

Fiscal Year Ending March 2009 (137th Business Year)

2nd Quarter Financial Analyst Meeting

November 14, 2008



Content of Today's Presentation

- ➡ Summary of 2nd Quarter Business Performance for Fiscal Year Ending March 31, 2009
- ➡ Forecast of 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 2nd Quarter Business Performance for Fiscal Year Ending March 31, 2009

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

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

Summary of 2nd Quarter Business Performance (1)

Summary of 2nd Quarter Business Performance for Fiscal Year Ending March 31, 2009

■ Positive factors ■ Negative factors

P/L

- <Dental business> Despite reduced revenues from artificial teeth, strong sales buoyed by the launch of new products in the areas of chemical products and equipment and others lifted domestic sales by 3.2%.
Sales of new products: 733 million yen, or 10.6% of non-consolidated sales
- <Nail care business> Domestic sales reached 849 million yen, a real increase of 750 million yen.
- Combined domestic sales in the dental and nail care businesses were up 16.9%.
- Robust sales in Asia (South Korea, Taiwan) outweighed the negative effect of foreign exchange fluctuations, boosting overseas sales by 5.5% (overseas sales ratio of 26.1%).
- Total sales increased by 13.7% to 8,636 million yen.
- Greater sales in the dental and nail care businesses more than offset the higher sales cost ratio from the conversion of Nail Labo Japan, Inc., into a subsidiary (which rose from 44.3% to 45.3%) and increased sales and general administrative expenses, bringing operating profits to 837 million yen (up 13.2%) and ordinary profits to 857 million yen (up 10.0%).
- Transfers from reserves for possible loan losses and refunds of customs duties were among the extraordinary profits that helped lift net quarterly profit to 619 million yen (up 24.4%)

Summary of 2nd Quarter Business Performance (2)

Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009



■ Positive factors ■ Negative factors

B/S

- The valuation difference of securities **decreased by 400 million yen** due to falling securities prices.

Capital expenditures: 947 million yen
(Key expenditures)

- Sendai Sales Office Land, buildings 228 million yen
- Osaka Sales Office Land 203 million yen
- Integrated main system 144 million yen
(intangible fixed assets)
- Artificial teeth moulding machines 90 million yen
(Production subsidiary)
(Construction in progress)
- Expansion of UK subsidiary facilities 67 million yen

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Summary of 2nd Quarter Business Performance

Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009



➡ Sales and profits were both higher than in the 2nd quarter of FY2008 and in the forecast.

Units: millions of yen, %

	Fiscal March 2008 (2Q Results) (% of sales)	Fiscal March 2009 (2Q Forecast) (% of sales)	Fiscal March 2009 (2Q Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	7,598 (100.0)	8,603 (100.0)	8,636 (0.0)	1,037 (13.7)	32 (0.4)
(Domestic sales)	5,458 (71.8)	6,346 (73.8)	6,378 (73.9)	919 (16.9)	31 (0.5)
(Overseas sales)	2,140 (28.2)	2,256 (26.2)	2,257 (26.1)	117 (5.5)	0 (0.0)
Operating profit	739 (9.7)	596 (6.9)	837 (9.7)	97 (13.2)	241 (40.4)
Ordinary profit	779 (10.3)	608 (7.1)	857 (9.9)	78 (10.0)	249 (41.0)
Net profit	498 (6.6)	408 (4.7)	619 (7.2)	121 (24.4)	211 (51.8)
Net profit per share	31.39 yen	28.59 yen	43.41 yen		
Return on equity	2.49%	—	3.63%		

* The forecast in the above table was initially announced on May 15, 2008.
On October 28, 2008, a revised performance forecast was announced.

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Sales by Product Category (Comparison with Previous Period)

Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2008 (2Q Results)	Fiscal March 2009 (2Q Results)	Change from Previous Period		
				Domestic	Overseas
Artificial teeth	1,484	1,507	22 (1.5)	-60	83
Abrasives	1,862	1,933	71 (3.8)	9	62
Metal products	246	236	-10 (-4.3)	-15	5
Chemical products	1,423	1,525	102 (7.2)	60	42
Cements and others	813	773	-40 (-4.9)	26	-66
Equipment and others	1,587	1,711	123 (7.8)	152	-28
Dental business total	7,417	7,687	269 (3.6)	171	97
Nail business	133	903	770 (577.8)	750	20
Other	47	45	-1 (-4.2)	-1	0
Total	7,598	8,636	1,037 (13.7)	919	117

* Overseas sales decreased by 173 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi).

* "Nail business" and "Other" (industrial-use polishing materials) are new classifications for Fiscal March 2009 but they have been recombined in "Change from previous period" for purposes of comparison.

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Sales by Product Category (Comparison with Forecast)

Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2009 (2Q Forecast)	Fiscal March 2009 (2Q Results)	Change from Forecast		
				Domestic	Overseas
Artificial teeth	1,525	1,507	-18 (-1.2)	-61	42
Abrasives	1,870	1,933	63 (3.4)	18	45
Metal products	237	236	-1 (-0.6)	-7	6
Chemical products	1,522	1,525	3 (0.2)	7	-4
Cements and others	846	773	-72 (-8.6)	-2	-70
Equipment and others	1,665	1,711	45 (2.7)	81	-35
Dental business total	7,667	7,687	20 (0.3)	36	-16
Nail business	889	903	14 (1.6)	-3	17
Other	46	45	-1 (-3.9)	-1	0
Total	8,603	8,636	32 (0.4)	31	0

* Overseas sales decreased by 104 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi).

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Domestic Sales

Summary of 2nd Quarter Business Performance for Fiscal Year Ending March 31, 2009



Unit: millions of yen

Positive factors Negative factors

Dental business

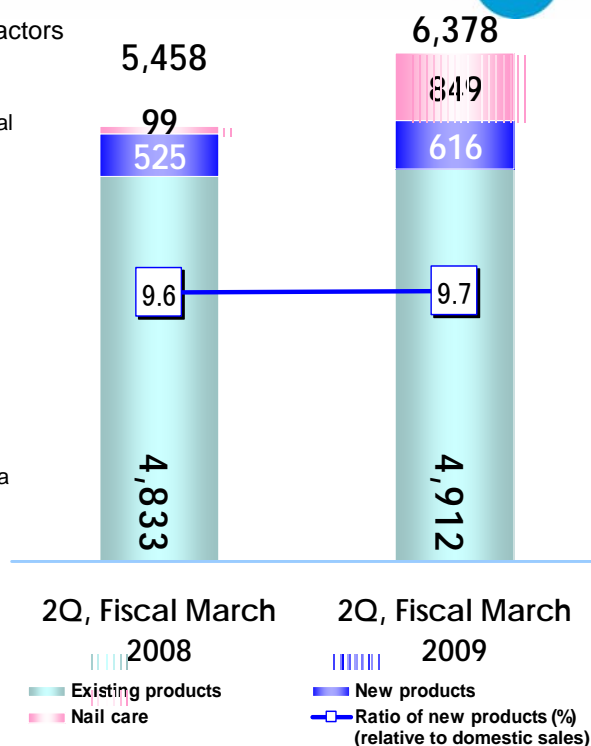
- Steady sales of "Eye Special C-I" digital cameras for dental use complemented sales of chemical products and equipment launched during this quarter.
- Sales of artificial teeth, one of the Company's mainstay products, decreased by 6.7%.
- Domestic sales overall for the quarter saw a year-on-year increase of 171 million yen (3.2%) to 5,483 million yen.

Nail care business

- The Company achieved full-scale entry into the market by making Nail Labo Japan, Inc., a subsidiary.
- Nail care business efforts proceeded as planned for the most part, with quarterly sales of 849 million yen marking a year-on-year increase of 750 million yen.

Principal new products introduced during this quarter

- "Beauty Bond," a dentine bonding material (chemical products)
- "Blue Shot," a dental polymerization lamp (equipment and others)



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"New products" in the graph are those introduced in the last three years. 8

Overseas Sales

Summary of 2nd Quarter Business Performance for Fiscal Year Ending March 31, 2009



Unit: millions of yen; figures in parentheses represent component ratio (%)

Positive factors Negative factors

North America and Latin America

- Sales were steady, centered on the company's mainstay abrasives.
- Sales increased by 6.5% on a local currency basis.

Europe

- Despite solid sales of abrasives and chemical products, lower sales for cements and others caused sales to slip by 0.9% on a local currency basis.

Asia and Oceania

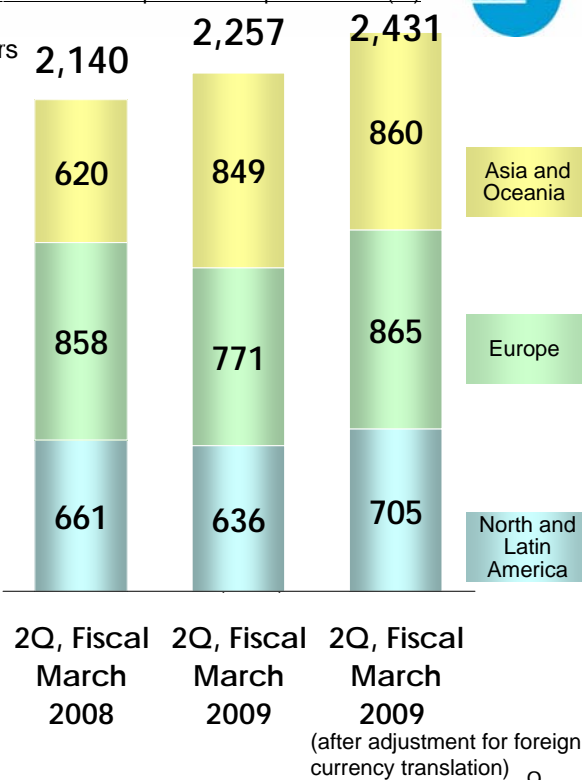
- China: up 6 million yen from previous period (on a local currency basis)
- Elsewhere: up 233 million yen from previous period

Foreign exchange rates

- US dollar: 103.57 yen (115.43 yen in the previous period)
- Euro: 149.05 yen (163.38 yen in the previous period)
- Renminbi: 15.35 yen (16.21 yen in the previous period)

Overseas sales ratio

- 26.1% (28.2% in the previous period) (27.6% after adjustment for foreign currency translation)



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Segment Information by Business Classification

Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009



Unit: millions of yen. Figures in parentheses represent percentage of sales (unit: %)

		Fiscal March 2009 (2Q Forecast)	Fiscal March 2009 (2Q Results)	Change from Forecast	Fiscal March 2009 (Fiscal- Year)
		Amount (% of sales)	Amount (% of sales)		Amount (% of sales)
Dental	Sales	7,667	7,684	17	15,322
	Operating expenses	7,088	6,881	-206	13,986
	Operating profit	578	803	224	1,336
	(operating profit margin)	(7.5)	(10.5)		(8.7)
Nail care	Sales	889	903	14	1,760
	Operating expenses	883	878	-4	1,742
	Operating profit	6	25	19	18
	(operating profit margin)	(0.7)	(2.8)		(1.0)
Other	Sales	46	47	0	94
	Operating expenses	35	38	3	70
	Operating profit	11	9	-2	24
	(operating profit margin)	(24.9)	(19.5)		(25.5)
Consolidated	Sales	8,603	8,636	32	17,177
	Operating expenses	8,007	7,798	-208	15,799
	Operating profit	596	837	241	1,378
	(operating profit margin)	(6.9)	(9.7)		(8.0)

* The operating expenses for the nail care business include goodwill amortization of 44 million yen (full fiscal-year forecast: 89 million yen) connected with the acquisition of Nail Labo Co., Ltd. (total amount: 712 million yen for eight-year amortization)

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Segment Information by Region

Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009



Unit: millions of yen. Figures in parentheses represent percentage of sales (unit: %)

		Fiscal March 2008 (2Q Results)	Fiscal March 2009 (2Q Forecast)	Fiscal March 2009 (2Q Results)	Change from previous period	Change from Forecast
		Amount (% of sales)	Amount (% of sales)	Amount (% of sales)		
Japan	Sales	6,750	7,661	7,879	1,129	217
	Operating profit	717	497	816	98	318
	(Operating profit margin)	(10.6)	(6.5)	(10.4)		
Americas	Sales	648	704	613	-35	-91
	Operating profit	18	19	19	0	0
	(Operating profit margin)	(2.9)	(2.8)	(3.1)		
Europe	Sales	940	914	855	-84	-59
	Operating profit	46	49	28	-17	-21
	(Operating profit margin)	(4.9)	(5.5)	(3.3)		
Asia	Sales	265	314	296	30	-17
	Operating profit	23	27	37	14	9
	(Operating profit margin)	(8.7)	(8.7)	(12.5)		
Overseas total	Sales	1,854	1,934	1,765	-89	-168
	Operating profit	88	97	85	-3	-12
	(Operating profit margin)	(4.8)	(5.0)	(4.8)		
Total before consolidation adjustment	Sales	8,604	9,595	9,644	1,040	48
	Operating profit	806	594	901	94	306
	(Operating profit margin)	(9.4)	(6.2)	(9.3)		
Consolidated	Sales	7,598	8,603	8,636	1,037	32
	Operating profit	739	596	837	97	241
	(Operating profit margin)	(9.7)	(6.9)	(9.7)		

* The elimination of unrealized profits from internal transactions is the principal consolidated adjustment item impacting operating profits.

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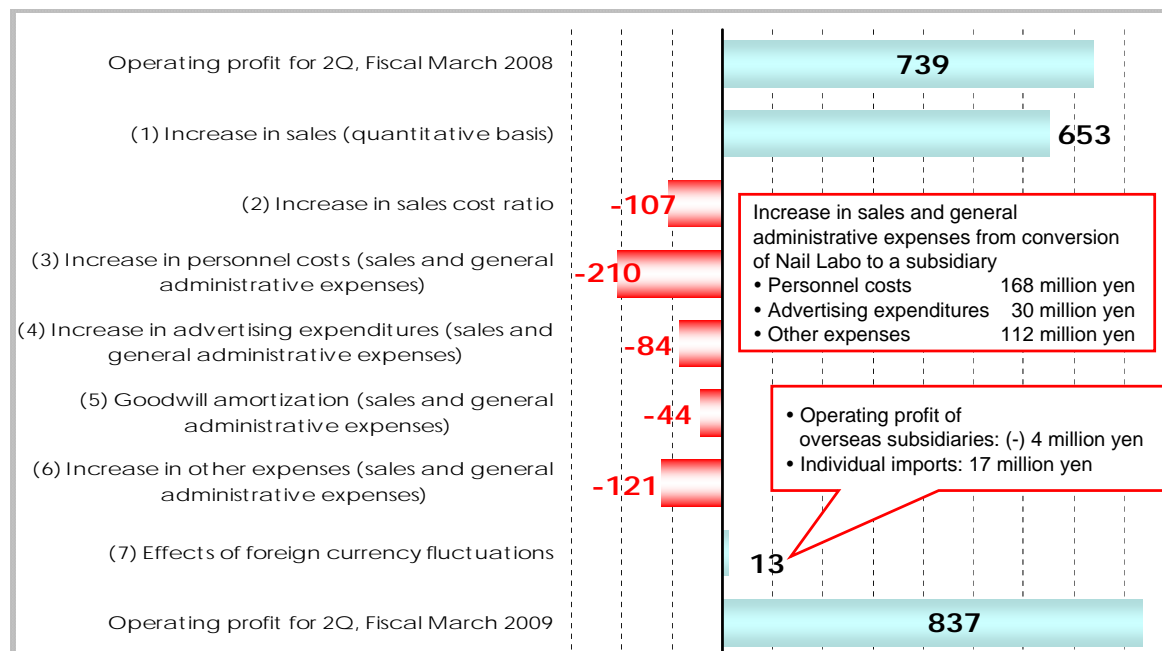
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Contributors to Change in Operating Profit

Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009



Unit: millions of yen



* The figures in items (1) to (6) do not incorporate the effects of foreign currency fluctuations.

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Financial Condition: Major Balance Sheet Accounts

Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009



Unit: millions of yen

	Fiscal March 2008	2Q, Fiscal March 2009	Change	Major contributors to changes, special notes
Cash and deposits	3,525	4,996	1,471	Transfer of negotiable deposits from securities
Notes and bills receivable, trade accounts receivable	2,758	2,324	-434	
Inventory	2,966	3,114	147	
Securities, investment securities	5,162	3,466	-1,696	From negotiable deposits to cash and deposits Decrease in the valuation difference of securities: 400 million yen
Others	6,940	7,735	795	Acquisition of sites for Osaka and Sendai sales offices: 349 million yen Integrated main system: 142 million yen
Assets	21,353	21,637	284	
Long-term and short-term borrowings	1,020	1,020	0	
Reserve for retirement benefits and directors' retirement benefits	604	507	-96	
Others	2,765	2,961	195	Decrease in deferred tax liabilities due to lower valuation difference of securities: 156 million yen
Liabilities	4,389	4,489	99	
Net worth	16,963	17,148	184	Decrease in the valuation difference of securities: 232 million yen
Total liabilities and net worth	21,353	21,637	284	
Capital adequacy ratio	79.4%	79.3%		
Net worth per share	1,188 yen	1,201 yen		

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Capital Expenditures, Depreciation Costs, R&D Expenses, etc.

Summary of 2nd Quarter Business Performance for Fiscal Year Ending March 31, 2009



Unit: millions of yen

	Fiscal March 2008 (2Q Results)	Fiscal March 2009 (2Q Forecast)	Fiscal March 2009 (2Q Results)	Fiscal March 2008 (Fiscal Year Results)	Fiscal March 2009 (Fiscal Year Forecast)
Capital expenditures	156	1,096	947	786	1,984
Depreciation costs (of which goodwill amortization)	218 0	300 44	302 44	461 0	632 89
R&D expenses	540	623	542	1,009	1,125
Foreign exchange rates					
US dollar	115.43	115.00	103.57	100.19	115.00
Euro	163.38	150.00	149.05	158.19	150.00
Pound sterling	234.23	225.00	187.15	200.11	225.00
Renminbi	16.21	16.00	15.35	15.49	16.00

* The foreign exchange rates given are those in effect at the end of each term; conversions of items in the financial statements of overseas subsidiaries all use term-end rates.



Summary of 2nd Quarter Business Performance for Fiscal Year Ending March 31, 2009

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

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

Summary of Fiscal Year Business Performance Forecast (1)

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



* No change from the forecast figures announced in the initial forecast (May 15, 2007).

■ Positive factors ■ Negative factors

P/L

■ Although sales of new products are expected to be limited because of the lack of large-scale new products in the pipeline, the Company will make the utmost effort 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>

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 all overseas markets: 4.5% growth on a local currency basis. The Company anticipates that the Japanese yen will depreciate against the US dollar over the 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 from increased domestic sales.

■ Ordinary profit is expected to drop by 13.5% to 1,309 million yen and net profit is expected to decline by 7.8% to 839 million yen due to decreases in both operating profit and interest received.

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Summary of Fiscal Year Business Performance Forecast (2)

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



* No change from the forecast figures announced in the initial forecast (May 15, 2007).

B/S

The Company will relocate its sales offices in Sendai and Osaka in order to upgrade its domestic sales network and to improve and enhance customer services.

Capital expenditures: 552 million yen

C/F

The Company will conduct intensive studies on the outsourcing of the distribution of medical and pharmaceutical products (implemented in Fiscal March 2008), the integration of Osaka Sales Office's logistics division with that of the headquarters and the relocation of the logistics division in the Tokyo Branch Office (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 seek to complete its company-wide integrated main system by April 2009.

Capital expenditures: 398 million yen



Nikkei Business, October 6, 2008 issue

"Rate of Offense"

in feature article "Conservative Companies on
the Offensive Against Economic Slowdown"

SHOFU ranked 25th among 4,000 listed companies.

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Summary of Fiscal Year Business Performance Forecast (3)

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



P/L

Reasons for not revising the initial business performance forecast

- Sales overall are moving ahead as planned, despite the impact of foreign exchange fluctuations.
- While the future impact of foreign exchange fluctuations cannot be currently forecast, the impact on operating profit is slight, despite the fact that a one-yen appreciation in the value of the yen versus the dollar negatively impacts sales by about US\$12 million (over the fiscal year) and a similar appreciation versus the euro decreases sales by 9 million euros (over the fiscal year); see No. 24 for further details.
- The principal factor behind profits surpassing forecasts in the 2nd quarter is the slippage from the time that R&D and other expenses arise; these expenses are expected to be in line with forecasts over the full fiscal year.
- As a result of the above, neither sales nor profits are expected to be substantially effected by changes in foreign exchange rates, and the initial forecasts for business performance over the full fiscal year have thus been left untouched.

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Comparison of Major Statistics

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



* No change from the forecast figures announced in the initial forecast (May 15, 2007).

➤ Fiscal March 2009: Increase in sales but decline in profits

Units: millions of yen, %

	Fiscal March 2008 Business Performance (% of sales)	Fiscal March 2009 Forecast			Change from previous period (%)
		2Q Results (% of sales)	3Q-4Q Forecast (% of sales)	Fiscal Year Forecast (% of sales)	
Sales	15,212	8,636	8,541	17,177	1,965 (12.9)
(Domestic sales)	11,090 (72.9)	6,378 (73.9)	6,336 (74.2)	12,714 (74.0)	1,624 (14.7)
(Overseas sales)	4,122 (27.1)	2,257 (26.1)	2,205 (25.8)	4,463 (26.0)	340 (8.3)
Operating profit	1,468 (9.7)	837 (9.7)	541 (6.3)	1,378 (8.0)	-90 (-6.2)
Ordinary profit	1,513 (10.0)	857 (9.9)	451 (5.3)	1,309 (7.6)	-204 (-13.5)
Net profit	910 (6.0)	619 (7.2)	220 (2.6)	839 (4.9)	-71 (-7.8)
Net profit per share	57.83 yen	43.41 yen	15.42 yen	58.83 yen	1.00 yen

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Sales by Product Category

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



* No change from the forecast figures announced in the initial forecast (May 15, 2007).

	Fiscal March 2008 Business Performance	Fiscal March 2009 Forecast			Change from previous period (%)		
		2Q Results	3Q-4Q Forecast	Fiscal Year Forecast		Domestic	Overseas
Artificial teeth	2,950	1,507	1,511	3,018	68	-12	80
Abrasives	3,612	1,933	1,767	3,701	88	-25	114
Metal products	475	236	236	472	-3	-3	0
Chemical products	2,923	1,525	1,500	3,026	102	67	35
Cements and others	1,661	773	979	1,753	91	13	77
Equipment and others	3,238	1,711	1,639	3,350	112	88	23
Dental business total	14,862	7,687	7,635	15,322	460	129	331
Nail business	256	903	856	1,760	1,503	1,494	9
Other	93	45	49	94	1	1	0
Total	15,212	8,636	8,541	17,177	1,965	1,624	340

* Overseas sales are expected to increase by 156 million yen due to foreign currency fluctuations. (US dollar, euro, pound sterling, renminbi)

* "Nail business" and "Other" (industrial-use polishing materials) are new classifications for Fiscal March 2009 but they have been recombined in "Fiscal March 2008 Business Performance" for purposes of comparison.

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Domestic Sales

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

Units: millions of yen, %

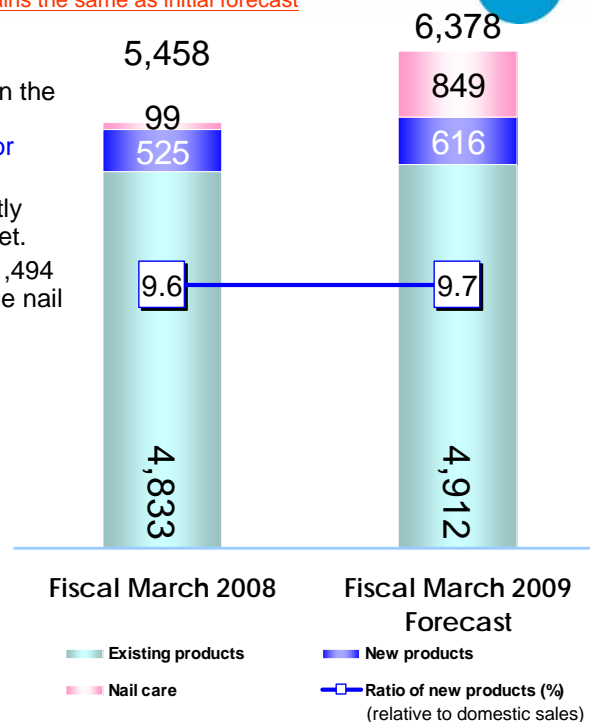
Forecast remains the same as initial forecast

Summary

- Sales of new products are expected to be limited 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 fully penetrate the market.
- The Company expects to see sales increase by 1,494 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
"Provinice Fast"
- Digital camera for dental use
"Eye Special C-I"



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* "New products" in the graph are those introduced in the last three years. 21

Overseas Sales

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



Forecast remains the same as initial forecast

Unit: millions of yen; figures in parentheses represent component ratio (%)

Summary

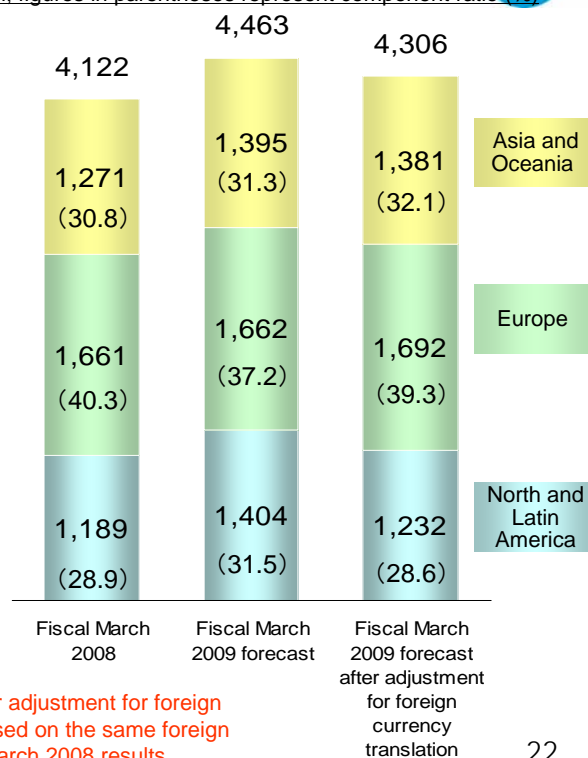
- The Company expects favorable sales growth in all markets.
- Growth rate on a local currency basis
 - North and Latin America 3.6%
 - Europe 1.8%
 - Asia and Oceania 8.7%
 - Total overseas sales 4.5%

Foreign exchange rates

- US dollar: 115 yen
(100.19 yen in the previous period)
(Effect: 172 million yen)
- Euro: 150 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)



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

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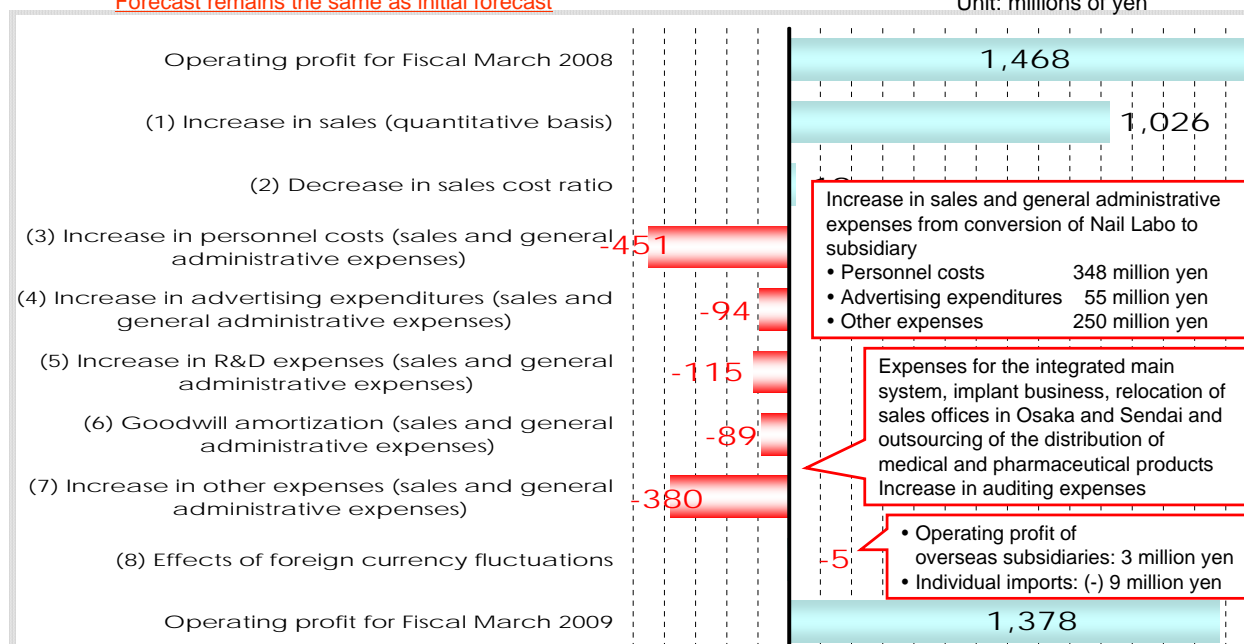
Contributors to Change in Operating Profit

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



Forecast remains the same as initial forecast

Unit: millions of yen



* The figures in items (1) to (7) do not incorporate the effects of foreign currency fluctuations.

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Impact of Foreign Exchange Fluctuations (US Dollar, Euro)

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



[Foreign Currency-denominated Transactions (Fiscal March 2009)]

(Units: thousands of US dollars, thousands of euros)

	US Dollar			Euro		
	1Q-2Q Results	3Q-4Q Forecast	Fiscal Year Forecast	1Q-2Q Results	3Q-4Q Forecast	Fiscal Year Forecast
Sales	5,919	6,049	11,968	4,647	4,763	9,410
Sales costs (import)	1,515	332	1,846	1,583	653	2,236
Sales costs (overseas subsidiaries)	2,781	2,903	5,685	2,477	2,591	5,067
Sales and general administrative expenses (overseas subsidiaries)	2,952	2,885	5,836	1,989	1,982	3,971
Operating expenses	7,248	6,120	13,368	6,049	5,225	11,274
Operating profits	-1,329	-71	-1,400	-1,402	-462	-1,864

[Impact of Foreign Currency Fluctuations (one-yen appreciation)]

Sales	-12 million yen	-9 million yen
Operating profits	1 million yen	2 million yen

* The 3Q-4Q forecast is based on the fiscal year forecast and the 1Q-2Q results.

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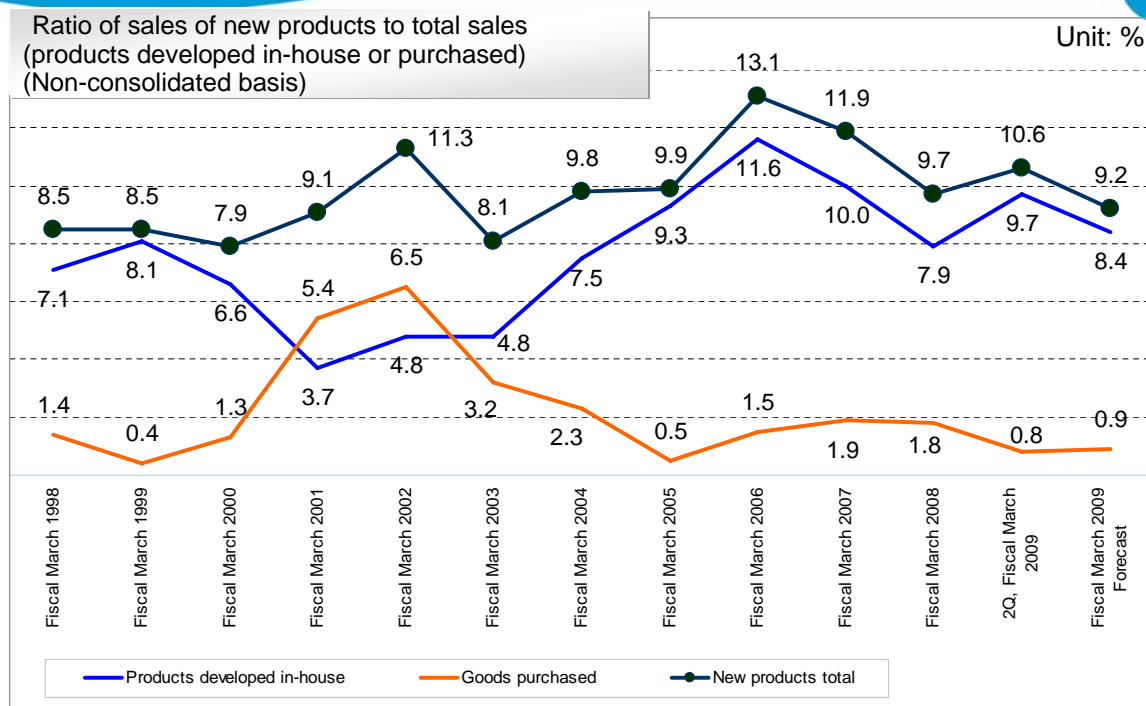
Sales Trends for New Products

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



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

Unit: %



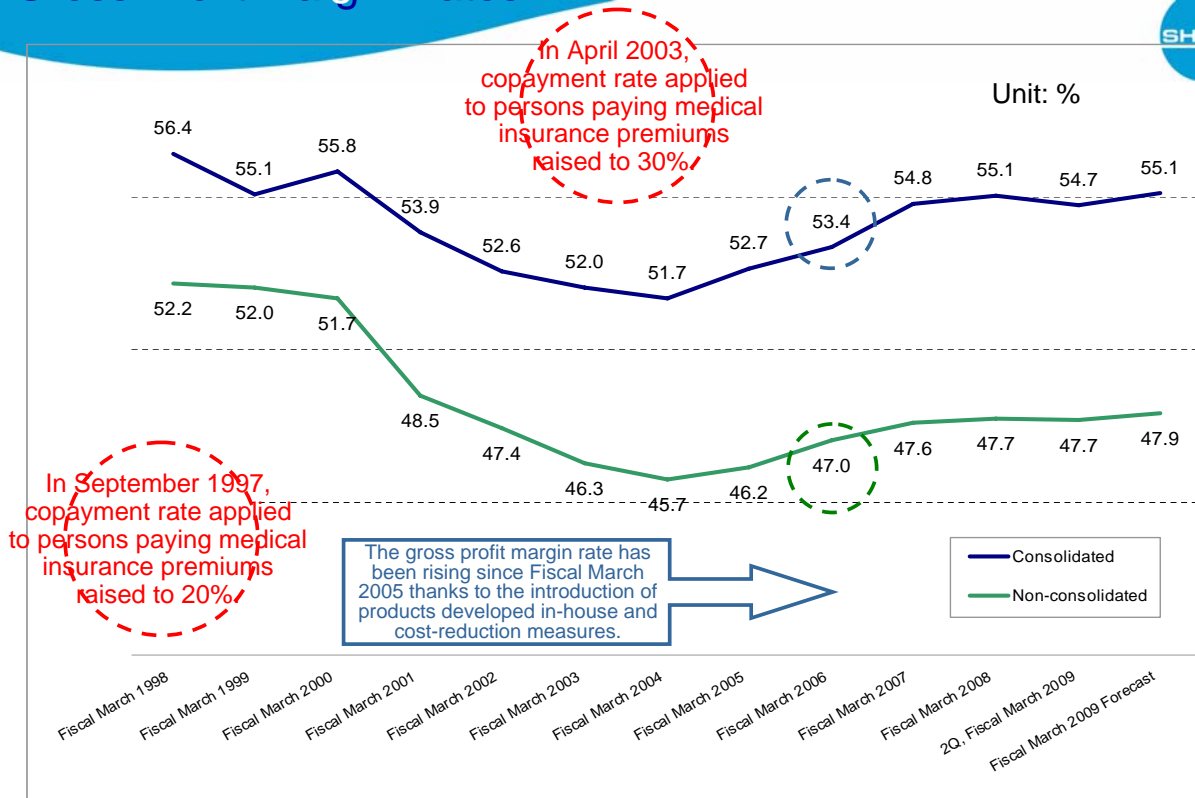
* Major goods purchased: Johnson & Johnson products, EMS ultrasonic scalers and root canal treatment equipment (reamers/files)

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Gross Profit Margin Rates

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

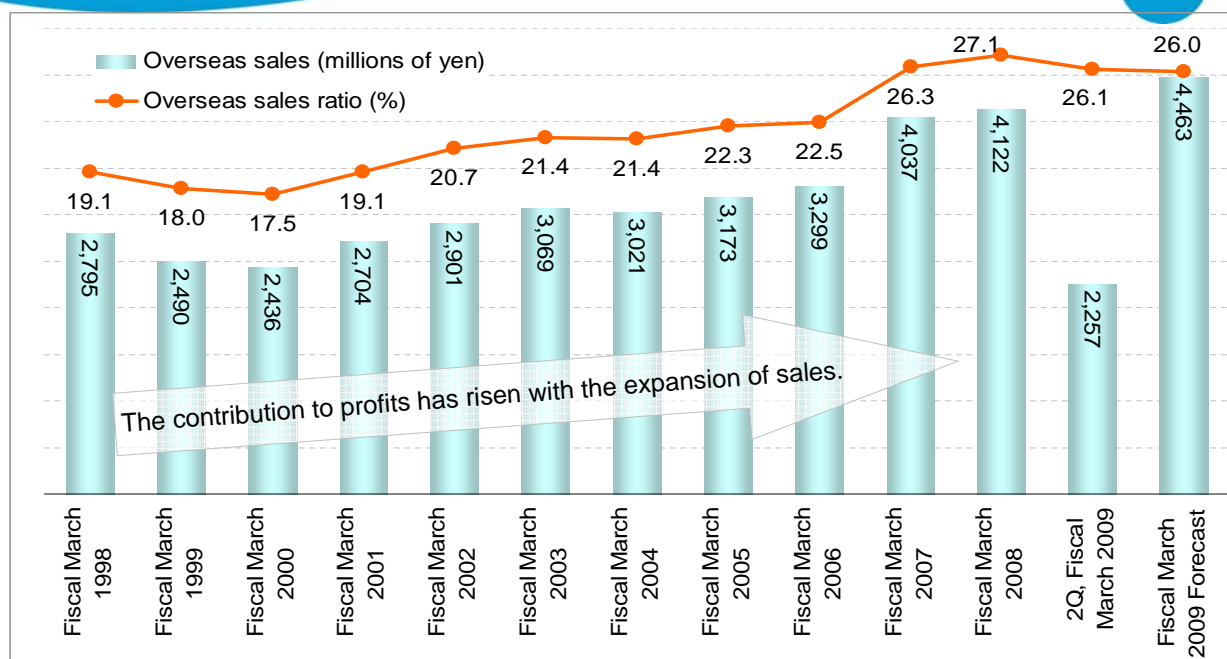


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Overseas Sales and Overseas Sales Ratios

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



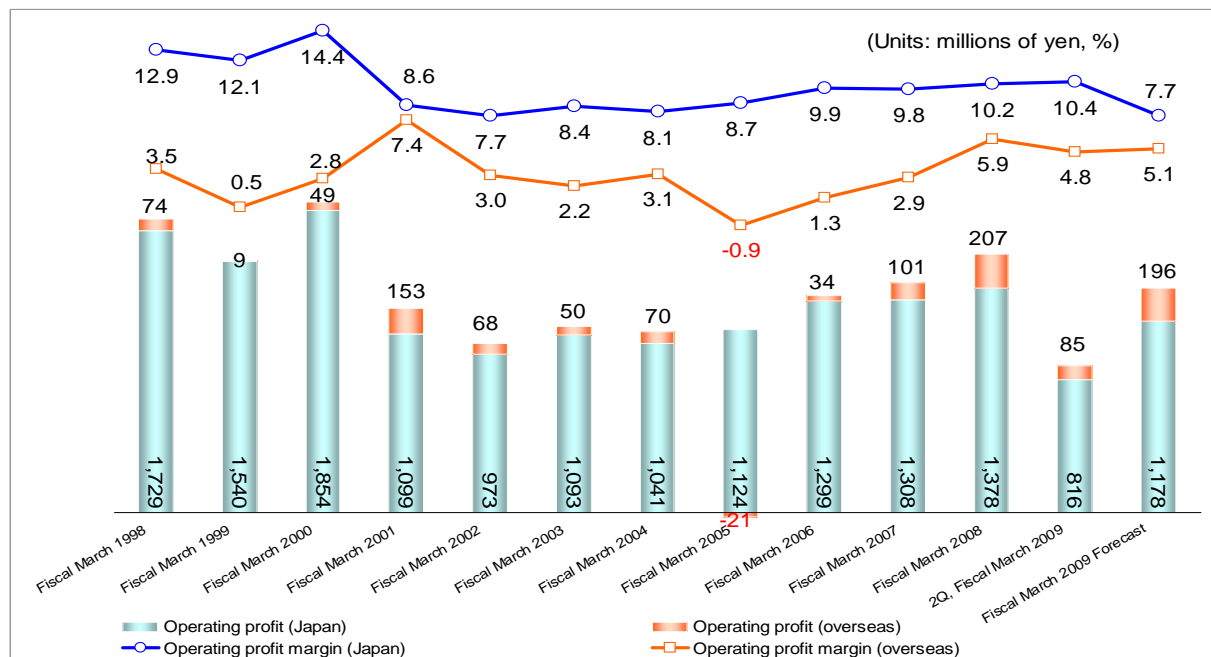
* The decline in the overseas sales ratio for Fiscal March 2009 is due to increased sales in the domestic nail care business following the subsidiarization of Nail Labo Japan, Inc.

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Operating Profit by Geographic Segment

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



* The profit and profit margin figures are before consolidation adjustment.

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Summary of 2nd Quarter Business Performance
for Fiscal Year Ending March 31, 2009

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

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



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New Vision for Medical Equipment/Technology Industry

Business Environment, Medium- and Long-term Business Strategies



September 19, 2008, Ministry of Health, Labour and Welfare

Providing innovative medical equipment developed in Japan helps improve health/medical care standards for patients worldwide

Creating an attractive environment for the development of medical equipment

Bolstering international competitiveness

Changes in Environment

- Increasing sophistication and diversification of medical engineering technology and applications in cutting-edge medical care
- Progressing globalization and increasingly fierce competition
- Necessity of medical care safety measures
- Insured medical care
 - Increased medical care expenses
 - Domestic-overseas price differentials
 - Due diligence for innovative technologies
- Changes in public needs

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Action Plan

- Support for R&D
- Support for venture companies
- Clinical trials and other clinical research
- Collaboration with Asia
- Improvements to pharmaceutical jurisprudence
- Due diligence for medical equipment/technology in medical insurance
- After-sale provision of appropriate information and services
- Greater efficiency and sophistication in distribution functions
- Computerization of medical care
- Public-private sector dialogue
- Other
 - Public education activities, support for overseas expansion
 - Qualitative improvement and utilization of clinical engineers
 - Upgrading of systems, to include establishment of specialist organizations to promote the medical equipment industry

Many key ideas also applicable to dentistry

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Perception of Business Environment

Business Environment, Medium- and Long-term Business Strategies



	Positive factors	Negative factors
Aging population	<ul style="list-style-type: none"> ● Increase in potential number of patients ● Increase in remaining teeth due to greater preventive efforts and increased opportunities for treatment and examinations ● Expanded demand from the perspective of preventing systemic illnesses 	<ul style="list-style-type: none"> ● Decrease in overall population
Changes in dental disease	<ul style="list-style-type: none"> ● Growing awareness and greater demand for aesthetic dentistry, preventive dental care and oral hygiene ● Expansion of markets outside the scope of health care insurance (enhancement of fairness and individuality) 	<ul style="list-style-type: none"> ● Reduced decay treatment resulting in lower consumption of relevant materials
Measures to curb medical expenditures	<ul style="list-style-type: none"> ● Potential for growth in products and services that help rein in medical expenditures 	<ul style="list-style-type: none"> ● Decrease in examinations due to higher copayments
Tighter safety regulations	<ul style="list-style-type: none"> ● Weeding out of competitors through exposure of relative quality assurance levels 	<ul style="list-style-type: none"> ● Cost increases
Industry-wide structure marked by oversupply		<ul style="list-style-type: none"> ● Excessive competition stemming from oversupply of manufacturers, distributors, dental clinics, and dental technicians ● Greater demand for lower prices from hospital management
Globalization of markets	<ul style="list-style-type: none"> ● Improvements to R&D/product development capabilities via quality competition with overseas manufacturers 	<ul style="list-style-type: none"> ● Increased intellectual property risk

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Response to Business Environment, Issues to be Addressed by Dental Industry

Business Environment, Medium- and Long-term
Business Strategies



Policy aspects	Dental industry (clinical, academic)	Dental industry (business)
<ul style="list-style-type: none"> Support for R&D Due diligence for innovative medical technologies Improvements in pharmaceutical jurisprudence Enhancement of clinical testing environment Pursuit of public education activities Computerization of medical care 	<ul style="list-style-type: none"> Needs of the elderly, periodontal diseases, aesthetic dentistry, preventive dental care, oral hygiene Greater efficiency in treatment, improved customer satisfaction Product development targeting domestic and overseas markets Markets above a certain scale due to absorption of safety measure costs on a worldwide scale 	
	<ul style="list-style-type: none"> Improved quality of dental/medical care, strengthened collaboration with medical care providers Recommendations for legislation and systemic improvements Enhanced diagnosis, prevention and maintenance in medical examinations Expansion into the field of regenerative medicine Development of advanced high-performance products 	
		<ul style="list-style-type: none"> Integration/collaboration to strengthen competitiveness Greater distribution efficiency and enhanced quality assurance systems

Orientation of product development

(Sources)

- New Vision for Medical Equipment/Technology Industry (September 19, 2008, Ministry of Health, Labour and Welfare)
- Vision 2008 (October 2008, Japan Dental Association)
- Vision for the Dental Equipment Industry, 2007 Edition (July 2007, 'Vision for the Dental Equipment Industry' Preparation Council)

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Matters to Be Addressed by the Company

Business Environment, Medium- 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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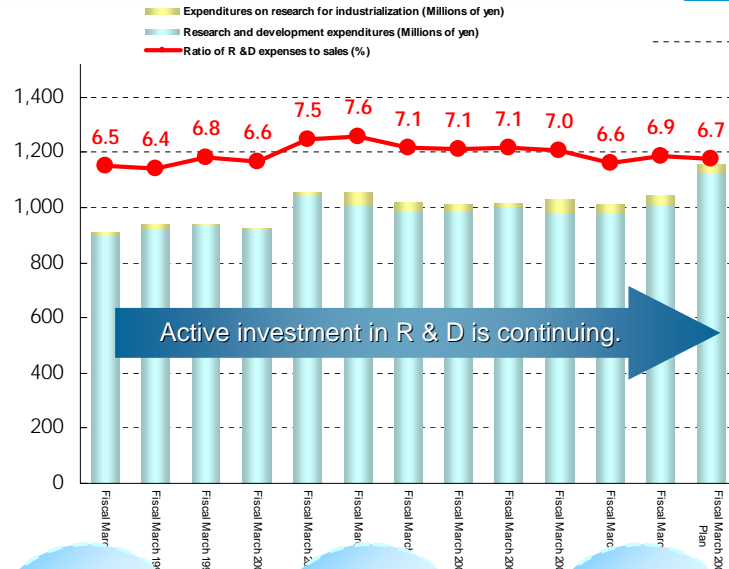
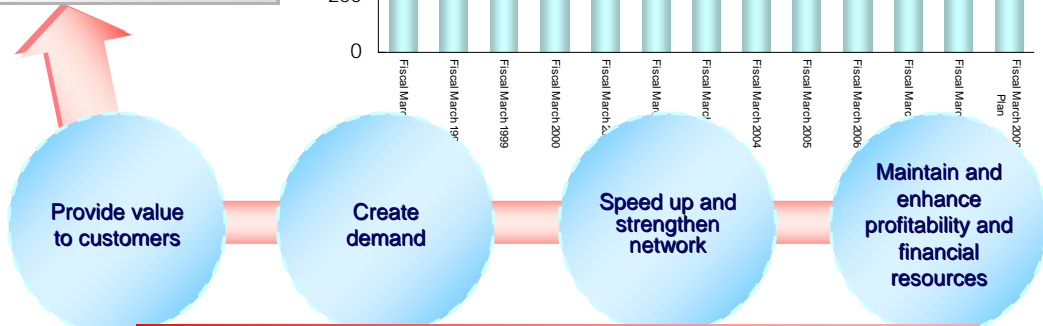
33

Specific Efforts – Research and Development

Business Environment, Medium- and Long-term Business Strategies



- ⇒ Quality competitiveness
- ⇒ Marketing power
- ⇒ Price competitiveness



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Research and development is the source of competitiveness for manufacturers.

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Specific Efforts – Production

Business Environment, Medium- 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 2nd Quarter for Fiscal March 2009)
In-house production cost rate lowered by 7.0% or 281 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- 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): 234 million yen (213 million yen)
- Sales related to tooth whitening: 96 million yen (97 million yen)

* PMTC (Professional Mechanical Tooth Cleaning)

Figures represent actual sales in 2nd Quarter for Fiscal March 2009.
Figures in the parenthesis represent sales in the previous period.

Raise awareness of customer orientation

Enhance marketing power

Implement flexible and efficient sales tactics

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Specific Efforts – Overseas Business

Business Environment, Medium- 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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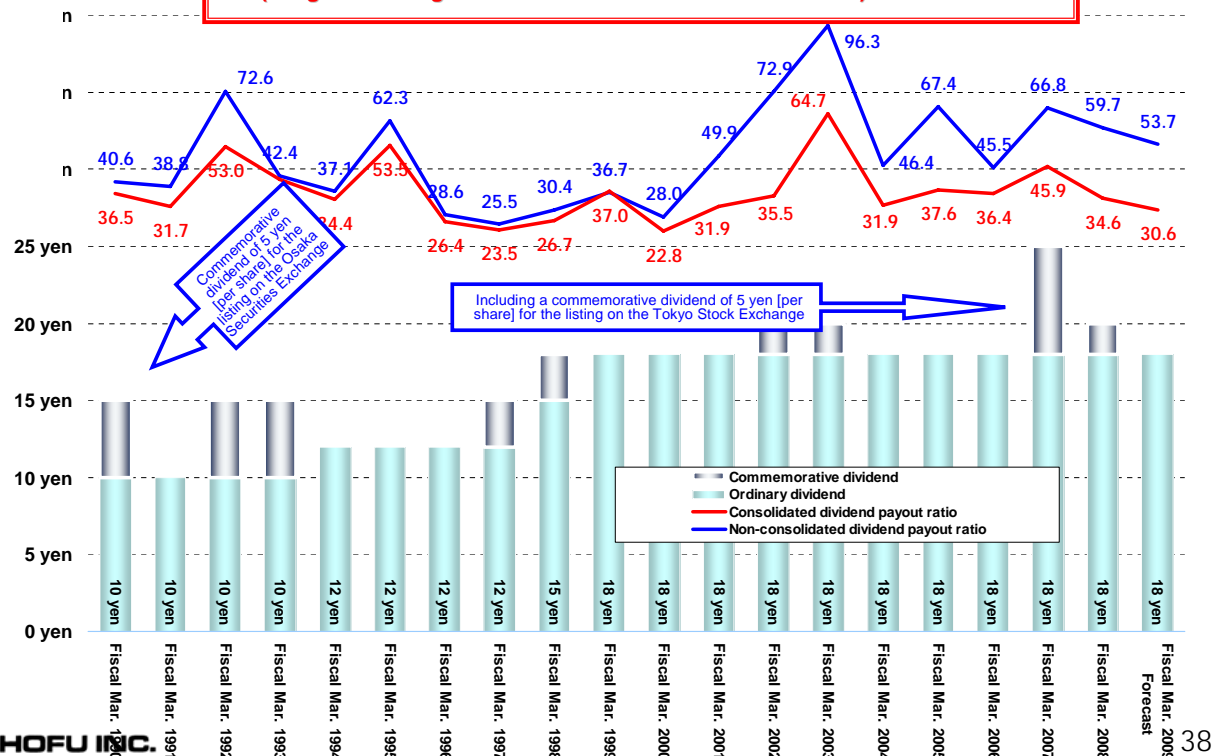
37

Dividend Policy

Business Environment, Medium- 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)



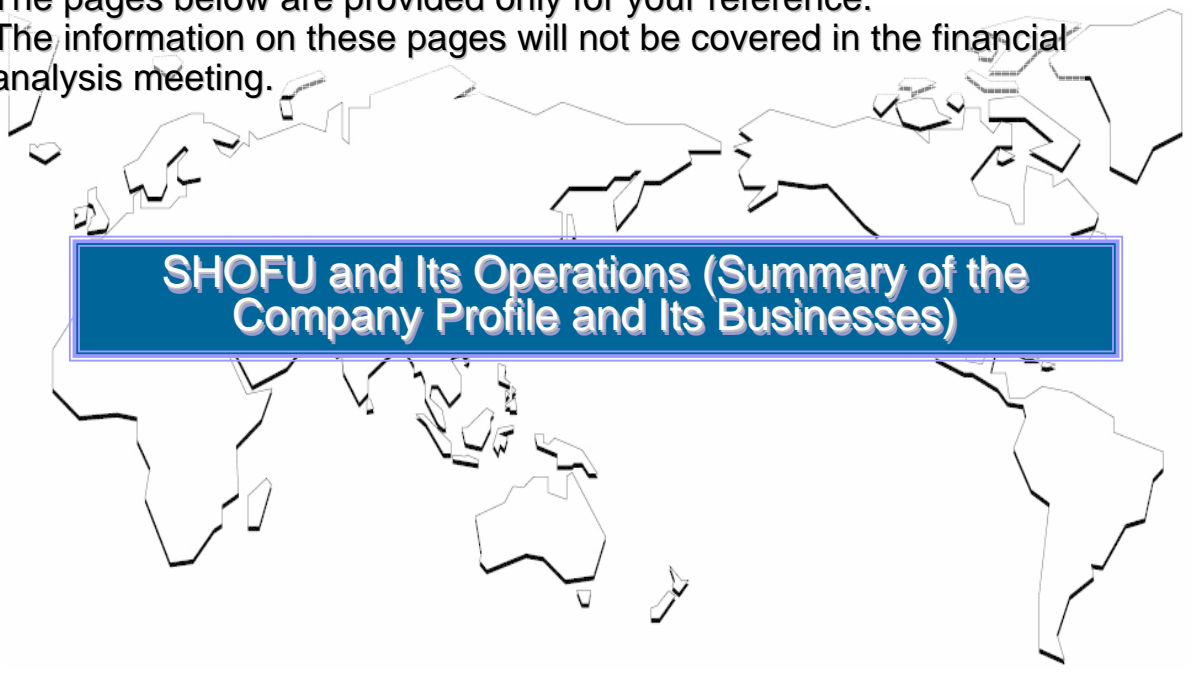
Forecasts in this document are based on information and data available at the time of release as well as on assumptions concerning uncertain factors that might affect the company's future business performance. Depending on various factors, actual business performance could differ substantially from the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

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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.

A faint, black outline of a world map is visible in the background of the slide, showing the continents of North America, South America, Europe, Africa, Asia, and Australia.

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

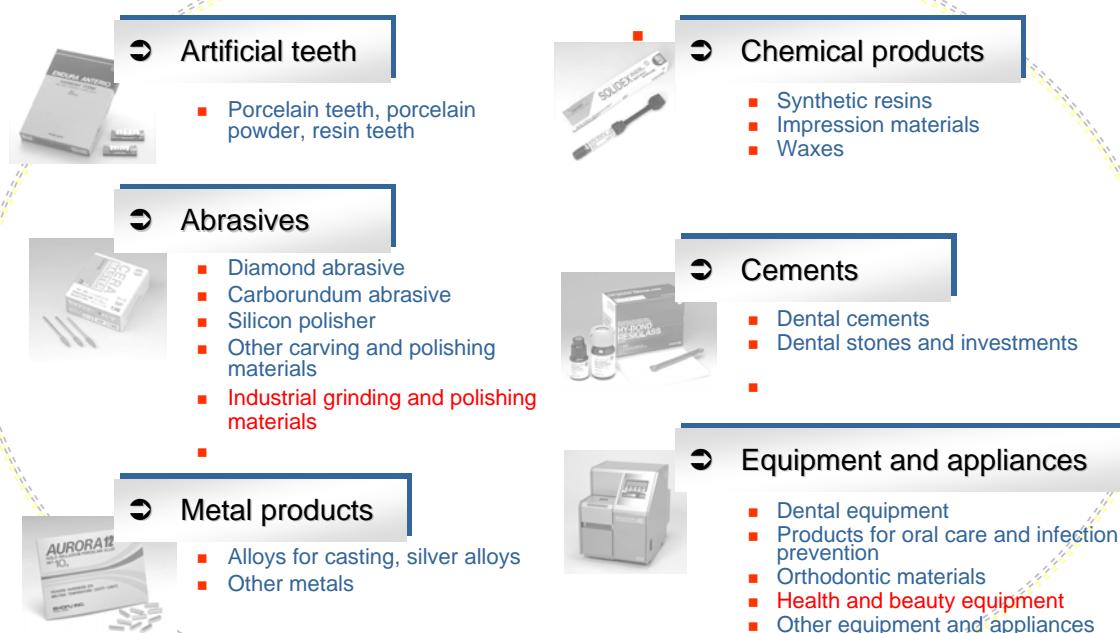


■ Company name	SHOFU Inc.
■ Representative	Katsuya Ohta, President and CEO
■ Address	Kamitakamatsu-cho 11, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan
■ Date of establishment	May 15, 1922
■ Capital	4,474,646,614 yen
■ Listed exchanges	Second Section of Tokyo Stock Exchange (date listed: February 15, 2007) Second Section of Osaka Securities Exchange (date listed: November 9, 1989)
■ Number of employees	432 (entire group: 752, including 198 in overseas subsidiaries)
■ Business	Manufacture and sale of dental materials and equipment
■ Main customers	Dental institutions (via sales agencies)
■ Number of group companies	11 (four in Japan, seven overseas) Dental companies: 9 (three in Japan, six overseas) Nail care companies: 2 (one in Japan, one overseas)

Main Products



The company manufactures and markets a wide range of dental materials and equipment.



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

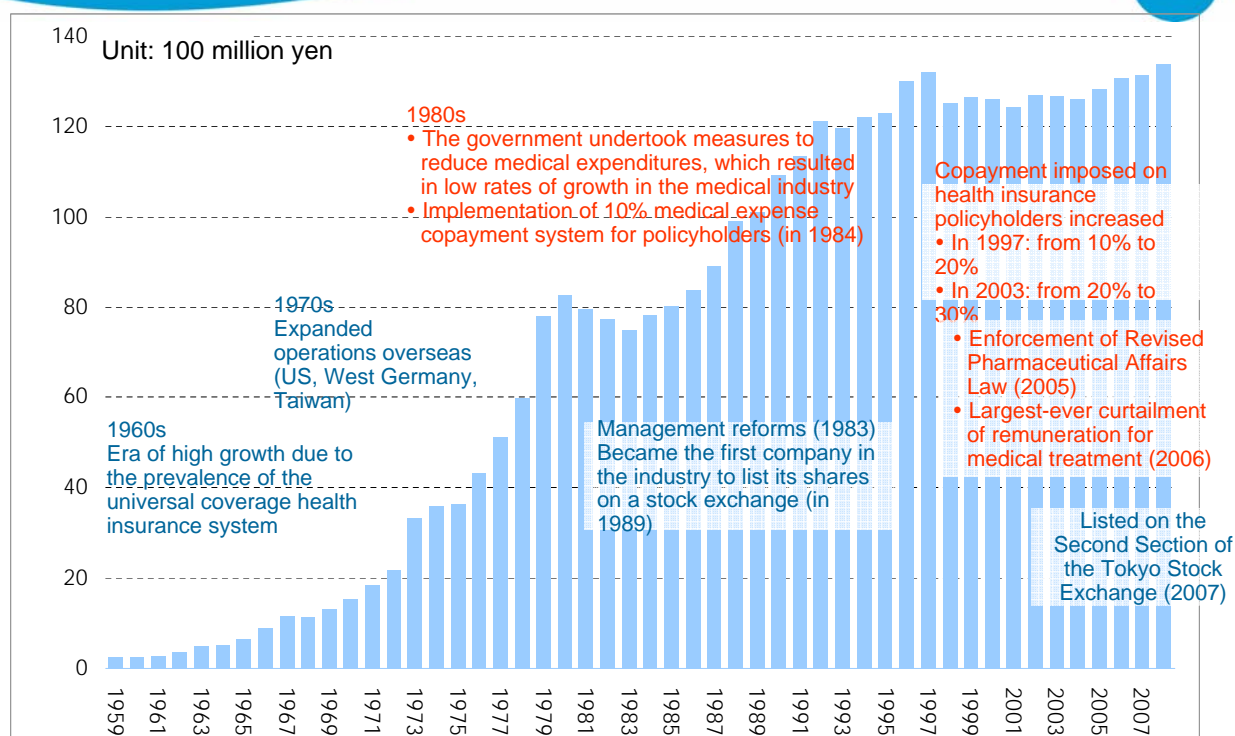
Please refer to "Product Profiles" attached to this document.



• 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).
• 2005	Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China.
• 2006	Training Center designed to promote customers service completed (in August).
• 2007	SHOFU's shares listed on the Second Section of the Tokyo Stock Exchange (in February).
• 2008	Acquired and turned Nail Labo Japan, Inc. into a subsidiary. Acquired 1.6 million of the company's own shares in accordance with the purchase of the company's own shares scheme in the J-NET market of the Osaka Securities Exchange.

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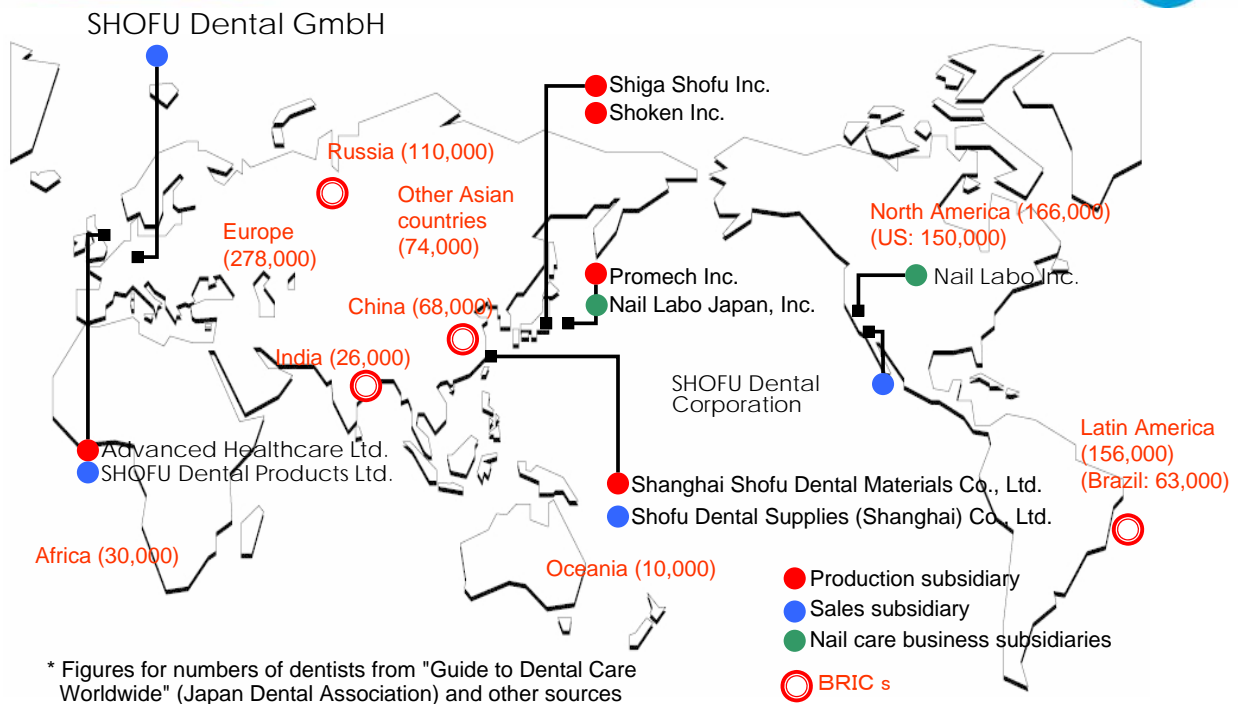
1



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Group Profile and Number of Dentists Worldwide

Company and Business Profiles

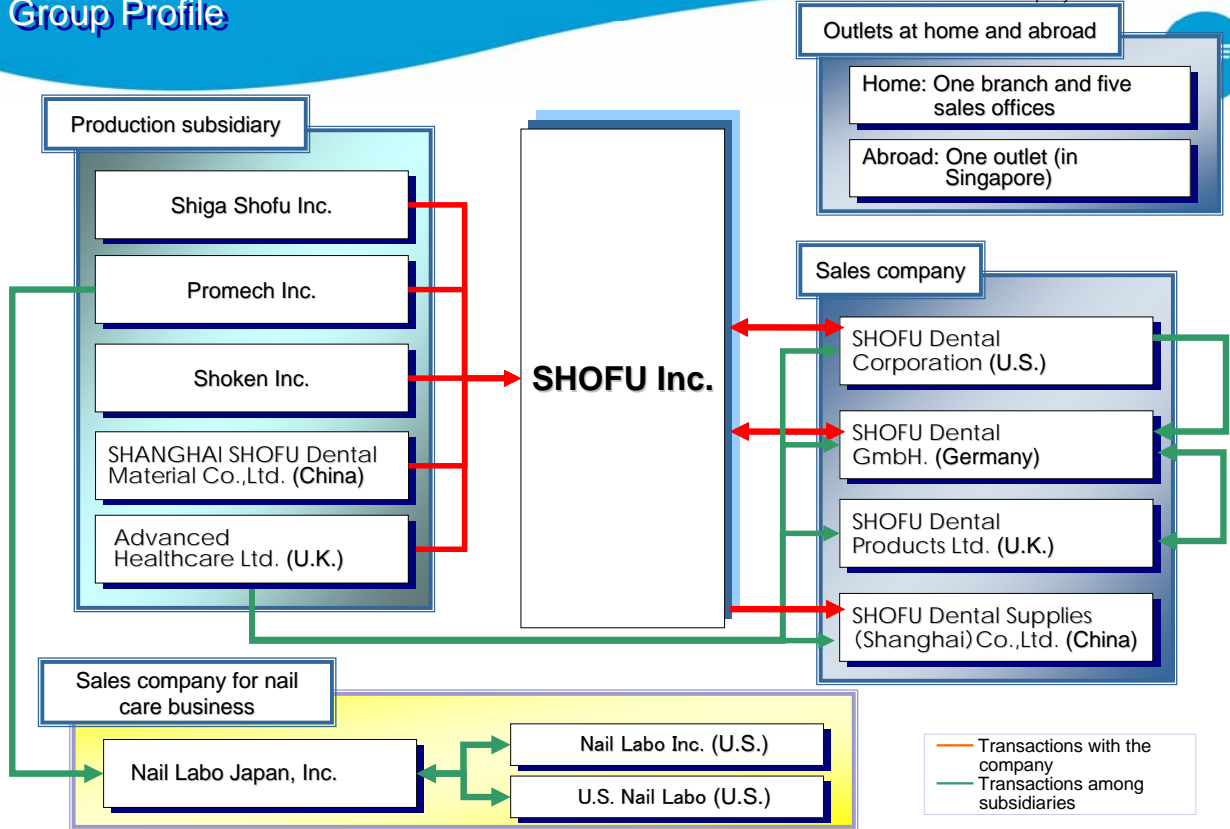


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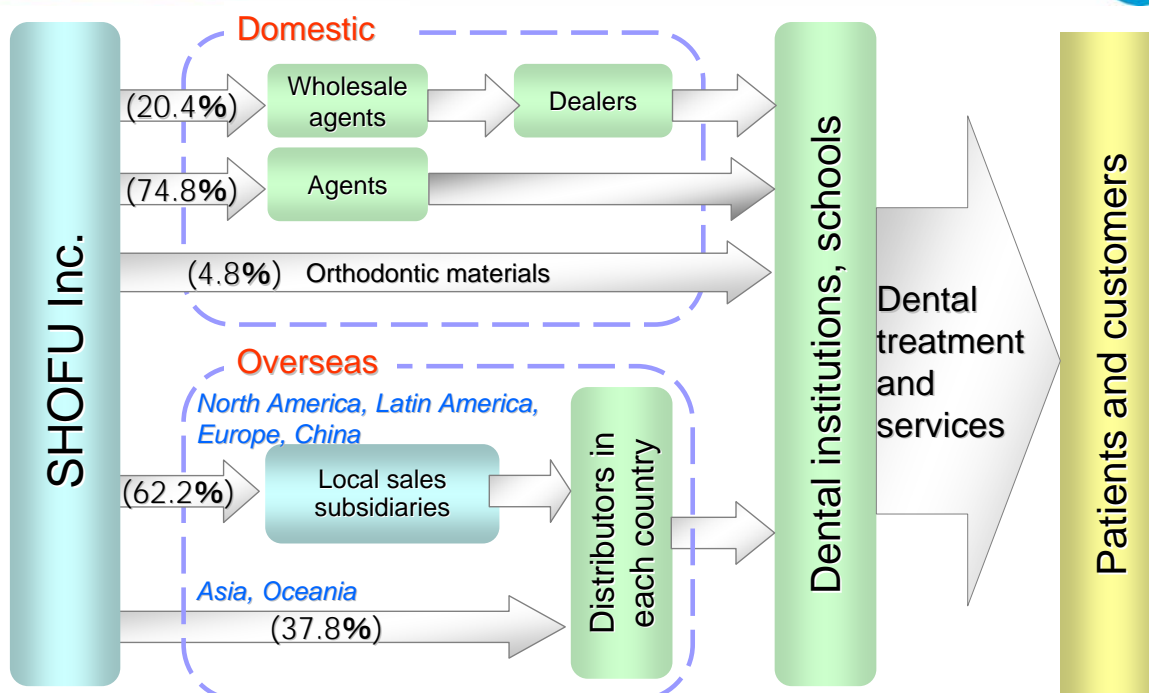
Group Profile

Company and Business Profiles



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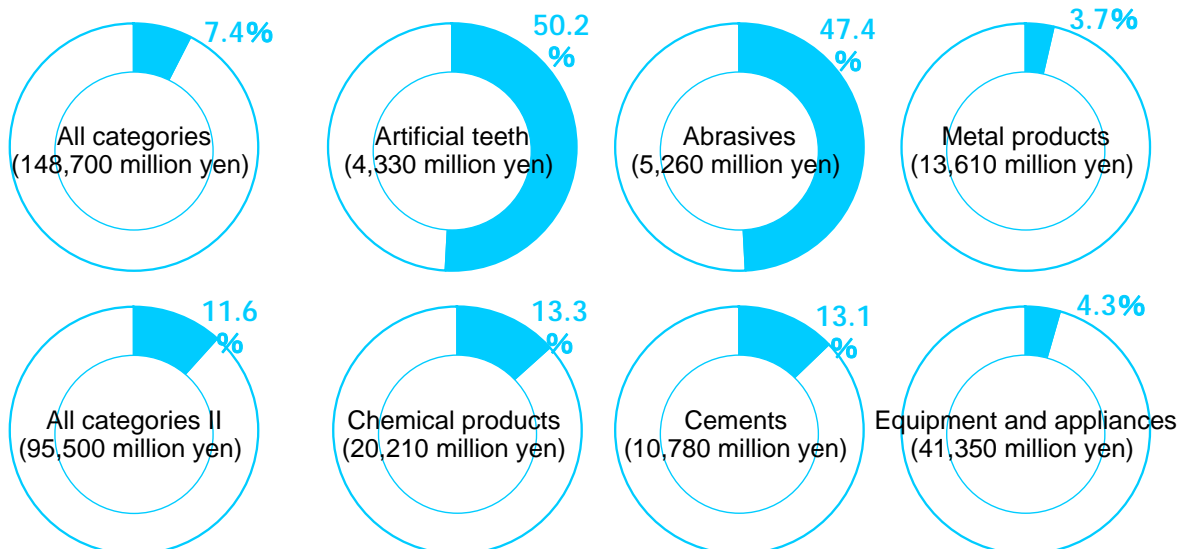


Figures in parentheses represent each sales channel as percentage of total sales (Non-consolidated figures as of Fiscal March 2008).

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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 2006) Figures in parentheses represent market size.

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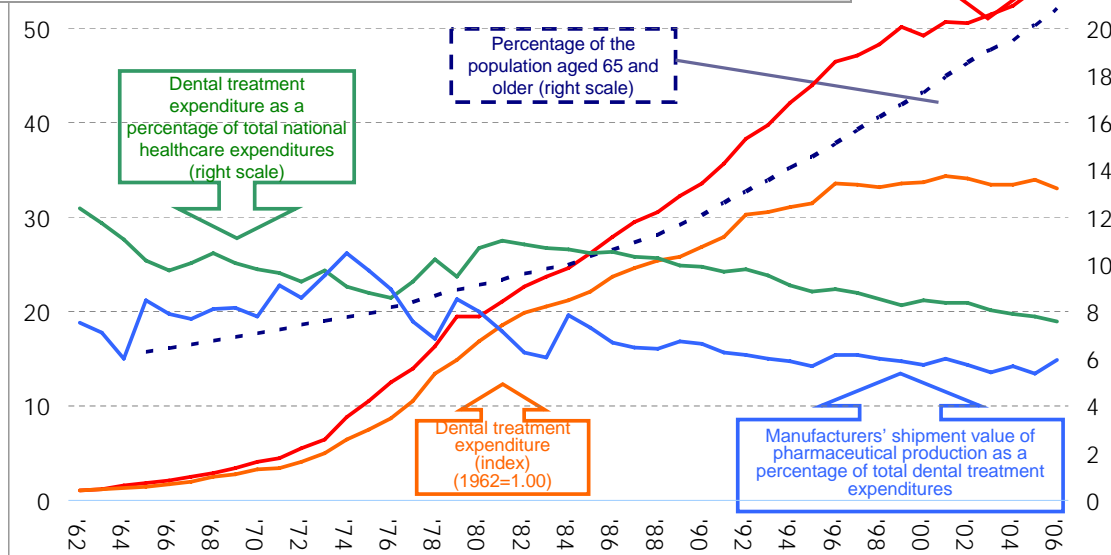
49



Long-term Trend of Dentistry-Related Statistics

Reference <Dentistry Data>

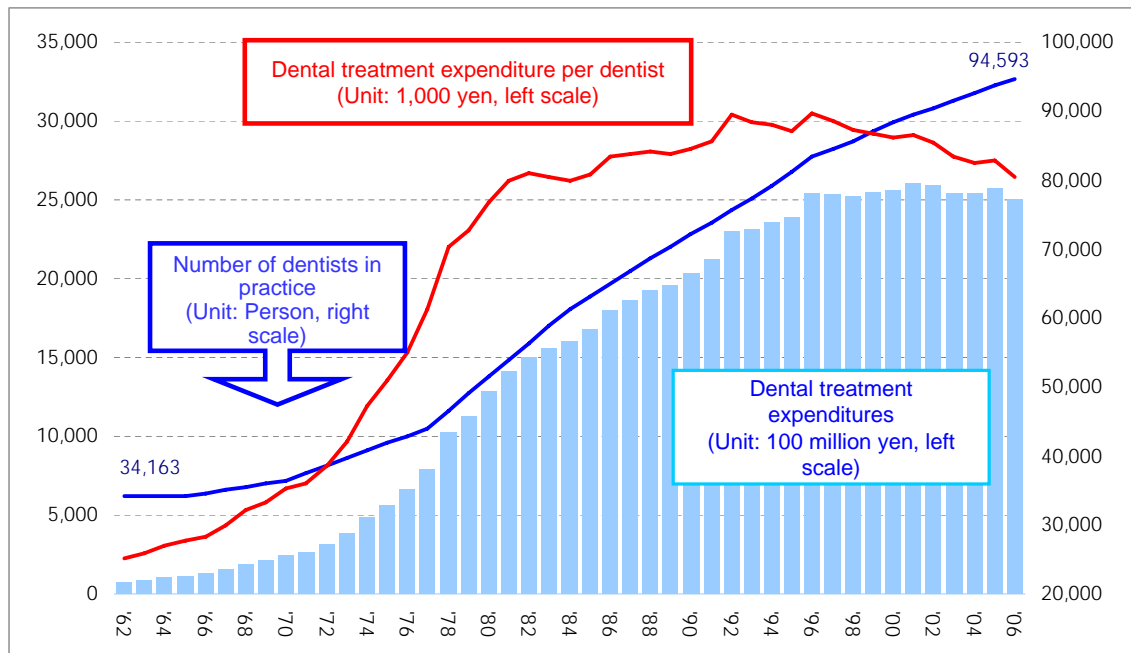
Trend of national healthcare expenditures, the percentage of the population aged 65 and older, dental treatment expenditure as a percentage of total national healthcare expenditures and manufacturers' shipment value of pharmaceutical production as a percentage of total dental treatment expenditures (from 1962 to 2006)



Source: Summary of National Healthcare Expenditures in Fiscal 2006, Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

Trend of the Number of Dentists and Dental Treatment Expenditure

Reference <Dentistry Data>



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

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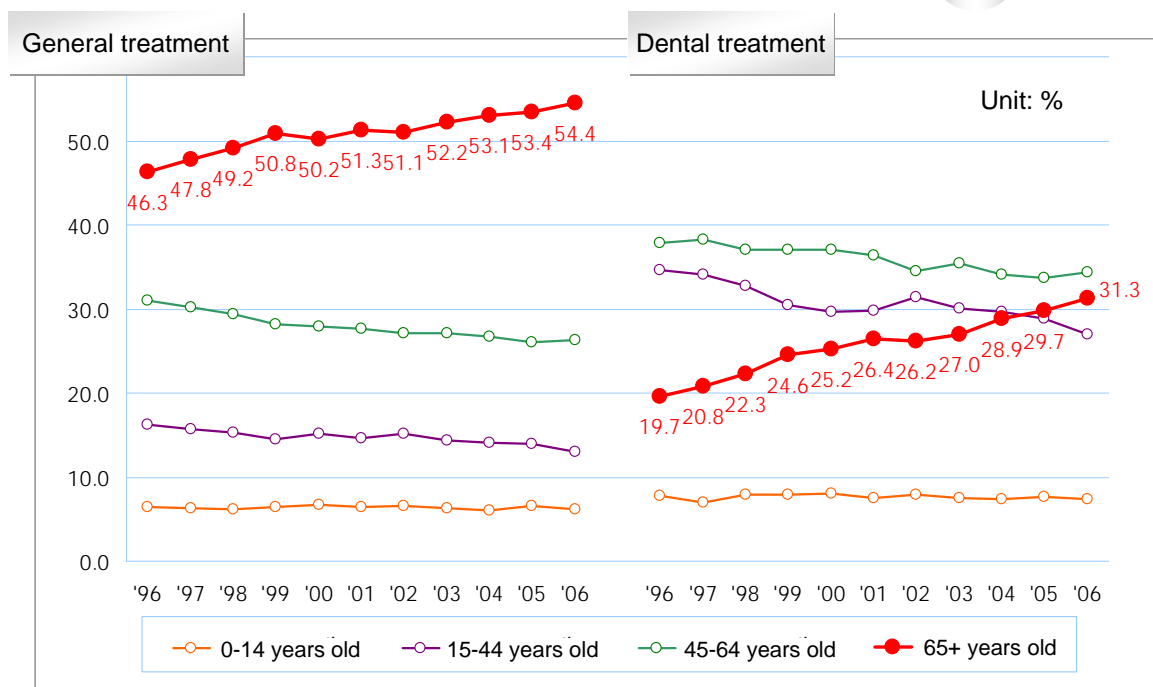
52

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.



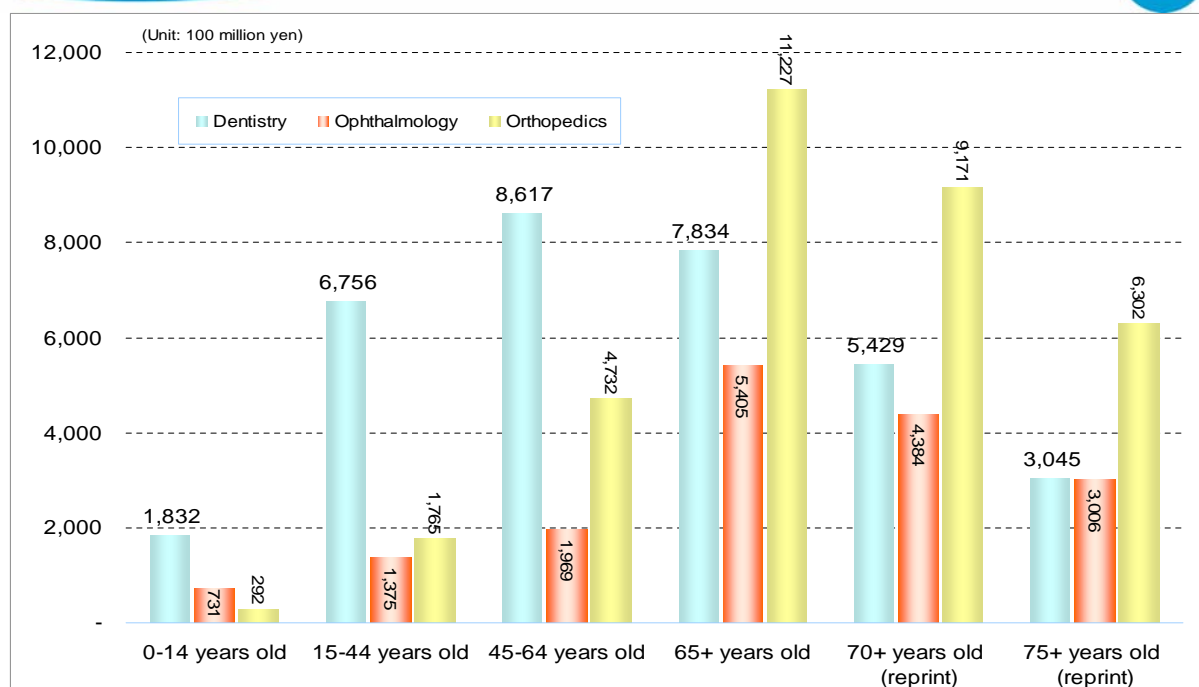
Prepared using yearly data from Summary of National Healthcare Expenditures (Ministry of Health, Labour and Welfare)

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

Reference <Dentistry Data>



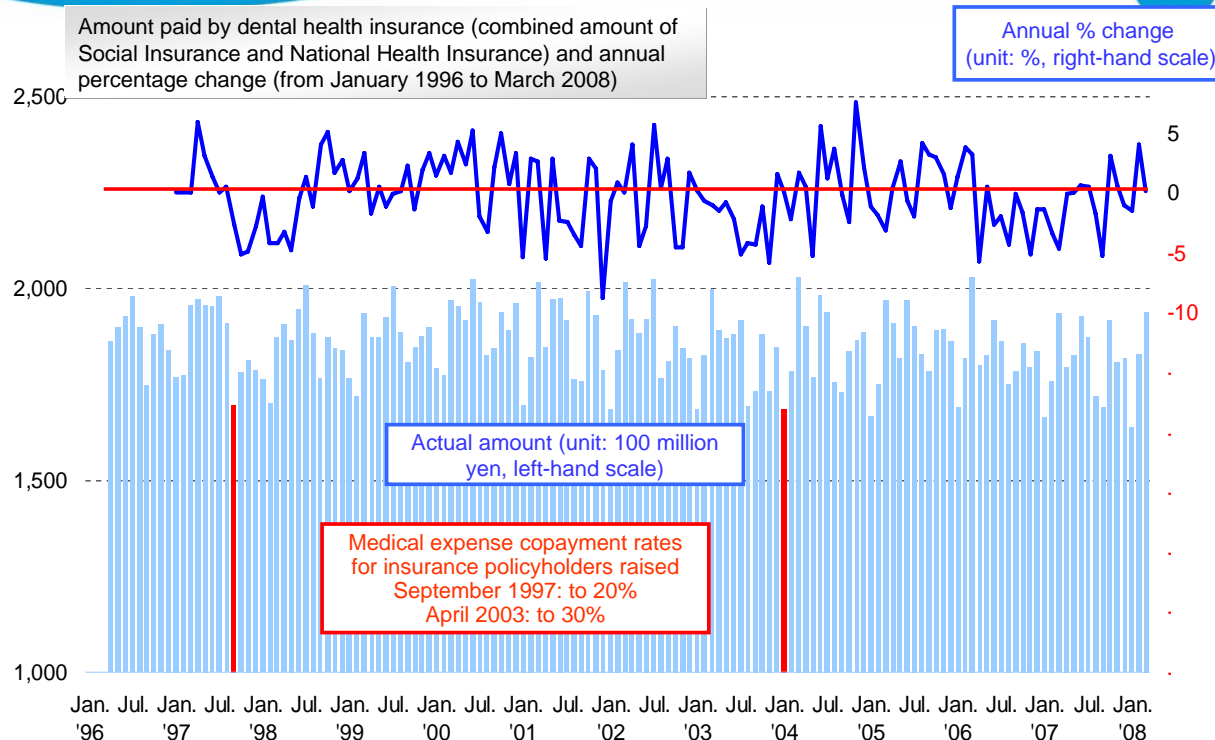
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Prepared using Summary of National Healthcare Expenditures in Fiscal Year 2006
(Ministry of Health, Labour and Welfare)

54

Dental Treatment Expenditures (1)

Reference <Dentistry Data>



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Prepared using data from the Social Insurance Medical Fee Payment Fund and from the "Trend of National Health Insurance Expenditures" issued by the All-Japan Federation of National Health Insurance Organizations

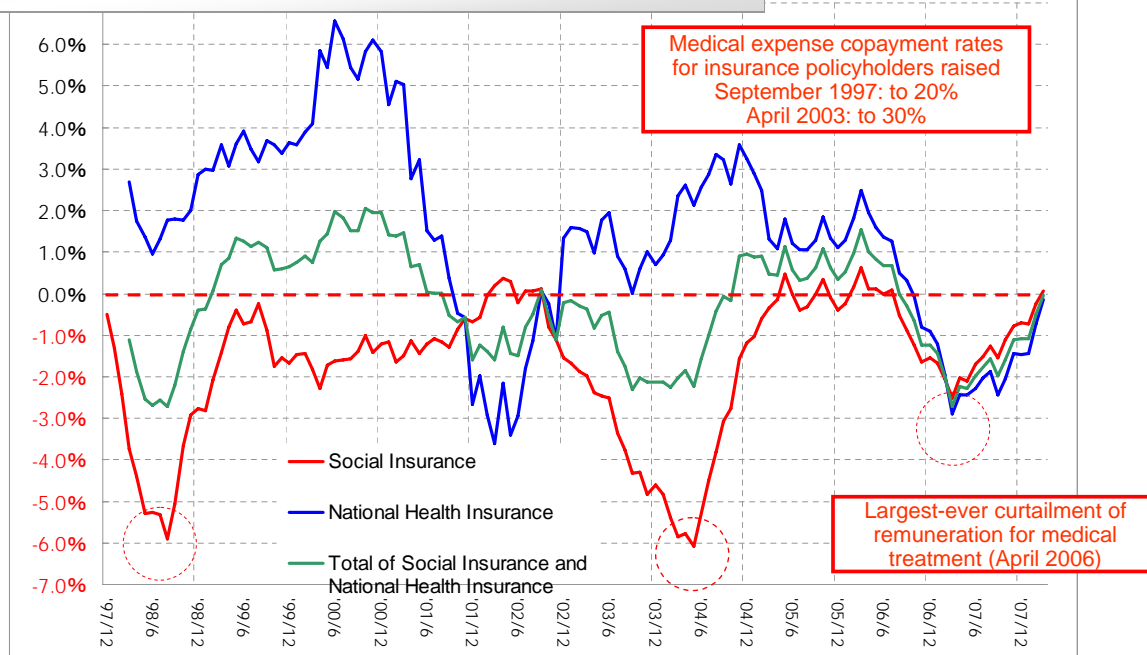
55

Dental Treatment Expenditures (2)

Reference <Dentistry Data>



Year-on-year comparison of amount paid by dental health insurance (deviation from 12-month moving average) from December 1997 to March 2008



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Prepared using data from the Social Insurance Medical Fee Payment Fund and from the "Trend of National Health Insurance Expenditures" issued by the All-Japan Federation of National Health Insurance Organizations

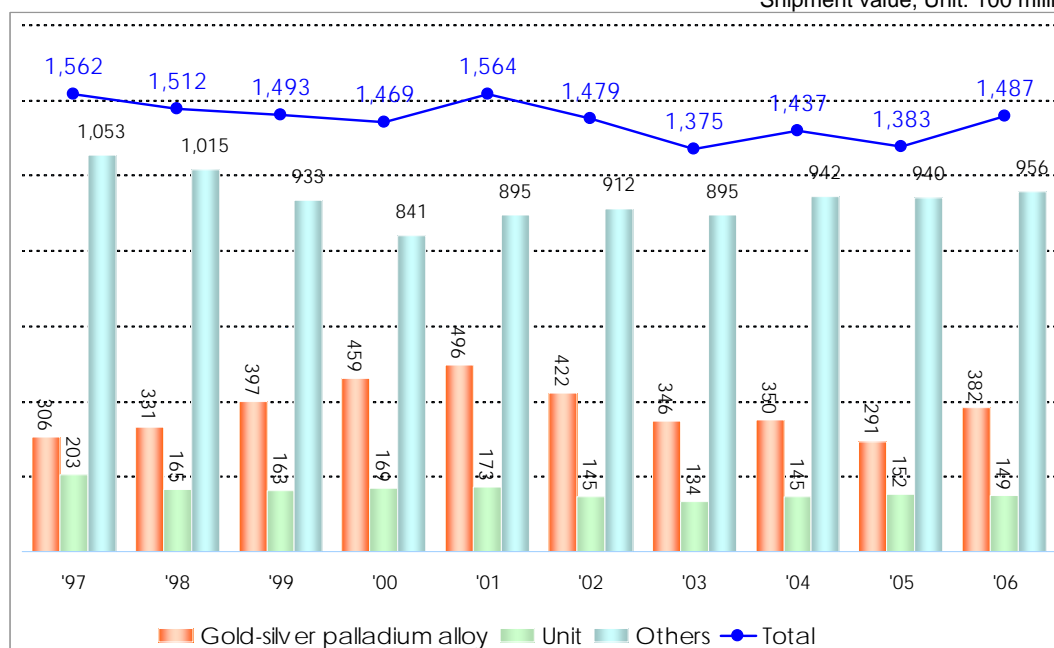
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Trend of Shipment Value of Pharmaceutical Industry Production

Reference <Dentistry Data>



Shipment value, Unit: 100 million yen

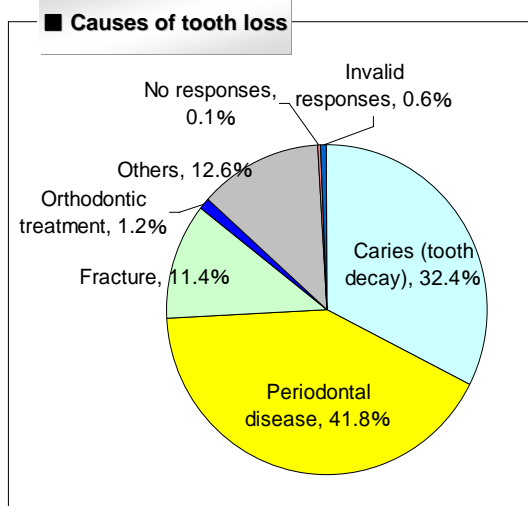
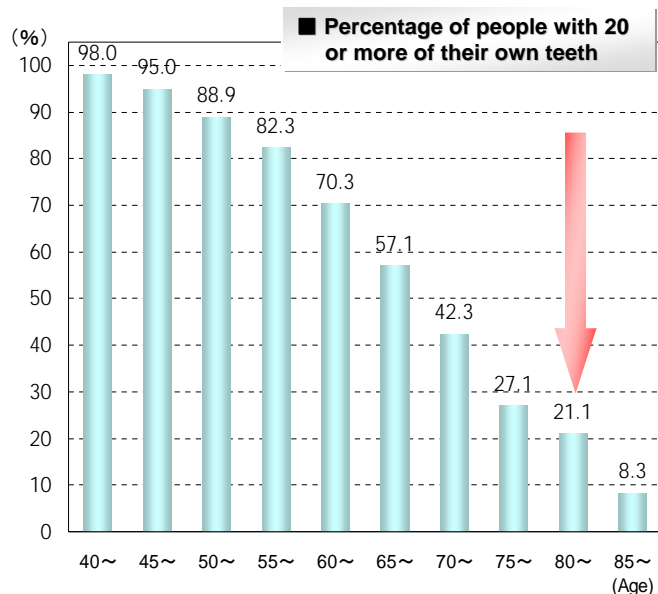


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Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

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

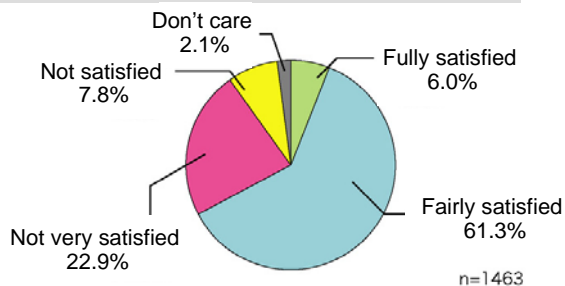


(Survey by the 8020 Promotion Foundation in 2005)

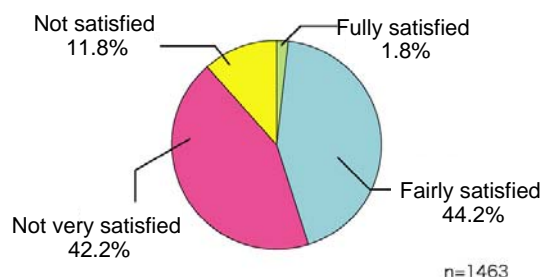
Perception of Dental and Oral Health

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

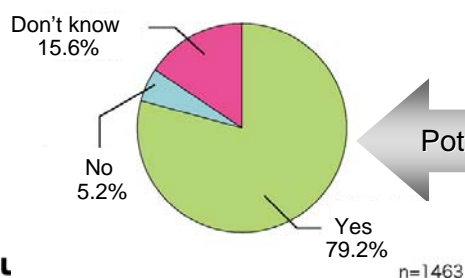
Are you satisfied with your physical health?



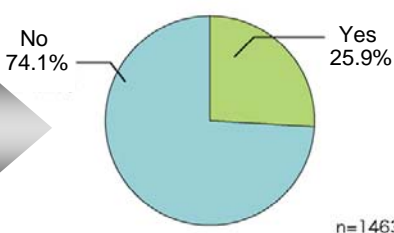
Are you satisfied with your oral health?



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



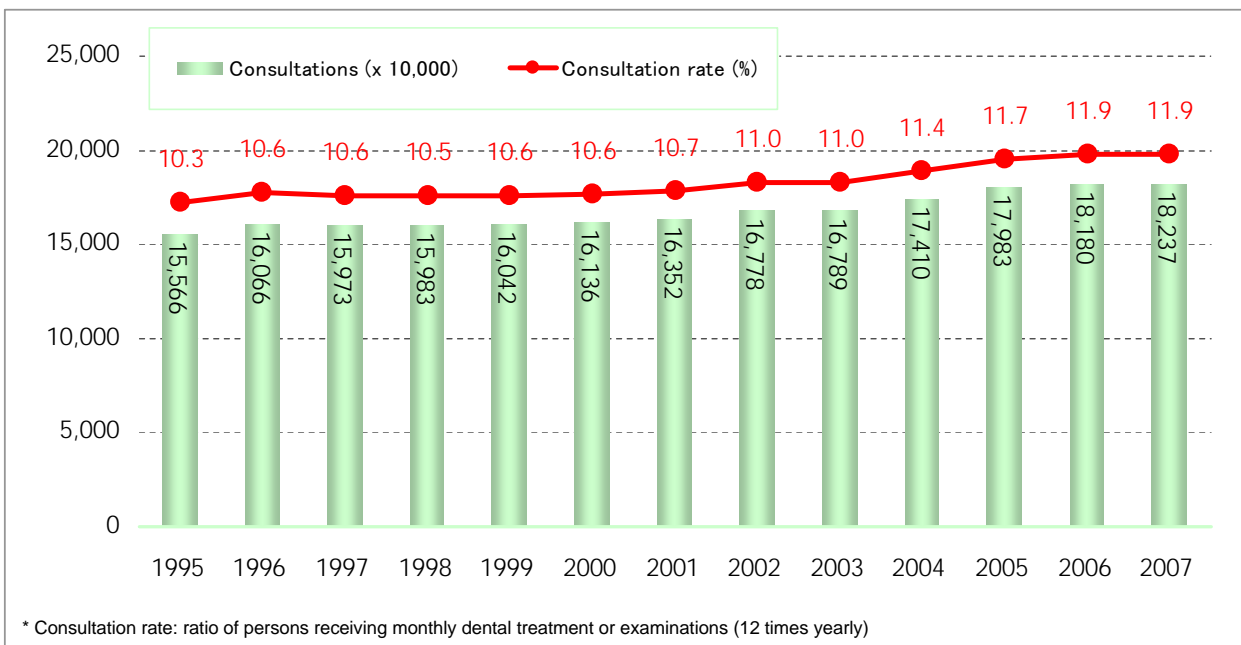
Do you actually receive regular dental care?



Potential demand

Dental Clinic Consultation Rates

Reference <Dentistry Data>



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Prepared using annual data from "Recent Trends in Healthcare Expenditures (MEDIAS)" issued 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

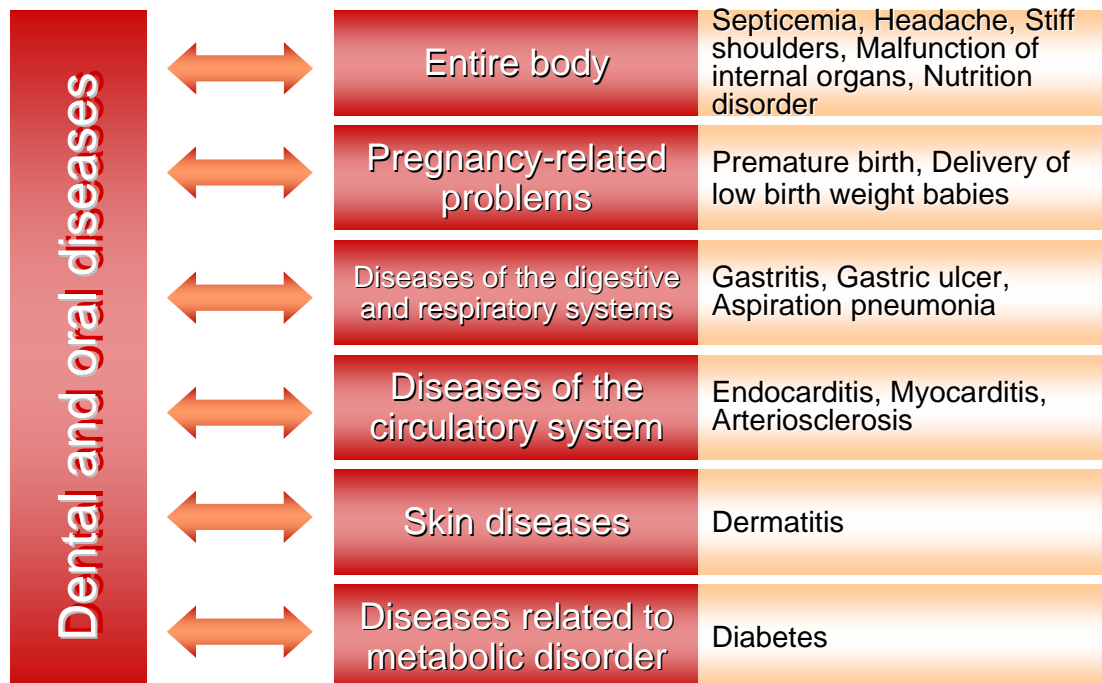
* Consulted an article titled "Reasons for the Success of the Canadian Dental Community" (DH Style, September 2007) by Ken Yaegaki DDS Ph.D., Professor and head of the Department of Oral Health, Nippon Dental University School of Life Dentistry)

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Systemic Diseases Caused by Caries and Periodontal Disease

Reference <Dentistry Data>

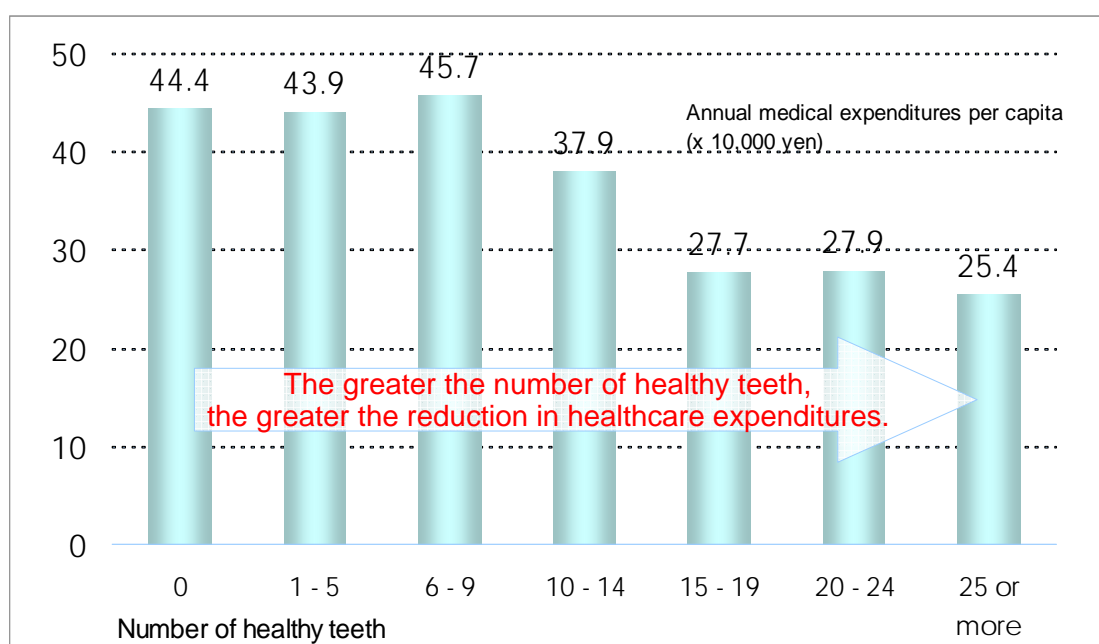


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(Reprinted from the "Archive of the 8020 and Enjoy Healthy Life" issued by Social Insurance Research Institute) 62

Correlation between Number of Healthy Teeth and Healthcare Expenditures

Reference <Dentistry Data>



Prepared on the basis of "Correlation between Oral Hygiene Status of Elderly Persons and Healthcare Expenditures," a paper published in 2003 by Kazumune Arikawa, a full-time instructor at the Nihon University School of Dentistry at Matsudo
Subjects surveyed: 954 persons aged 80 living independently (392 men, 562 women)

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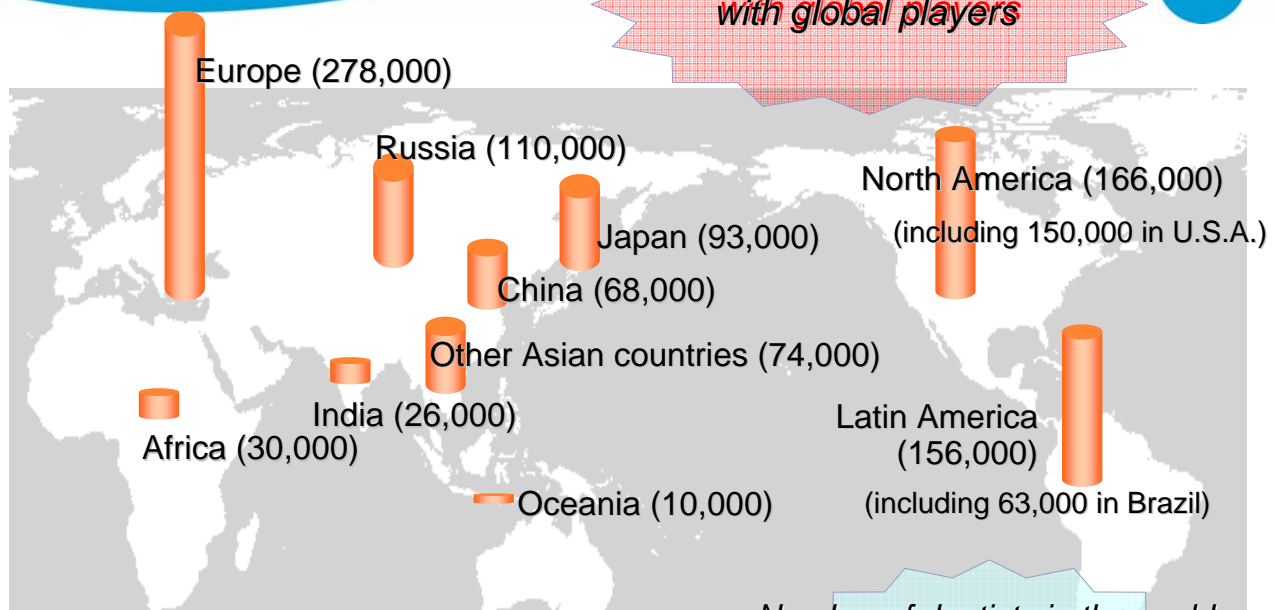
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Number of Dentists in the World

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*