S

- ❖ Cash and deposits **decreased by 3,128 million yen** due to the acquisition of Nail Labo Japan, Inc. (1,097 million yen including a capital increase) and the company's own shares (2,402 million yen).
- ❖ The valuation difference of securities **decreased by 1,609 million yen** due to falling securities prices.
- ❖ Transferable deposit of 1,300 million yen was transferred to securities from cash and deposits.
- ❖ Net worth **decreased by 3,051 million yen** due to the acquisition of the company's own shares and a decrease in the valuation difference of securities.

C/F

- ❖ Cash flow from operating activities:
Net cash flow from operating activities amounted to **1,264 million yen** due to posting net income before income taxes and a decrease in trade accounts receivable and inventory.
- ❖ Cash flow from investing activities:
Net cash obtained from investing activities amounted to **43 million yen** due to the acquisition of Nail Labo Japan, Inc. (including the increase of capital), the acquisition of land for Tokyo Branch, disposal of securities and investment securities and the cancellation of time deposits.
- ❖ Cash flow from financing activities:
Net cash used for financing activities amounted to **2.803 million yen** due to the acquisition of the company's own shares.

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Summary of Business Performance (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008



Sales decreased but ordinary and net profits increased
(operating profit decreased) compared to the previous period.

Unit: Millions of yen, %

	Fiscal March 2007	Fiscal March 2008	Change from the previous period
	Amount (% of sales)	Amount (% of sales)	Amount (%)
Sales	15,332 (100.0)	15,212 (100.0)	-119 (-0.8)
(Domestic sales)	11,294 (73.7)	11,090 (72.9)	-204 (-1.8)
(Overseas sales)	4,037 (26.3)	4,122 (27.1)	84 (2.1)
Operating profit	1,480 (9.7)	1,468 (9.7)	-12 (-0.8)
Ordinary profit	1,424 (9.3)	1,513 (10.0)	89 (6.3)
Net profit	865 (5.6)	910 (6.0)	45 (5.3)
Net profit per share	54.49 yen	57.83 yen	
Return on equity	4.37%	4.93%	

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Sales by Product Category (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008



Unit: Millions of yen

Figures in parentheses represent percentage changes, Unit: %

	Fiscal March 2007 Results	Fiscal March 2008 Results	Change from the previous period		
				Domestic	Overseas
Artificial teeth	2,922	2,950	28 (1.0)	-102	130
Abrasives	3,839	3,705	-133 (-3.5)	-71	-62
Metal products	469	475	6 (1.4)	6	0
Chemical products	2,864	2,923	58 (2.1)	-18	77
Cements and others	1,698	1,661	-36 (-2.2)	-33	-3
Equipment and others	3,538	3,495	-42 (-1.2)	14	-57
Total	15,332	15,212	-119 (-0.8)	-204	84

Overseas sales decreased by 239 million yen due to the effect of foreign currency fluctuations. (US dollar, euro, pound sterling, renminbi)

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Summary of Business Performance (Comparison with Forecast)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008



Sales and profits decreased compared with the forecast.

Unit: Millions of yen, %

	Fiscal March 2008 Forecast		Fiscal March 2008 Results		Change from the forecast	
	Amount (% of sales)		Amount (% of sales)		Amount (%)	
Sales	15,445	(100.0)	15,212	(100.0)	-233	(-1.5)
(Domestic sales)	11,409	(73.9)	11,090	(72.9)	-319	(-2.8)
(Overseas sales)	4,036	(26.1)	4,122	(27.1)	86	(2.1)
Operating profit	1,774	(11.5)	1,468	(9.7)	-305	(-17.2)
Ordinary profit	1,708	(11.1)	1,513	(10.0)	-195	(-11.4)
Net profit	1,062	(6.9)	910	(6.0)	-151	(-14.3)
Net profit per share	66.92 yen		57.83 yen			
Return on equity	5.24%		4.93%			

The forecast for Fiscal March 2008 in the above table was initially announced on May 15, 2007. On March 19, 2008, a revised performance forecast was announced.

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Sales by Product Category (Comparison with Forecast)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008



Unit: Millions of yen

Figures in parentheses represent percentage changes, Unit: %

	Fiscal March 2008 Forecast	Fiscal March 2008 Results	Change from the forecast	Domestic Overseas	
Artificial teeth	2,925	2,950	25 (0.9)	-48	73
Abrasives	3,866	3,705	-160 (-4.1)	-77	-83
Metal products	467	475	7 (1.7)	6	1
Chemical products	3,006	2,923	-83 (-2.8)	-133	50
Cements and others	1,687	1,661	-25 (-1.5)	-93	68
Equipment and others	3,492	3,495	2 (0.1)	27	-24
Total	15,445	15,212	-233 (-1.5)	-319	86

⇒ The forecast for Fiscal March 2008 in the above table was initially announced on May 15, 2007. On March 19, 2008, a revised performance forecast was announced.

⇒ Overseas sales increased by 14 million yen due to the effect of foreign currency fluctuations. (US dollar, euro, pound sterling, renminbi)

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Domestic Sales

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008



Unit: Millions of yen

Positive factors Negative factors

Existing products

The company focused on the expansion of recently introduced new products such as the glass ionomer resin cement "Hy-Bond Resiglass" and the composite resin filler for esthetic dental treatment "Beautiful II."

Sales of artificial teeth and abrasives, the company's mainstay products, decreased by 5.3% and 3.2%, respectively.

Sales of new products decreased.

- Sales of new products decreased due to the effect of the "Three-Year Rule" (the hard resin for crowns "CERAMAGE" and other products that have been in the market place for more than three years are no longer considered to be new products).

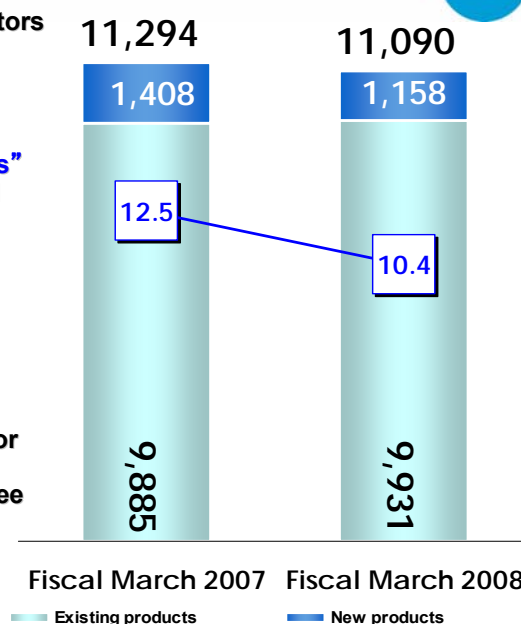
New products introduced in the period

Self-curing acrylic resin

"Provinice Fast"

Digital camera for dental use

"Eye Special C-I"



Fiscal March 2007 Fiscal March 2008

Existing products New products

Ratio of new products (%)
(relative to domestic sales)

"New products" in the graph have been introduced in the last three years.

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Overseas Sales

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008



Unit: Millions of yen, Figures in parentheses represent component ratio (%)

Positive factors Negative factors

North America and Latin America

- Sales of abrasives and artificial teeth (porcelain powder), the company's mainstay products, were steady.
- Sales increased by 6.6% on a local currency basis.

Europe

- Sales were generally steady except for equipment.
- Sales increased by 4.8% on a local currency basis.

Asia and Oceania

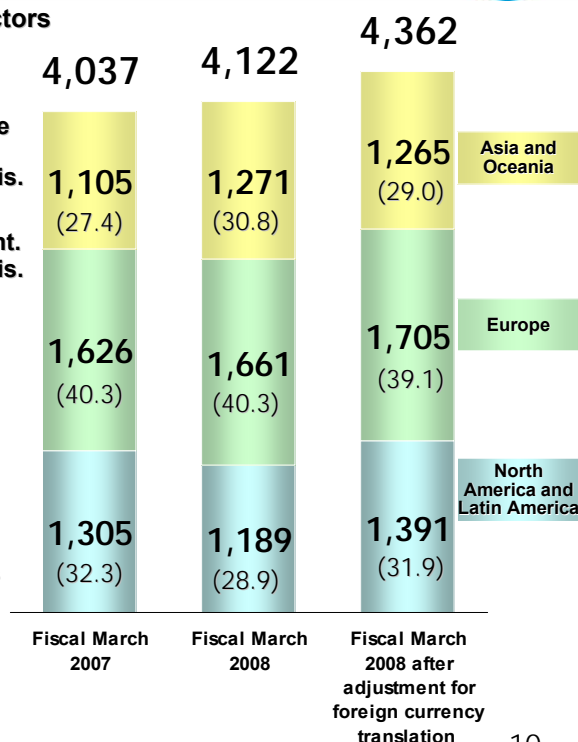
- Sales in China grew favorably and sales in Vietnam and Cambodia continued to expand.
- Sales increased by 14.4% on a local currency basis.
- Sales in China increased from 316 million yen to 394 million yen.

Foreign exchange rates:

- The U.S. dollar: 100.19 yen (118.05 yen in the previous period)
- The Euro: 158.19 yen (157.33 yen in the previous period)

Overseas sales ratio

- 27.1% (26.3% in the previous period)
(28.2% after adjustment for foreign currency translation)



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Segment Information by Region

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2008



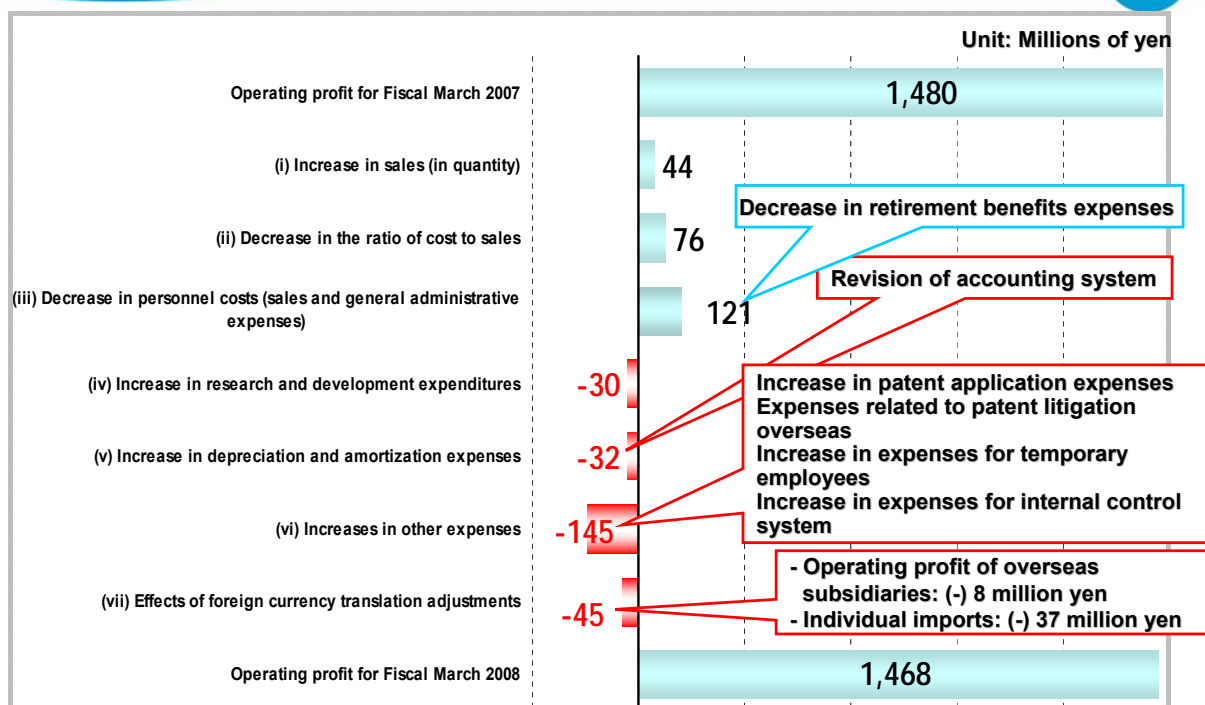
Unit: Millions of yen, Figures in parentheses represent the percentage to sales and percentage changes, Unit: %

		Fiscal March 2007	Fiscal March 2008	Changes from the previous period
		Amount (% to sales)	Amount (% to sales)	Amount (%)
Japan	Sales	13,388	13,484	95 (0.7)
	Operating profit	1,308 (9.8)	1,378 (10.2)	69 (5.3)
Americas	Sales	1,280	1,167	-113 (-8.9)
	Operating profit	36 (2.8)	49 (4.2)	13 (36.1)
Europe	Sales	1,824	1,823	0 (-0.0)
	Operating profit	62 (3.4)	91 (5.0)	29 (46.7)
Asia	Sales	421	544	123 (29.4)
	Operating profit	3 (0.8)	67 (12.4)	64 (1931.5)
Overseas total	Sales	3,526	3,535	9 (0.3)
	Operating profit	101 (2.9)	207 (5.9)	106 (104.6)
Total before consolidation adjustment	Sales	16,914	17,020	105 (0.6)
	Operating profit	1,409 (8.3)	1,585 (9.3)	176 (12.5)
Consolidation	Sales	15,332	15,212	-119 (-0.8)
	Operating profit	1,480 (9.7)	1,468 (9.7)	-12 (-0.8)

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Contributors to change in Operating Profit



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Financial Condition: Major Accounts in Balance Sheet



	Fiscal March 2007	Fiscal March 2008	Changes	Major contributors to changes, Special notes
Cash and deposits	6,653	3,525	-3,128	Acquisition of Nail Labo Japan, Inc. and a capital increase Acquisition of the company's own shares
Notes and bills receivable, Trade accounts receivable	2,738	2,758	20	
Inventory	3,007	2,966	-41	
Securities, Investment securities	7,066	5,162	-1,903	Decrease in the valuation difference of securities Disposal of investment securities (bonds)
Others	5,723	6,940	1,216	
Assets	25,189	21,353	-3,835	
Long-term and short-term borrowings	1,025	1,020	-5	Decrease in the valuation difference of securities Disposal of investment securities (bonds)
Reserve for retirement benefits and directors' retirement benefits	557	604	46	
Others	3,590	2,765	-824	
Liabilities	5,173	4,389	-783	
Net worth	20,015	16,963	-3,051	Increase in the holding of company's own shares: 2,402 million yen Decrease in the valuation difference of securities: 978 million yen
Total liabilities and net worth	25,189	21,353	-3,835	
Capital adequacy ratio	79.5%	79.4%		
Net worth per share	1,231 yen	1,188 yen		

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Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2008

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2009

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

Summary of Business Performance for the Next Fiscal Year (j)

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009

■ Positive factors ■ Negative factors

P/L

- Sales of new products are expected to be limited in the next year because of the lack of large-scale new products in the pipeline. However, the company will make its utmost efforts to ensure that recently introduced new products in the areas of chemical products, cements and equipment penetrate the market fully.
<Sales of new products: 1,232 million yen, or 9.2% of non-consolidated sales>
- ◇ In the field of chemical products, the company will hold academic events and conduct sales promotion for the GIOMER product line, which the company developed by utilizing its original PRG technology, domestically and internationally.
- The company expects to see sales increase by 1,456 million yen as a result of its full-scale entry into the nail care business.
- The company expects to see favorable sales growth in each overseas market: 4.5% growth on a local currency basis. The company estimates that the Japanese yen will depreciate against the U.S. dollar in the next fiscal year.
<Effects on overseas sales: 156 million yen>
- Sales are expected to increase by 12.9% to 17,177 million yen.
- Operating profit is expected to decrease by 6.2% to 1,378 million yen due to an increase in expenses for strategic investments including amortization of goodwill related to the acquisition of Nail Labo Japan, Inc., active research and development, sales promotion and the introduction of a company-wide integrated main system, despite some favorable effects of an increase in domestic sales.
- Ordinary profit is expected to decrease by 13.5% to 1,309 million yen and net profit is expected to decline by 7.8% to 839 million yen due to a decrease in both operating profit and interest received.

Summary of Business Performance for the Next Fiscal Year (ii)

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



Positive factors Negative factors

B/S

C/F

- ✧ The company will relocate its sales offices in Sendai and Osaka in order to upgrade the domestic sales network and to improve and enhance customer services.
Capital expenditures: 552 million yen
- ✧ The company will conduct an intensive study on the outsourcing of the distribution of medical and pharmaceutical products (implemented in Fiscal March 2008), the integration of the logistics division in Osaka sales office with that of the headquarters and the relocation of the logistics division in Tokyo branch (creation of East Japan Logistics Center) in order to overhaul its logistics system.
Capital expenditures: 662 million yen
- ✧ Integrated main system (Non-consolidated basis)
The company will promote the completion of a company-wide integrated main system by April 2009.
Capital expenditures: 398 million yen

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Comparison of Major Statistics

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



✧ Fiscal March 2009: Increase in sales but still end up with a decline in profit

Unit: Millions of yen, %

	Fiscal March 2008	Fiscal March 2009 Forecast	Changes
	Amount (% of sales)	Amount (% of sales)	Amount (%)
Sales	15,212 (100.0)	17,177 (100.0)	1,965 (12.9)
(Domestic sales)	11,090 (72.9)	12,714 (74.0)	1,624 (14.7)
(Overseas sales)	4,122 (27.1)	4,463 (26.0)	340 (8.3)
Operating profit	1,468 (9.7)	1,378 (8.0)	-90 (-6.2)
Ordinary profit	1,513 (10.0)	1,309 (7.6)	-204 (-13.5)
Net profit	910 (6.0)	839 (4.9)	-71 (-7.8)
Net profit per share	57.83円	58.83円	
Return on equity	4.93%	4.82%	

✧ The consolidation of Nail Labo Japan, Inc. is expected to boost sales (domestic sales) by 1,456 million yen in Fiscal March 2009.

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Sales by Product

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



Unit: Millions of yen

Figures in parentheses represent component ratio and percentage changes, Unit: %

	Fiscal March 2008 Results	Fiscal March 2009 Forecast	Changes from Fiscal March 2008 Results	Unit: Millions of yen	
				Domestic	Overseas
Artificial teeth	2,950	3,018	68 (2.3)	-12	80
Abrasives	3,705	3,701	-4 (-0.1)	-119	114
Metal products	475	472	-3 (-0.6)	-3	0
Chemical products	2,923	3,026	102 (3.5)	67	35
Cements and others	1,661	1,753	91 (5.5)	13	77
Equipment and others	3,495	3,350	-144 (-4.1)	-112	-31
Dental business total	15,212	15,322	110 (0.7)	-166	276
Nail care business	*1	1,760	1,760 (—)	1,696	64
Others	*2	94	94 (—)	94	0
Total	15,212	17,177	1,965 (12.9)	1,624	340

*1. The figure for Equipment and others in Fiscal March 2008 includes the sales of the Nail care business (256 million yen).

*2. The figure for Abrasives in Fiscal March 2008 includes the sales of others (industrial use abrasives) (93 million yen).

- The consolidation of Nail Labo Japan, Inc. is expected to boost sales (domestic sales) by 1,456 million yen in Fiscal March 2009.
- Overseas sales are expected to increase by 156 million yen due to foreign currency fluctuations.
(US dollar, euro, sterling pound, renminbi)

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Domestic Sales

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



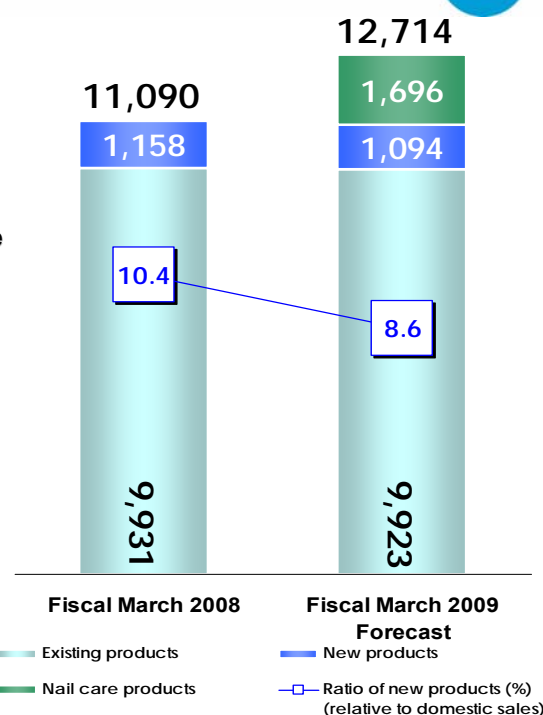
Unit: Millions of yen

Summary

- Sales of new products are expected to be limited in the next year because of the lack of large-scale new products in the pipeline. Sales of new products are expected to account for 8.6% of total sales.
- The company will endeavor to ensure that recently introduced new products full penetrate the market.
- The company expects to see sales increase by 1,456 million yen as a result of its full-scale entry into the nail care business.

Major products recently introduced:

- Filling and restorative materials
"Beautifill II," "FL-BOND II"
- Cement systems
"Hy-Bond Resiglass," "ResiCem"
- Micro-implant system for orthodontic use
"Abso Anchor"
- Acrylic resin for various dental uses
"Province Fast"
- Digital camera for dental use
"Eye Special C-I"



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* "New products" in the graph have been introduced in the last three years. 19

Overseas Sales

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



Unit: Millions of yen, Figures in parentheses represent component ratio (%)

Summary

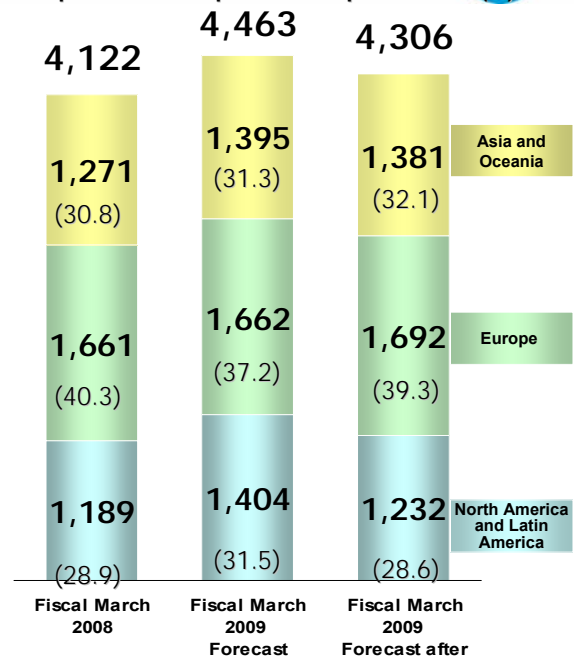
- The company expects to have favorable sales growth in each market.
- Growth rate on a local currency basis
North America and Latin America: 3.6%
Europe: 1.8%
Asia and Oceania: 8.7%
Total overseas sales: 4.5%

Foreign exchange rates

- U.S. dollar: 115.00 yen
(100.19 yen in the previous period)
(Effect: 172 million yen)
- Euro: 150.00 yen
(158.19 yen in the previous period)
(Effect: (-) 30 million yen)

Overseas sales ratio

- 26.0% (27.1% in the previous period)
(25.3% after foreign currency translation adjustments)



* Fiscal March 2009 forecast after adjustment of foreign currency translation is calculated based on the same foreign exchange rates used for the Fiscal March 2008 results.

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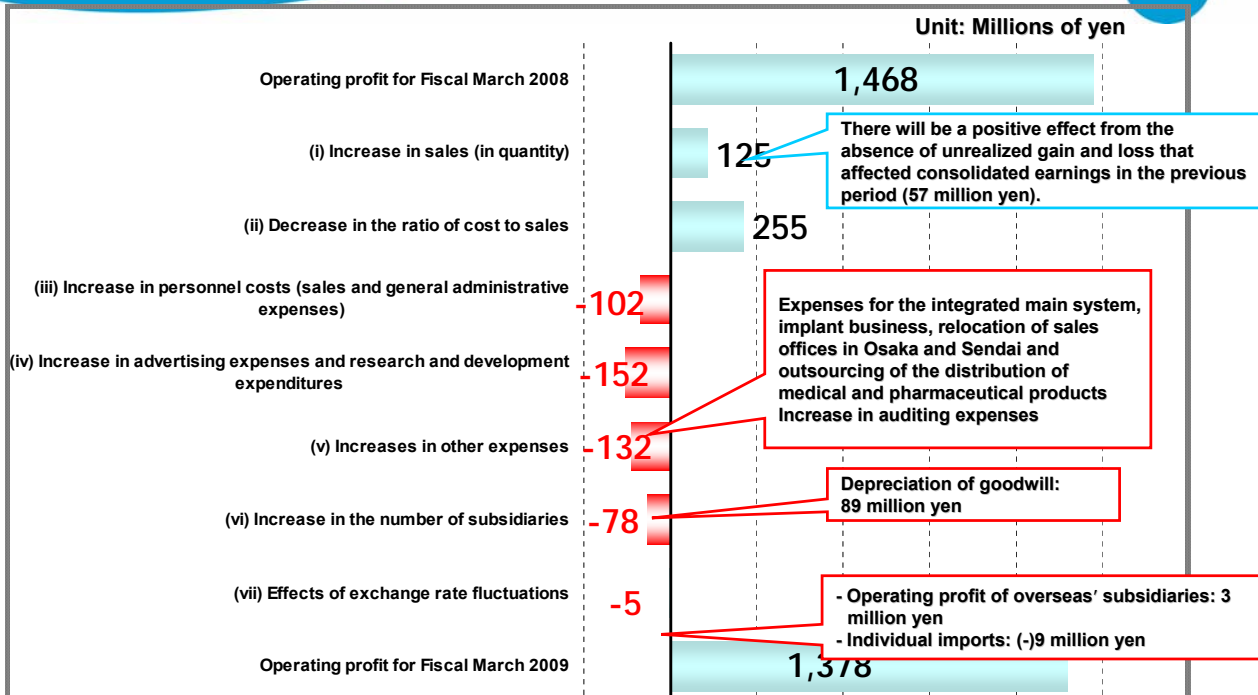
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Contributors to Change in Operating Profit

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



Unit: Millions of yen



Figures in items from (i) to (vi) are calculated excluding the effect of foreign currency fluctuations.
Figures in items from (i) to (v) are calculated excluding the effect of consolidation of Nail Labo Japan, Inc.

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Financial Condition: Major Accounts in Balance Sheet

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



Unit: Millions of yen

	Fiscal March 2008	Fiscal March 2009	Changes	Major contributors to changes, Special notes
Cash and deposits	3,525	4,316	791	
Notes and bills receivable, Trade a	2,758	2,362	-396	Acceleration of cash flow-back
Inventory	2,966	2,901	-65	
Securities, Investment securities	5,162	4,193	-969	Appropriation for capital investment fund
Others	6,940	8,743	1803	Capital investment: 1,984 million yen
Assets	21,353	22,517	1164	
Long-term and short-term borrowings	1,020	1,020	0	
Reserve for retirement benefits and directors' retirement benefits	604	661	57	
Others	2,765	2,975	209	
Liabilities	4,389	4,657	267	
Net worth	16,963	17,859	896	
Total liabilities and net worth	21,353	22,517	1164	
Capital adequacy ratio	79.4%	79.3%		
Net worth per share	1,188 yen	1,251 yen		

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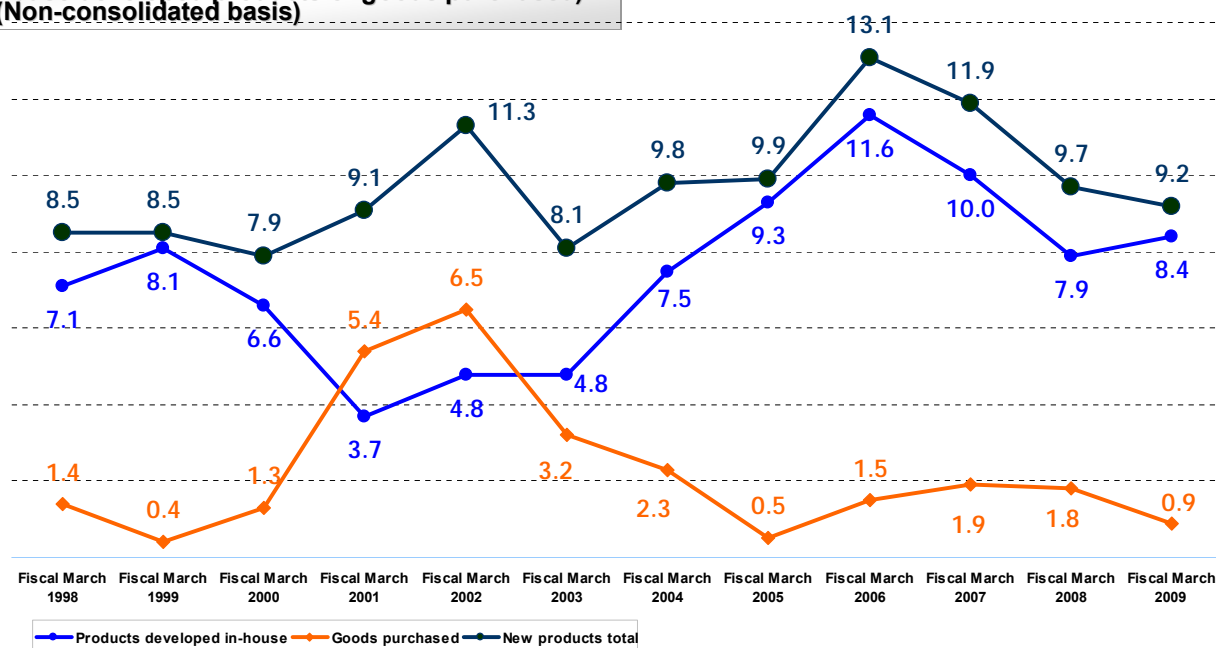
Sales Trend[s] for New Products

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



Unit: %

Ratio of sales of new products to total sales (in-
house developed products or goods purchased)
(Non-consolidated basis)



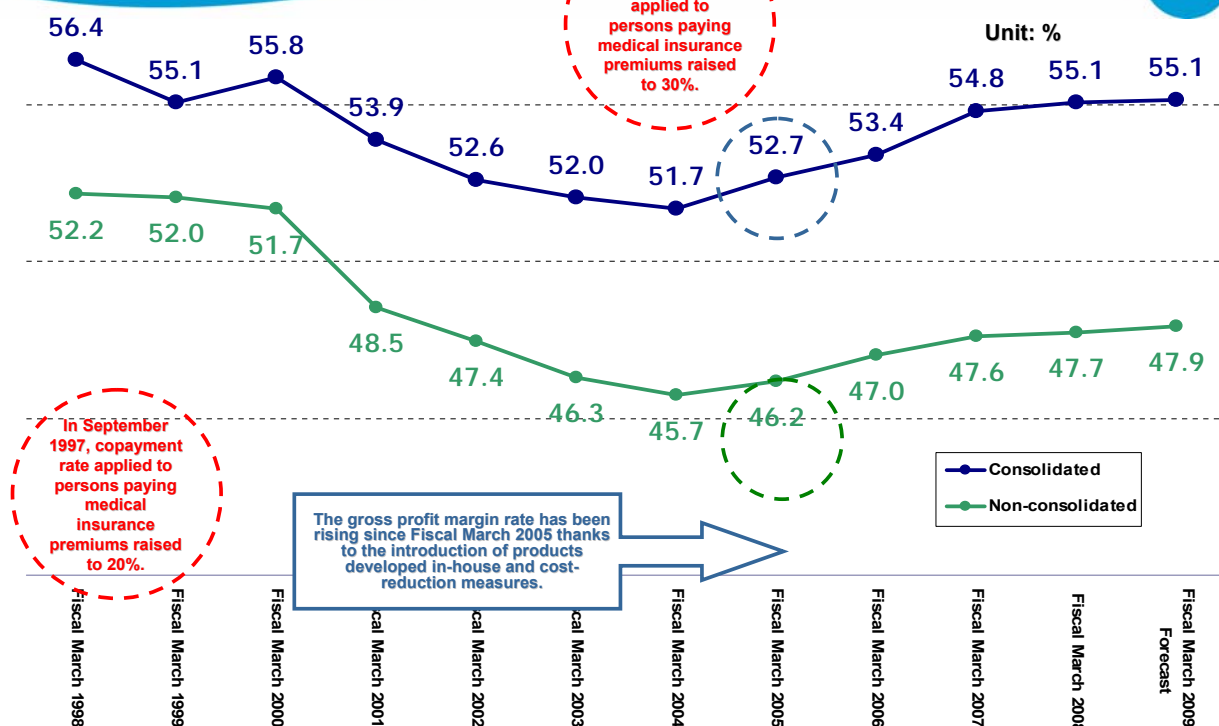
Major goods purchased: Johnson & Johnson products, EMS ultrasonic scaler and root canal treatment equipment (reamer and file)

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Trend of Gross Profit Margin Rate

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009

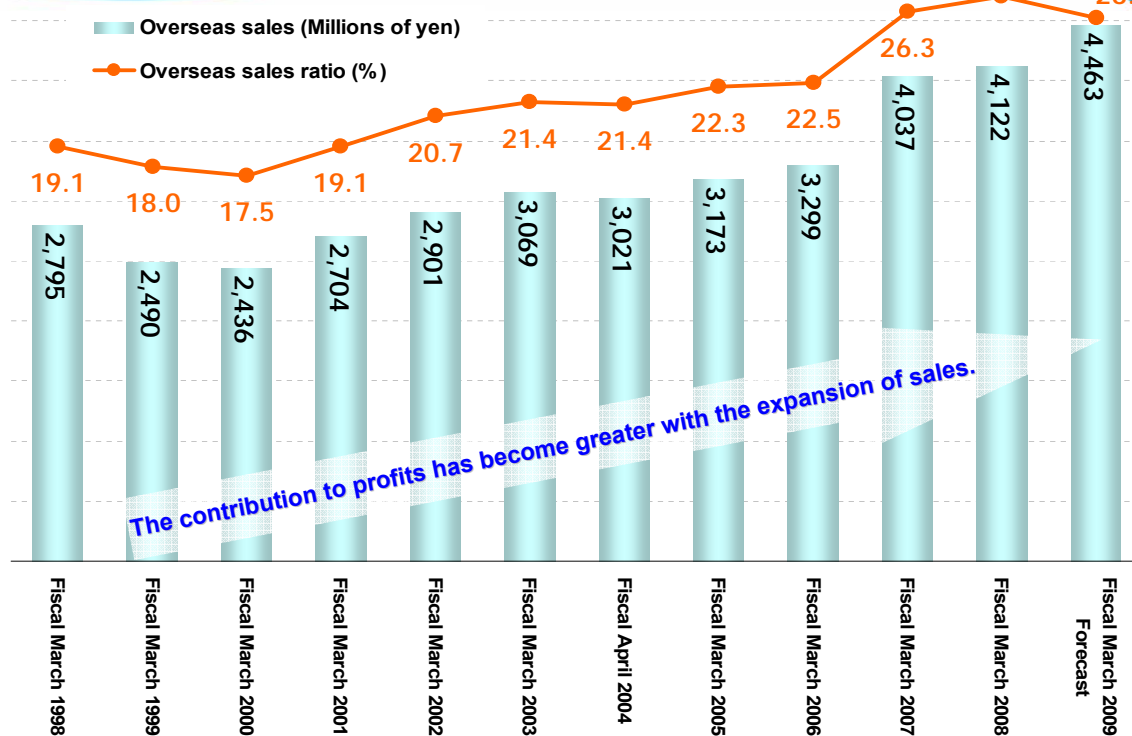


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Trend of Overseas Sales and Overseas Sales Ratio

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



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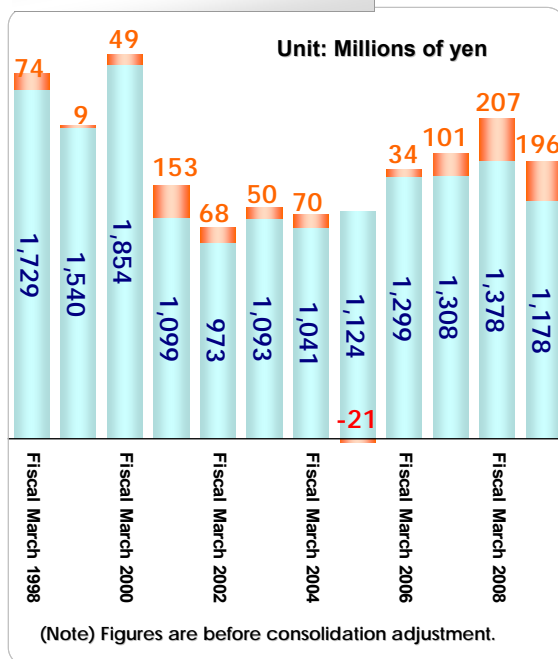
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Operating Profit by Geographic Segment

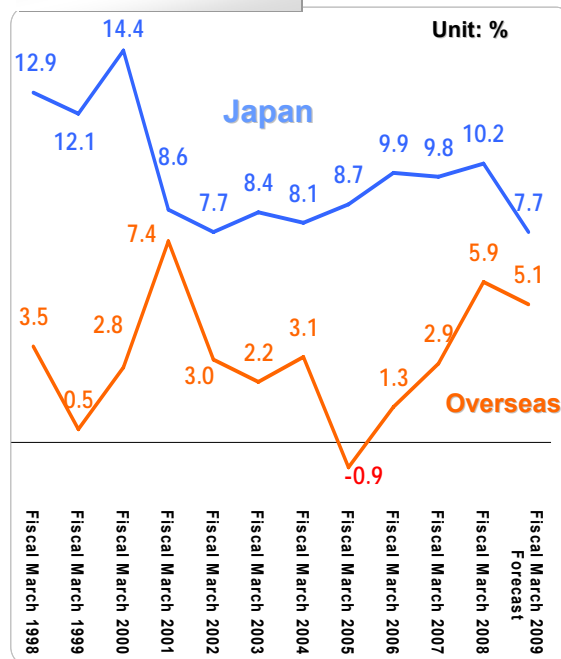
Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2009



Amount of operating profit



Operating profit ratio



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Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2008

Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2009

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

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Perception of Business Environment

Business Environment, Medium-term and Long-term Business Strategies



Demand

- Aging population
- Changes in dental disease

- The aging of society has not led to increased demand.
- Growing interest in aesthetic dentistry, preventive dental care and oral hygiene and expansion of the market.

Policies

- Measures to curb medical expenditures
- Tighter safety regulations

- Continuation and enhancement of measures to curb medical expenditures
- Tighter regulations to improve the quality of medical services
- Difference in levels of quality assurance becoming increasingly visible

Markets

- Industry-wide structure marked by oversupply
- Globalization of markets

- Oversupply of manufacturers, distributors, dental clinics and dental technicians has led to intense competition.
- Widening gap between successful dental clinics and those that are struggling
- Increased competition on a global scale
- Direct entry into the Japanese market by overseas manufacturers

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Response to Business Environment

Business Environment, Medium-term and Long-term Business Strategies



Aging population

- Development of products that meet the needs of elderly persons

Changes in dental disease

- Development and creation of demand in the field of aesthetic dentistry, preventive dental care and oral hygiene

Measures to curb medical expenditures

- Entry into a market not covered by health insurance
- Enhancement of fairness and individuality
- Creation of products and services that help rein in medical expenditures

More stringent safety regulations

- Global-scale measures to absorb safety costs
→ A certain level of market size

Market structure characterized by oversupply

- Measures to expand demand for regular checkups and maintenance of dental health
- Development of products that aim to improve the efficiency of treatment and raise customer satisfaction

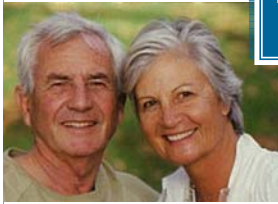
Globalization

- High growth is expected in the field of dental equipment
- Development of products geared to both the domestic market and overseas markets.

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Expectations regarding Dental Care



Healthy and long life

The people

Improvement in QOL



Significance of dental care

To maintain oral functions and ensure basic human activities such as eating and speaking

Preventive medical care to keep the entire body in a healthy condition and reduce the risk of developing disease

**Medicine is a life-supporting service.
Dentistry is a daily-life-supportive service that helps people to live their everyday lives comfortably.**

There is an expectation that long-term measures will be implemented to lower the nation's medical expenditures to reasonable levels

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For Improvement of People's Health and Development of the Dental Industry

Business Environment, Medium-term and Long-term Business Strategies



The people
(patients and customers)

Communicate

- The importance of dental care
- What dental care can do

Expectations for dental care

- Health of teeth and the entire body
- Prevention of systemic diseases and improvement in QOL

Measures to meet these expectations

- Dispelling negative images such as "scary" or "painful," conventionally associated with dental treatment, and encouraging people to receive dental care more often
- Enhancement of trust in dental care
- Continuous innovation of dental care techniques

Promotion of health

The government (The Ministry of Health, Labour and Welfare)

Making proposals for policy-making

The dental community
(clinicians, academic institutions and industry)

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Overall Prospects

Business Environment, Medium-term and Long-term Business Strategies



Promising market with high growth potential

- Growth in the elderly population

- Decrease in tooth loss (increase in the number of remaining teeth) due to progress in preventive dental care and oral hygiene

- Increase in demand for regular care and maintenance

- With oral health steadily attracting increasing public attention, demand is expected to rise in the fields of aesthetic dentistry, preventive dental care and oral hygiene (fields not covered by health insurance).

- Increase in demand for dental care as a means of preventing systemic diseases

- Overall prospects: Increase in opportunities to receive dental care; improvement of the quality of dental care; expansion of the entire dental market through enhancement of the value of dental care

32

Tasks to Be Addressed by Dentistry

Business Environment, Medium-term and Long-term Business Strategies



Responsibilities

- Development of advanced, high functional products

- Coping with people's interests in health and aesthetic dentistry

- Exploration of regenerative medicine

- Acceleration of integration and alliance to enhance competitiveness

- Improvement of efficiency in logistics and enhancement of the quality guarantee system

- Upgrading diagnosis, prevention and maintenance in treatments

- Making proposals to reform the legal system, on which everything is based and improvement of the system

- Preparation of environment for clinical trials

Role as a manufacturer

Cooperation and alliance

Matters to Be Addressed by the Company

Business Environment, Medium-term and Long-term Business Strategies



Functions that need strengthening

- Quality competitiveness
- Marketing power
- Price competitiveness

Company-wide goals

- Creating new markets and expanding market share by developing new products and technologies
- Expanding overseas business

Four numerical targets

- Overseas sales ratio: 30%
- 20% cost reduction
- New product sales ratio: 15%
- Increase of market share in the domestic market

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

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Specific Efforts – Research and Development

Business Environment, Medium-term and Long-term Business Strategies



Quality competitiveness

Marketing power

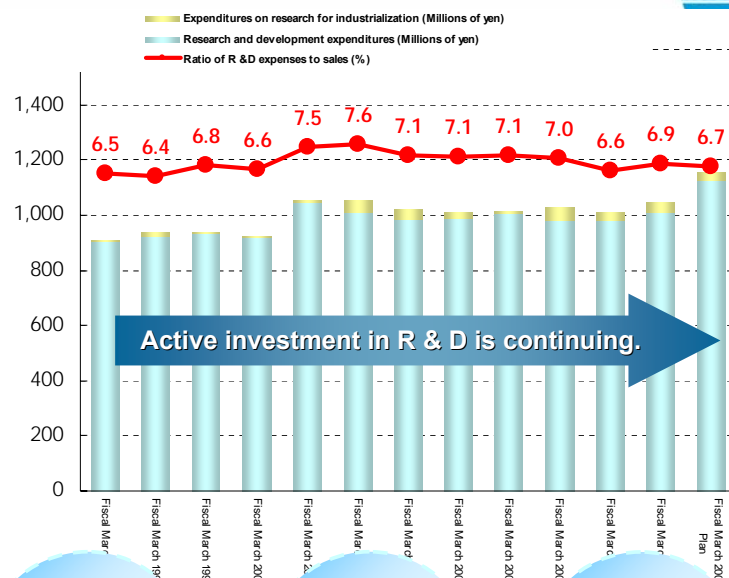
Price competitiveness

Provide value to customers

Create demand

Speed up and strengthen network

Maintain and enhance profitability and financial resources



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Research and development is the source of competitiveness for manufacturers.

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Specific Efforts – Production

Business Environment, Medium-term and Long-term Business Strategies



Succession and continuous improvement of production technology

- Pass on technologies to the next generation and work out labor-saving measures in order to cope with an increasing number of employees reaching retirement age.

Enhancement of efficiency in production and logistics and improvement of customer service

- Enhance efficiency in production and logistics through the introduction of new production systems
- Establish a system to ensure traceability in compliance with the Revised Pharmaceutical Affairs Law

Cost reduction

- Promote a cost-reduction project in each workplace
- Effect of cost-rate reduction initiatives (actual reduction achieved in Fiscal March 2003 through Fiscal March 2008)
In-house production cost rate lowered by 7.1% or 539 million yen

Strengthening quality competitiveness

Strengthening price competitiveness

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

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Specific Efforts – Domestic Business

Business Environment, Medium-term and Long-term Business Strategies



Expansion of market share in existing product categories

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

Hold academic events and conduct sales promotion for the GIOMER product line, which the company developed by utilizing its original PRG technology, domestically and internationally

Market creation in new fields

- Aesthetic dentistry (example) Tooth whitening, orthodontic dentistry
- Preventive dentistry, oral hygiene (example) PMTC
- Regenerative medicine (example) Commercialization of bone repairing materials
- Periodontal disease-related fields (example) Diagnostic kit for periodontal disease
- Commitment to implant business

- Sales related to PMTC (materials and equipment): 437 million yen (521 million yen)
- Sales related to tooth whitening: 179 million yen (195 million yen)

Raise awareness of customer orientation

Enhance marketing power

Implement flexible and efficient sales tactics

* PMTC (Professional Mechanical Tooth Cleaning)

Figures represent actual sales in Fiscal March 2008. Figures in the parenthesis represent sales in the previous period.

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Specific Efforts – Overseas Business

Business Environment, Medium-term and Long-term Business Strategies



U.S.A.

- Develop a new market for exports—Brazil and Mexico
- Enhance efforts to work with dental equipment evaluation organizations.

Europe

- Enter the artificial teeth (resin teeth) market
- Develop a new market in Eastern Europe

Asia

- Efforts to expand market share in China
 - Production: Commence export of artificial teeth and abrasives
 - Increase the number of production items
 - Sales: Increase the number of items for sale
- Commence efforts to open up a market in India and Vietnam

Enhance marketing functions

Conduct strategic activities with the aim of rolling out new products

[Key products]

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

Hold academic events and conduct sales promotion for the GIOMER product line, which the company developed by utilizing its original PRG technology, domestically and internationally

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Medium-Term Plan

Business Environment, Medium-term and Long-term Business Strategies



- Management has suspended the implementation of its medium-term plan announced last year for the following reasons and will formulate the next three-year plan (from FY2009 to FY2011) during 2008 (including a change from the rolling method to the fixed-term method).

- Management finds it necessary to reexamine its capital policy, such as the acquisition of the company's own shares and increased capital requirements.
- Due to the company's full-scale entry into the nail care business, management finds it necessary to restructure its business strategies including conducting a review of its targeted management index and determining its management policy regarding the nail care business, which includes collaboration with the dental business.

[For your reference only: The medium-term plan (from FY2007 to FY2009) announced last year]

★—Record-high Unit: Millions of yen

	March 2007 Results	March 2008	March 2009	March 2010
Sales	★ 15,332	★ 15,445	★ 15,753	★ 16,147
Operating profit	1,480	1,774	★ 2,049	★ 2,288
Ordinary profit	1,424	1,708	★ 1,984	★ 2,222
Net profit	★ 865	★ 1,062	★ 1,262	★ 1,425

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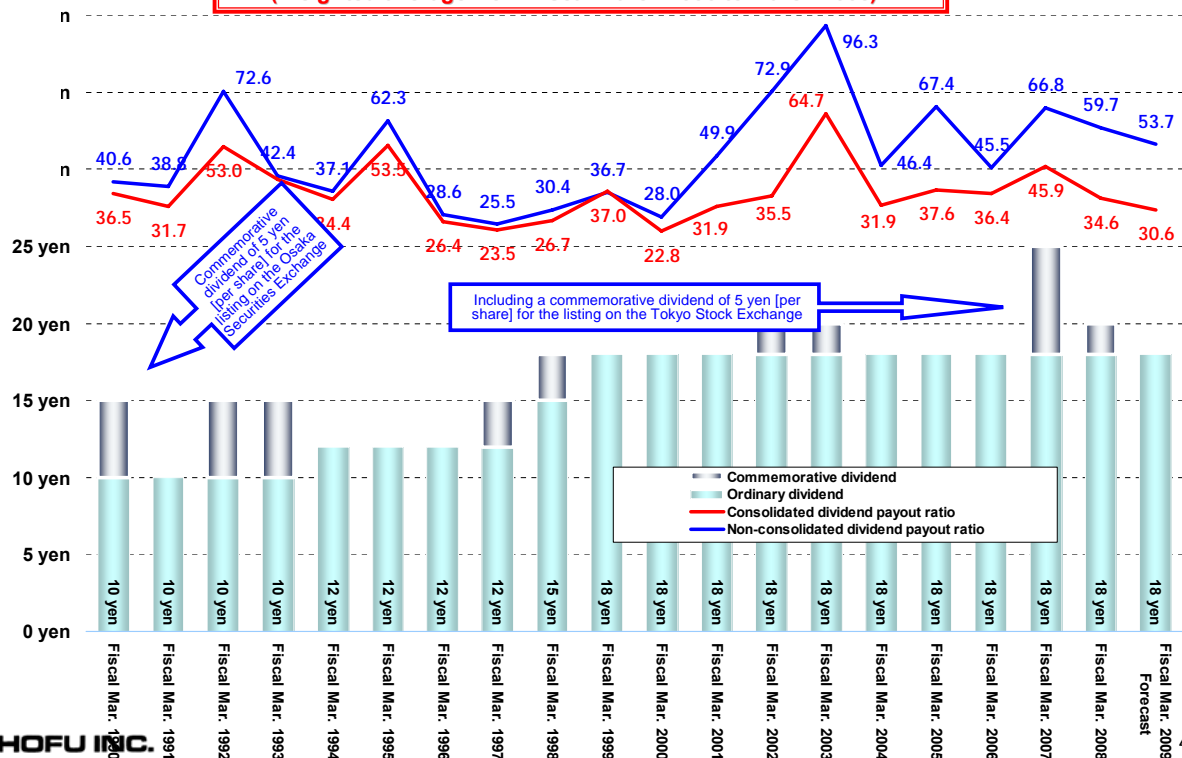
39

Dividend Policy

Business Environment, Medium-term and Long-term Business Strategies



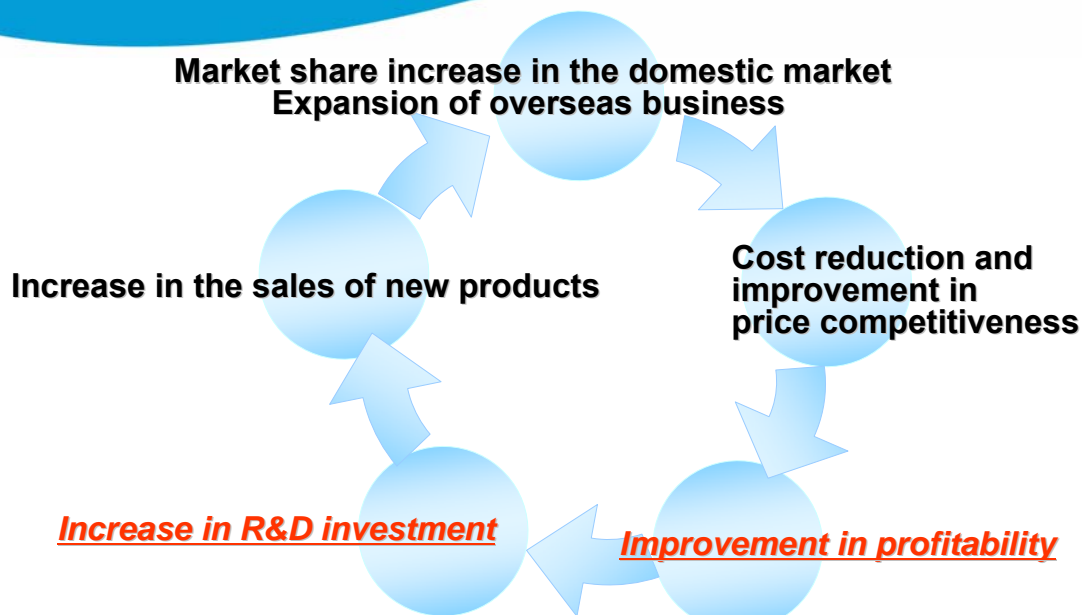
- Target dividend payout ratio: More than 30%
- Average consolidated dividend payout ratio since listing: 34.6% (Weighted average from Fiscal March 1990 to March 2008)



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Growth Cycle

Business Environment, Medium-term and Long-term Business Strategies



Instead of becoming a giant company that provides a wide range of products ("mega firm"), SHOFU Inc. will strive to evolve into a company oriented toward **new product development ("specialty firm")** that gains international recognition in the field in which it excels.



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

SHOFU INC.

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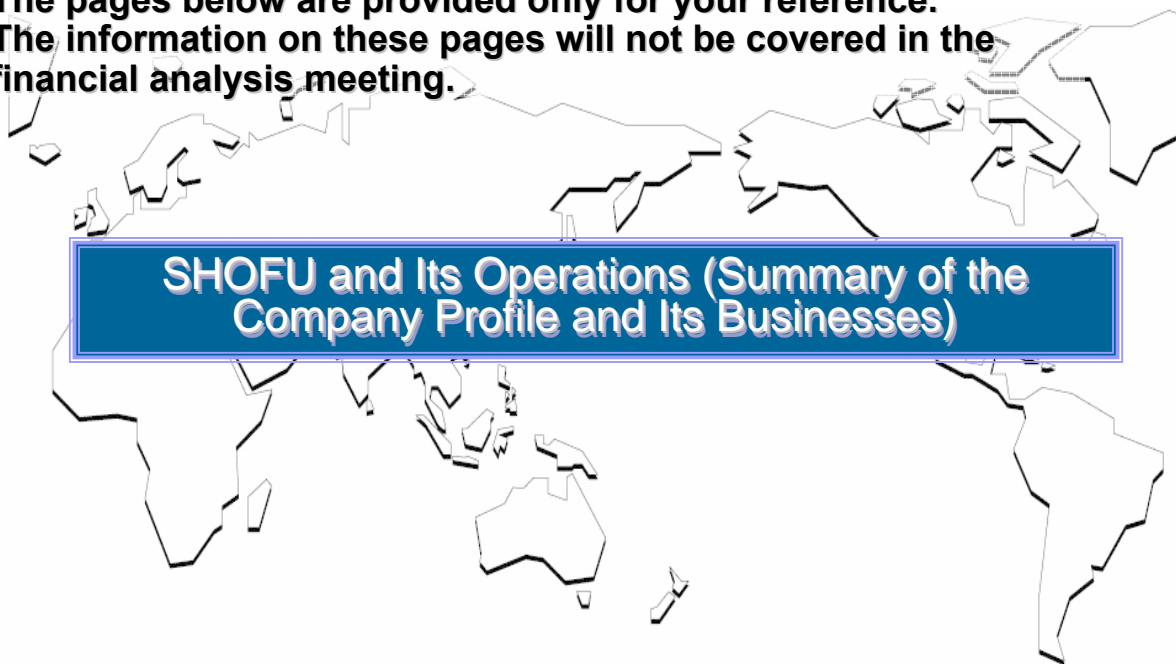
URL: <http://www.shofu.co.jp>

E-mail: ir@shofu.co.jp

Contact: Corporate Planning Department



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



Summary of the Company Profile

➡ Summary of the Company Profile and its Businesses

- **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 yen
- **Listing markets:** Second Section of Tokyo Stock Exchange (Date of listing: February 15, 2007)
Second Section of Osaka Securities Exchange (Date of listing: November 9, 1989)
- **Number of employees:** 420 (Entire group: 762 including 191 in overseas subsidiaries)
- **Business:** Manufacture and sale of dental materials and equipment
- **Main customers:** Dental institutions (via sales agencies)
- **Number of group companies:** 12 (Four in Japan, eight overseas)

Main Products

Summary of the Company Profile and its Businesses

The company manufactures and markets 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

The company's products are designed for use in dental care and treatment.

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Please refer to "Product Profiles" attached to this document.

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Corporate History

Summary of the Company Profile and its Businesses



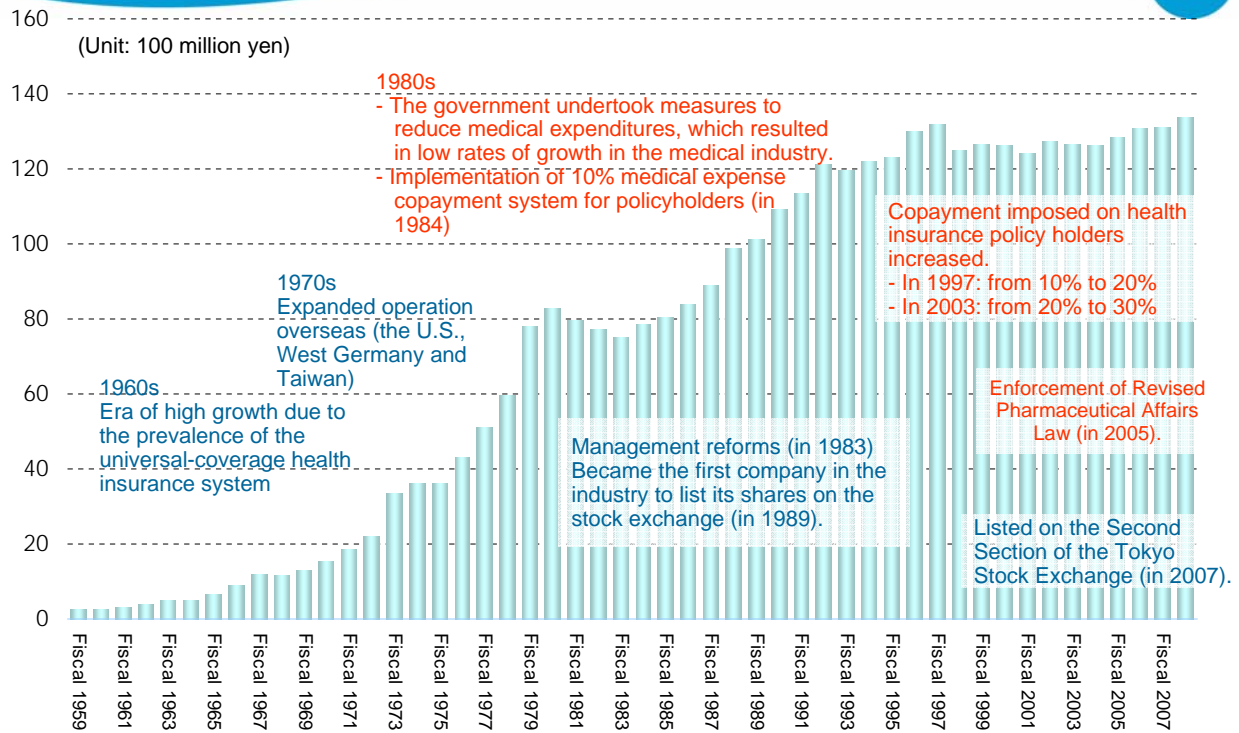
- 1922: Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
- 1963: Shofu shares listed on the over-the-counter market.
- 1971 – 1978: Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). 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. Acquired 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 company's 80th anniversary (in May 2002). Established Liaison Office in Beijing, China. Obtained ISO 14001 (Environmental Management System) certification (both for the headquarters and all group companies).
- 2004: Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China.
- 2005: Acquired full ownership of Shoken Inc. by exchange of shares (in February). Established Shofu Dental Supplies (Shanghai) Co., Ltd., a sales subsidiary in China (in August). Training Center designed to promote customers service completed (in August).
- 2006: SHOFU's shares listed on the Second Section of the Tokyo Stock Exchange (in February).
- 2007: Acquired and turned Nail Labo Japan, Inc. into a subsidiary.
- 2008: 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.

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Corporate History – Sales Trend

Summary of the Company Profile and its Businesses



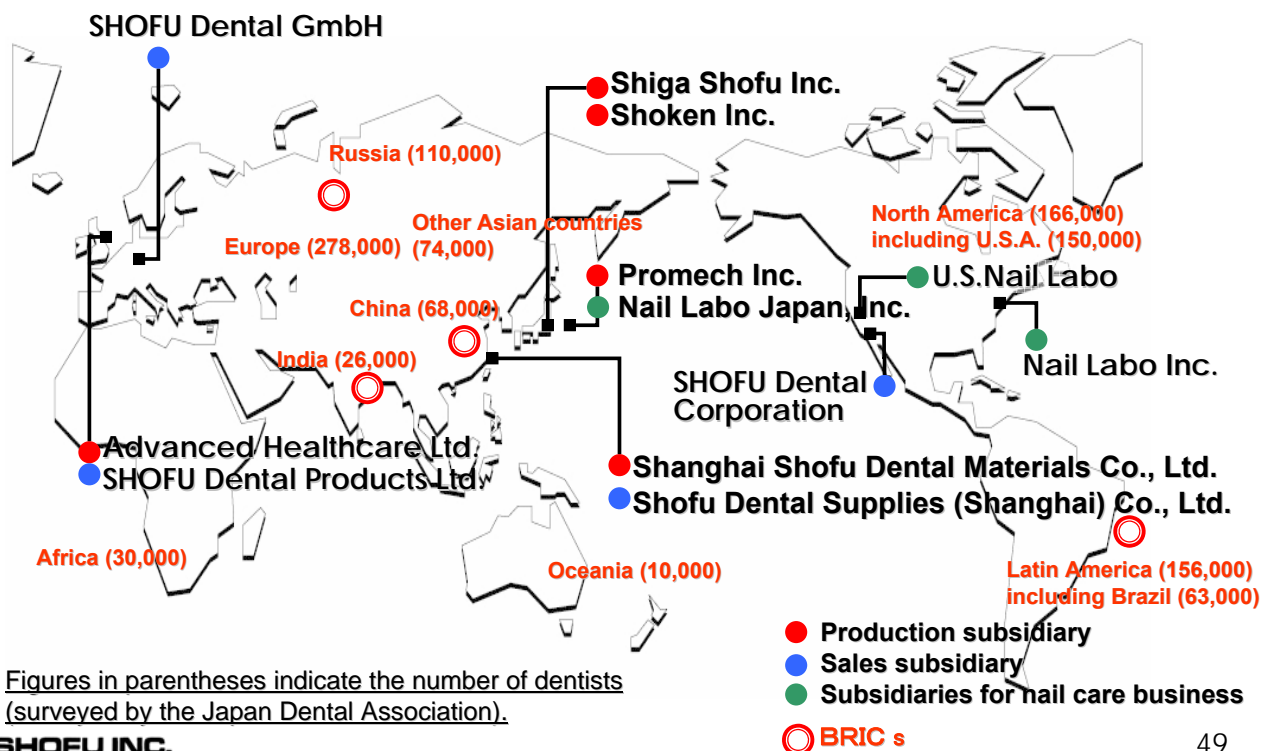
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Figures shown in the graph are non-consolidated sales.

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Group Profile

Summary of the Company Profile and its Businesses

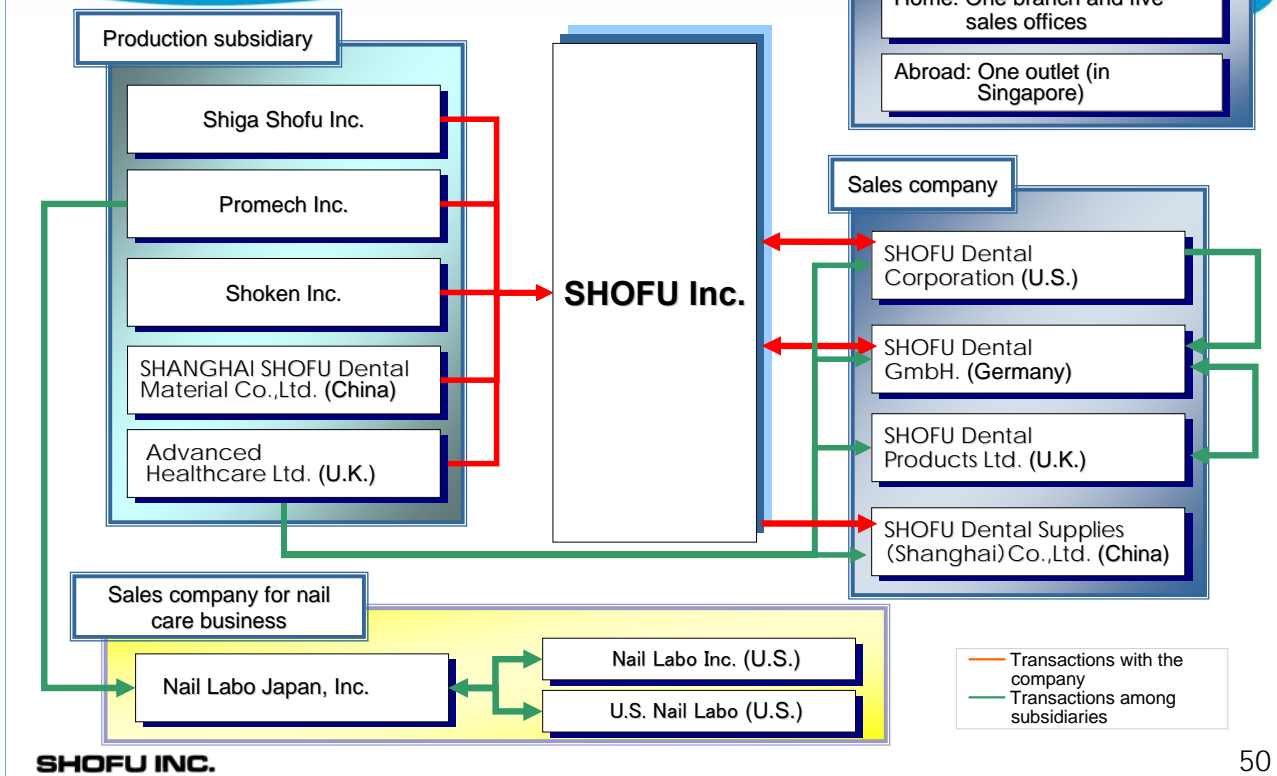


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Group Profile

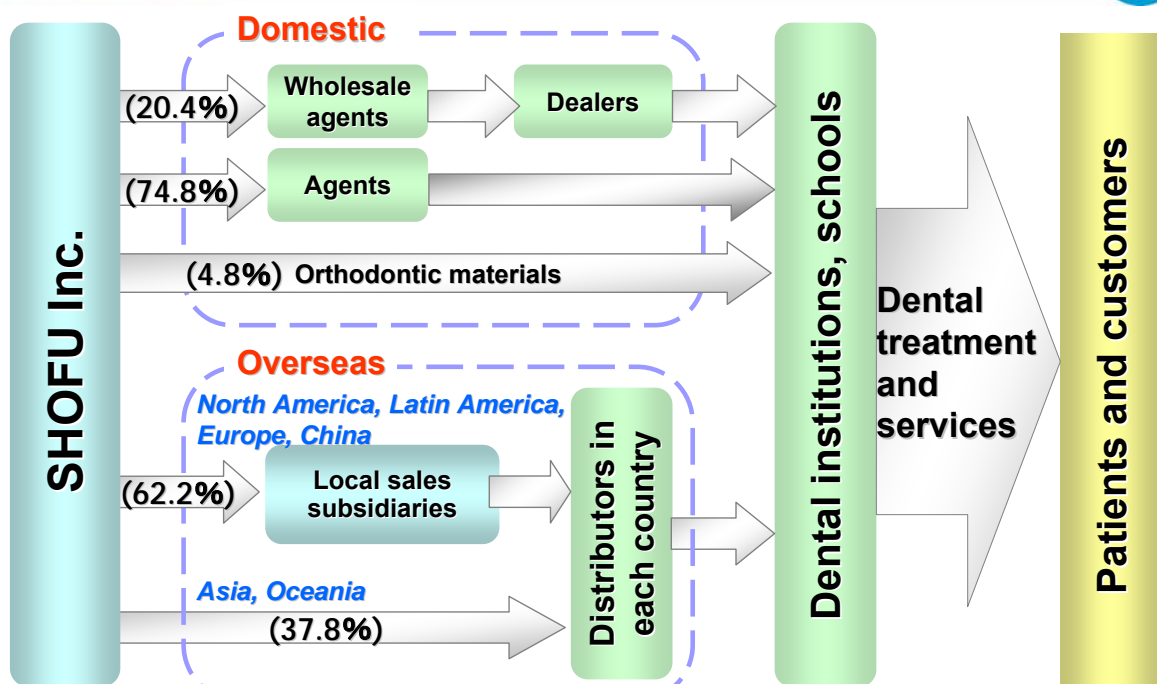
Summary of the Company Profile and its Businesses



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Sales Channels

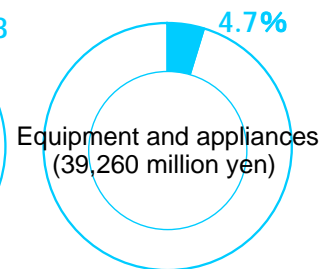
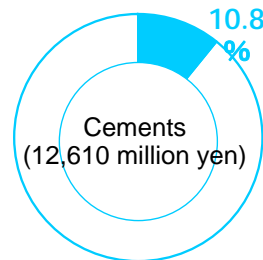
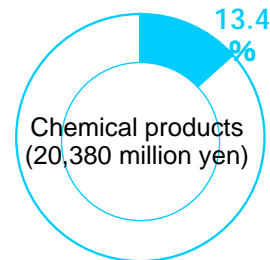
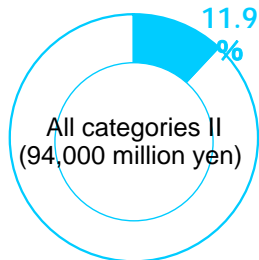
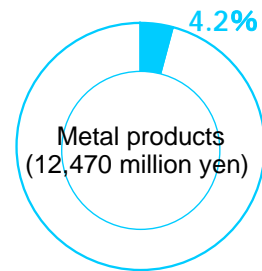
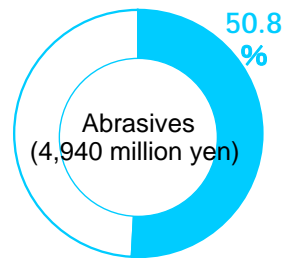
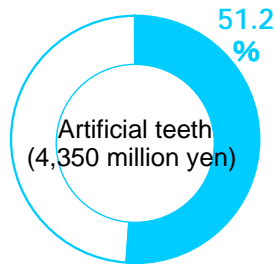
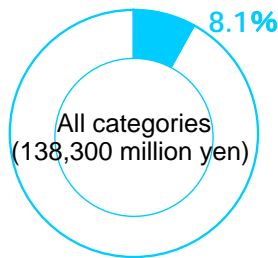
Summary of the Company Profile and its Businesses



Figures in parentheses represent each sales channel as percentage of total sales (Non-consolidated figures as of Fiscal March 2008).

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Market share by product category



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

Source: Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), Ministry of Health, Labour and Welfare (Domestic data, Calendar Year 2005)
Figures in parentheses represent market size.

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Reference < Dentistry Data >

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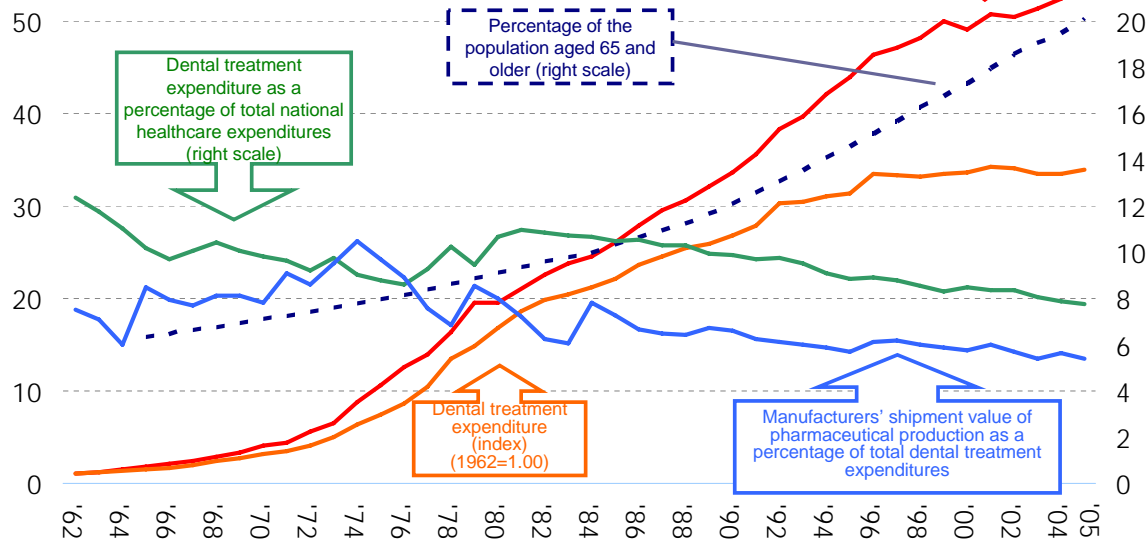
53

Long-term Trend of Dentistry-Related Statistics

Reference < Dentistry Data >



Trend of national healthcare expenditures, the percentage of the population aged 65 and older, dental treatment expenditure as a percentage of total national healthcare expenditures and manufacturers' shipment value of pharmaceutical production as a percentage of total dental treatment expenditures (from 1962 to 2005)



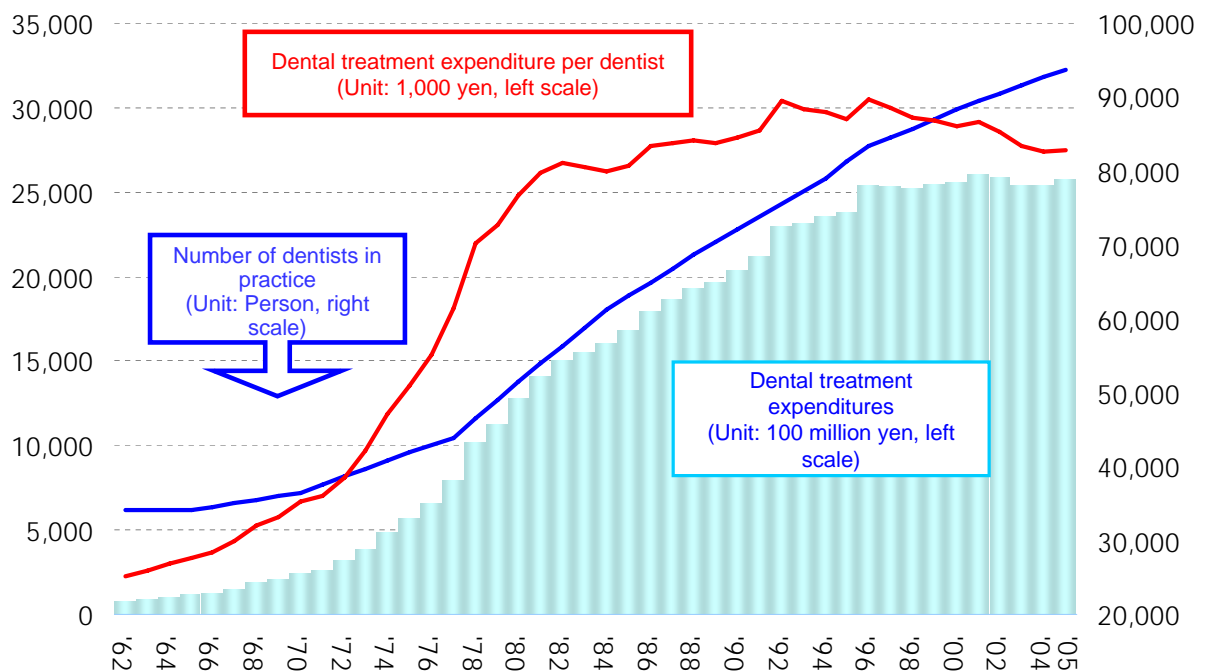
Source: Summary of National Healthcare Expenditures in Fiscal 2005, Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

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Trend of the Number of Dentists and Dental Treatment Expenditure

Reference < Dentistry Data >



Source: Summary of National Healthcare Expenditures in Fiscal 2005 and Survey on Doctors, Dentists and Pharmacists in Fiscal 2006 released by the Ministry of Health, Labour and Welfare

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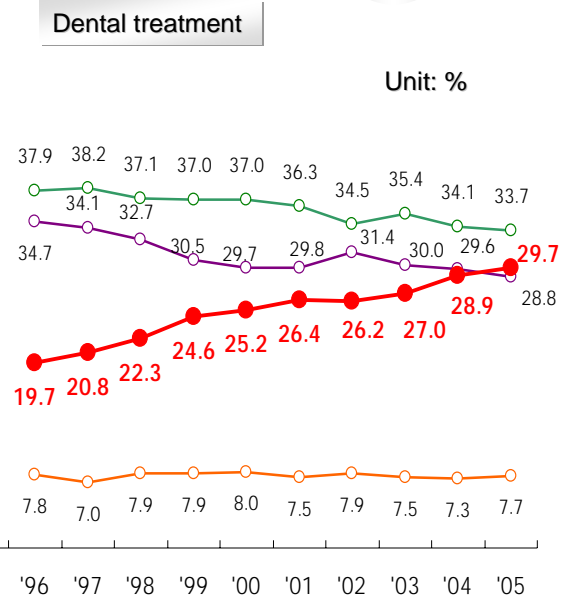
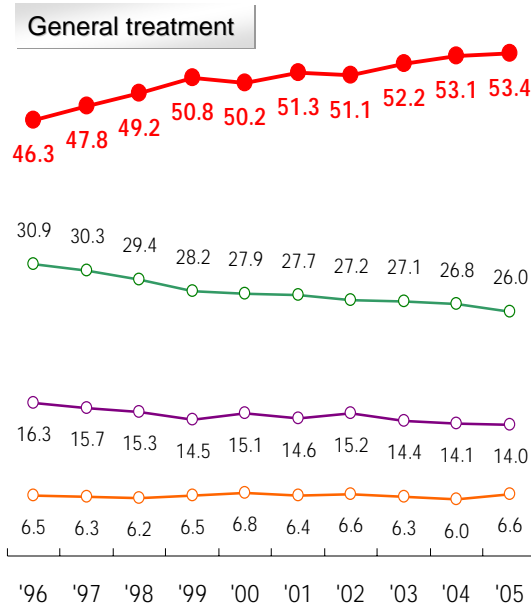
55

Healthcare Expenditures by Age Group (Component Ratio)

Reference < Dentistry Data >



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



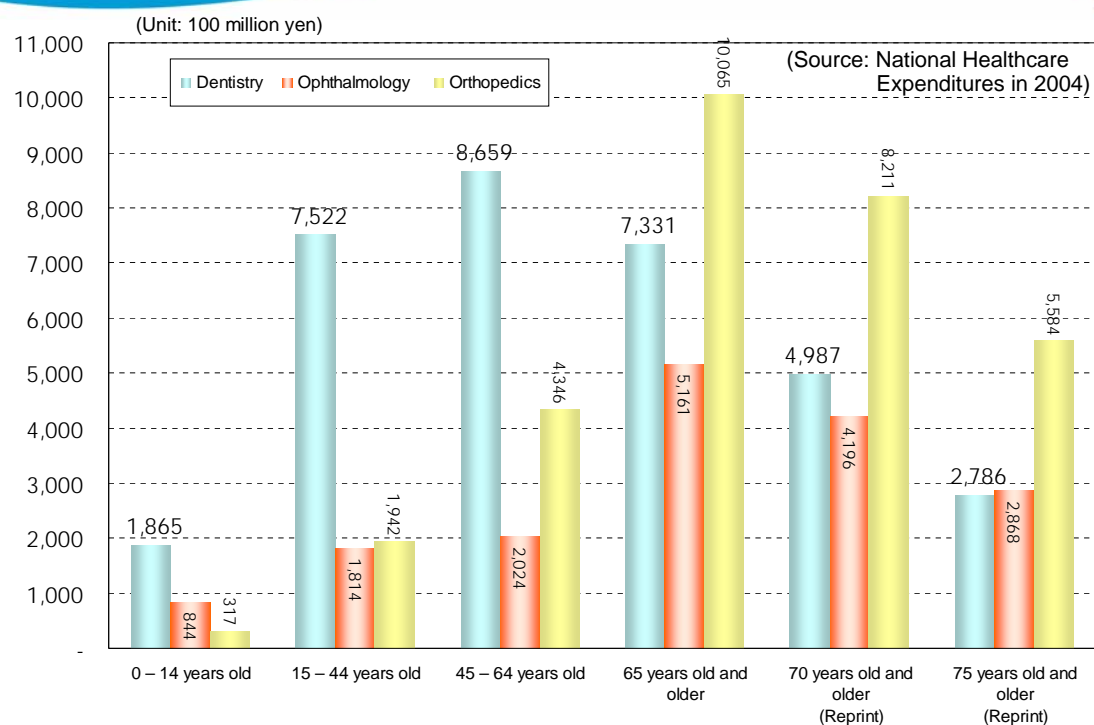
Unit: %

○ 0 - 14 years old ○ 15 - 44 years old ○ 45 - 64 years old ● 65 years old and older

SHOFU INC. Source: Summary of National Healthcare Expenditures in Fiscal 2005 released by the Ministry of Health, Labour and Welfare 56

Comparison of Healthcare Expenditures by Age Group - Dentistry, Ophthalmology and Orthopedics

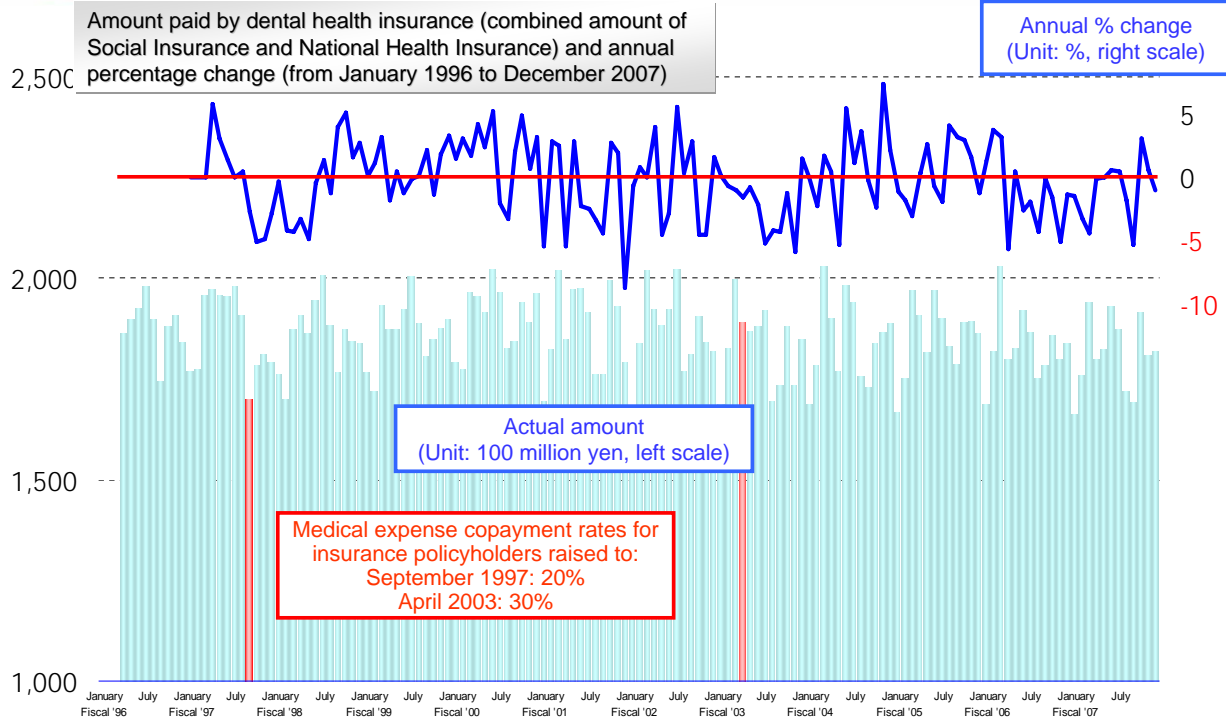
Reference < Dentistry Data >



SHOFU INC. (Reprinted from material distributed at the time of lecture given by Dr. Okubo, President of the Japan Dental Association, on October 3, 2007)

Trend of Dental Treatment Expenditures (i)

Reference < Dentistry Data >



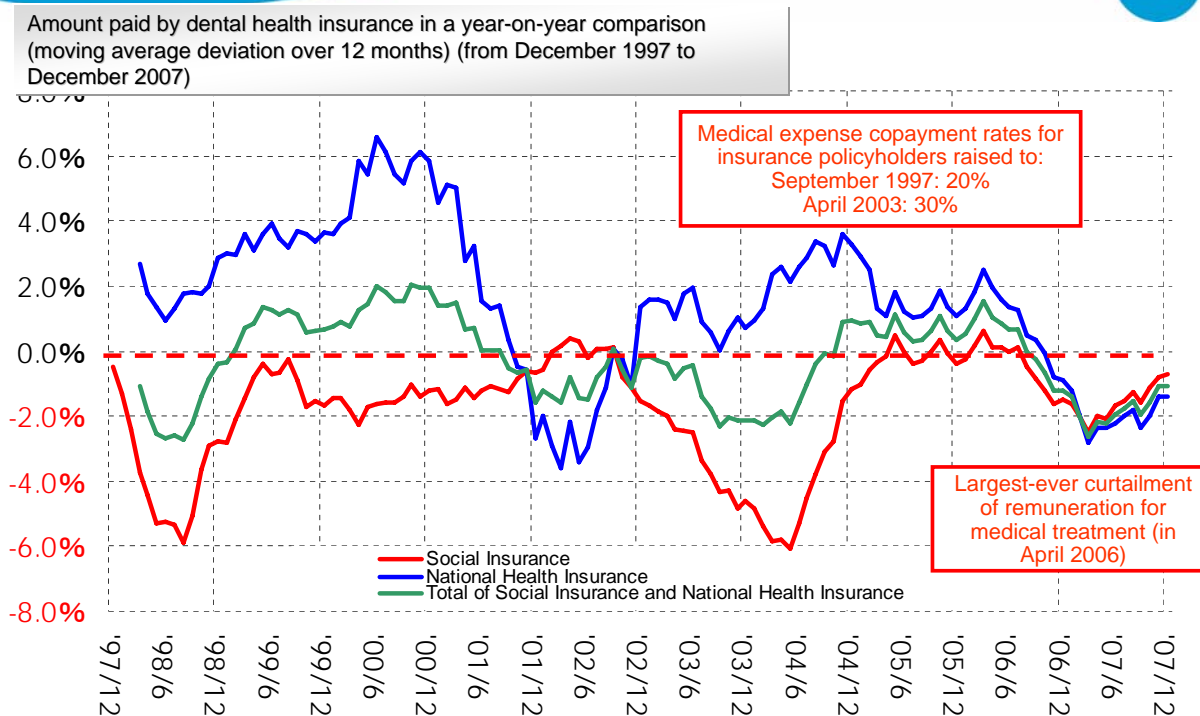
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(Source: Social Insurance Medical Fee Payment Fund and "Trend of National Health Insurance Expenditures" issued by the All-Japan Federation of National Health Insurance Organizations)

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Trend of Dental Treatment Expenditures (ii)

Reference < Dentistry Data >



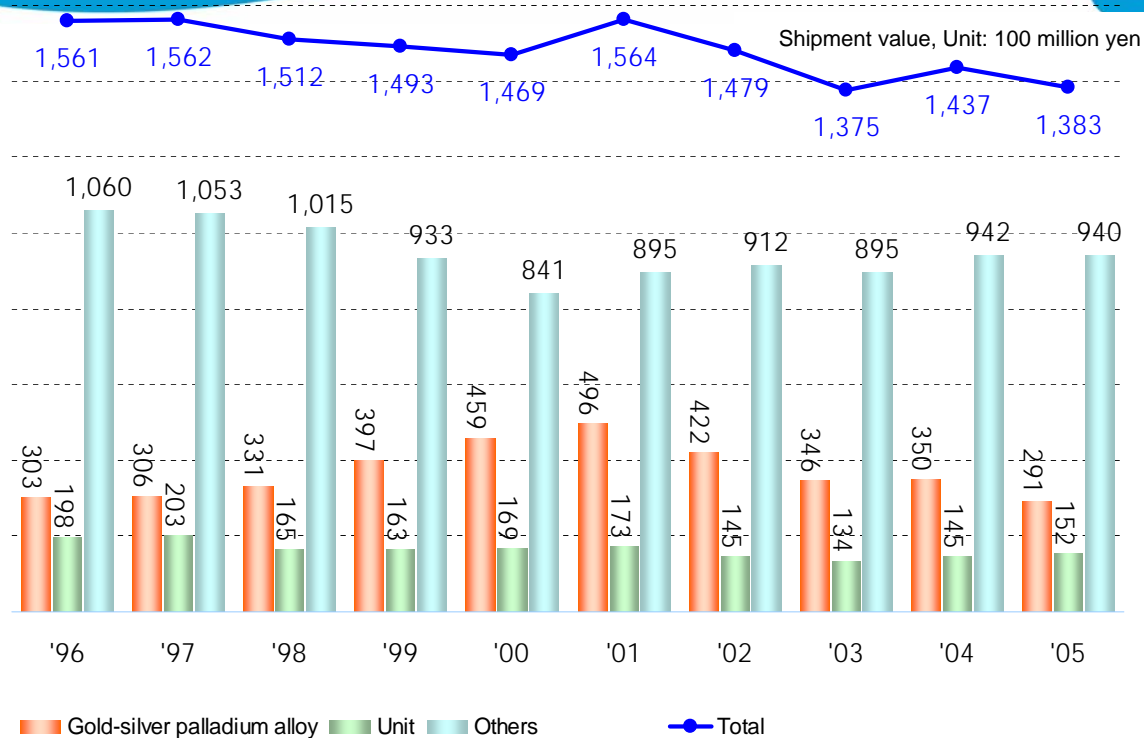
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(Source: Social Insurance Medical Fee Payment Fund and "Trend of National Health Insurance Expenditures" issued by the All-Japan Federation of National Health Insurance Organizations)

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Trend of Shipment Value of Pharmaceutical Industry Production

Reference < Dentistry Data >



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

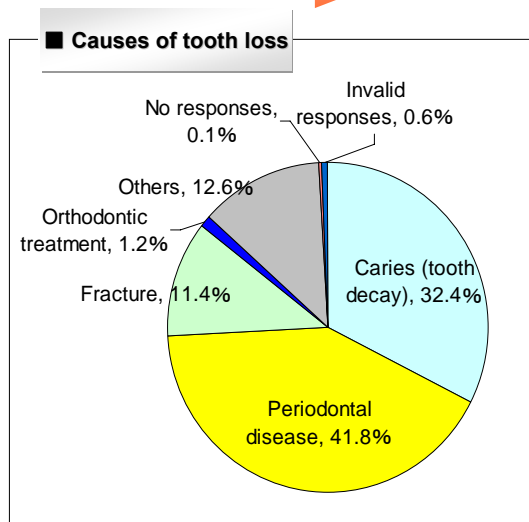
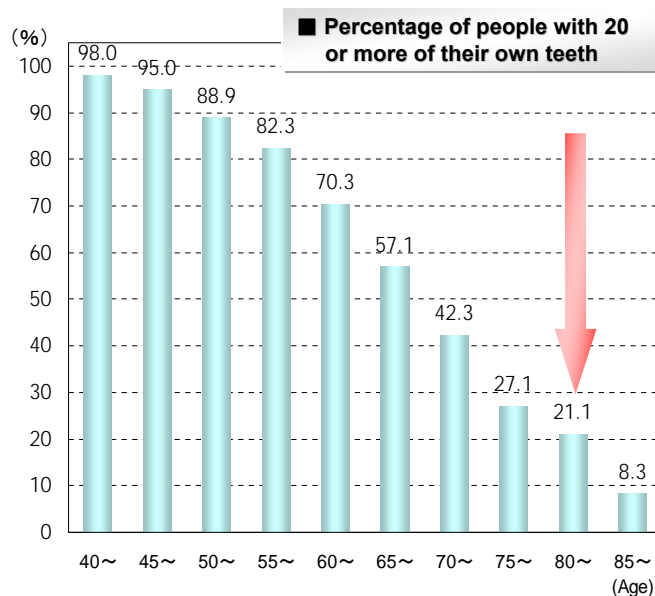
60

The 8020 Movement and Changes in Dental Diseases

Reference < Dentistry Data >



The primary target of "20% of the population achieving 8020" was reached in 2006.



(Survey by the 8020 Promotion Foundation in 2005)

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(Source: Survey of Dental Diseases in 2005 released by the Ministry of Health, Labour and Welfare)

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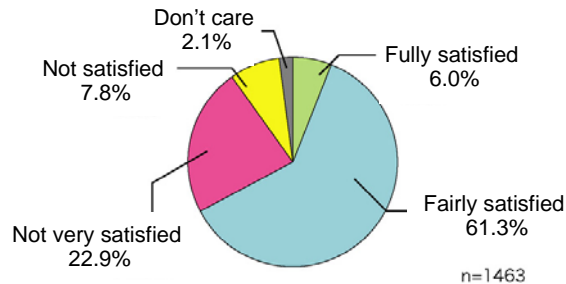
Perception of Dental and Oral Health

Reference < Dentistry Data >

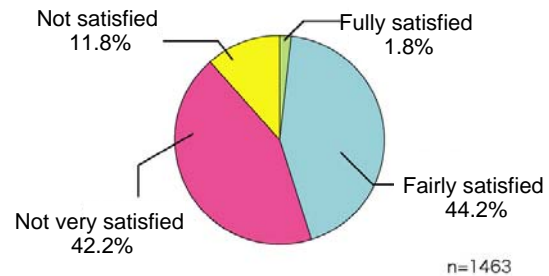


Source: Fiscal 2007's Dental Equipment Industry Vision (References)

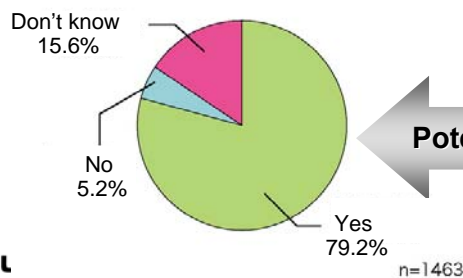
Are you satisfied with your physical health?



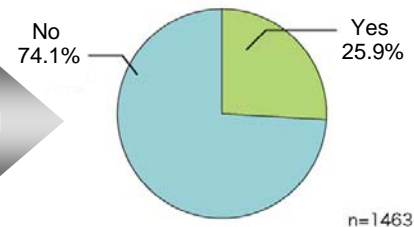
Are you satisfied with your oral health?



Do you think it necessary to receive regular dental care (checkup and cleaning) at a dental clinic?



Do you actually receive regular dental care?



Potential demand

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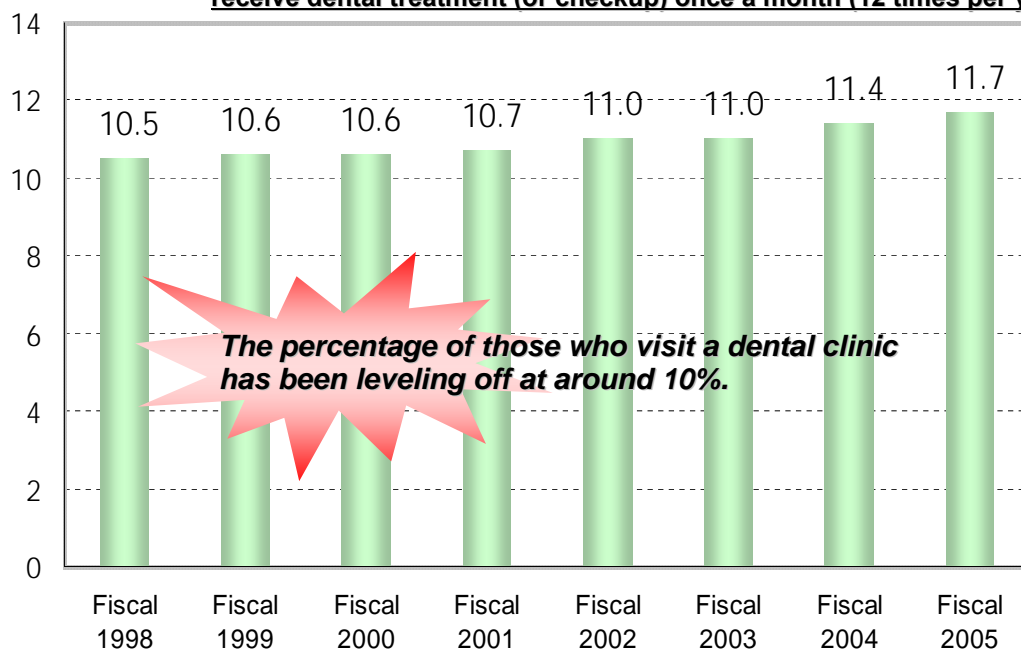
62

Trend in Percentage of Dental Clinic Visits Consultation rate

Reference < Dentistry Data >



Percentage of those who visit a dental clinic: Percentage of those who receive dental treatment (or checkup) once a month (12 times per year)



(Source: Data in "Medical Information Analysis System (MEDIAS)" released by the Ministry of Health, Labour and Welfare)

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Trend in the North American Market

Reference < Dentistry Data >

The public developed the habit of paying regular visits to dental clinics.

→ Shortage of dentists

Increase in regular visits to dental clinics

→ Solution to the problem of oversupply of dentists

	North America	Japan
Percentage of those who make regular visits to dental clinics	54%	16%
Number of dentists (per 1,000 persons)	0.6 person	0.7 person
Population (per dentist)	1,670 person	1,430 person
[WHO says that one dentist per 2,000 persons is the appropriate ratio. Appropriate ratio of dentist to population according to WHO: 1:2,000]		

Source:

* Health and Welfare Survey in 1999 conducted by the Ministry of Health, Labour and Welfare and a survey conducted by Colgate-Palmolive Company

* Consulted an article titled "Reasons for the Success of the Canadian Dental Community" (DH Style, September 2007) by Ken Yaegaki DDS Ph.D., Professor and head of the Department of Oral Health, Nippon Dental University School of Life Dentistry)

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Systemic Diseases Caused by Caries and Periodontal Disease

Reference < Dentistry Data >



Dental and oral diseases	↔	Entire body	Septicemia, Headache, Stiff shoulders, Malfunction of internal organs, Nutrition disorder
	↔	Pregnancy-related problems	Premature birth, Delivery of low birth weight babies
	↔	Diseases of the digestive and respiratory systems	Gastritis, Gastric ulcer, Aspiration pneumonia
	↔	Diseases of the circulatory system	Endocarditis, Myocarditis, Arteriosclerosis
	↔	Skin diseases	Dermatitis
	↔	Diseases related to metabolic disorder	Diabetes

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(Reprinted from the "Archive of the 8020 and Enjoy Healthy Life" issued by Social Insurance Research Institute)

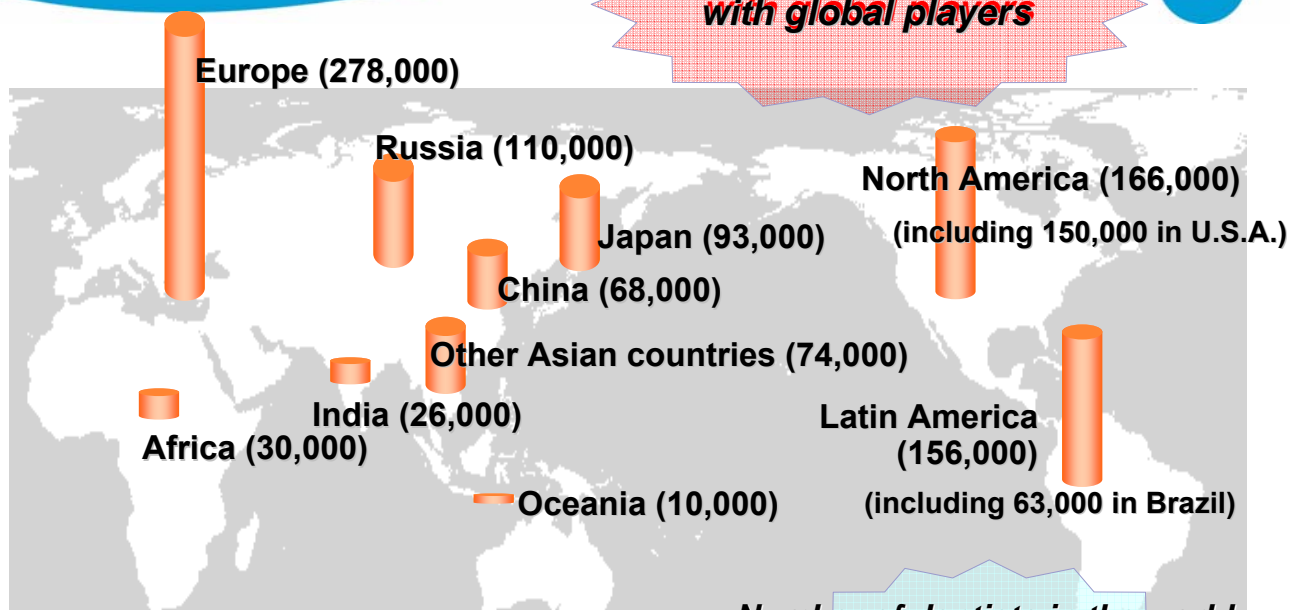
65

Number of Dentists in the World

Reference < Dentistry Data >



**Intensified competition
with global players**



◆ Source:
 Number of dentists – “Guide to Dental Health Care in the World:
 How to Provide and Receive Dental Care in
 Other Countries” (Japan Dental Association)
 Estimated market size – “Dental Equipment Industry Vision in Fiscal
 2007” (Council for Compiling Dental
 Equipment Industry Vision)

**Number of dentists in the world:
 Approx. 1 (one) million
 Estimated market size:
 Approx. 2 (two) trillion yen**