



**Fiscal Year Ending March 2013
(141th Business Year)**

**2nd Quarter Financial
Analyst Meeting**

November 22, 2012



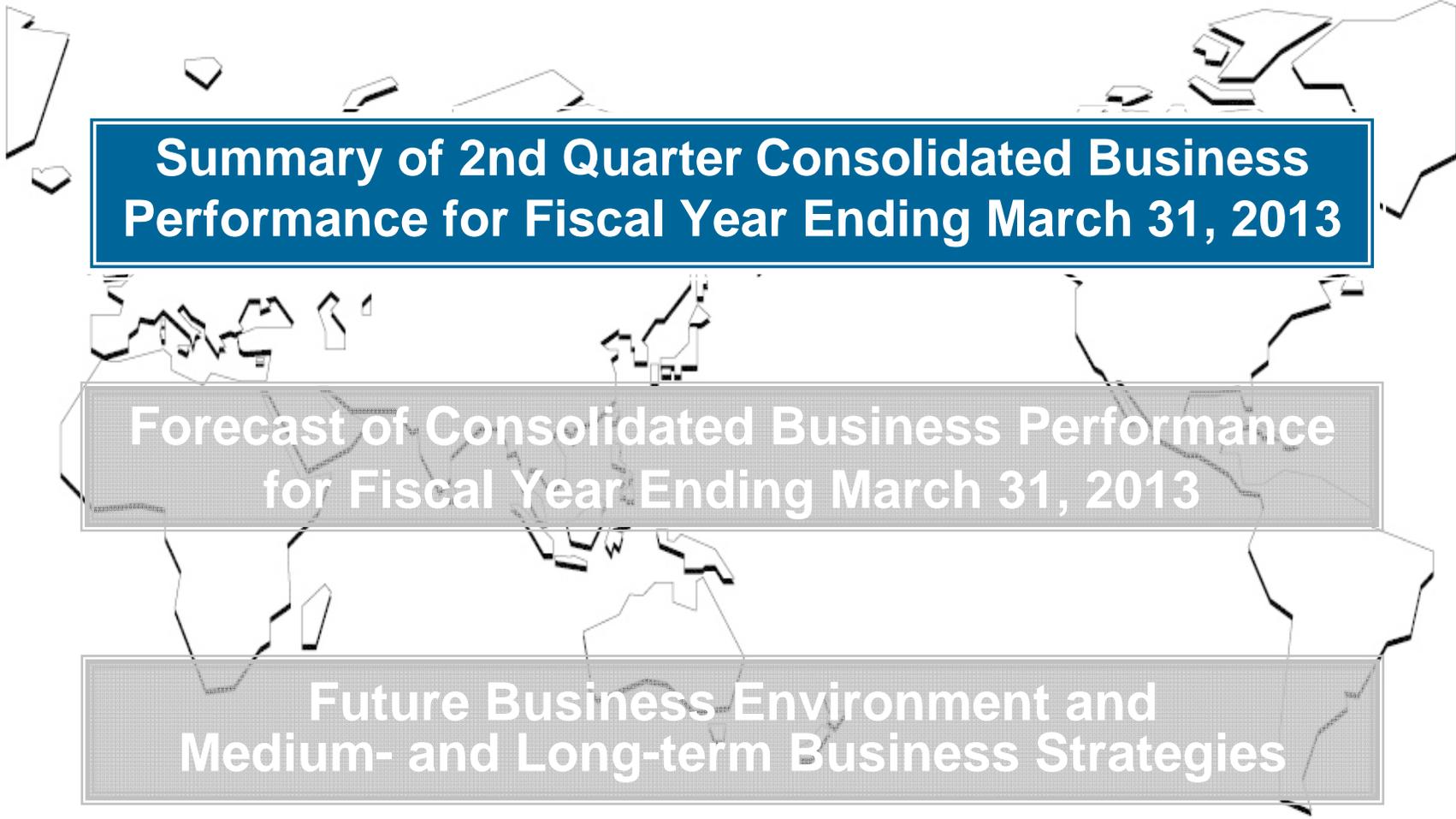
Proven Products for Better Dentistry
SHOFU INC.



Contents of Today's Presentation

- ⇒ **Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013**
- ⇒ **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013**
- ⇒ **Future Business Environment and Medium- and Long-term Business Strategies**

Director/President Noriyuki Negoro

A faint, stylized outline of a world map is visible in the background, centered behind the text boxes.

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013

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

Summary of 2nd Quarter Business Performance

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013



■ Positive factors ■ Negative factors

P/L

⇒ Sales totaled 7,754 million yen (a decrease of 0.1%).

Domestic sales totaled 5,989 million yen (a decrease of 0.3%).

- Sales in the dental business fell 1.8% as adjustments to channel inventory coincided with moves by competitors to lower pricing for their products.
- Sales in the nail care business rose 11.5% as market penetration of in-house brand products rose thanks to nationwide sales activities and an effective program of regional seminars and events.

Overseas sales totaled 1,764 million yen (an increase of 0.3%).

- Despite declining sales in Asia, except China, due to the impact of the South Korean domestic economy, overall sales rose 0.3% on strength in North America, Latin America, and China as well as rising sales in the nail care business.

⇒ Operating profits totaled 157 million yen.

- As a result of declining sales and increases in sales, general, and administrative expenses (of 298 million yen) due to aggressive up-front investments, operating profits fell 280 million yen.

⇒ Ordinary profits totaled 100 million yen, and current term net loss totaled 137 million yen.

- A deterioration in non-operating profits due in part to an increase in foreign exchange losses led to a decline in ordinary profits of 303 million yen.
- Current net profit fell by 375 million yen as a result of losses on extraordinary charges, specifically in the form of revaluation of investments in securities and loss on retirement of non-current assets.

Summary of 2nd Quarter Business Performance

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013



⇒ Sales and profits decreased compared to the previous period and the forecast.

Units: millions of yen, %

	Fiscal March 2012 (2Q Results) (% of sales)	Fiscal March 2013 (2Q Forecast) (% of sales)	Fiscal March 2013 (2Q Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	7,764 (100.0)	8,233 (100.0)	7,754 (100.0)	-10 (-0.1)	-479 (-5.8)
(Domestic sales)	6,005 (77.4)	6,306 (76.6)	5,989 (77.2)	-16 (-0.3)	-316 (-5.0)
(Overseas sales)	1,758 (22.6)	1,927 (23.4)	1,764 (22.8)	5 (0.3)	-162 (-8.4)
Operating profit	437 (5.6)	330 (4.0)	157 (2.0)	-280 (-64.0)	-172 (-52.3)
Ordinary profit	403 (5.2)	273 (3.3)	100 (1.3)	-303 (-75.1)	-173 (-63.3)
Net profit	238 (3.1)	122 (1.5)	-137 (-1.8)	-375 (-157.8)	-260 (-212.5)
Net profit per share	14.81yen	7.61yen	-8.56yen	-23.37yen	-16.18yen
Return on equity	1.31%	—	-0.76%	-2.07P	—

Sales by Product Category (Comparison with Previous Period)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2013



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2012 (2Q Results)	Fiscal March 2013 (2Q Results)	Cange from previous period		
				Domestic	Overseas
Artificial teeth	1,282	1,161	-120 (-9.4)	-43	-77
Abrasives	1,606	1,574	-31 (-2.0)	-53	21
Metal products	204	170	-34 (-16.7)	-34	0
Chemical products	1,524	1,555	30 (2.0)	-5	36
Cements and others	781	752	-28 (-3.7)	-23	-5
Equipment and others	1,596	1,668	72 (4.5)	63	8
Dental business total	6,995	6,883	-112 (-1.6)	-96	-15
Nail care business	727	829	101 (13.9)	79	21
Other	40	41	0 (1.8)	0	0
Total	7,764	7,754	-10 (-0.1)	-16	5

* Overseas sales increased by 300 thousand yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi).

Sales by Product Category (Comparison with Forecast)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2013



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2013 (2Q Forecast)	Fiscal March 2013 (2Q Results)	Cange from Forecast		
				Domestic	Overseas
Artificial teeth	1,337	1,161	-175 (-13.1)	-81	-93
Abrasives	1,589	1,574	-15 (-1.0)	-52	36
Metal products	190	170	-20 (-10.9)	-20	0
Chemical products	1,671	1,555	-115 (-6.9)	-85	-30
Cements and others	852	752	-100 (-11.8)	-43	-57
Equipment and others	1,713	1,668	-45 (-2.6)	-33	-11
Dental business total	7,356	6,883	-472 (-6.4)	-316	-156
Nail care business	833	829	-4 (-0.5)	2	-6
Other	43	41	-1 (-4.2)	-1	0
Total	8,233	7,754	-479 (-5.8)	-316	-162

* Overseas sales increased by 12 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi).

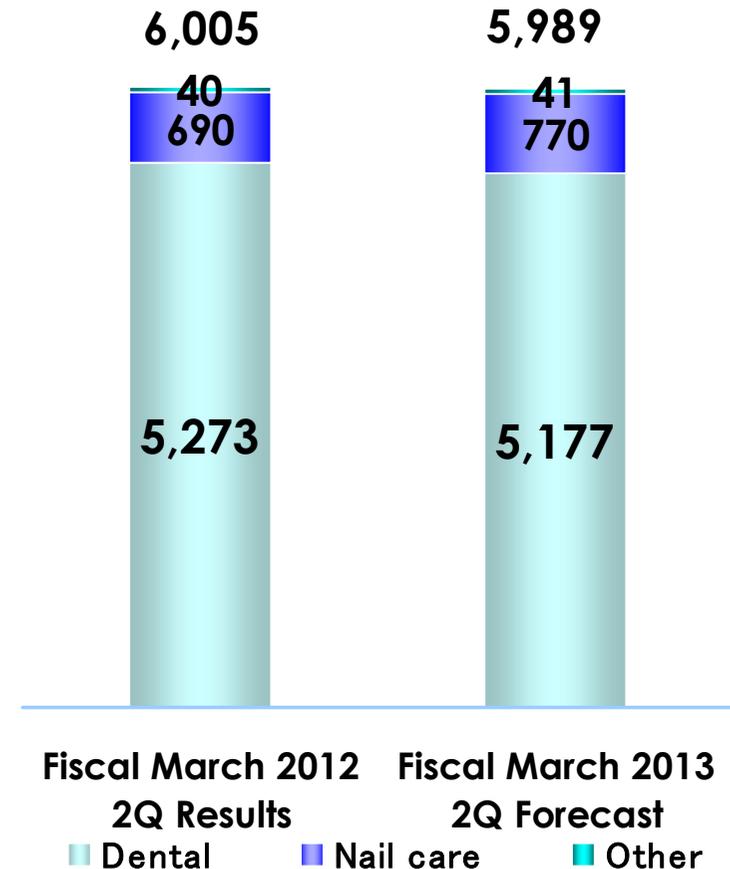
Domestic Sales



■ Positive factors ■ Negative factors

- **Dental business: Year-on-year decrease of 96 million yen (1.8%)**
 - Revenue fell in the flagship artificial teeth and abrasives segments and across the board, with the exception of the equipment and others segment.
- **Nail care business: Year-on-year increase of 79 million yen (11.5%)**
 - Market penetration improved, particularly for the LED Gel Presto gel nail system, thanks to nationwide sales activities and a program of aggressive regional seminars.
- **Other businesses: Year-on-year increase of 0.7 million yen (1.8%)**
- **Principal new products launched this period (dental business)**
 - **Beauti Core Kit**, dental core build-up material (chemical products)
 - **Resin Glaze**, coating material for composite and acrylic indirect restorations (chemical products)
 - **SU Pak Cord**, a gingival retraction cord
 - **SU Stat Jel**, a gingival retraction kit (equipment)
 - **Mtwo File**, dental NiTi file engine use (abrasives)

Unit: millions of yen



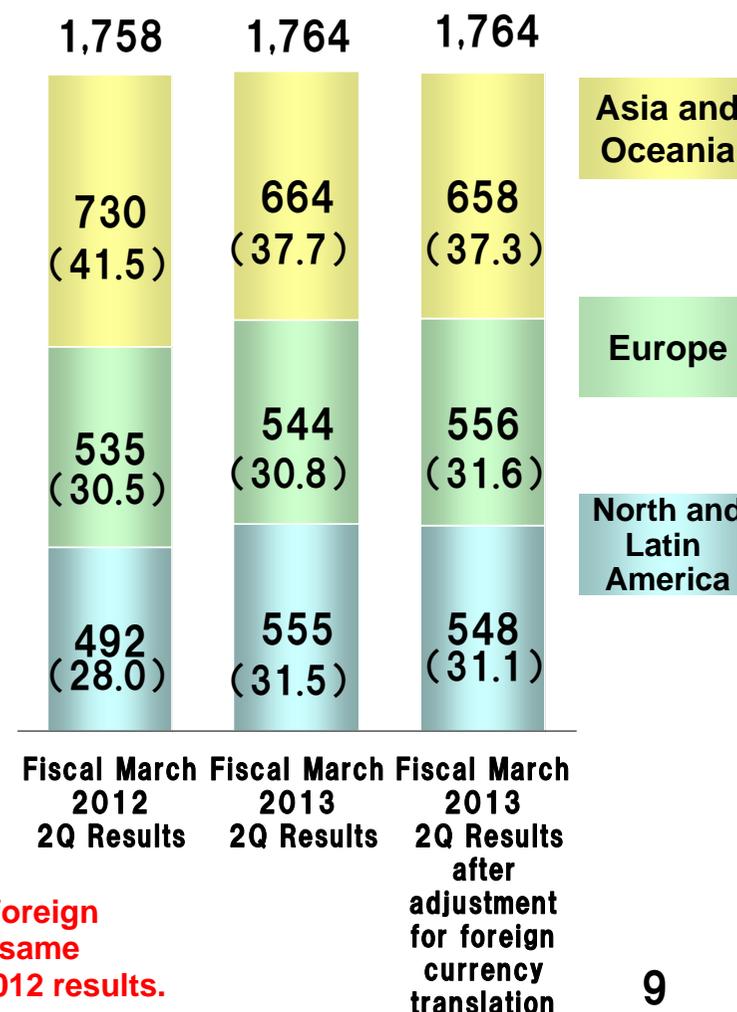
Overseas Sales



■ Positive factors ■ Negative factors

- **North America and Latin America: Year-on-year increase of 62 million yen (12.8%)**
 - In addition to the flagship abrasives segment, sales in the chemical products segment grew dramatically.
- **Europe: Year-on-year increase of 8 million yen (1.6%)**
 - Despite the slow pace of the economic recovery in Europe and the negative impact of foreign exchange rate fluctuations, sales in the abrasives segment were robust. Local currency basis: Year-on-year increase of 21 million yen (3.9%)
- **Asia and Oceania: Year-on-year decrease of 65 million yen (9.0%)**
 - China: Year-on-year increase of 68 million yen (29.7%)
 - Elsewhere in Asia: Year-on-year decrease of 133 million yen (26.8%)
- **(Dental business) Overseas sales ratio**
24.8% (24.6% in the same period last year)
(25.0% after adjustment for foreign currency translation)

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



* The fiscal March 2013 results after adjustment for foreign currency translation were calculated based on the same foreign exchange rates used for the fiscal March 2012 results.

Performance by Segment (Sales and Operating Profits)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2013



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

		Fiscal March 2012 (2Q Results) Amount (% of sales)	Fiscal March 2013 (2Q Forecast) Amount (% of sales)	Fiscal March 2013 (2Q Results) Amount (% of sales)	Change from Previous Period	Change from Forecast
Dental	Sales	6,995	7,356	6,883	-112	-472
	Operating expenses	6,504	7,027	6,696	192	-331
	Operating profit (operating profit margin)	491 (7.0)	328 (4.5)	186 (2.7)	-304	-141
Nail care	Sales	727	833	829	101	-4
	Operating expenses	799	844	871	72	27
	Operating profit (operating profit margin)	-71 (-9.8)	-11 (-1.3)	-42 (-5.1)	29	-31
Other	Sales	43	43	44	0	0
	Operating expenses	30	30	33	2	2
	Operating profit (operating profit margin)	12 (28.7)	12 (29.3)	11 (25.4)	-1	-1
Total before consolidation adjustment	Sales	7,766	8,233	7,756	-9	-476
	Operating expenses	7,334	7,903	7,601	266	-301
	Operating profit (operating profit margin)	432 (5.6)	330 (4.0)	155 (2.0)	-276	-174
Consolidated	Sales	7,764	8,233	7,754	-10	-479
	Operating expenses	7,326	7,903	7,596	270	-306
	Operating profit (operating profit margin)	437 (5.6)	330 (4.0)	157 (2.0)	-280	-172

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

Segment Information by Region (Sales and Operating Profits)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2013



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

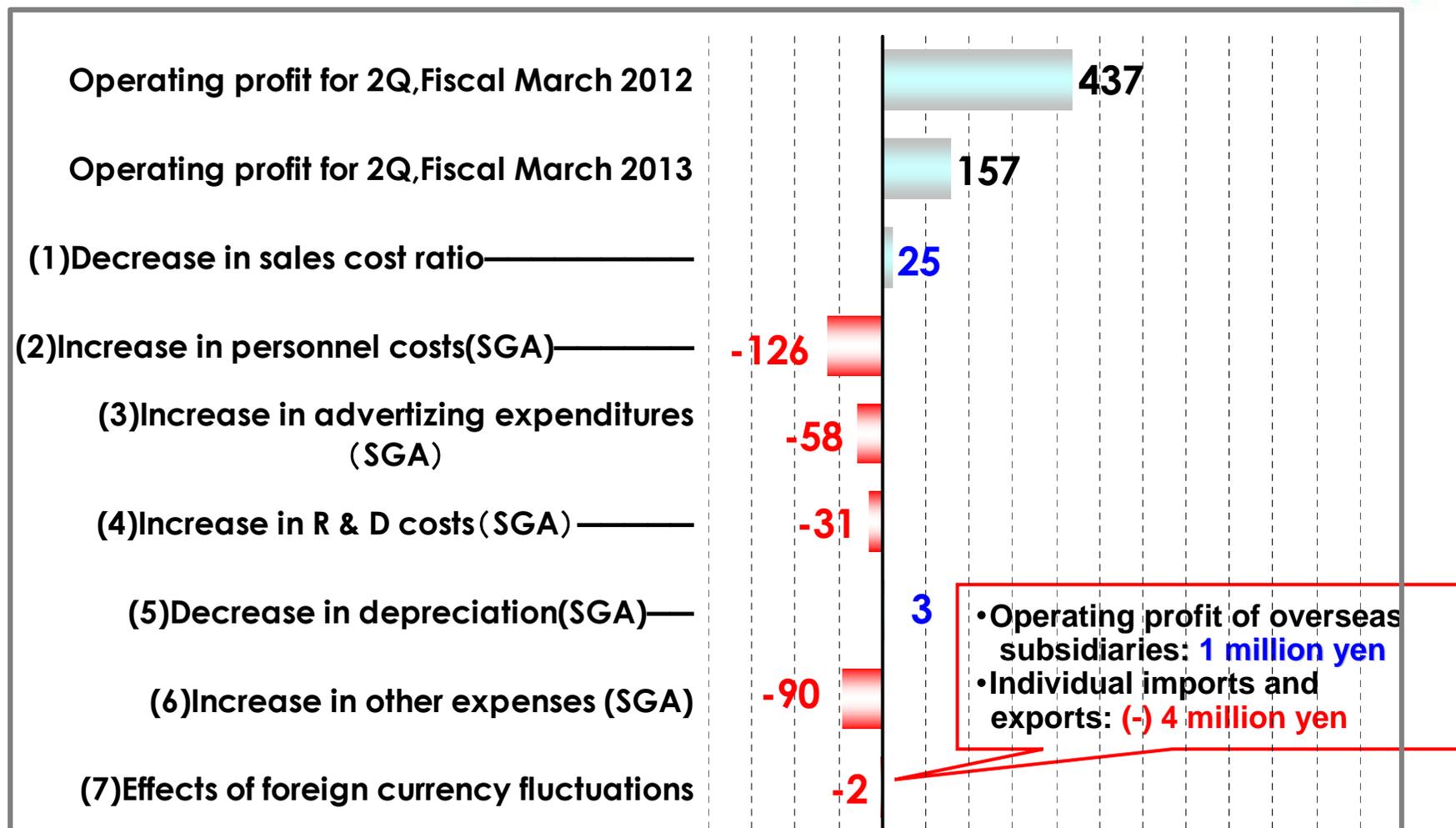
		Fiscal March 2012 (2Q Results) Amount (% of sales)	Fiscal March 2013 (2Q Forecast) Amount (% of sales)	Fiscal March 2013 (2Q Results) Amount (% of sales)	Change from Previous Period	Change from Forecast
Japan	Sales	7,174	7,499	7,067	-107	-431
	Operating profit (operating profit margin)	406 (5.7)	290 (3.9)	84 (1.2)	-322	-205
Americas	Sales	494	535	554	59	19
	Operating profit (operating profit margin)	23 (4.8)	-27 (-5.2)	25 (4.6)	2	53
Europe	Sales	588	640	608	19	-32
	Operating profit (operating profit margin)	5 (0.9)	1 (0.2)	-5 (-0.9)	-10	-6
Asia	Sales	398	433	451	52	17
	Operating profit (operating profit margin)	66 (16.8)	63 (14.6)	61 (13.6)	-5	-1
Overseas total	Sales	1,481	1,609	1,613	131	4
	Operating profit (operating profit margin)	95 (6.5)	36 (2.3)	81 (5.1)	-14	44
Total before consolidation adjustment	Sales	8,656	9,108	8,681	24	-427
	Operating profit (operating profit margin)	502 (5.8)	327 (3.6)	166 (1.9)	-336	-160
Consolidated	Sales	7,764	8,233	7,754	-10	-479
	Operating profit (operating profit margin)	437 (5.6)	330 (4.0)	157 (2.0)	-280	-172

Contributors to Change in Operating Profit

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013



Unit: millions of yen



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

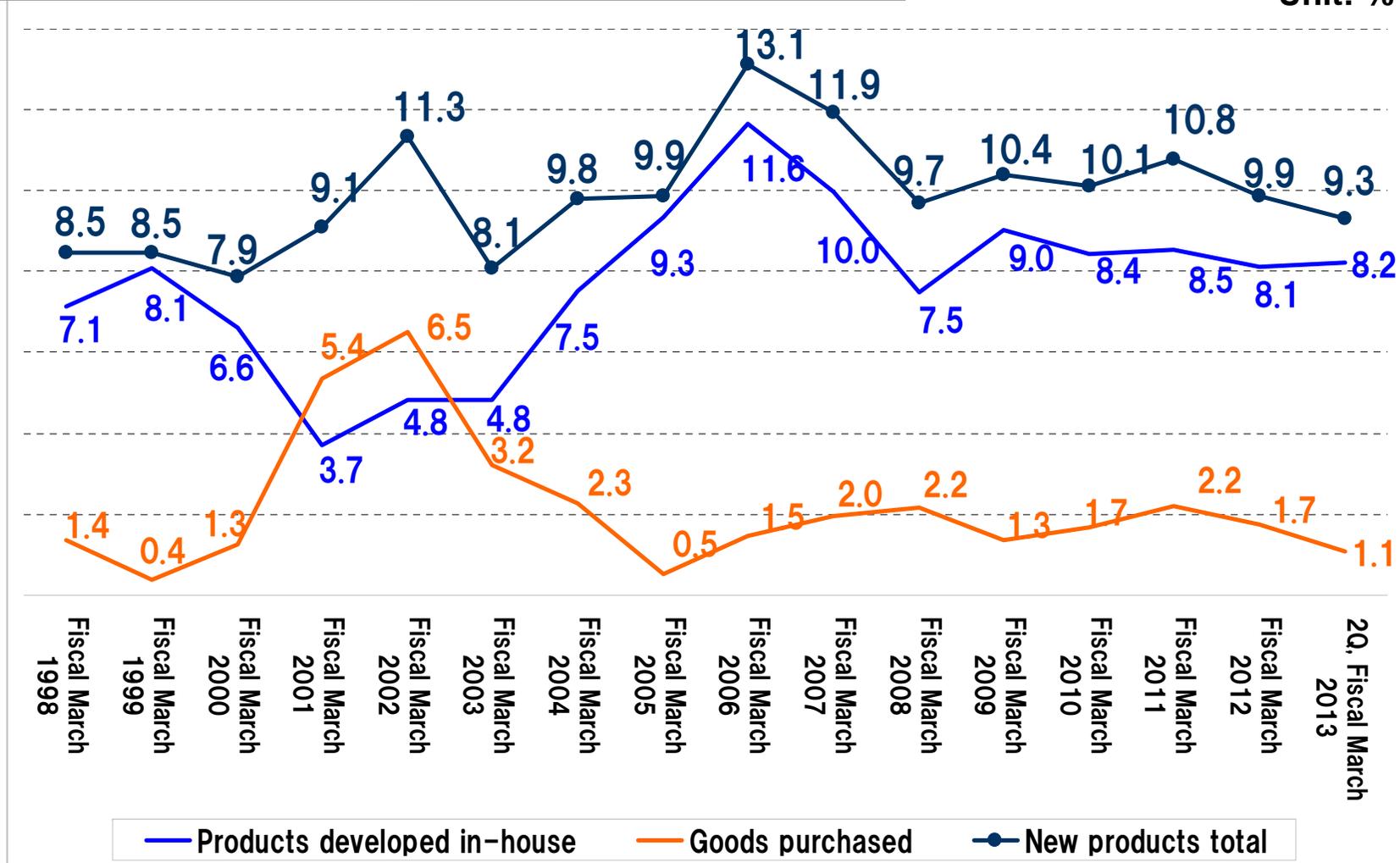
Sales Trends for New Products

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013



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

Unit: %



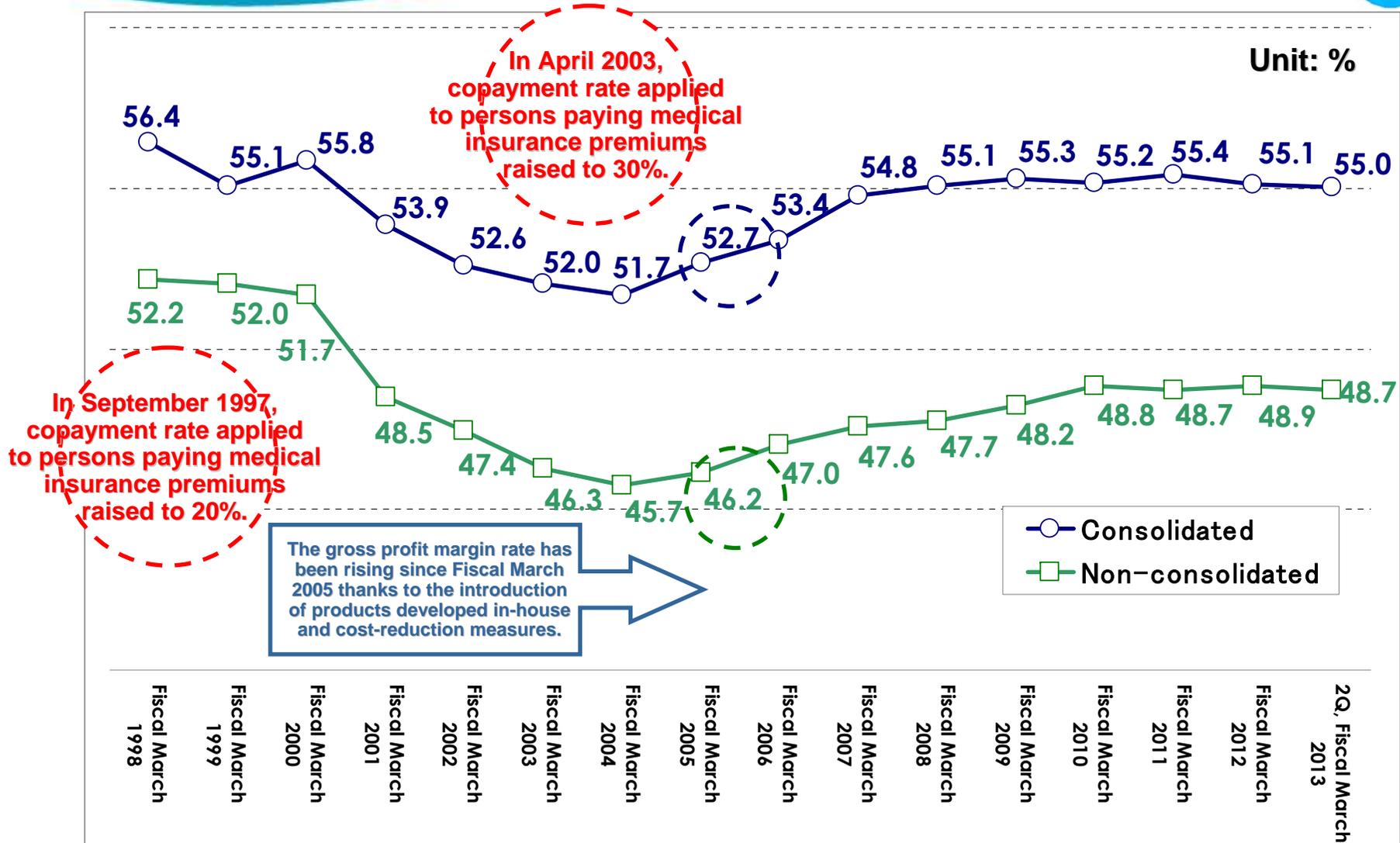
* Major goods purchased: Johnson & Johnson products, EMS ultrasonic scalers and root canal treatment equipment (reamers/files)

Gross Profit Margin Rates

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013

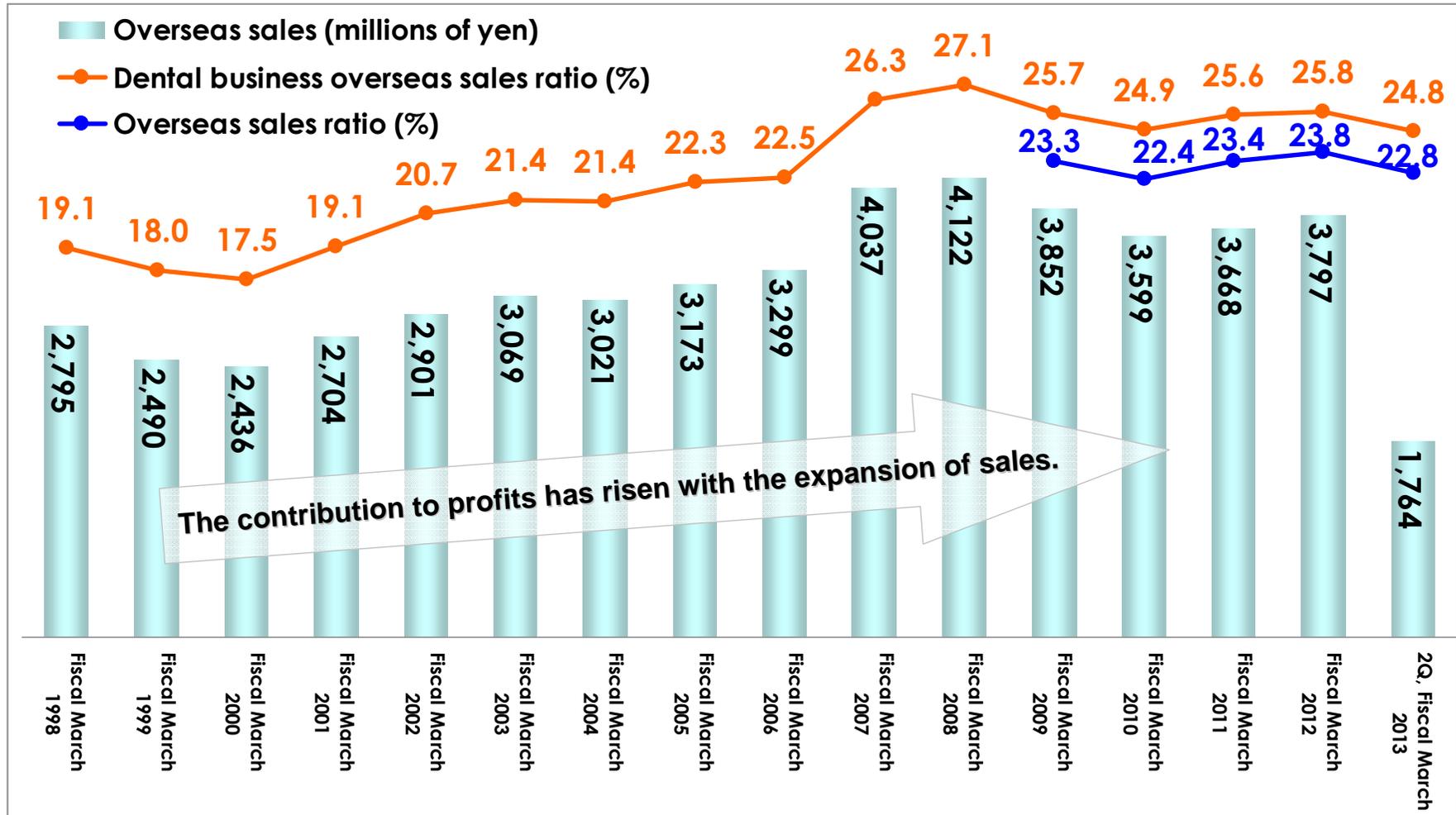


Unit: %



Overseas Sales and Overseas Sales Ratios

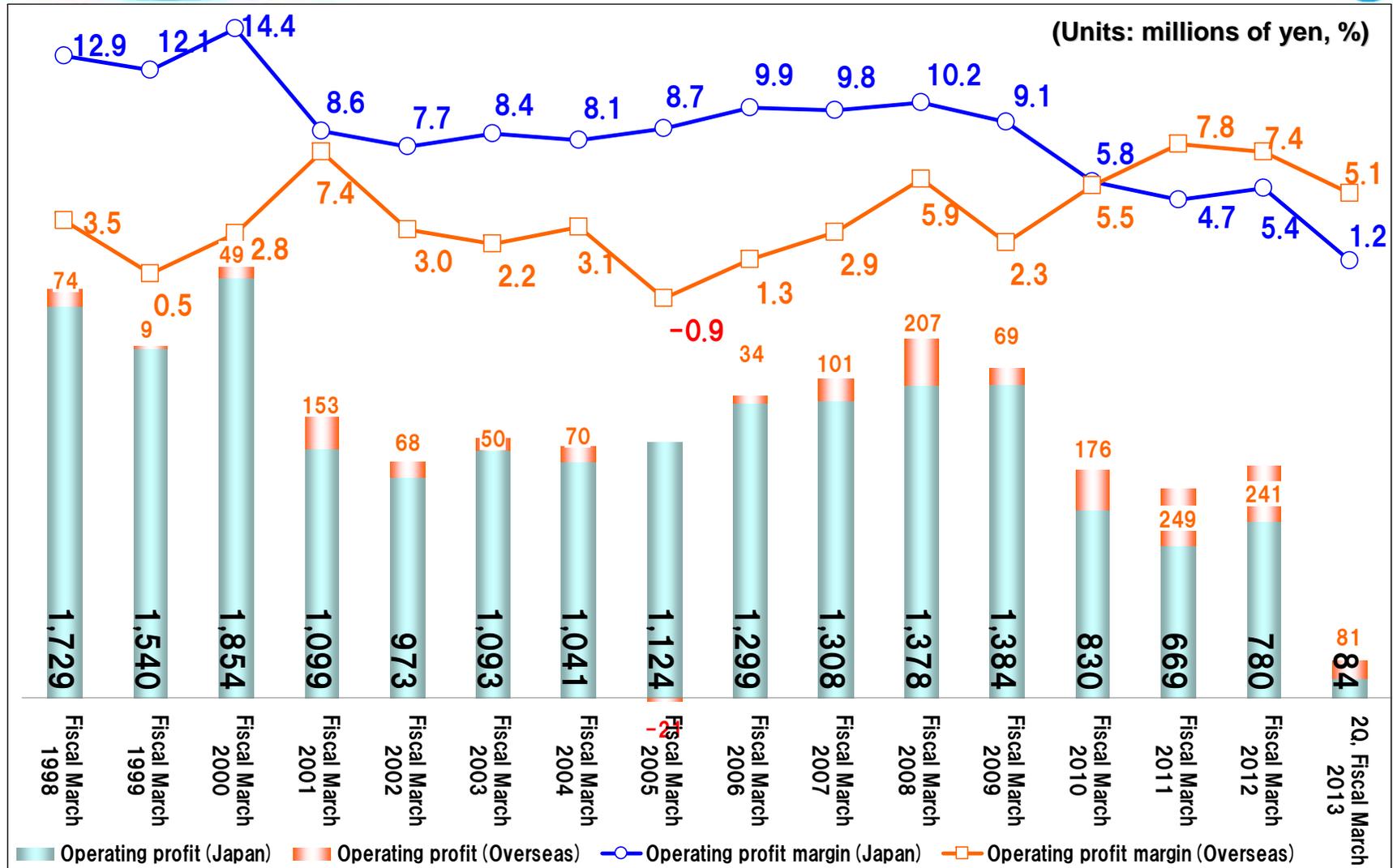
Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013



The contribution to profits has risen with the expansion of sales.

Operating Profit by Geographic Segment

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013



Financial Condition: Major Balance Sheet Accounts

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2013



Unit: millions of yen

	Fiscal March 2012	2Q,Fiscal March 2013	Change	Major contributors to changes, special notes
Cash and deposits	7,286	6,904	-382	
Notes and bills receivable, trade accounts receivable	2,526	2,275	-250	
Inventory	3,327	3,484	156	
Securities, investment securities	3,102	2,844	-257	Increase securities of 337 million yen, decrease investment securities of 595 million yen
Others	6,551	6,629	77	
Assets	22,795	22,138	-657	
Long-term and short-term borrowings	990	985	-5	
Reserve for retirement benefits and directors' retirement benefits	113	117	4	
Others	3,252	3,091	-160	Decrease income taxes payable of 160 million yen
Liabilities	4,355	4,194	-161	
Net worth	18,439	17,943	-495	Decrease inretained earnings of 335 million yen
Total liabilities and net worth	22,795	22,138	-657	
Capital adequacy ratio	80.8%	80.9%	0.1P	
Net worth per share	1,146yen	1,114yen	-32yen	

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

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013



Unit: millions of yen

	Fiscal March 2012 (2Q Results)	Fiscal March 2013 (2Q Forecast)	Fiscal March 2013 (2Q Results)	Fiscal March 2012 (Fiscal Year Results)	Fiscal March 2013 (Fiscal Year Forecast)
Capital expenditures	146	668	295	280	731
Depreciation costs (of which goodwill amortization)	340 44	344 44	264 44	712 89	649 89
R&D expenses	628	749	660	1,185	1,378
Foreign exchange rates					
US dollar	76.65	78.00	77.60	82.19	77.60
Euro	104.11	100.00	100.24	109.80	100.24
Pound sterling	119.77	120.00	125.98	131.34	125.98
Renminbi	12.47	12.50	12.76	12.31	12.76

* 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.

* The foreign exchange rate used for fiscal March 2013 forecasts has been revised to reflect the revised business performance forecast announced on October 25, 2012.



Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013

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

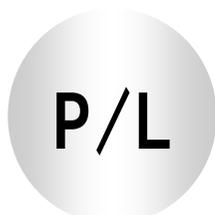
Overview of Forecast of Business Performance for the Year (1)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013



We have revised our initial forecast (which was announced on May 11, 2011) to better reflect recent business performance trends.

■ Positive factors ■ Negative factors



➔ Sales totaled 16,058 million yen (an increase of 0.5%).

Domestic sales totaled 12,369 million yen (an increase of 1.5%).

- The company expects dental business sales to **grow by 0.9%** due to promotional activities utilizing its dental membership-based organization, which facilitates the exchange of information between the company and dental professionals; efforts to enhance its sales organization; and investment in new products, particularly in the equipment and others segment.
- The company expects nail care business sales to **increase 4.3%** due to nationwide sales activities, regional seminars, and other ongoing initiatives to hold an effective program of events.

Overseas sales totaled 3,688 million yen (a decrease of 2.9%).

- Despite implementing price and distribution-related measures in South Korea and India, the company expects sales in Asia to remain weak due to factors including a competitive environment that is expected to remain challenging, leading to an **overall decline of 2.9%** in overseas sales.

Overview of Forecast of Business Performance for the Year (2)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013



■ Positive factors ■ Negative factors

P/L

⇒ Operating profits totaled 791 million yen (a decrease of 20.7%).

- The company expects operating profits to **fall 20.7%** due to increases in sales, general, and administrative expenses (of 309 million yen) triggered by an ongoing program of aggressive up-front investment designed to lay the groundwork for future growth.

⇒ Ordinary profits totaled 690 million yen (a decrease of 28.2%).
Current term net profit totaled 195 million yen (a decrease of 61.6%).

- The company expects ordinary profits to **fall 28.2%** and for current term net profit to **fall 61.6%** due to anticipated extraordinary charges.

(Full-year Outlook) Comparison of Major Statistics

Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2013



⇒ Sales increased and profits decreased compared to fiscal March 2012

Units: millions of yen, %

	Fiscal March 2012 Results (% of sales)	Fiscal March 2013 Forecast		Change from Initial Forecast (% change)	Change from Previous Period (% change)
		2Q Results (% of sales)	Yearly Forecast (% of sales)		
Sales	15,985 (100.0)	7,754 (100.0)	16,058 (100.0)	-619 (-3.7)	72 (0.5)
(Domestic sales)	12,188 (76.2)	5,989 (77.2)	12,369 (77.0)	-355 (-2.8)	180 (1.5)
(Overseas sales)	3,797 (23.8)	1,764 (22.8)	3,688 (23.0)	-264 (-6.7)	-108 (-2.9)
Operating profit	997 (6.2)	157 (2.0)	791 (4.9)	-157 (-16.6)	-206 (-20.7)
Ordinary profit	962 (6.0)	100 (1.3)	690 (4.3)	-134 (-16.3)	-271 (-28.2)
Net profit	510 (3.2)	-137 (-1.8)	195 (1.2)	-315 (-61.7)	-314 (-61.6)
Net profit per share	31.77yen	-8.56yen	12.19yen	-19.61yen	-19.58yen
Return on equity	2.79%	-0.76%	1.07%	-1.70P	-1.71P

Domestic Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013



◇ **Dental business: Year-on-year increase of 99 million yen (0.9%)**

- The company expects sales to **increase by 0.9%** as part of a recovery in sales due to promotional activities centering on the provision of information utilizing its membership-based organization, efforts to enhance its sales organization, and investment in new products, particularly in the equipment and others segment.

◇ **Nail care business: Year-on-year increase of 77 million yen (5.2%)**

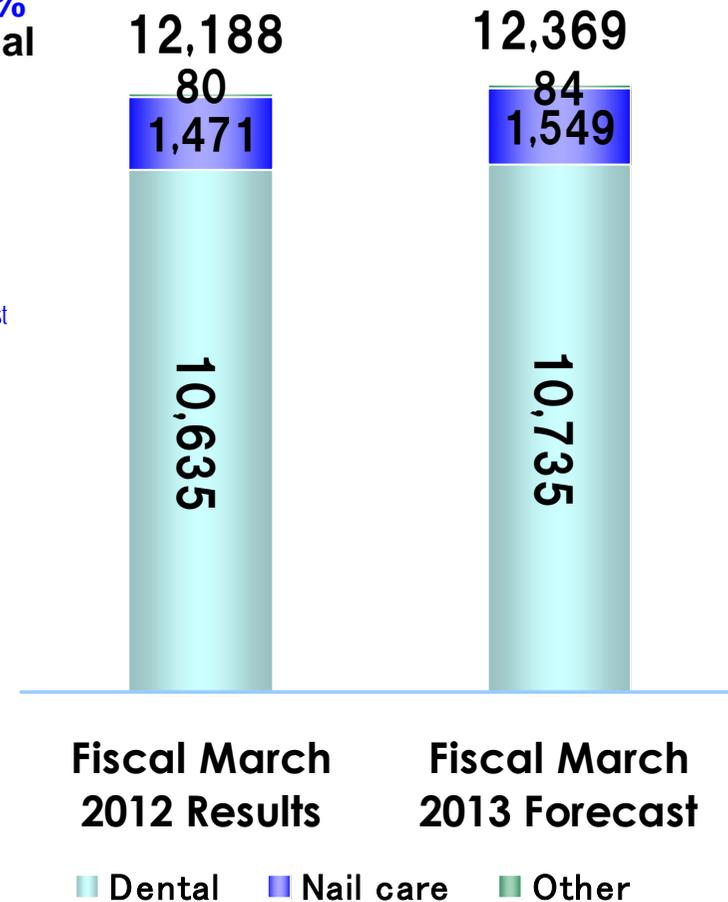
- The company expects sales to **increase 5.2%** due to aggressive demand development for Group products and enhancements to the product line.

◇ **Other businesses: Year-on-year increase of 3 million yen (4.4%)**

◇ **Major new products launched during the current period (during or after the second quarter)**

- **Air Flow Master**, dental prophylaxis unit (equipment)
- **Veracia SA Porcelain POSTERIOR**, porcelain teeth (artificial teeth)

Unit: millions of yen



Overseas Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013



Summary

- Despite planning for expansion in North America and Latin America, the company expects overall overseas sales to **fall 2.9%** due to the slowdown in Asia and the negative impact of foreign exchange rate fluctuations.

- Growth rates by region *Figures in parentheses indicate the local currency basis growth rate.

North and Latin America	+3.1%(+ 9.1%)
Europe	-6.6%(+ 1.4%)
China	+20.8%(+16.5%)
Other Asian Countries	-17.2% (-15.9%)

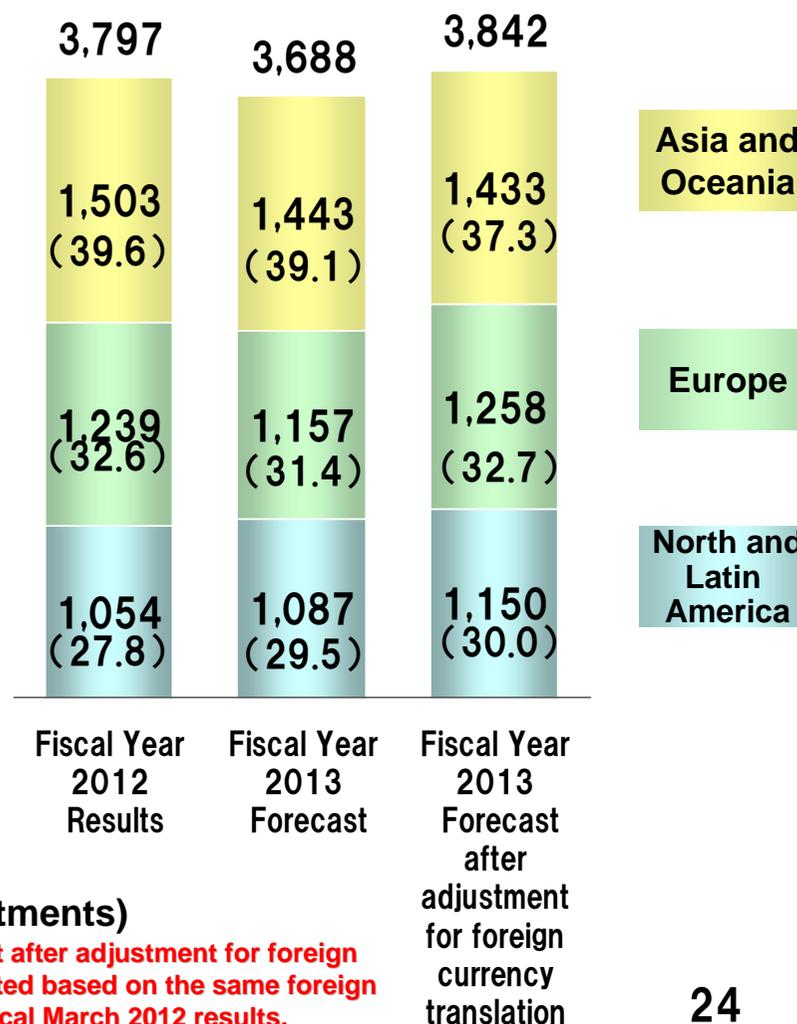
Foreign exchange Rates

- US dollar:77.60yen
(82.19yen in the previous period)
(Effect: **-76 million yen**)
- Euro:100.24yen
(109.80yen in the previous period)
(Effect: -100 million yen)
- Yuan:12.76yen
(12.31yen in the previous period)
(Effect: **+22 million yen**)

(Dental business) Overseas sales ratio

- 24.9%** (25.8% in the previous period)
(25.6% after foreign currency translation adjustments)

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



* The "Fiscal March 2013 forecast after adjustment for foreign currency translation" is calculated based on the same foreign exchange rates used for the Fiscal March 2012 results.

Impact of Foreign Exchange Fluctuations (US Dollar, Euro)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013



Forecast for Fiscal March 2013

(Unit: millions of yen)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen strength	
	Fiscal March 2012 actual	Fiscal March 2013 estimate	Sales	Operating profits	Sales	Operating profits
US Dollar	82.19	77.60	-68	-9	-18	-8
Euro	109.80	100.24	-95	-17	-9	-1



Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2013

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2013

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



Domestic dental market

Although a certain market scale will be maintained, falling total population and declines in the incidence of cavities make significant growth unlikely.

Overseas dental market

In addition to the existence of an enormous market centered on developed nations, demand for dental care will increase dramatically due to economic growth and the rising standard of living in regions worldwide, particularly developing nations.

10 years vision: Fundamental Principles

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



Strive to expand the overseas business by dramatically shifting the allocation of management resources to overseas markets.

**Company-wide
targets
for fiscal
March
2022**

- **Group sales: 50 billion yen**
<Domestic sales: 17 billion yen;
overseas sales: 33 billion yen>
- **Group operating profits: 7.5 billion yen**
(Operating profit margin: 15%)

Pursue globalization in every department, function (R&D, production, and sales), personnel, and by extension the company's overall management.

Fiscal 2012 to 2014 Medium-term Management Plan: Company-wide Targets

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



Company-wide targets for fiscal March 2015

➤ **Group sales: 19.5 billion yen**

<Domestic sales: 12.5 billion yen; overseas sales: 5.2 billion yen; nail care business sales: 1.7 billion yen>

<Overseas sales ratio in the dental business: 30%>

➤ **Group operating profits: 1.86 billion yen**
(Operating profit margin: 9.5%)

Key issues in order to achieve these targets

- ◇ **R&D:** Development and introduction of new products that match the local demands.
- ◇ **Production:** Relocation production base / Expansion of offshore production.
- ◇ **Sales:** Improvement of sales network. Realignment of sales offices. Establishment of domestic and international academic networks.
- ◇ **Human resources:** Development of human resources and securing the skilled employees.

Specific Efforts – Research and Development

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



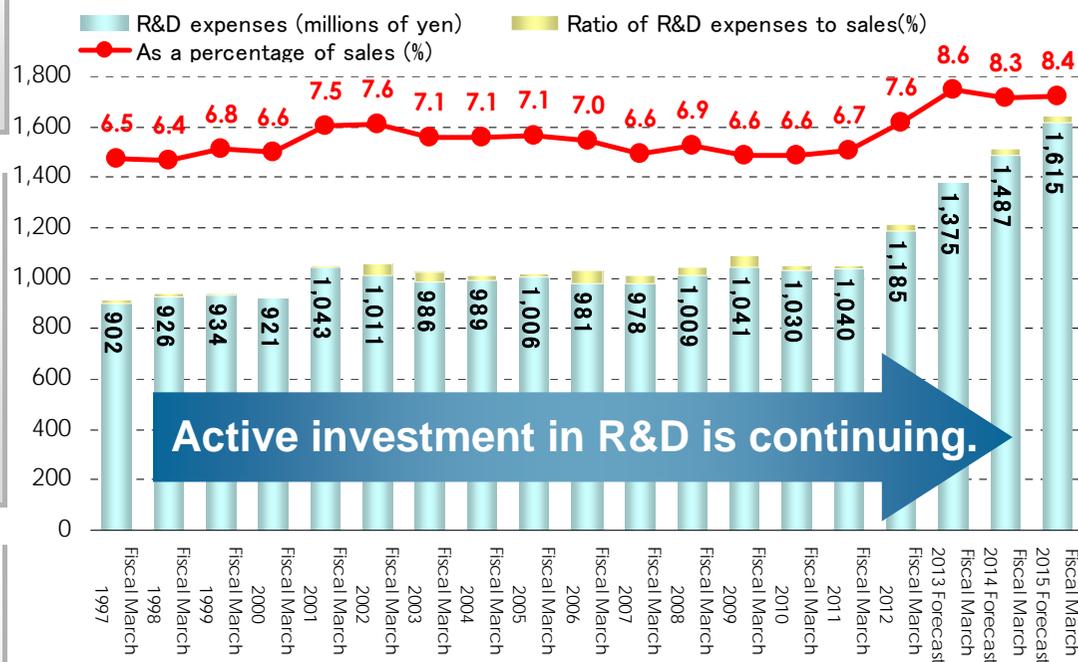
Development and introduction of new products that match the local demands

Developing products with a worldwide vision

Developing new products for regions' middle-class and high-volume segments

Developing products with the goal of creating markets in new fields

Trend in R&D investment



Specific Efforts – Production

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



✧ Relocation of production base and expansion of offshore production

Further expand the market share of our time-honored specialties such as artificial teeth and abrasives by enhancing price competitiveness and reducing costs.

⇒ Effectively utilizing existing domestic factories

Domestic manufacturing Group companies



Shiga Shofu (Shiga) Shoken (Kyoto) Promech (Saitama)

⇒ Expanding overseas production

Overseas manufacturing Group companies



Shanghai Shofu Dental
Materials Co., Ltd. (China)



Advanced Healthcare Ltd. (UK)

Specific Efforts – Sales

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



✧ Improvement of our sales network

- Develop a network of overseas distributors.

✧ Improvement of sales offices

- Enhance the functions of the Singapore branch.
- Establish new overseas sales bases.

✧ Establishment of domestic and international academic networks

- Build an organization that can advertise the company's products and services directly to users.
- Enhance and expand MDR* activities. *Medical dental representative

Overseas sales Group companies (bases)



Shofu Dental Corporation (U.S.A.)



Shofu Dental GMBH (Germany)



Shofu UK (Sales Office) (UK)



Shofu Dental Trading (Shanghai) Co., Ltd., (China)



Singapore Sales Office (Singapore)

➤ Improve our customer service

➤ Enhance academic activities

➤ Speed up the product registration work

Specific Efforts – MiCD Project

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



Official partner



Minimally Invasive
Cosmetic Dentistry

MiCD Project

(Minimally Invasive Cosmetic Dentistry)

Supporting the development of cosmetic dental treatment that delivers cosmetic results while minimizing surgical intervention of cavity lesion

Increasing sales
of filling and
restorative dental
materials

Improved
cost
effectiveness

Enhance image
as a company
that promotes
state-of-the-art
medicine

● Providing training programs

● Holding study groups

● Developing and supplying
MiCD products

● Promoting products and
services to patients

Specific Efforts – Nail Care Business

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



❖ Capturing share in the LED gel market with improved Presto



❖ Improving profitability by increasing the percentage of Group products sales



❖ Expanding sales channels in overseas markets – U.S., Europe, South Korea, China



⇒ Profit Plan

Fiscal March 2012 results: Sales of 1.5 billion yen and decrease of 0.0 billion yen in operating profits
⇒ Fiscal March 2015 forecast: Sales of 1.7 billion yen and increase of 40 million yen in operating profits

Work to expand the nail care business by taking advantage of the R&D and production engineering capabilities the company has developed in the dental materials business.

Medium-term Management Plan – Principle Targets

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



★...Record

Unit: Millions of yen, %

	Fiscal March 2012 (Results)	Mid-Term Management Plan			Fiscal March 2013 (Forecast)
		Fiscal March 2013	Fiscal March 2014	Fiscal March 2015	
Sales	15,985	★ 16,677	★ 18,153	★ 19,548	16,058
(Compared to previous fiscal year)	(1.7%)	(4.3%)	(8.8%)	(7.7%)	(0.5%)
Domestic sales	12,188	★ 12,724	★ 13,649	★ 14,257	12,369
(Compared to previous fiscal year)	(1.2%)	(4.4%)	(7.3%)	(4.4%)	(1.5%)
Overseas sales	3,797	3,953	★ 4,503	★ 5,291	3,688
(Compared to previous fiscal year)	(3.5%)	(4.1%)	(13.9%)	(17.5%)	(-2.9%)
Operating profit	997	949	1,468	1,856	791
(Percentage of sales)	(6.2%)	(5.7%)	(8.1%)	(9.5%)	(4.9%)
Ordinary profit	962	825	1,323	1,703	690
(Percentage of sales)	(6.0%)	(4.9%)	(7.3%)	(8.7%)	(4.3%)
Net profit	510	511	840	★ 1,104	195
(Percentage of sales)	(3.2%)	(3.1%)	(4.6%)	(5.6%)	(1.2%)
Net profit per share	31.77yen	31.80yen	52.28yen	68.74yen	-
Return on equity	2.8%	2.8%	4.5%	5.7%	-
(Dental business) Overseas sales ratio	25.8%	25.6%	27.0%	★ 29.4%	25.0%

Medium-term Management Plan by Segment (Sales and Operating Profits)

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



Unit: Millions of yen, %

	Fiscal March 2012 (Results)		Mid-Term Management Plan					
			Fiscal March 2013		Fiscal March 2014		Fiscal March 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Dental business	14,329	89.6	14,932	89.5	16,343	90.0	17,673	90.4
Nail care business	1,575	9.9	1,661	10.0	1,710	9.4	1,755	9.0
Other businesses	85	0.5	83	0.5	100	0.6	120	0.6
Sales	15,990	100.0	16,677	100.0	18,153	100.0	19,548	100.0

reference)

Fiscal March 2013 (Forecast)	
Amount	%
14,305	89.1
1,667	10.4
84	0.5
16,058	100.0

Dental business	1,032	7.2	935	6.3	1,441	8.8	1,811	10.3
Nail care business	-63	-4.0	-9	-0.6	3	0.2	13	0.8
Other businesses	24	28.9	22	27.1	23	24.0	31	26.3
Operating profit	994	6.2	949	5.7	1,468	8.1	1,856	9.5

-	-
-	-
-	-
-	-

Medium-term Management Plan

Capital Expenditures, Depreciation Costs, R&D Expenses

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



Unit: Millions of yen
reference)

	Fiscal March 2012 (Results)	Mid-Term Management Plan			Fiscal March 2013 (Forecast)
		Fiscal March 2013	Fiscal March 2014	Fiscal March 2015	
Capital expenditures	280	894	570	701	731
Depreciation costs	712	660	652	665	649
(of which goodwill amortization)	89	89	89	89	89
R&D expenses	1,185	1,391	1,487	1,615	1,378

✧ **Projects not included in the Medium-term Management Plan
(issues for future consideration):**

- Relocation of production bases
- Establishment of overseas production bases
- Establishment of overseas sales bases

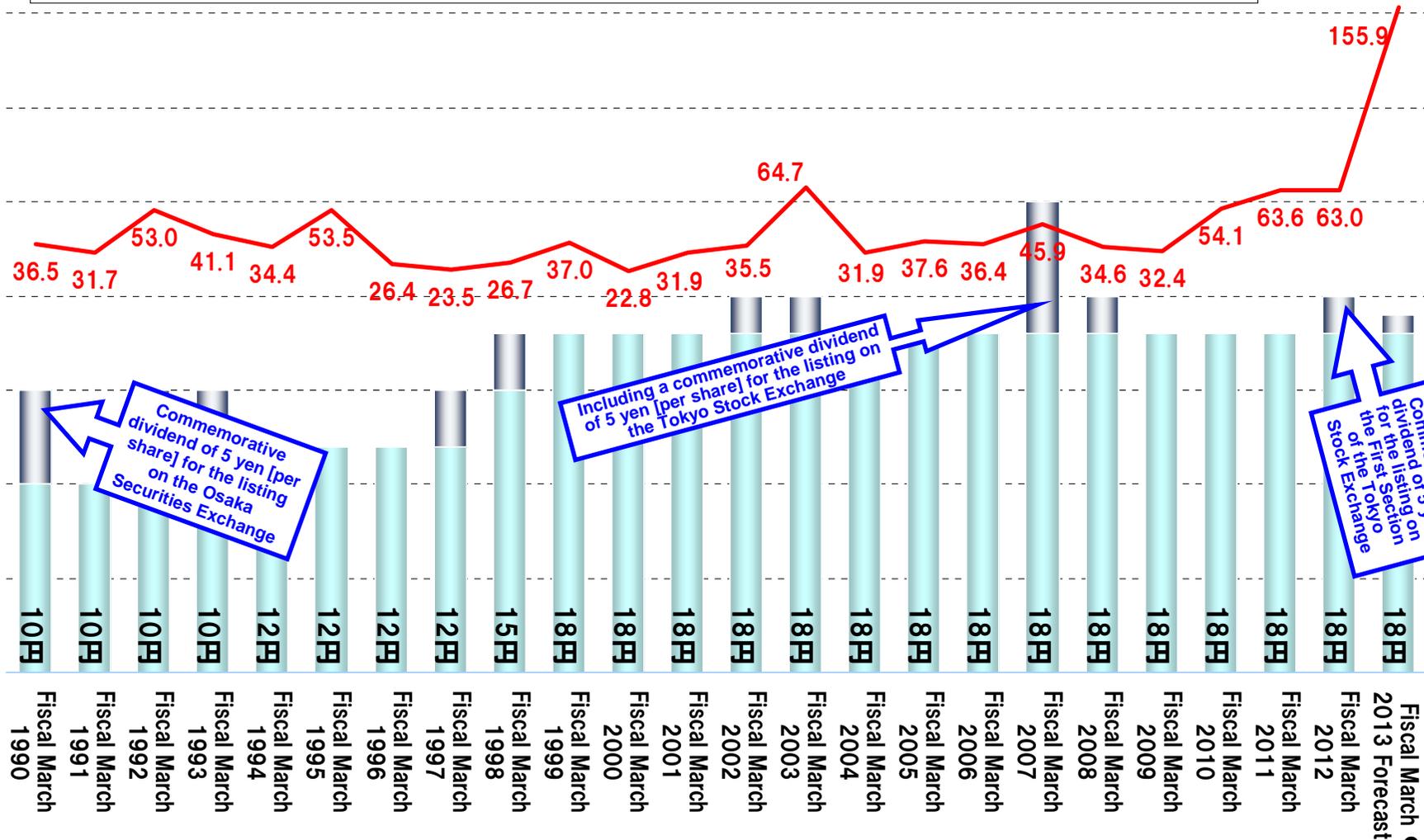
Dividend Policy

- Target dividend payout ratio: More than 30%
- Average consolidated dividend payout ratio since listing: 37.5%
(Weighted average from Fiscal March 1990 to March 2012)

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



■ Ordinary dividend ■ Commemorative dividend — Consolidated dividend payout ratio





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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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.**

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

Company Profile

⇒ Company and Business Profiles



(As of September 30, 2012)

■ Company name	SHOFU Inc.
■ Representative	Noriyuki Negoro, President and CEO
■ Address	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan
■ Date of establishment	May 15, 1922
■ Capital	4,474,646,614 yen
■ Listed exchanges	First Section of Tokyo Stock Exchange (date listed: March 29, 2012)
■ Number of employees	442 (entire group: 826, including 263 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.

Artificial teeth



Artificial tooth and implant materials

- Porcelain teeth, porcelain powder, resin teeth

Abrasives



Materials for removing diseased areas and polishing crowns

- Diamond abrasive
- Carborundum abrasive
- Silicon polisher
- Other carving and polishing materials
- Industrial grinding and polishing materials

Metal products



Materials for use as dental crowns and as the base for implants

- Alloys for casting, silver alloys
- Other metals

Chemical products



Materials for use in a variety of applications, including implants, diseased area fillings, gums for artificial teeth, etc.

- Synthetic resins
- Impression materials
- Waxes

Cements



Materials for use in the adhesion of implants, fillings, etc.

- Dental cements
- Dental stones and investments

Equipment and appliances



Equipment and appliances for dental treatment and procedures

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

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

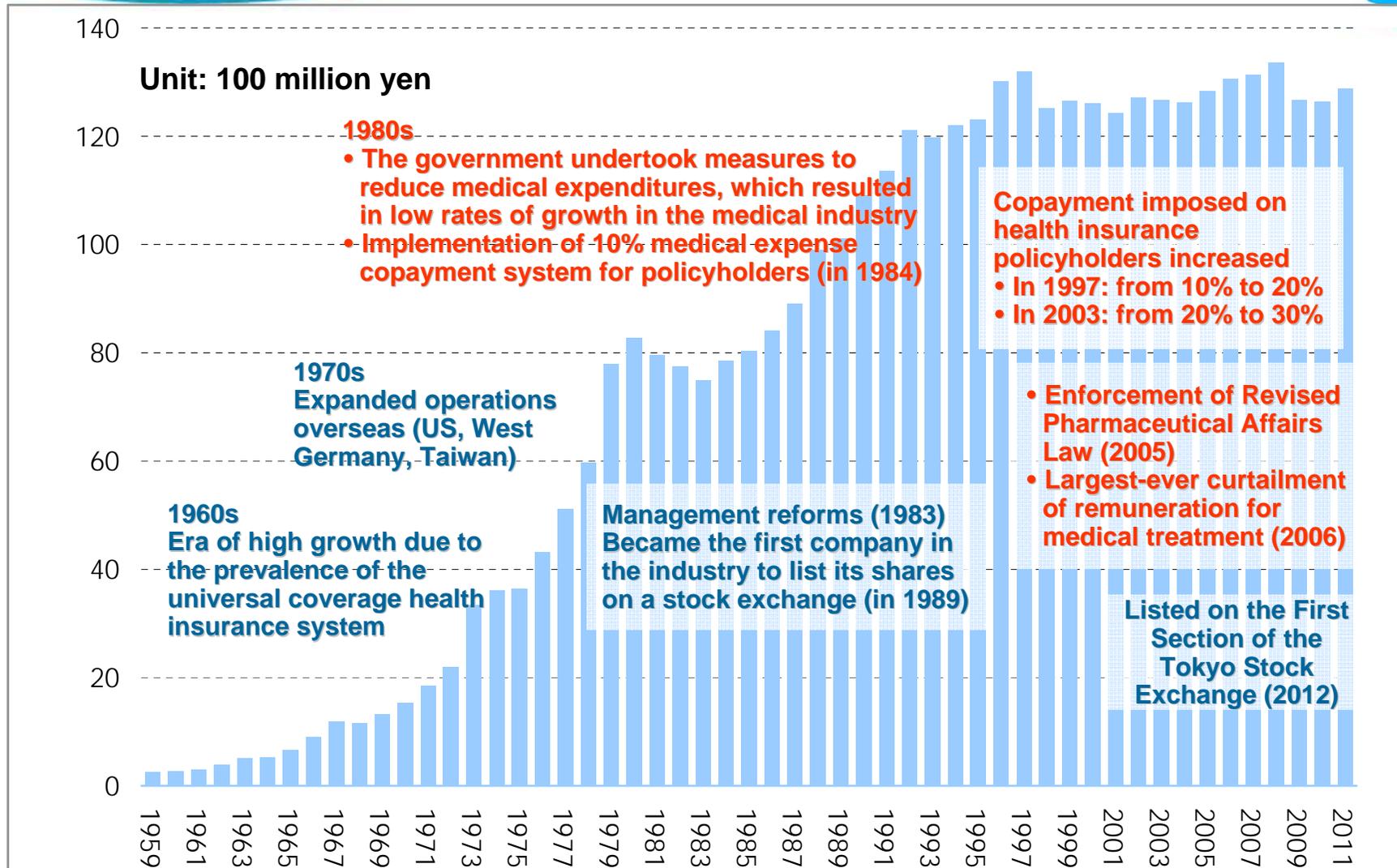
The company's products are designed for use in dental care and treatment.

Corporate History



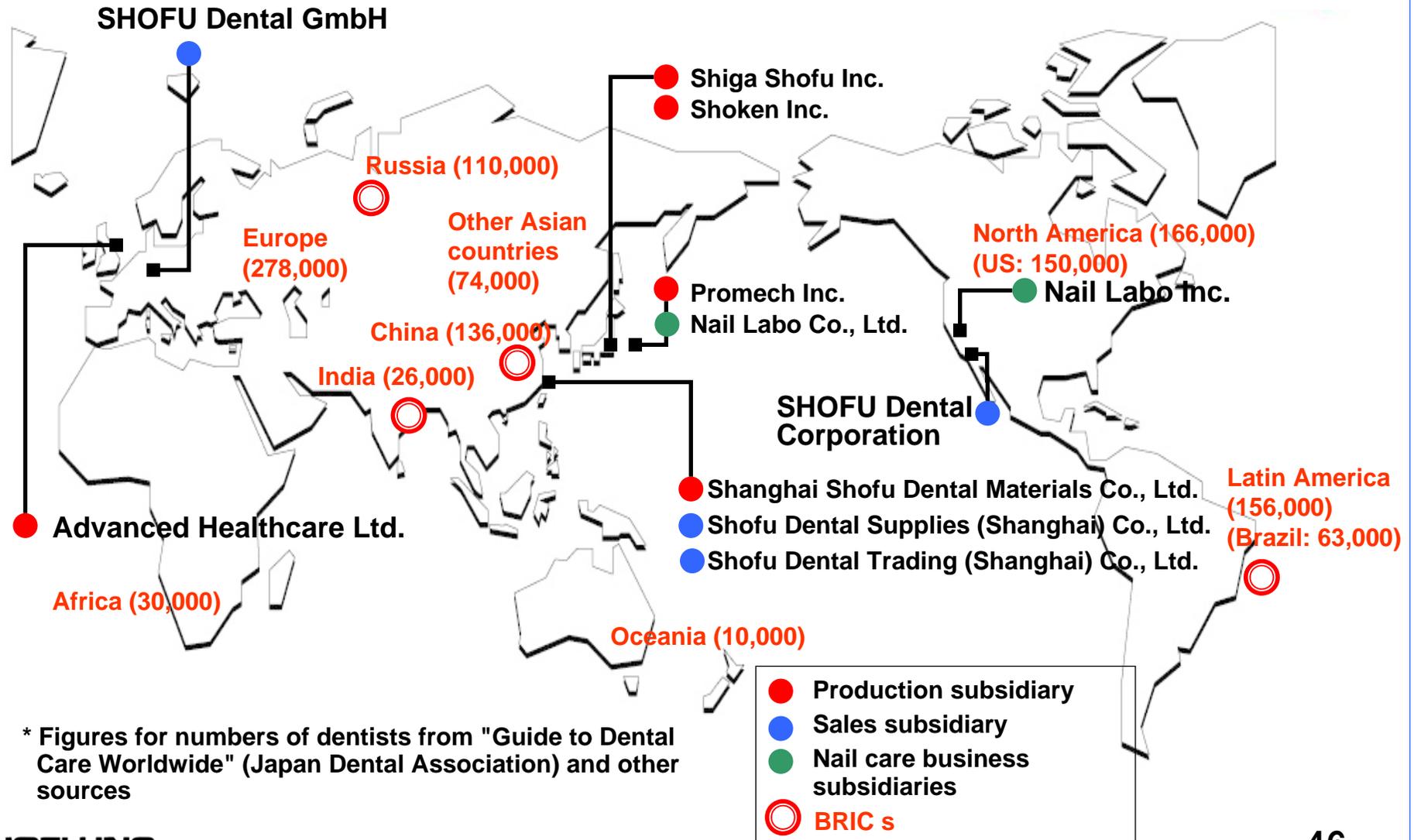
• 1922	Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
• 1963	Shofu shares listed on the over-the-counter market.
• 1971~1978	Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). Established 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). Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China.
• 2005	Acquired Shoken Inc. as a wholly owned subsidiary through a share exchange. Established Shofu Dental Supplies (Shanghai) Co., Ltd., a sales facility in China.
• 2006	Training Center designed to promote customers service completed (in August).
• 2007	Celebrated the company's 85th anniversary. Shofu's shares listed on the Second Section of the Tokyo Stock Exchange (in February).
• 2008	Acquired and turned Nail Labo Co., Ltd. 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.
• 2009	Reached basic agreement concerning business and capital partnership with Mitsui Chemicals, Inc., and Sunmedical Co., Ltd. Transferred 1.8 million shares of treasury stock to Mitsui Chemicals, Inc., through a third-party allocation.
• 2012	Celebrated the 90th anniversary of its founding. Listed on the First Section of the Tokyo Stock Exchange.

Corporate History - Sales



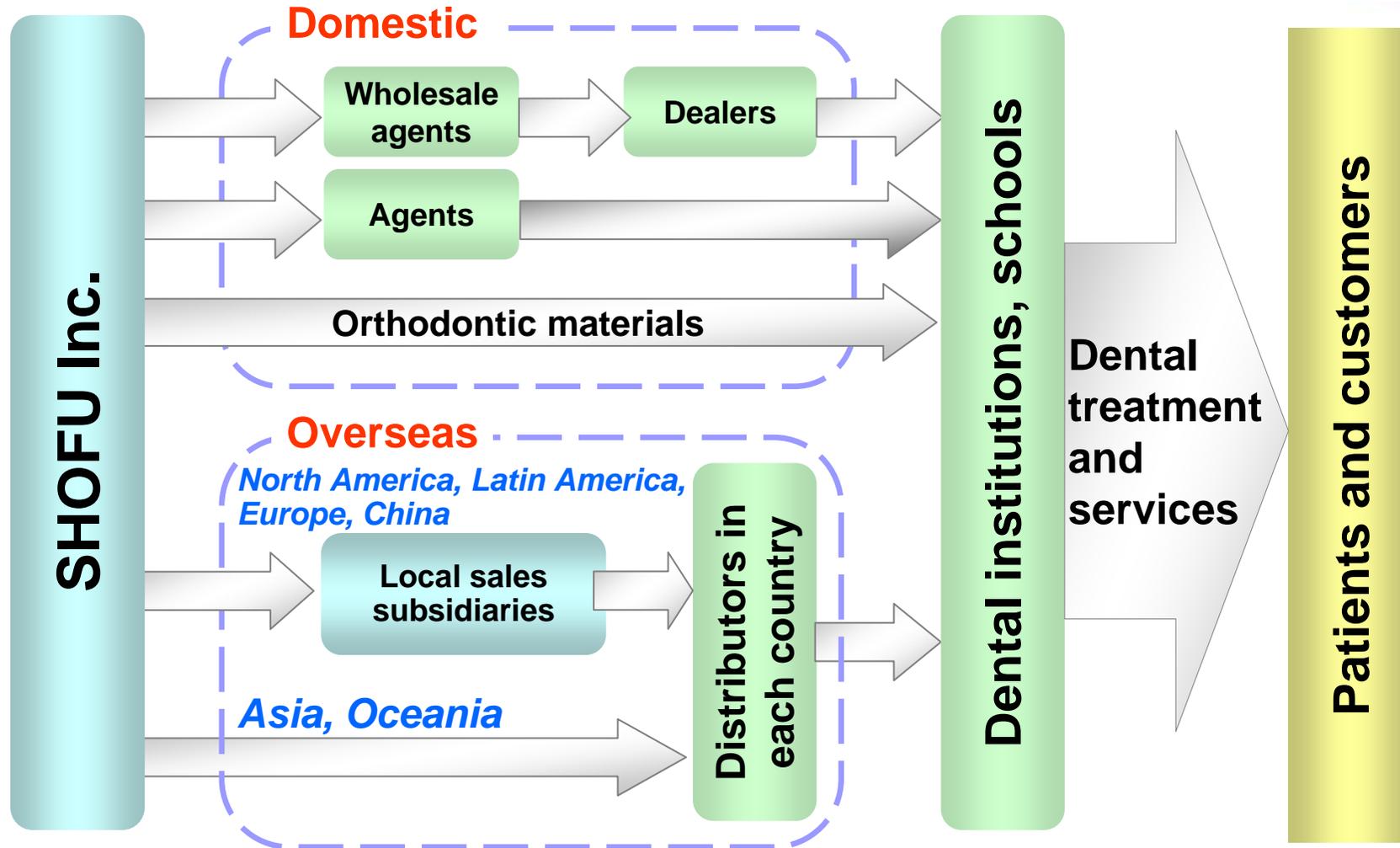
Group Profile and Number of Dentists Worldwide

Company and Business Profiles



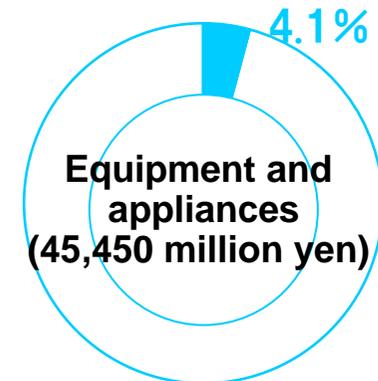
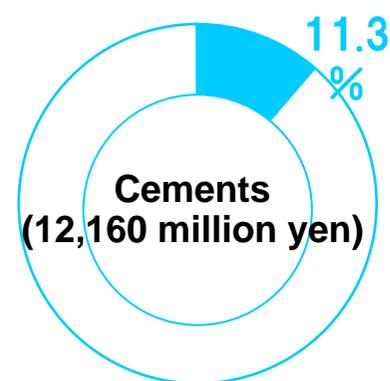
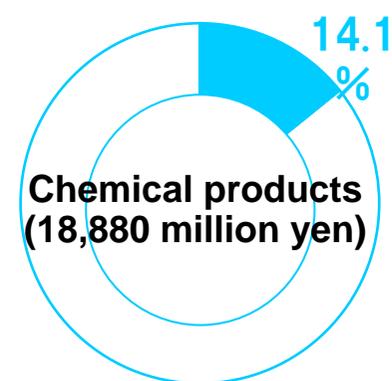
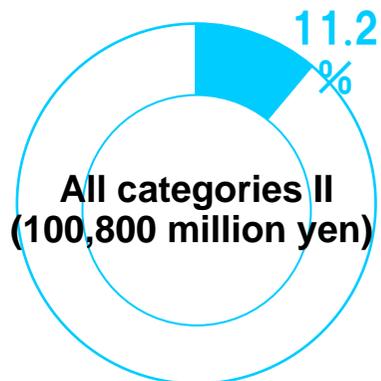
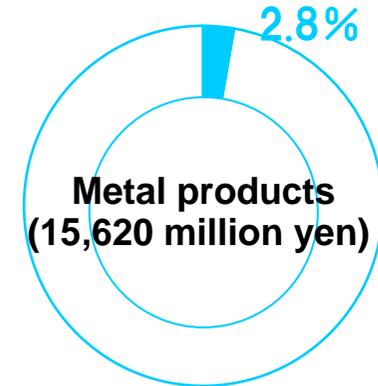
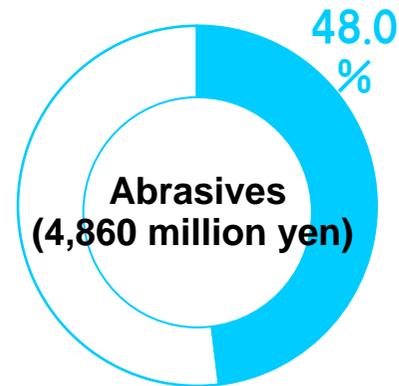
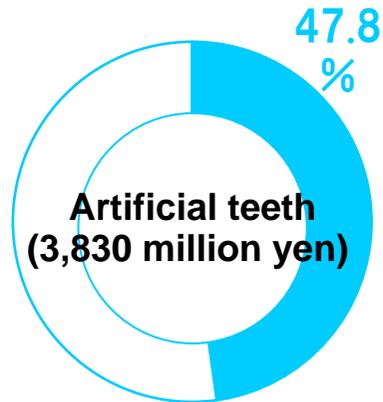
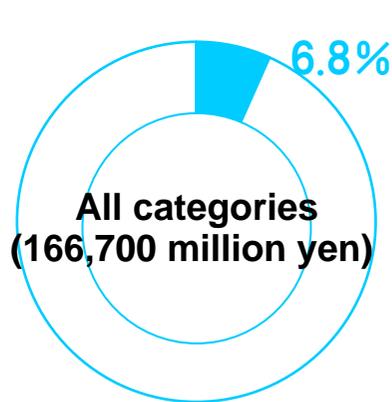
* Figures for numbers of dentists from "Guide to Dental Care Worldwide" (Japan Dental Association) and other sources

Sales Channels



Market share by product category

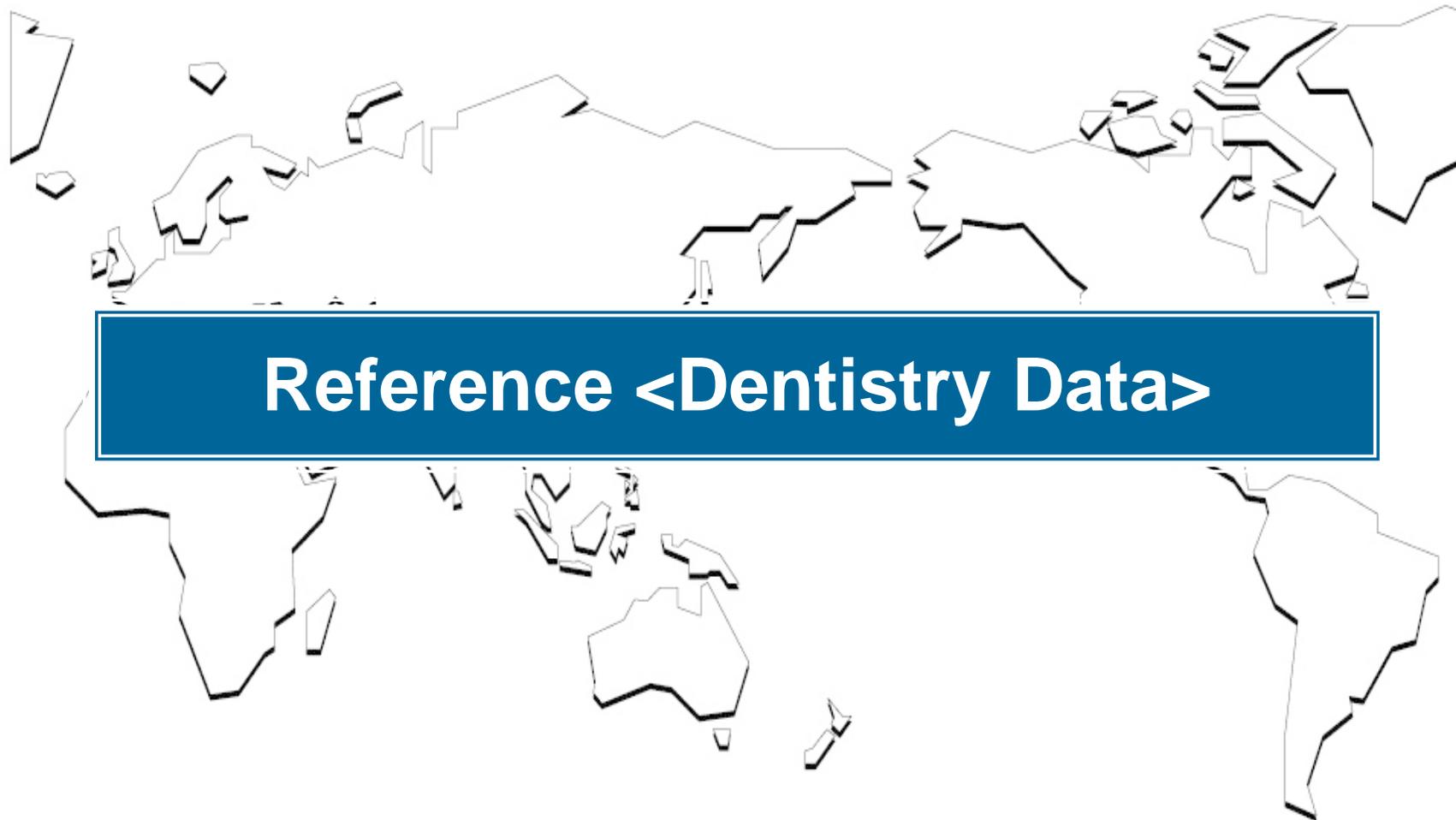
⇒ Company and Business Profiles



“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 2010)

Figures in parentheses represent market size. (Figures rounded down to the nearest ten million yen)



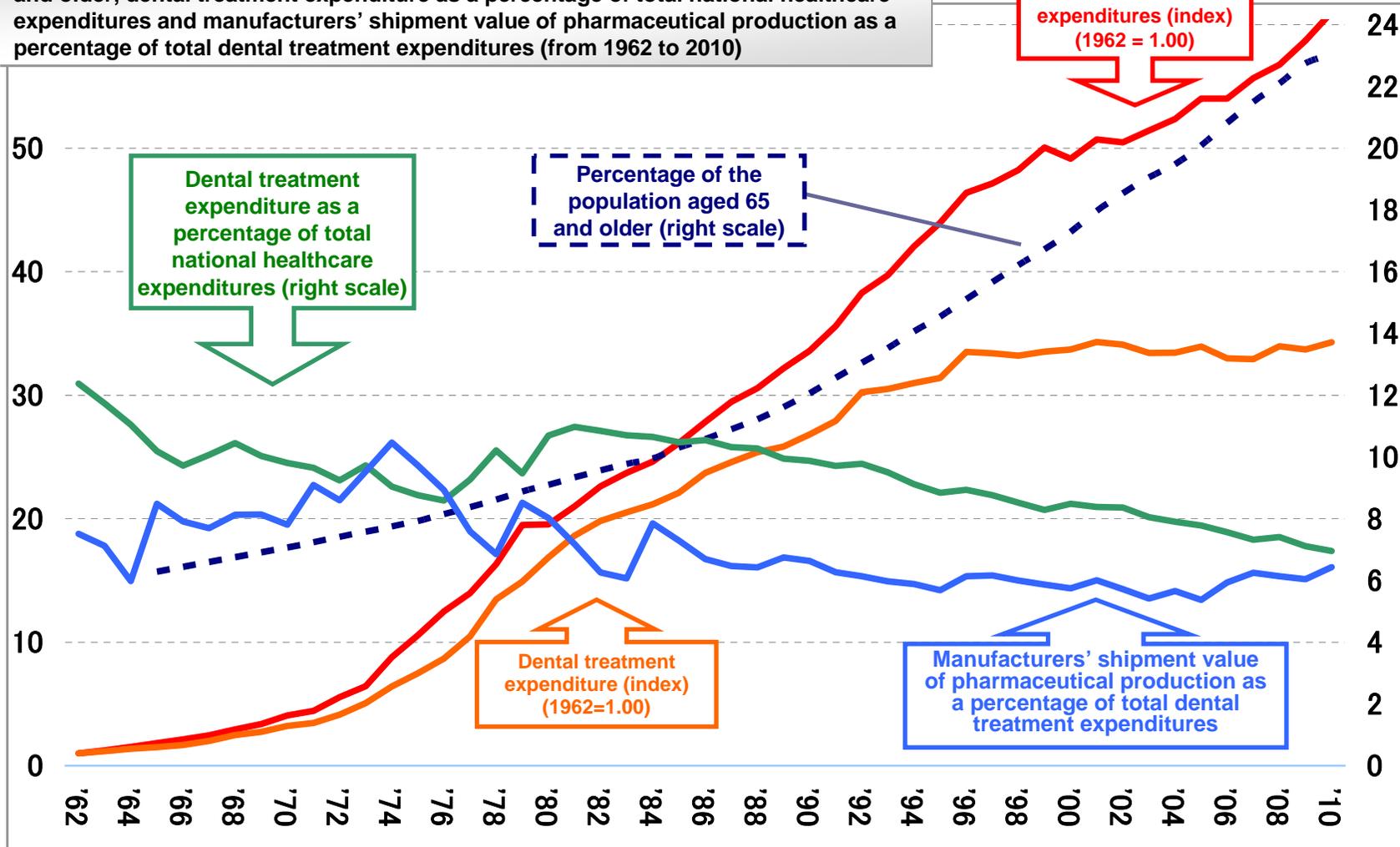
Reference <Dentistry Data>

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 2010)

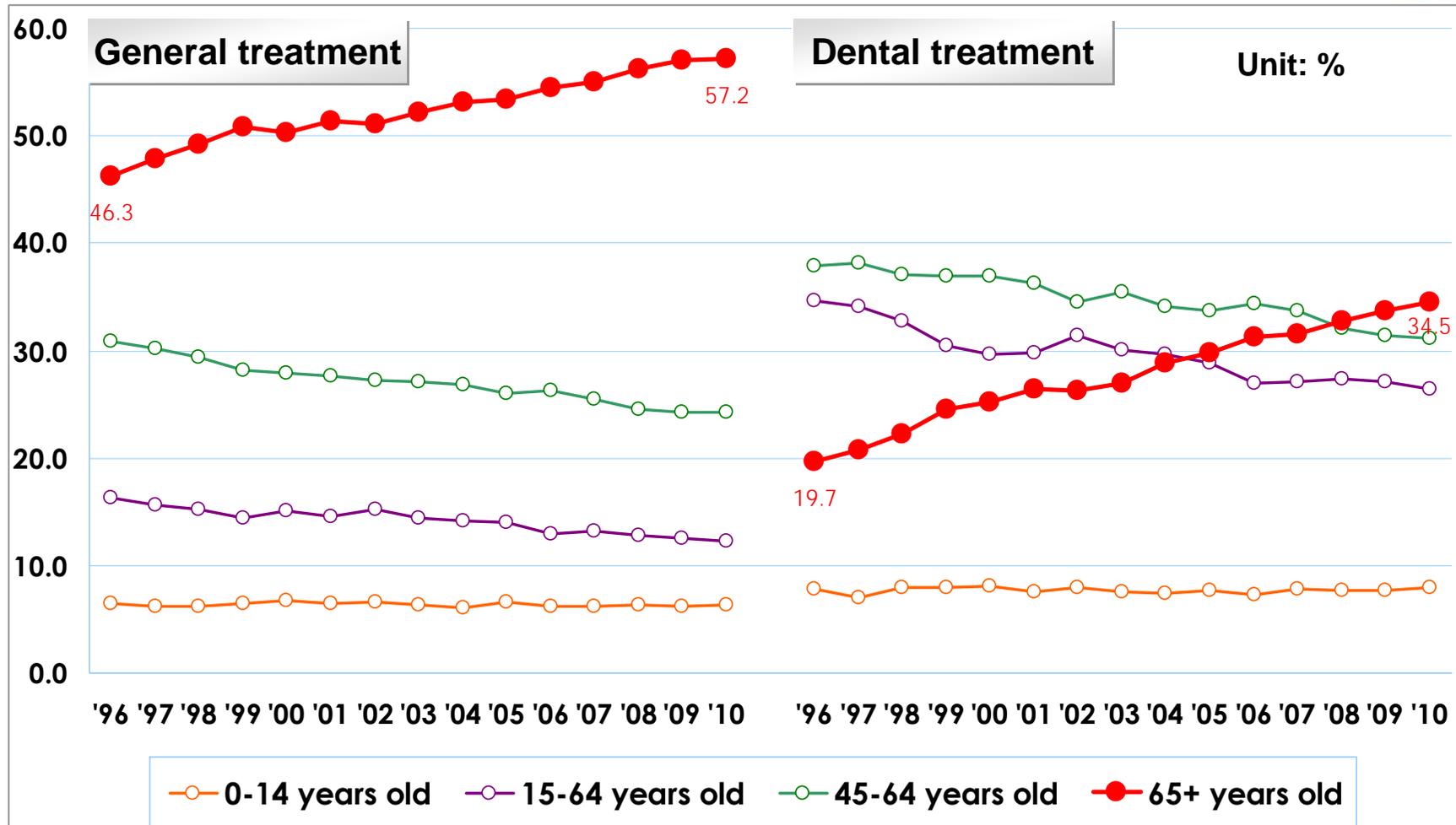


Healthcare Expenditures by Age Group (Component Ratio)

Reference <Dentistry Data>



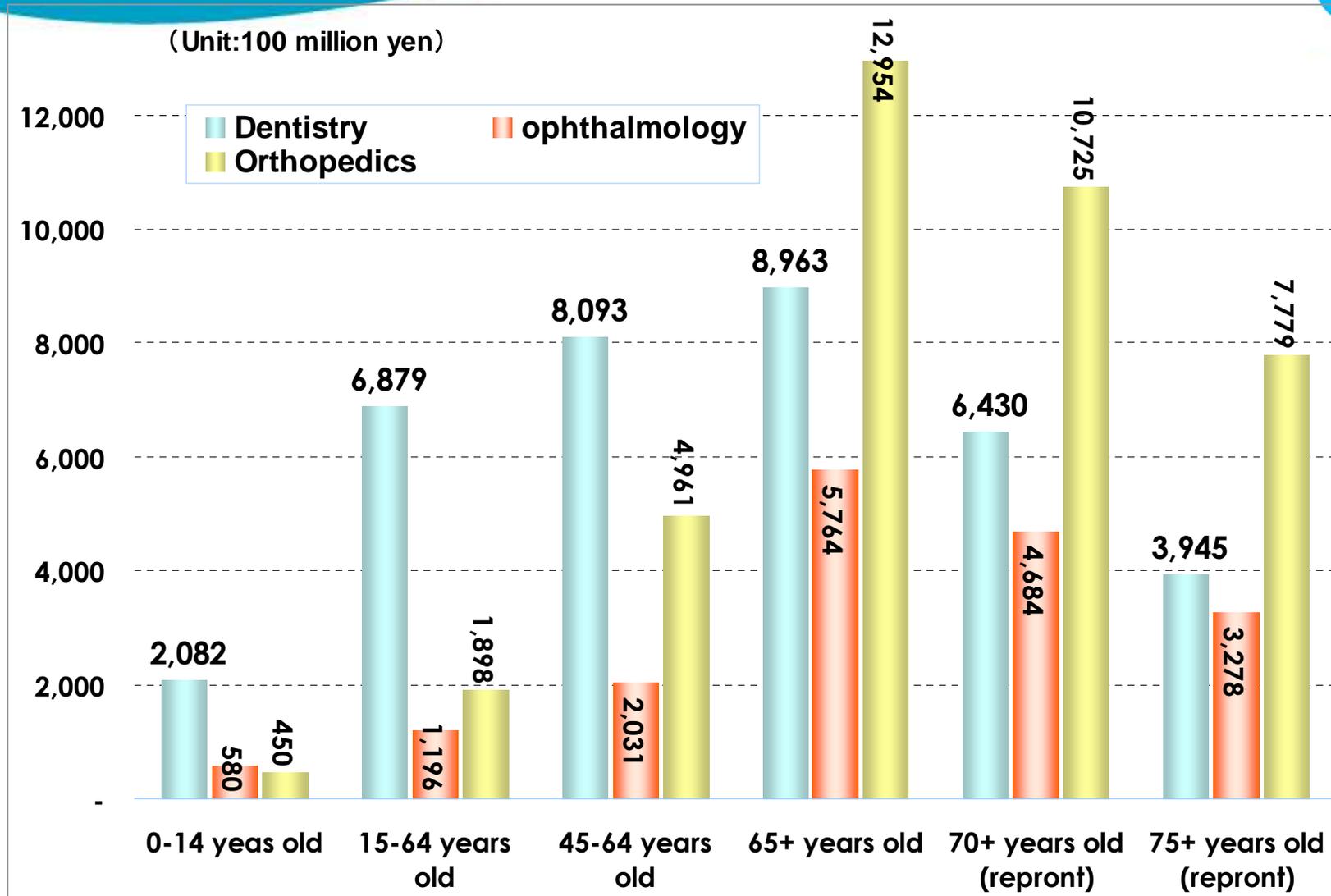
People aged 65 years and older tend to place less importance on dental treatment than general medical treatment.



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

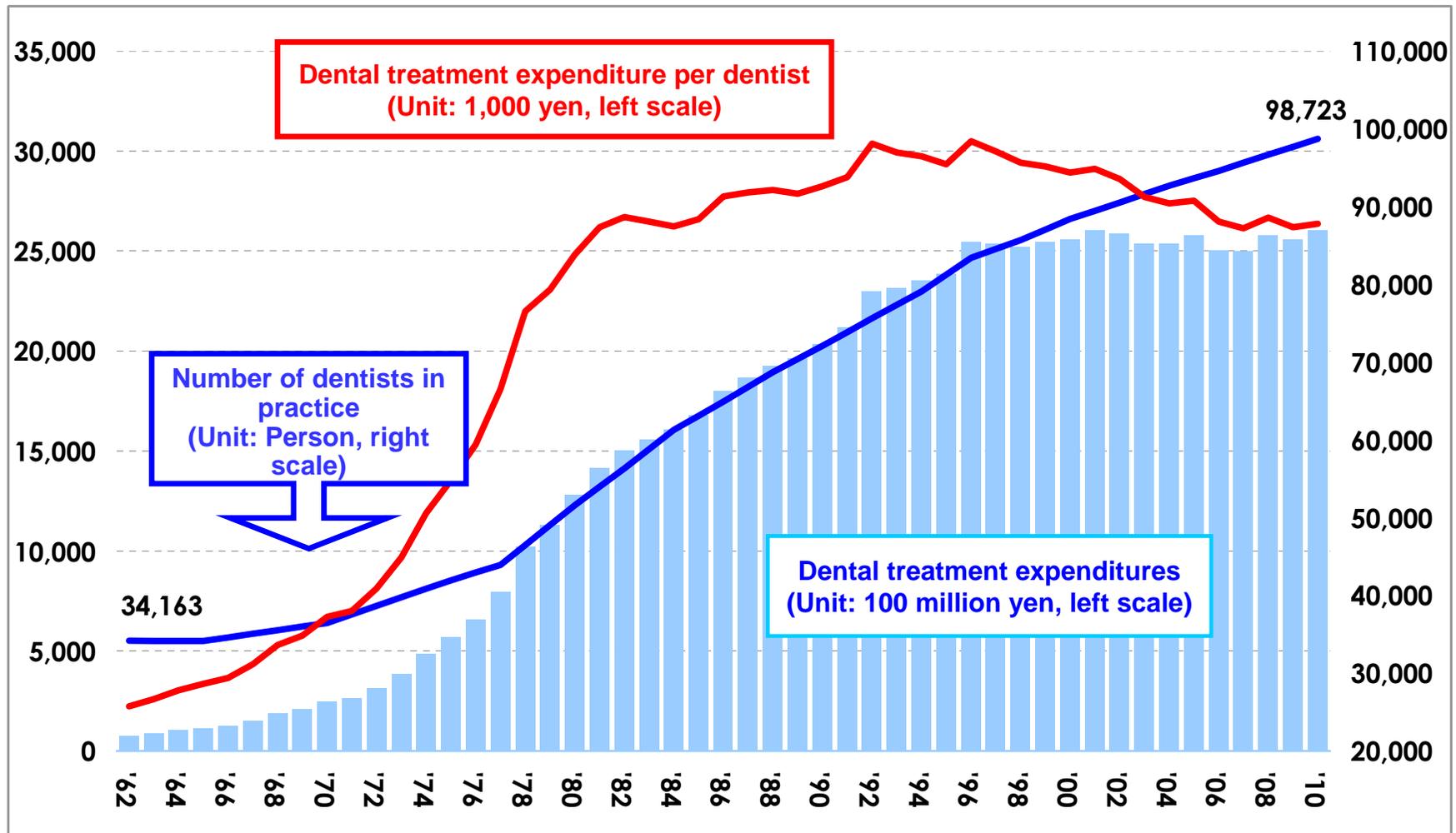
Comparison of Healthcare Expenditures by Age Group - Dentistry, Ophthalmology and Orthopedics

☞ Reference <Dentistry Data>



Trend of the Number of Dentists and Dental Treatment Expenditure

Reference <Dentistry Data>



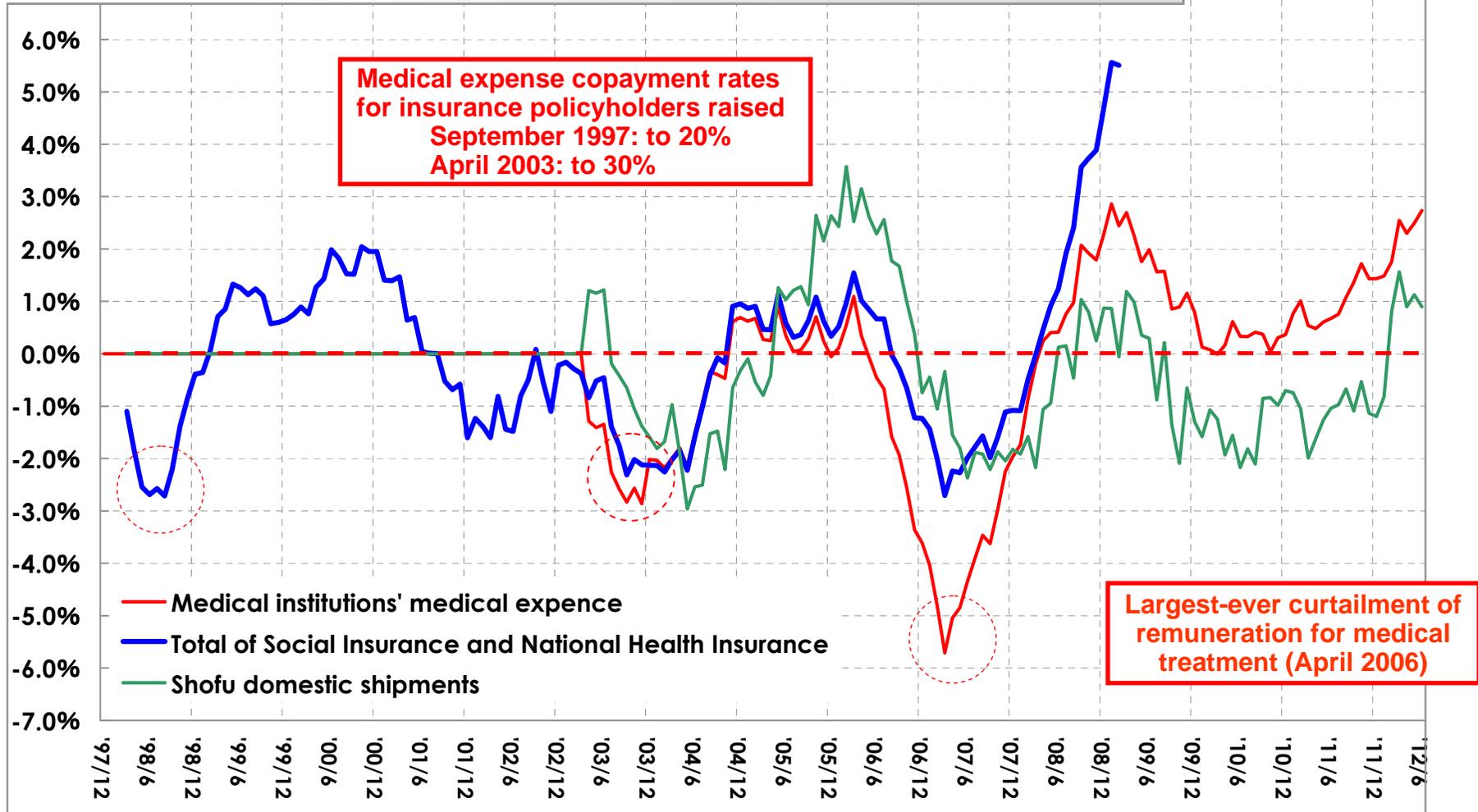
Prepared using yearly data from Summary of National Healthcare Expenditures, Survey on Doctors, Dentists and Pharmacists (Ministry of Health, Labour and Welfare)

Dental Treatment Expenditures

Reference <Dentistry Data>



Year-on-year comparison of amount paid by dental health insurance (deviation from 12-month moving average) from December 1997 to May 2012

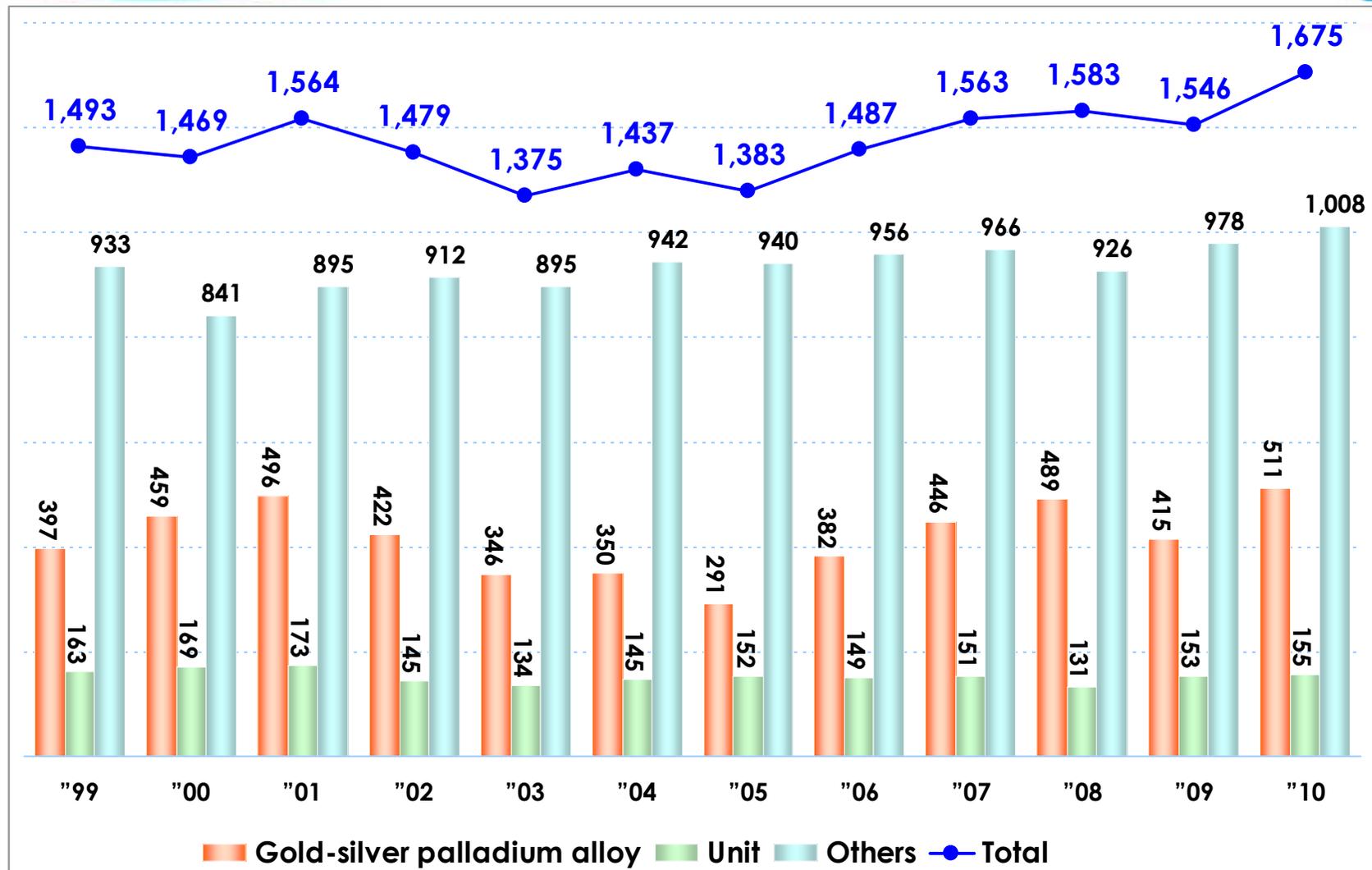


Trend of Shipment Value of Pharmaceutical Industry Production

☉ Reference <Dentistry Data>

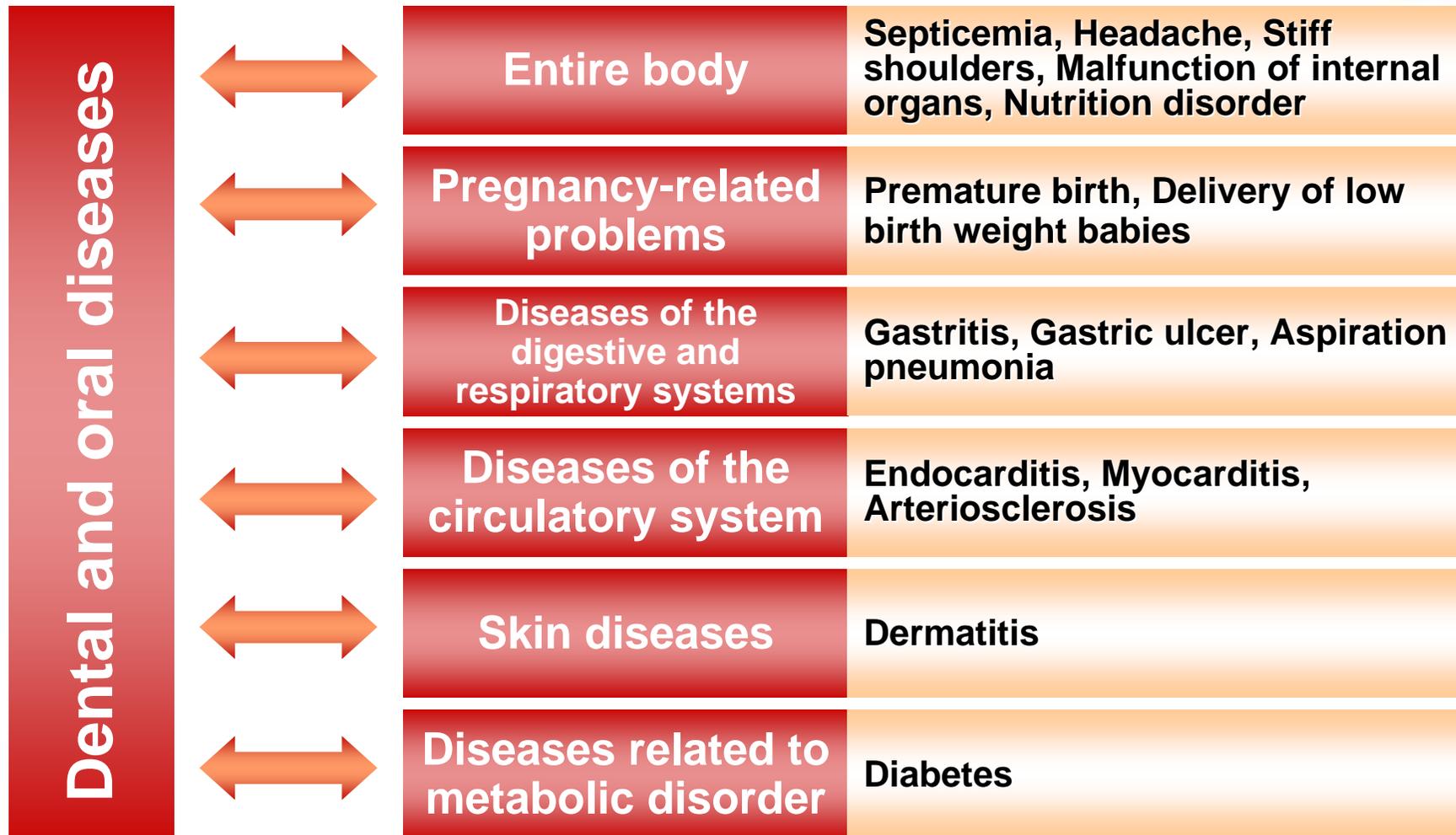


Shipment value, Unit: 100 million yen



Systemic Diseases Caused by Caries and Periodontal Disease

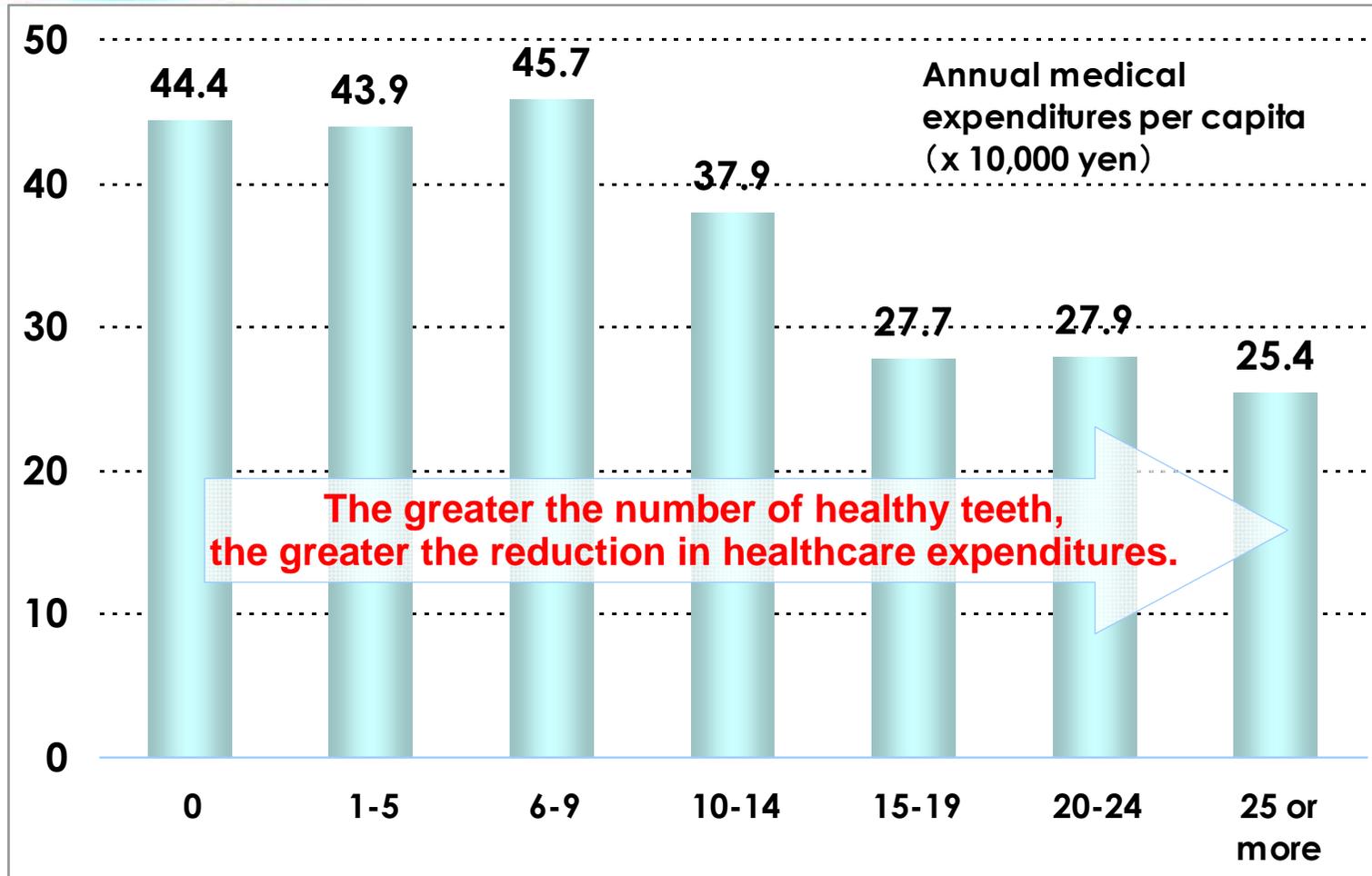
☞ Reference <Dentistry Data>



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

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

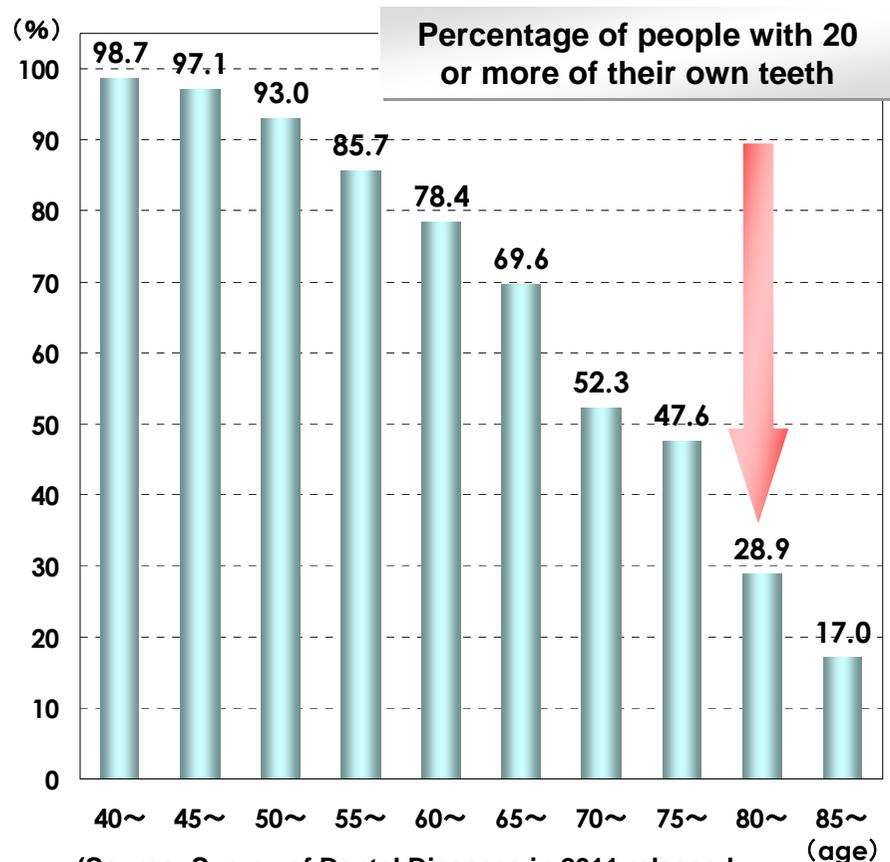
SHOFU INC. Subjects surveyed: 954 persons aged 80 living independently (392 men, 562 women)

The 8020 Movement and Changes in Dental Diseases

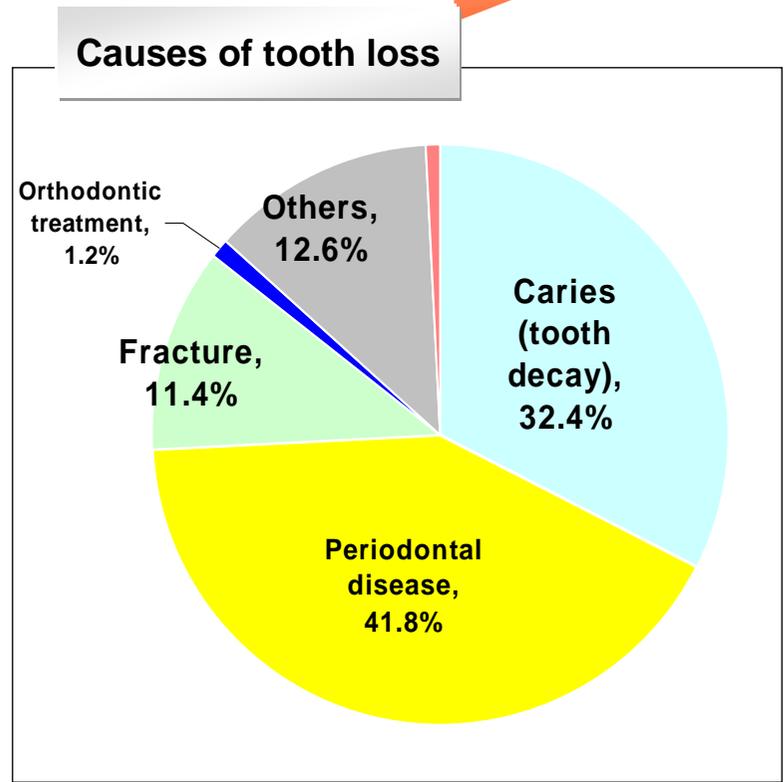
Reference <Dentistry Data>



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



(Source: Survey of Dental Diseases in 2011 released by the Ministry of Health, Labour and Welfare)



(Survey by the 8020 Promotion Foundation in 2005)

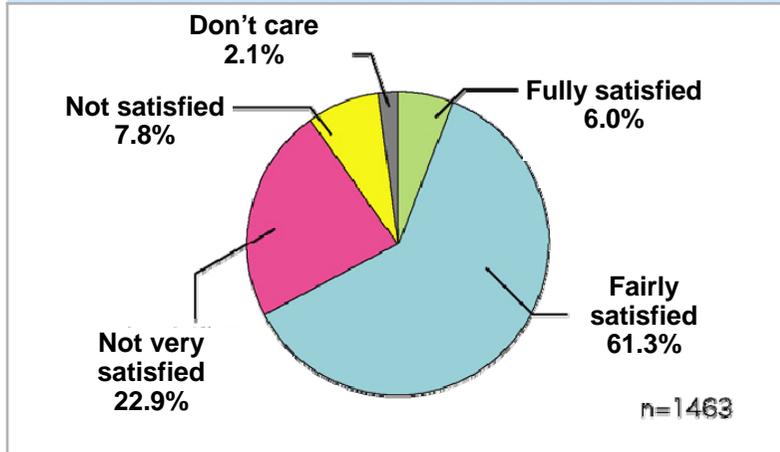
Perception of Dental and Oral Health

▷ Reference <Dentistry Data>

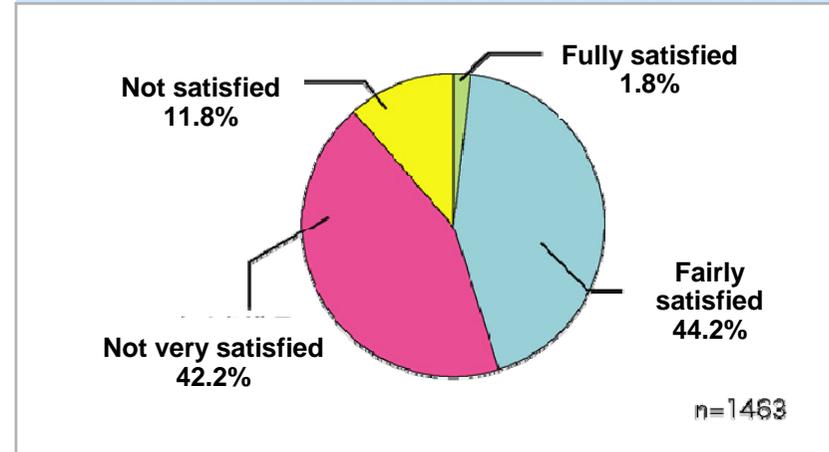


Source: Fiscal 2007's Dental Equipment Industry Vision (References)

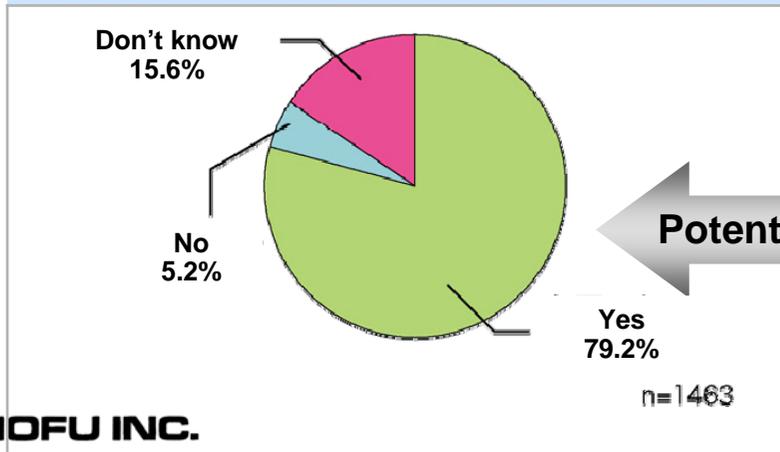
Are you satisfied with your physical health?



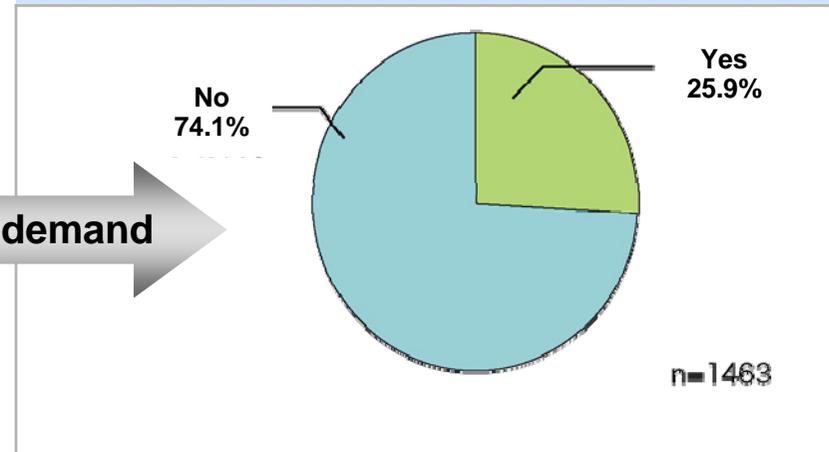
Are you satisfied with your oral health?



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

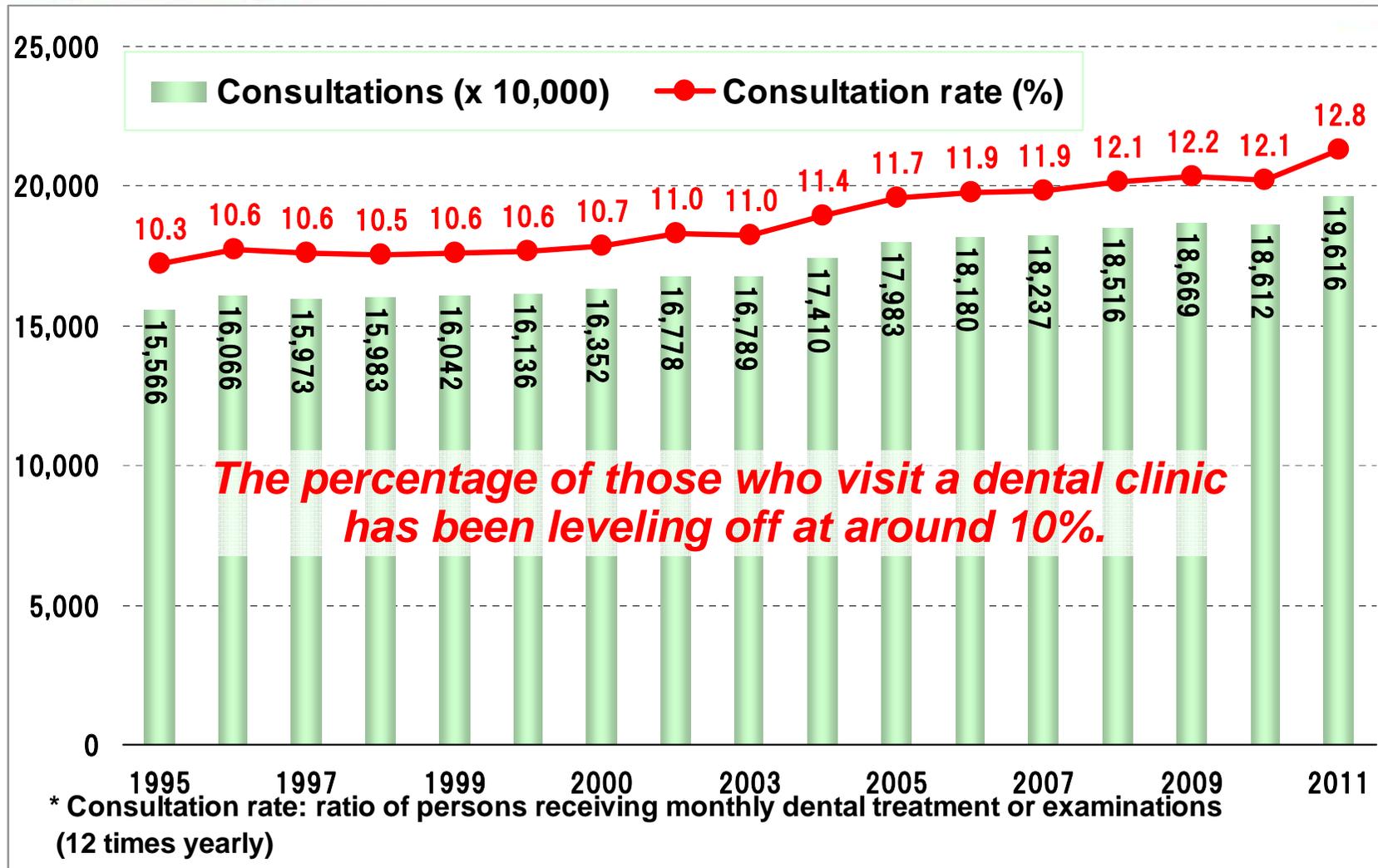


Do you actually receive regular dental care?



Dental Clinic Consultation Rates

Reference <Dentistry Data>



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.

Source:

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

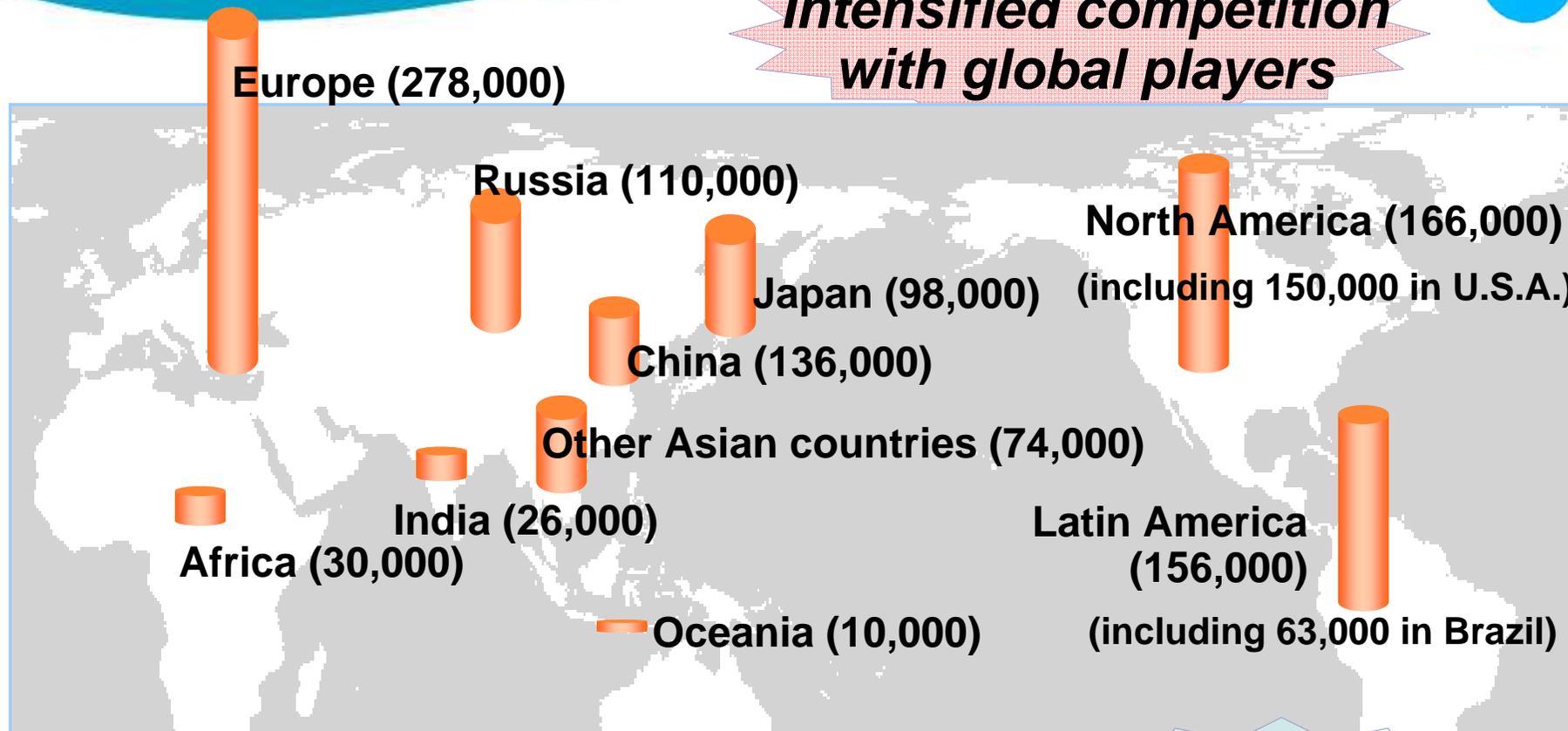
* Consulted an article titled "Reasons for the Success of the Canadian Dental Community" (DH Style, September 2007) by Ken Yaegaki DDS Ph.D., Professor and head of the Department of Oral Health, Nippon Dental

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 million
 Estimated market size:
 Approx. 2 trillion yen**