



SHOFU INC.

HEAD OFFICE: 11 KAMITAKAMATSU-CHO, FUKUINE, HIGASHIYAMA-KU, KYOTO 605-0983 JAPAN
TEL : 81-75-561-1914 FAX : 81-75-561-1747

February 6, 2015

To whom it may concern

Company name: SHOFU INC.
Name of Representative: Noriyuki Negoro, President
(Code: 7979; First Section of the Tokyo Stock Exchange)
Contact: Shinya Teramoto, Executive officer
(+81-75-561-1914)

Notice Regarding the Acquisition of a Subsidiary (Merz Dental GmbH)

SHOFU INC. (“SHOFU”) announces that it has decided to purchase all the shares of Merz Dental GmbH (“Merz Dental”) from Merz Pharma GmbH & Co. KGaA (“Merz Pharma”) made Merz Dental a wholly-owned subsidiary, and has made Sale and Purchase Agreement with Merz Pharma on February 5 (local German time), 2015.

1. Background of the Acquisition

As part of our mid-term business plan and our 100th anniversary in 2022, we have been expanding our business into the global market under the corporate philosophy “Contribution to global dentistry through innovative business activities”.

We are aware that in order to grow our business abroad, expansion of production, R&D capabilities and strengthening our sales network overseas will be crucial.

Merz Dental is a prestigious artificial teeth company, and possesses

- ① A well known and high quality brand for premium quality artificial teeth
- ② A direct sales channel to customers in Germany
- ③ A nationwide production base in Germany, with a focus on artificial teeth and related materials.

We completed this acquisition because we believe that incorporating Merz Dental into our group will result in the following synergies:

① R&D

We will be able to produce and develop high quality artificial teeth which will enable us to expand our business not only into German and Japanese markets but also into the world market.

② Production

By aligning Merz Dental’s production base with our products, we will attempt to expand our production capabilities in order to organize systems for rapid response to customer needs in the European market.

③ Sales

By utilizing Merz Dental’s sales channel, we will enhance our academic activities, such as provision of information to dentistry professionals and introduction of our product range. We will also be able to improve or expand our sales activities together.

Meanwhile, Merz Dental will be able to sell their products outside of the German market through our overseas networks.

As described above, the acquisition of all shares of Merz Dental will lead synergy effects in R&D, production and sales, and will be a driving force for our business expansion overseas. Through this acquisition we will enhance our corporate valuation through the creation of synergies.



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2. Outline of subsidiary to be acquired

(1)	Company name	Merz Dental GmbH		
(2)	Location	Eetzweg 20, Lütjenburg 24321, Germany		
(3)	Title and name of representative	CEO Friedhelm Klingenburg		
(4)	Business details	Manufacture and sale of dental equipment and supplies in Germany		
(5)	Capital	EUR 3,100 thousand		
(6)	Date of incorporation	September 20, 1990		
(7)	Major shareholders and shareholding ratio	Merz Pharma GmbH & Co. KGaA 100%		
(8)	Relationship between SHOFU and Merz Dental GmbH	Capital relationship	There is no capital relationship that should be stated. In addition, there is no significant capital relationship between persons or companies affiliated with the Company, and persons or companies affiliated with Merz Dental.	
		Personnel relationship	There is no personnel relationship that should be stated. In addition, there is no significant personnel relationship between persons or companies affiliated with the Company, and persons or companies affiliated with Merz Dental.	
		Business relationship	There is no business relationship that should be stated. In addition, there is no significant business relationship between persons or companies affiliated with the Company, and persons or companies affiliated with Merz Dental.	
(9)	Historical operating results and financial position of Merz Dental (in thousand EUR)			
	Accounting period	Fiscal year ended June 2012	Fiscal year ended June 2013	Fiscal year ended June 2014
	Net assets	4,034	4,034	4,034
	Total assets	10,521	11,080	11,907
	Net assets per share	4,034	4,034	4,034
	Net sales	15,861	15,461	16,019
	Operating income	1,153	1,358	1,199
	Ordinary Income	1,065	1,272	1,100
	Net Income	0	0	0
	Net Income per share	0	0	0
	Dividend per share	0	0	0

3. Outline of the company from which the subsidiary is acquired

(1)	Company name	Merz Pharma GmbH & Co. KGaA
(2)	Location	Eckenheimer Landstraße 100, 60318 Frankfurt/Main, Germany
(3)	Title and name of representative	Spokesman and CEO Philip Burchard
(4)	Business details	Active in research, development and distribution of innovative products particularly in the areas of aesthetic and medical dermatology as well as



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	neurology	
(5) Capital	EUR 20,000 thousand	
(6) Date of incorporation	February 6, 2002	
(7) Net asset	EUR 85,466 thousand	
(8) Total asset	EUR 546,345 thousand	
(9) Major shareholders and shareholding ratio	Merz GmbH & Co. KGaA 100%	
(10) Relationship between SHOFU and Merz Pharma GmbH & Co. KGaA	Capital relationship	There is no capital relationship that should be stated. In addition, there is no significant capital relationship between persons or companies affiliated with the Company, and persons or companies affiliated with Merz Pharma GmbH & Co. KGaA
	Personnel relationship	There is no personnel relationship that should be stated. In addition, there is no significant personnel relationship between persons or companies affiliated with the Company, and persons or companies affiliated with Merz Pharma GmbH & Co. KGaA.
	Business relationship	There is no business relationship that should be stated. In addition, there is no significant business relationship between persons or companies affiliated with the Company, and persons or companies affiliated with Merz Pharma GmbH & Co. KGaA.
	Related party disclosure	SHOFU is not a related party to Merz Pharma GmbH & Co. KGaA. Moreover, SHOFU members and affiliates are not related parties to Merz Pharma GmbH & Co. KGaA.

4. Number of shares acquired and number of shares to be held by “SHOFU” before/after the acquisition

(1) Number of shares held by “SHOFU” before acquisition	Common stock:0 Shares (Number of voting rights : 0) (Voting rights ratio : 0.0%)	
(2) Number of shares acquired	Common stock :1 Share (Number of voting rights : 1)	
(3) Acquisition price	Merz Dental GmbH Common Stock	EUR 15,084 thousand
	Fees to be paid to advisors (estimated)	1,370 thousand
	Total (estimated)	16,454 thousand (2,221 million Yen)
	*Exchange rate:€1=¥135	
(4) Number of shares held by “SHOFU” after acquisition	Common stock : 1 share (Number of voting rights : 1 Share) (Voting rights ratio : 100.0%)	



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5. Schedule

(1)	Board resolution date	February 4, 2015
(2)	Execution date of share purchase agreement	February 5, 2015 (local German time)
(3)	Closing date	March 31, 2015 (local German time) (scheduled)

Note: At the board meeting held on February 4, 2015 the board of directors resolved to empower the President to make the final decision as to whether the company should sign off on the transaction agreements which were presented to the board of directors.

On February 5, 2015 (local German time), the President of SHOFU made the final decision to enter into the transaction agreements..

6. Future outlook

The impact of the acquisition on the consolidated financial results of SHOFU ending March 2015 is expected to be minimal.

In addition, we are examining the estimated impact of the acquisition on the consolidated financial results of SHOFU ending March 2016 and afterwards, and will promptly release an announcement if timely disclosure is required.

Reference:

Forecast of FY2014 ending March 31, 2015 (released on October 29, 2014) and Actual Consolidated Financial Results of FY2013

(In million JPY)

	Net Sales	Operating Income	Ordinary Income	Net Income
FY2014 ending March 31, 2015 (Forecast)	19,667	1,410	1,339	944
FY2013 ended March 31, 2014 (Actual)	18,258	987	978	506