



**Fiscal Year Ending March 2014
(142th Business Year)**

**2nd Quarter Financial
Analyst Meeting**

November 21, 2013





Contents of Today's Presentation

- ➔ **Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014**
- ➔ **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014**
- ➔ **Future Business Environment and Medium- and Long-term Business Strategies**

Director/President Noriyuki Negoro



Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014

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, 2014



■ Positive factors ■ Negative factors

P/L

⇒ Sales totaled 8,639 million yen (an increase of 11.2%)

Domestic sales totaled 6,288 million yen (an increase of 5.0%)

■ New products in the *cements and others* and *equipment and others* segments introduced during the current and previous fiscal years contributed to sales in the dental business, which **rose 6.4%**.

■ Despite expectations that the market would continue to expand, sales in the nail care business **fell 4.6%** due to the effects of intensified price and quality competition.

Overseas sales totaled 2,350 million yen (an increase of 32.3%)

■ Overseas sales in the dental business **surged 27.9%** due to brisk activity in every region and the impact of favorable exchange-rate moves. Overseas sales in the nail care business **soared 162.0%** on exceptional performance, particularly in Asia.

⇒ Operating profits totaled 403 million yen

■ Despite an increase in sales, general, and administrative expenses (up 265 million yen) due to aggressive up-front investments in sales activities and other areas, operating profits **rose 238 million yen** on higher revenue.

⇒ Ordinary profits totaled 414 million yen, and current term net loss totaled 226 million yen

■ Thanks to improvement in non-operating profits due in part to favorable impacts from exchange-rate fluctuations, ordinary profits **rose 314 million yen**.

■ Current net profit exclusive of tax expenses **rose 364 million yen**.

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Summary of 2nd Quarter Business Performance

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014



Sales and profits increased compared to the previous period and the forecast.

Units: millions of yen, %

	Fiscal March 2013 (2Q Results) (% of sales)	Fiscal March 2014 (2Q Forecast) (% of sales)	Fiscal March 2014 (2Q Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	7,766 (100.0)	8,454 (100.0)	8,639 (100.0)	873 (11.2)	185 (2.2)
(Domestic sales)	5,989 (77.1)	6,327 (74.8)	6,288 (72.8)	299 (5.0)	Δ38 (Δ0.6)
(Overseas sales)	1,777 (22.9)	2,126 (25.2)	2,350 (27.2)	573 (32.3)	224 (10.6)
Operating profit	165 (2.1)	239 (2.8)	403 (4.7)	238 (144.1)	164 (68.6)
Ordinary profit	99 (1.3)	167 (2.0)	414 (4.8)	314 (314.6)	246 (147.6)
Net profit	Δ138 (Δ1.8)	61 (0.7)	226 (2.6)	364 (-)	164 (269.1)
Net profit per share	Δ8.59yen	3.85yen	14.19yen	22.79yen	10.35yen
Return on equity	Δ0.76%	-	1.20%	1.96P	-

* Diluted earnings per shares for fiscal March 2014 2Q results is 14.11 yen.

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Sales by Product Category (Comparison with Previous Period)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2014



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2013 (2Q Results)	Fiscal March 2014 (2Q Results)	Change from previous period		
				Domestic	Overseas
Artificial teeth	1,161	1,219	58 (5.0)	32	90
Abrasives	1,583	1,774	191 (12.1)	16	174
Metal products	170	162	7 (4.6)	7	△0
Chemical products	1,558	1,626	67 (4.3)	71	138
Cements and others	752	894	142 (19.0)	61	81
Equipment and others	1,669	2,030	361 (21.6)	367	6
Dental business total	6,895	7,708	812 (11.8)	333	478
Nail care business	829	889	59 (7.2)	35	95
Other	41	42	0 (1.5)	0	-
Total	7,766	8,639	873 (11.2)	299	573

* Overseas sales increased by 385 thousand yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi, S Dollar).

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Sales by Product Category (Comparison with Forecast)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2014



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2014 (2Q Forecast)	Fiscal March 2014 (2Q Results)	Cange from Forecast		
				Domestic	Overseas
Artificial teeth	1,263	1,219	43 (3.5)	35	8
Abrasives	1,639	1,774	134 (8.2)	6	141
Metal products	161	162	0 (0.5)	0	-
Chemical products	1,731	1,626	105 (6.1)	142	36
Cements and others	892	894	2 (0.2)	3	1
Equipment and others	1,823	2,030	207 (11.4)	230	23
Dental business total	7,512	7,708	195 (2.6)	50	145
Nail care business	898	889	8 (1.0)	88	79
Other	43	42	1 (2.8)	1	-
Total	8,454	8,639	185 (2.2)	38	224

* Overseas sales increased by 263 thousand yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi, S Dollar).

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

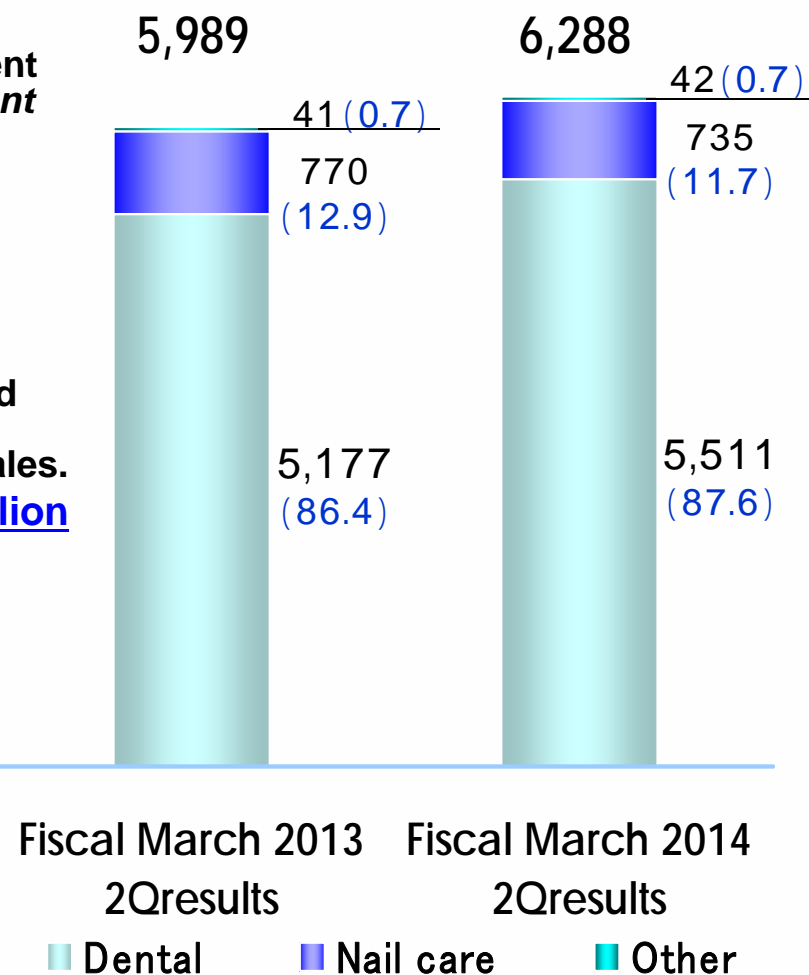
Domestic Sales



■ Positive factors ■ Negative factors

- **Dental business: Year-on-year increase of 333 million yen (6.4%)**
 - Sales rose briskly in the flagship abrasives segment as well as in the *cements and others* and *equipment and others* segments.
- **Nail care business: Year-on-year decrease of 35 million yen (4.6%)**
 - Intensifying price and quality competition led to a decline in sales to major customers.
 - Online sales rose.
 - A Nail Care Division was created at the Shofu Head Office as part of an effort to build an integrated system extending from product development to sales.
- **Other businesses: Year-on-year increase of 0.6 million yen (1.5%)**
- **Principal new products launched this period (dental business)**
 - **SOLIDEX HARDURA**, a light-curing crown and bridge Composit (chemical products)
 - **BeutiCem SA**, a fluoride releasing self-adhesive resin cement (cements)
 - **Eyespecial C-**, a smart digital camera designed exclusively for dentistry (equipment)

Unit: millions of yen



Overseas Sales



Positive factors Negative factors

■ **North America and Latin America: Year-on-year increase of 181 million yen (31.9%)**

■ In addition to the flagship abrasives segment, sales in the chemical products segment rose dramatically.

Local currency basis: **Year-on-year increase of 42 million yen (7.6%)**

■ **Europe: Year-on-year increase of 164 million yen (30.1%)**

■ A dramatic improvement in revenue thanks to favorable impacts from exchange-rate fluctuations augmented increased sales in the chemical products segment.

Local currency basis: **Year-on-year increase of 17 million yen (3.2%)**

■ **Asia and Oceania: Year-on-year increase of 227 million yen (34.5%)**

■ Brisk sales in the artificial teeth segment in China combined with robust performance in the artificial teeth and cements and others segments in other Asian markets as well as favorable impacts from exchange-rate fluctuations to drive a significant increase in sales.

China: **Year-on-year increase of 49 million yen (17.0%)**

Elsewhere in Asia: **Year-on-year increase of 177 million yen (48.6%)**

■ **(Dental business) Overseas sales ratio 28.5%**

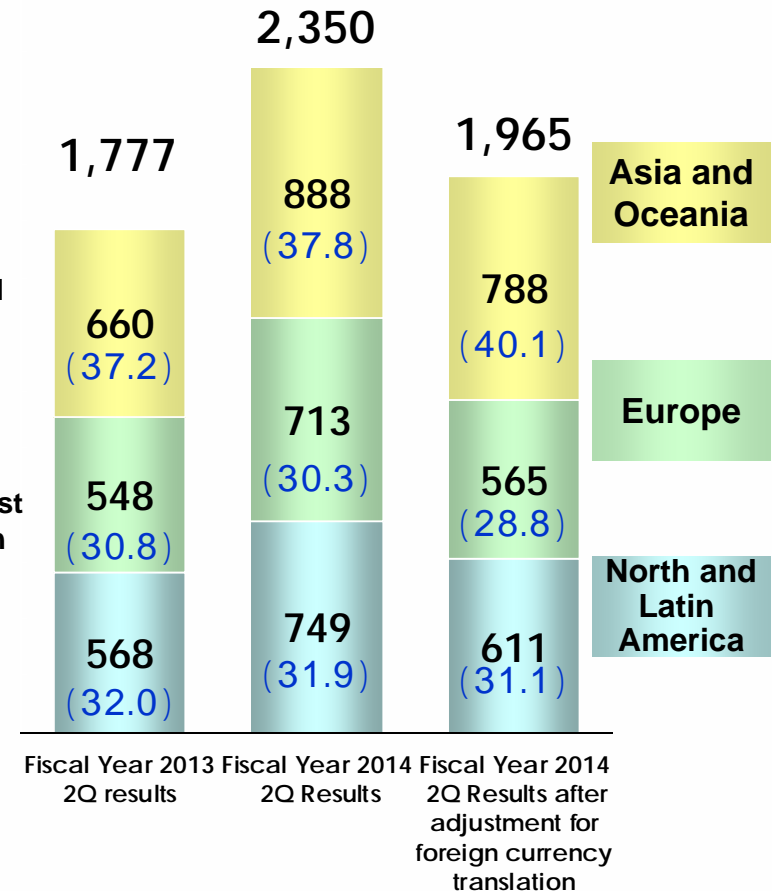
(24.9% in the same period last year)

(26.3% after adjustment for foreign currency translation)

*** The fiscal March 2014 results after adjustment for foreign currency translation were calculated based on the same foreign exchange rates used for the fiscal March 2013 results.**

*** Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)**

Unit: millions of yen



Performance by Segment (Sales and Operating Profits)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2014



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

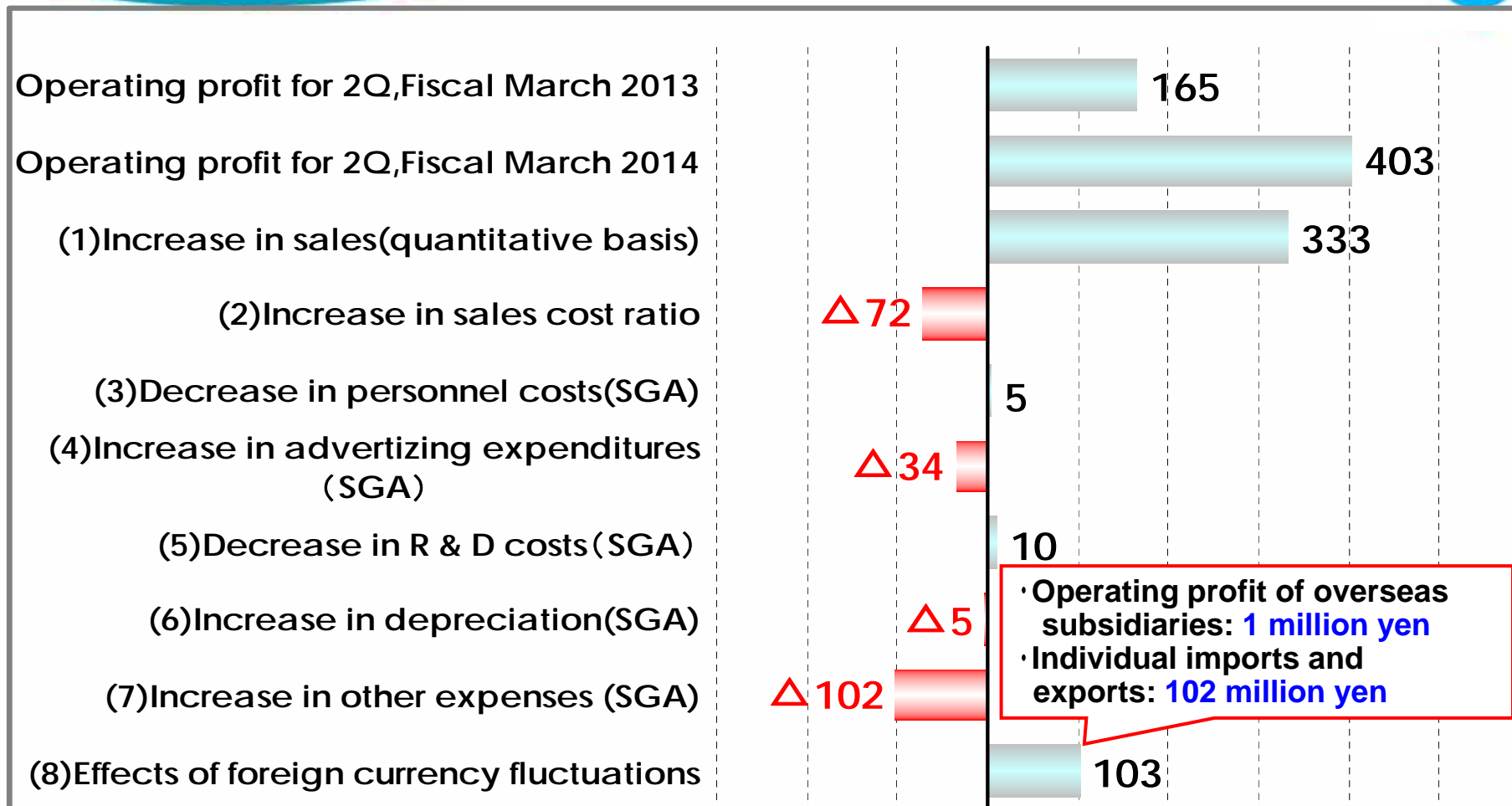
		Fiscal March 2013 (2Q Results) Amount (% of sales)	Fiscal March 2014 (2Q Forecast) Amount (% of sales)	Fiscal March 2014 (2Q Results) Amount (% of sales)	Change from Previous Period	Change from Forecast
Dental	Sales	6,895	7,512	7,708	812	195
	Operating expenses	6,699	7,350	7,335	635	△15
	Operating profit (operating profit margin)	195 (2.8)	161 (2.2)	372 (4.8)	177	210
Nail care	Sales	829	898	889	59	△8
	Operating expenses	872	835	872	△0	36
	Operating profit (operating profit margin)	△42 (△5.1)	62 (7.0)	17 (2.0)	59	△45
Other	Sales	44	43	44	0	1
	Operating expenses	33	28	29	△3	0
	Operating profit (operating profit margin)	11 (25.4)	14 (33.6)	15 (34.1)	3	0
Total before consolidation adjustment	Sales	7,769	8,454	8,642	872	188
	Operating expenses	7,605	8,214	8,236	631	21
	Operating profit (operating profit margin)	164 (2.1)	239 (2.8)	405 (4.7)	240	166
Consolidated	Sales	7,766	8,454	8,639	873	185
	Operating expenses	7,601	8,214	8,236	635	21
	Operating profit (operating profit margin)	165 (2.1)	239 (2.8)	403 (4.7)	238	164

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Contributors to Change in Operating Profit



Unit: millions of yen



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

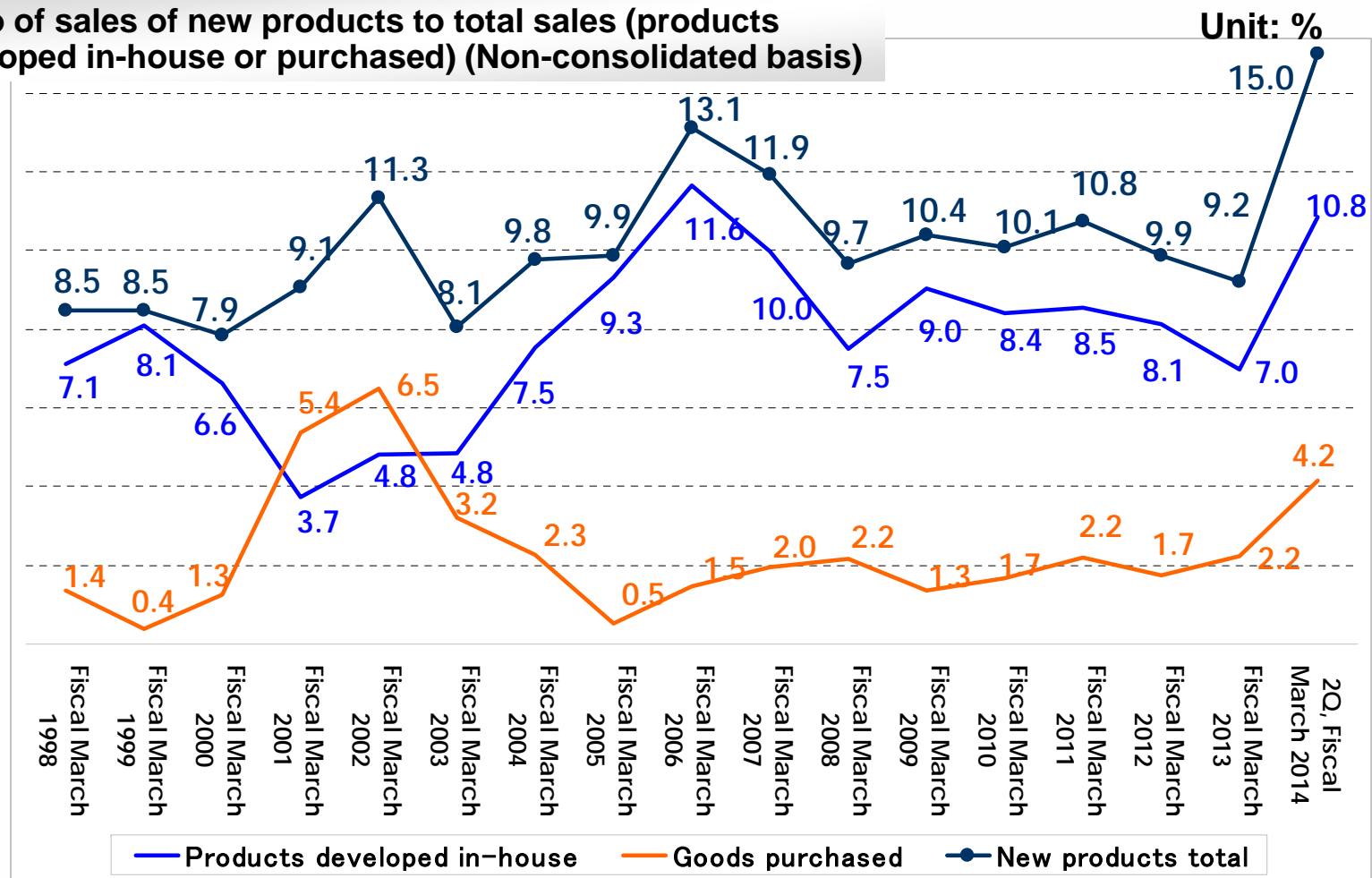
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Sales Trends for New Products

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014



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

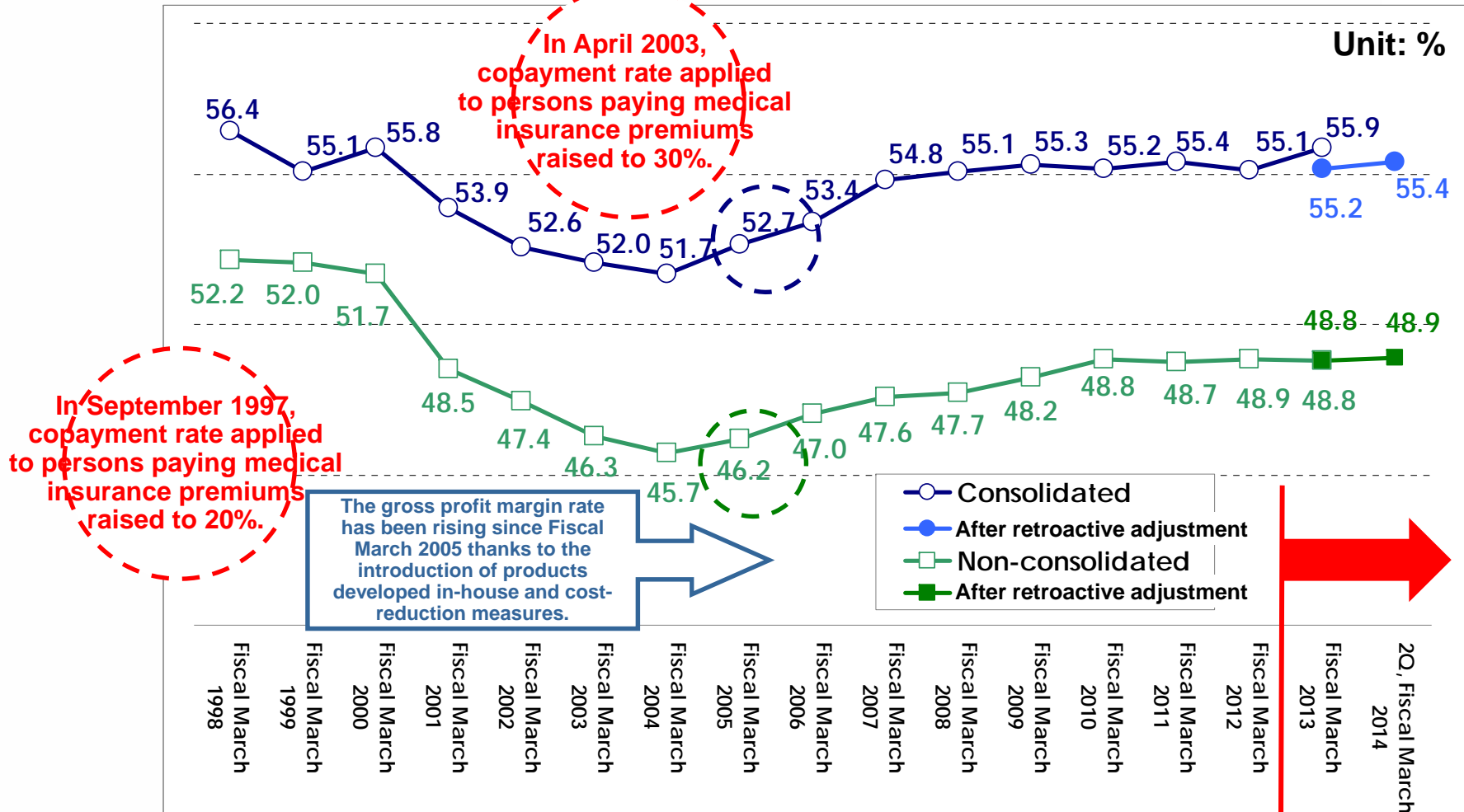


*** Major goods purchased: Johnson & Johnson products, EMS ultrasonic scalers and root canal treatment equipment (reamers/files)**

*** Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)**

Gross Profit Margin Rates

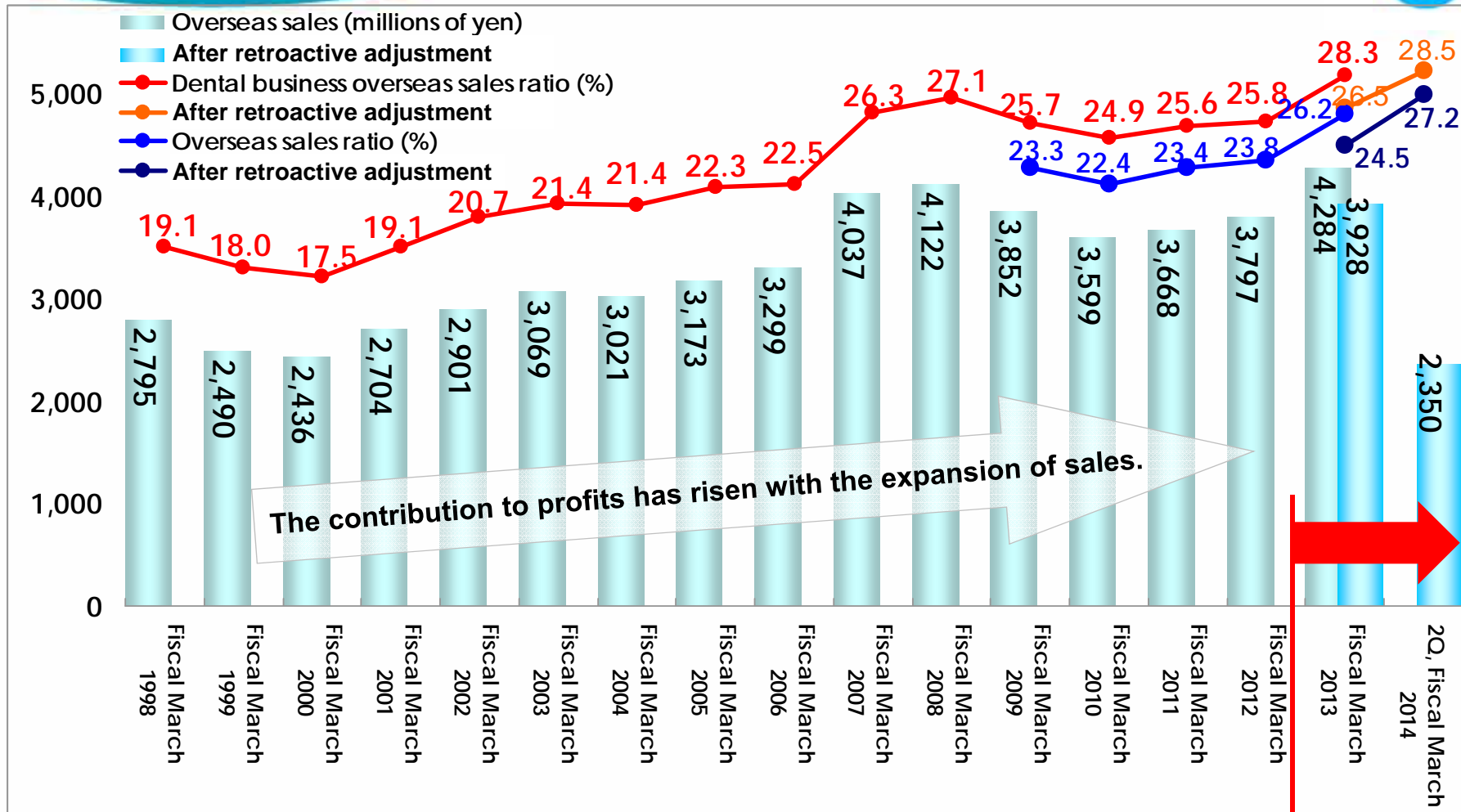
Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014



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Overseas Sales and Overseas Sales Ratios

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014



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

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Financial Condition: Major Balance Sheet Accounts

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2014



Unit: millions of yen

	Fiscal March 2013	2Q,Fiscal March 2014	Change	Major contributors to changes, special notes
Cash and deposits	5,511	5,148	△362	Increase merchandise of 816 million yen, decrease finished goods of 102 million yen
Notes and bills receivable, trade accounts receivable	2,649	2,538	△110	
Inventory	3,694	4,484	789	
Securities, investment securities	3,528	3,712	184	
Others	7,433	7,610	176	
Assets	22,817	23,494	677	
Long-term and short-term borrowings	980	975	△5	Increase income taxes payable of 142 million yen
Reserve for retirement benefits and directors' retirement benefits	120	116	△3	
Others	3,054	3,193	139	
Liabilities	4,154	4,284	130	
Net worth	18,662	19,209	547	Increase valuation difference on available- for-sale securities of 237 million yen, Increase foreign currency translation adjustment of 248 million yen
Total liabilities and net worth	22,817	23,494	677	
Capital adequacy ratio	81.6%	81.6%	0.0P	
Net worth per share	1,169yen	1,202yen	33yen	

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

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014



Unit: millions of yen

	Fiscal March 2013 (2Q Results)	Fiscal March 2014 (2Q Forecast)	Fiscal March 2014 (2Q Results)	Fiscal March 2013 (Fiscal Year Results)	Fiscal March 2014 (Fiscal Year Forecast)
Capital expenditures	297	547	346	1,208	1,456
Depreciation costs (of which goodwill amortization)	264 44	348 0	302 0	659 89	691 0
R&D expenses	660	797	649	1,219	1,500
Foreign exchange rates					
US dollar	79.43	85.00	97.99	83.23	97.99
Euro	101.12	110.00	128.79	107.57	128.79
Pound sterling	125.85	135.00	151.33	131.36	151.33
Renminbi	12.59	13.50	15.29	12.69	15.29
S dollar	63.21	68.00	77.93	66.93	77.93

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)



Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014

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, 2014



We have revised our initial forecast (which was announced on May 13, 2013) to better reflect recent business performance trends.

■ Positive factors ■ Negative factors

P/L

➡ Sales totaled 17,694 million yen (an increase of 10.4%).

Domestic sales totaled 12,710 million yen (an increase of 5.0%).

- The company expects sales in the dental business to **rise 5.9%** as expanded sales of new products, particularly in the *equipment and others* and chemical products segments, complement an intensified program of direct sales activities targeting dental professionals.
- The company expects sales in the nail care business to **fall 1.3%** as efforts to boost competitiveness by launching an integrated system extending from product development to sales fail to fully offset losses posted during the year's second quarter.

Overseas sales totaled 4,983 million yen (an increase of 26.9%).

- The company expects sales to rise in every region, including North America, South and Central America, Europe, and Asia and Oceania, combining with favorable impacts from exchange-rate fluctuations (**677 million yen**) to **drive up** overall sales **26.9%**.

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

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014



■ Positive factors ■ Negative factors

P/L

⇒ Operating profits totaled 725 million yen (a decrease of 0.0%).

■ Despite higher sales, the company expects operating profits on par with those for the previous fiscal year at 725 million yen due to increases in sales, general, and administrative expenses (up 905 million yen) triggered by an ongoing program of aggressive up-front investment designed to lay the groundwork for future growth, for example by introducing CAD/CAM in dental fabrication.

⇒ Ordinary profits totaled 661 million yen (a decrease of 9.7%).
Current term net profit totaled 383 million yen (an increase of 1,947.6%).

■ ■ Despite an anticipated **decline** in ordinary profits of **9.7%** due to deterioration in non-operating profits reflecting factors such as a decline in foreign-exchange gains, the company expects current net profit to **rise 1,947.6%** as impairment losses on goodwill in the nail care business booked during the previous fiscal year no longer affect its bottom line.

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(Full-year Outlook)

Comparison of Major Statistics

Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2014



⇒ Sales and profits increased compared to fiscal March 2013

Units: millions of yen, %

	Fiscal March 2013 Results (% of sales)	Fiscal March 2014 Forecast		Year-on-year Change (% change)	Year-on-year Change (% change)
		2Q Results (% of sales)	Yearly Forecast (% of sales)		
Sales	16,028 (100.0)	8,639 (100.0)	17,694 (100.0)	525 (3.1)	1,666 (10.4)
(Domestic sales)	12,100 (75.5)	6,288 (72.8)	12,710 (71.8)	3 (0.0)	610 (5.0)
(Overseas sales)	3,928 (24.5)	2,350 (27.2)	4,983 (28.2)	522 (11.7)	1,055 (26.9)
Operating profit	725 (4.5)	403 (4.7)	725 (4.1)	9 (1.4)	△0 (0.0)
Ordinary profit	732 (4.6)	414 (4.8)	661 (3.7)	90 (15.9)	71 (9.7)
Net profit	18 (0.1)	226 (2.6)	383 (2.2)	42 (12.6)	364 (1947.6)
Net profit per share	1.17yen	14.19yen	24.08yen	2.70yen	22.91yen
Return on equity	0.10%	1.20%	2.08%	0.23P	1.97P

* The magnitude of the impact of exchange-rate fluctuations on overseas sales increased 676 million yen from the previous fiscal year, up from the company's initial forecast of a 565 million yen increase. (USD, EUR, GBP, CNY, SGD)

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Domestic Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014



◇ **Dental business: Year-on-year increase of 623 million yen (5.9%)**

- The company expects sales in the dental business to **rise 5.9%** as introductions of new products, particularly in the *equipment and others* and chemical products segments, complement an intensified program of direct sales activities targeting dental professionals.

◇ **Nail care business: Year-on-year decrease of 19 million yen (1.3%)**

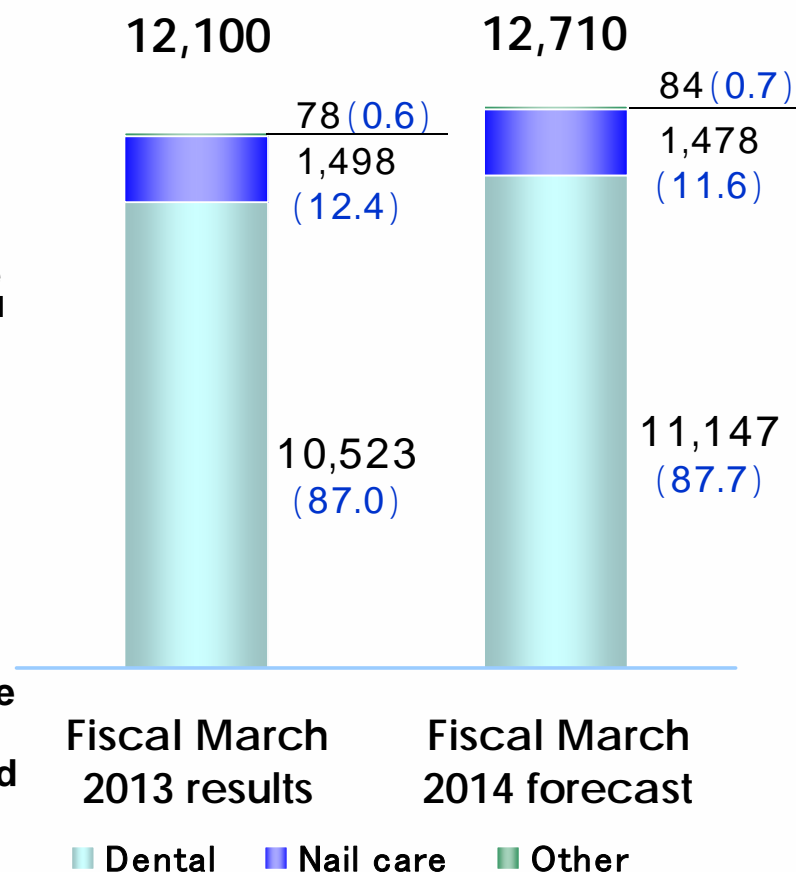
- The company expects sales in the nail care business to **fall 1.3%** as aggressive efforts by the Group to actively cultivate demand and enhance the breadth of its product portfolio fail to fully offset losses posted during the second quarter.

◇ **Other businesses: Year-on-year increase of 6 million yen (8.1%)**

◇ **Major products that will be introduced during the current term, fiscal March 2014**

- **SOLIDEX HARDURA**, a light-curing crown and bridge Composite (chemical products)
- **BeautiCem SA**, a fluoride releasing self-adhesive resin cement (cements)
- **Eyespecial C-**, a smart digital camera designed exclusively for dentistry (equipment)
- **ByoSanitiser**, a disinfectant spray (other)

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



Overseas Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014



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

Summary

- The company expects overall overseas sales to rise 26.9% as favorable impacts from exchange-rate fluctuations complement brisk performance across the board.
- Growth rates by region *Figures in parentheses indicate the local currency basis growth rate.

North and Latin America	+27.2%(+ 8.4%)
Europe	+25.9%(+ 5.9%)
China	+28.3%(+ 6.5%)
Other Asian Countries	+26.8%(+18.9%)

Foreign exchange Rates

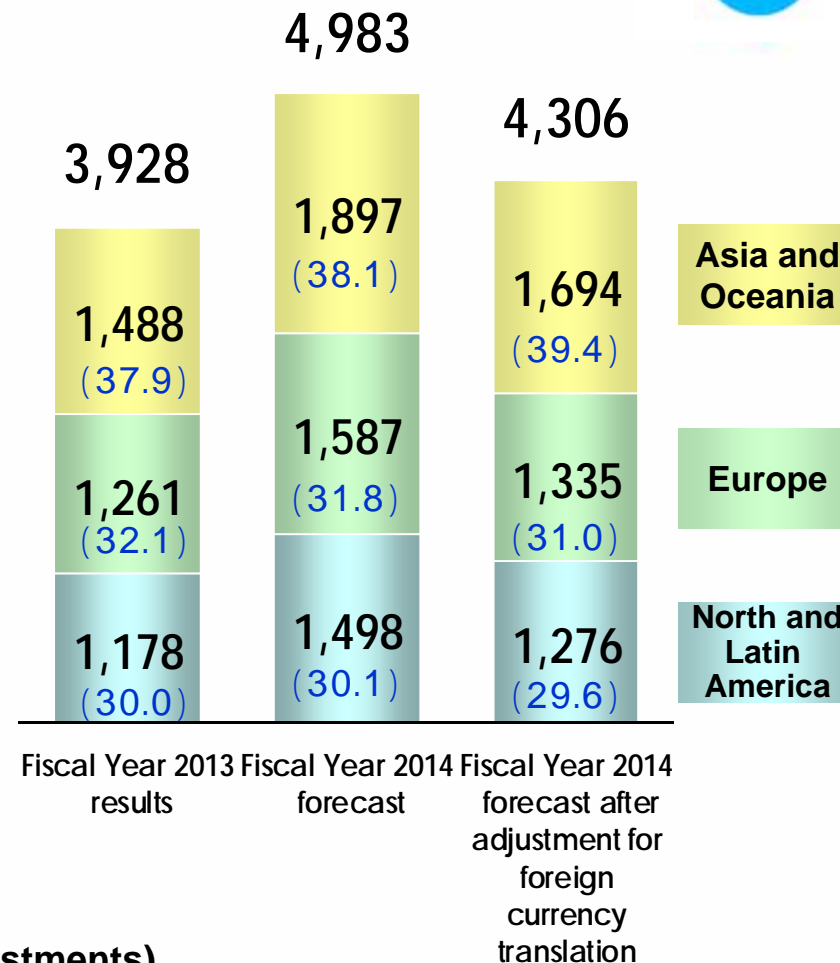
- US dollar:97.99yen
(83.23yen in the previous period)
(Effect: +221 million yen)
- Euro:128.79yen
(107.57yen in the previous period)
(Effect: +252 million yen)
- Yuan:15.29yen
(12.69yen in the previous period)
(Effect: +132 million yen)

(Dental business) Overseas sales ratio

- 29.9% (26.5% in the previous period)
(26.8% after foreign currency translation adjustments)

* The "Fiscal March 2014 forecast after adjustment for foreign currency translation" is calculated based on the same foreign exchange rates used for the Fiscal March 2013 results.

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Impact of Foreign Exchange Fluctuations (US Dollar, Euro)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014



Forecast for Fiscal March 2014

(Unit: millions of yen)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen strength	
	Fiscal March 2013 actual	Fiscal March 2014 estimate	Sales	Operating profits	Sales	Operating profits
US Dollar	83.23	97.99	222	103	15	6
Euro	107.57	128.79	217	63	10	2

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* The foreign exchange rate used for fiscal March 2014 forecasts has been revised to reflect the revised business performance forecast announced on October 28, 2013.



Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2014

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014

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.

Key issues in order to achieve goals



【Research and Development】

- ◇ **Development and introduction of new products that match the local demands**

【Production】

- ◇ **Relocation of production base and expansion of offshore production**

【Sales】

- ◇ **Improvement of our 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



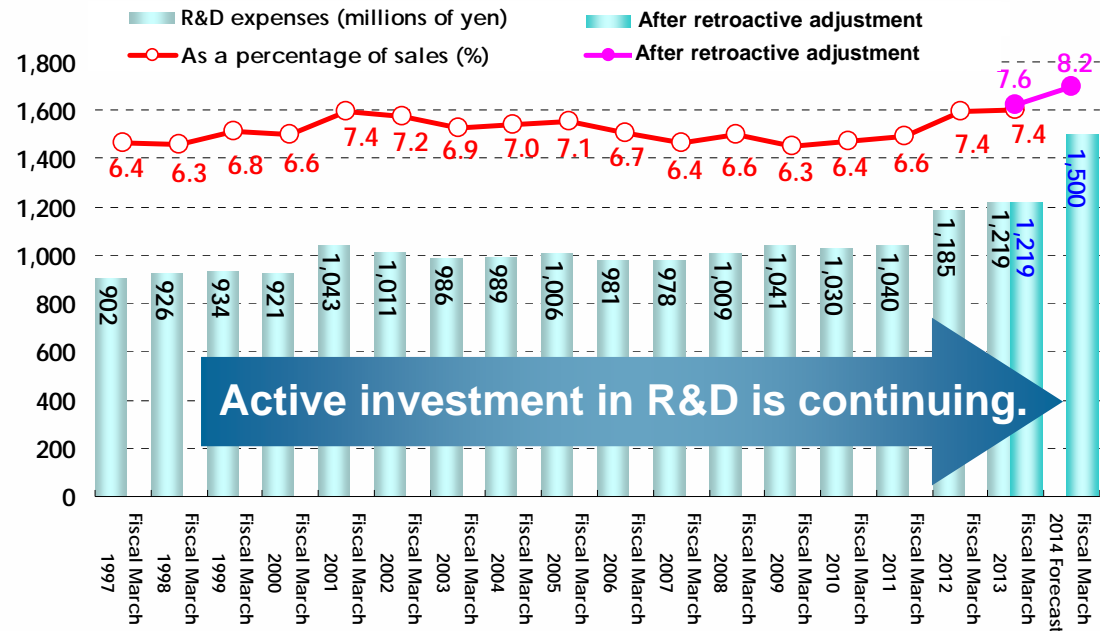
Development and introduction of new products that match the local demands

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



Active investment in R&D is continuing.

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

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) Shoken (Saitama)

Principal issues and purpose of repositioning of production

- 1) limited productions capacity of SHOFU Headquarters
- 2) high production costs in Japan
- 3) currency fluctuations
- 4) high shipping costs for hazardous and heavy goods
- 5) better delivery service to users
- 6) high tariff

⇒ 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.

◆ Realignment of sales offices

- Enhance the functions of the Singapore subsidiary.
- 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)



Shofu Dental Asia-Pacific PTE (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



⇒ Capturing share in the LED gel market with improved Presto

⇒ Improving competitiveness and profitability by integrating operations from product planning and manufacture to sales

⇒ **March 2013: Acquisition of Promech Inc. by Nail Labo Co., Ltd.**

June 2013: Establishment of Nail Care Division at the Head Office



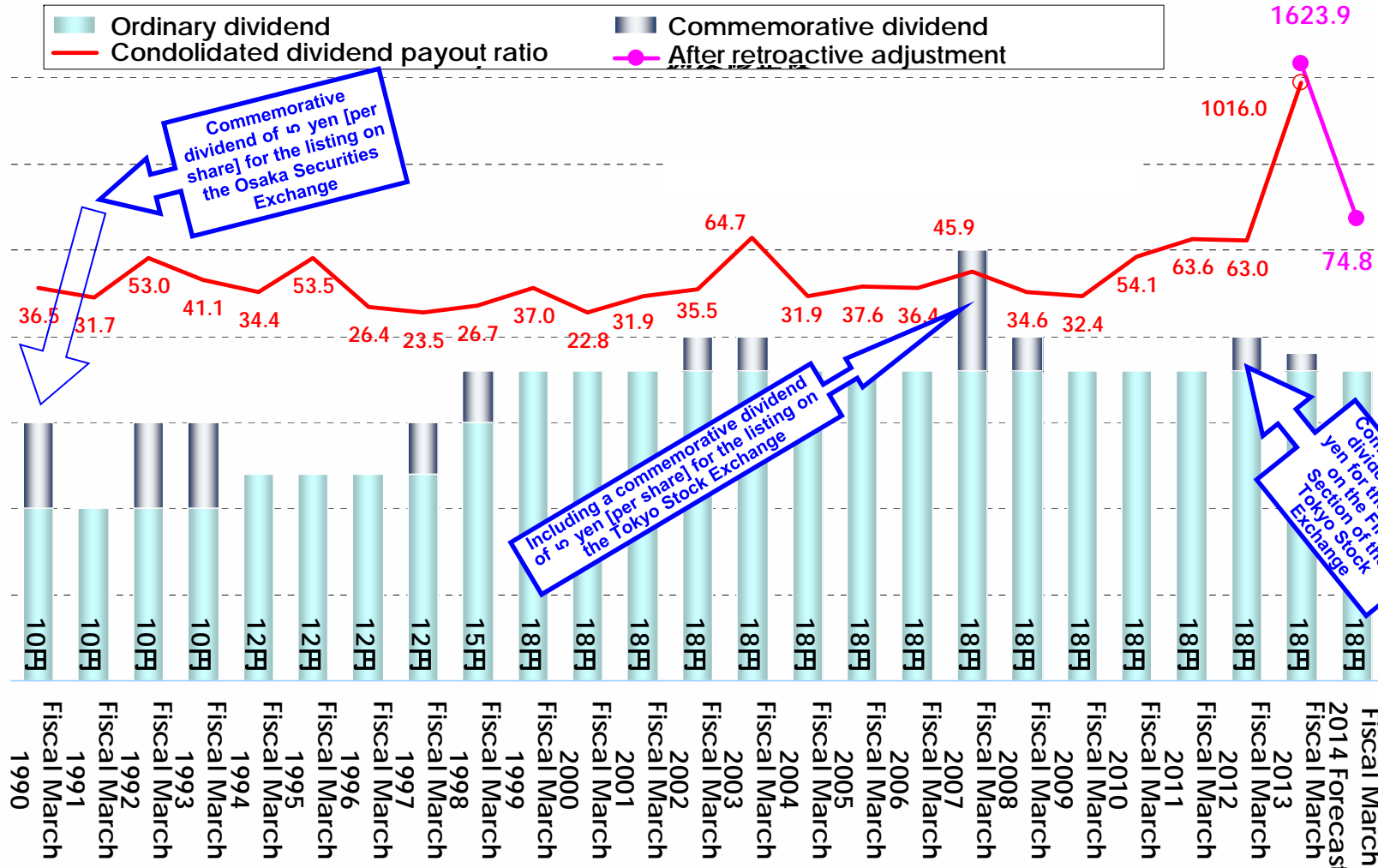
⇒ Expanding sales channels in overseas markets
– U.S., Europe, South Korea, China

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.

Dividend Policy

- Target dividend payout ratio: More than 30%
- Average consolidated dividend payout ratio since listing: 39.8%
(Weighted average from Fiscal March 1990 to March 2013)

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



* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)



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

SHOFU INC.

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

E-mail: ir@shofu.co.jp

Contact: Corporate Planning Department





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

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

Company Profile

⇒ Company and Business Profiles



(As of September 30, 2013)

■ 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	435 (entire group: 844, including 276 in overseas subsidiaries)
■ Business	Manufacture and sale of dental materials and equipment
■ Main customers	Dental institutions (via sales agencies)
■ Number of group companies	11 (three in Japan, eight overseas) Dental companies: 9 (two in Japan, seven 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.

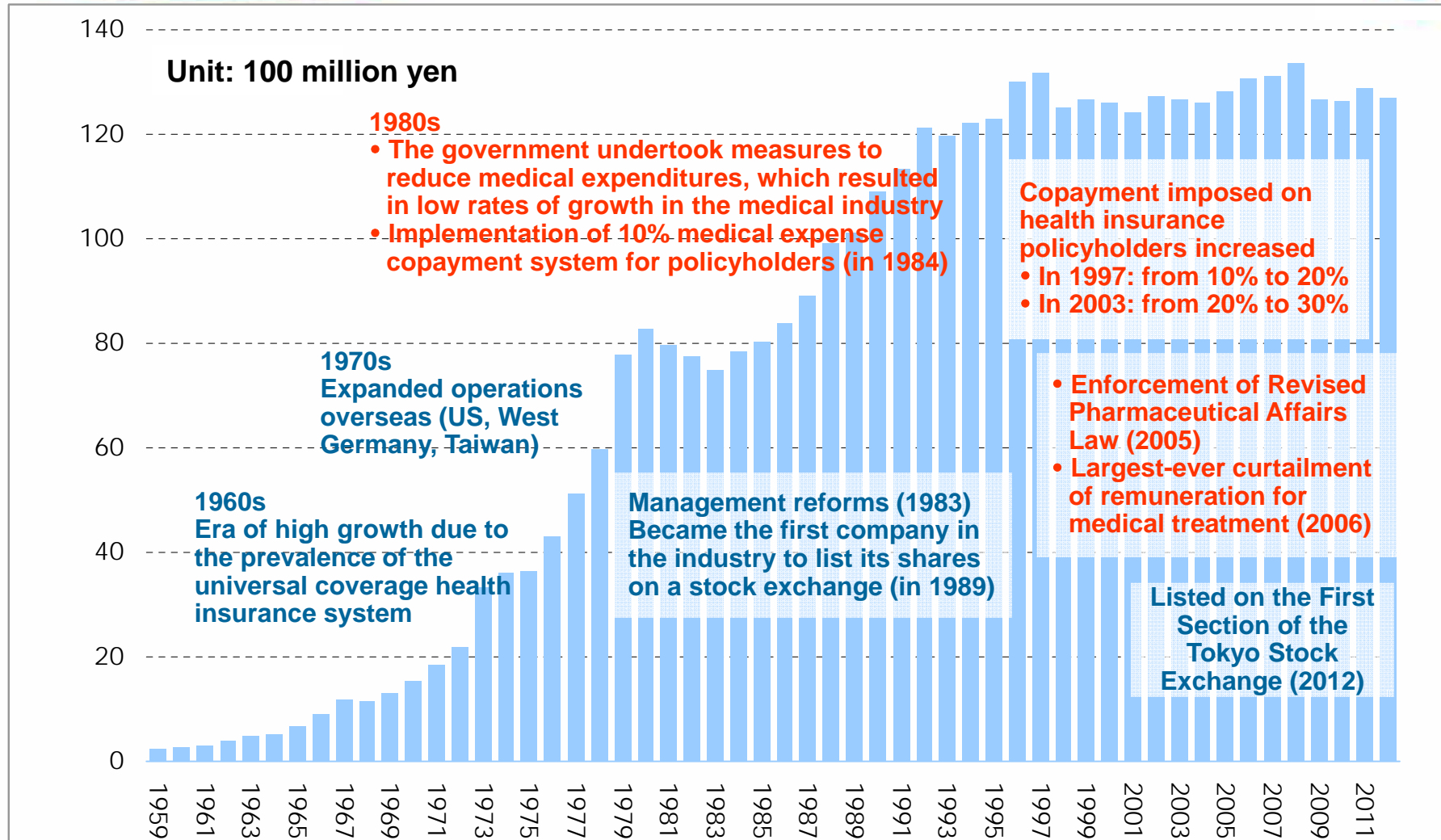
The company's products are designed for use in dental care and treatment.

Corporate History

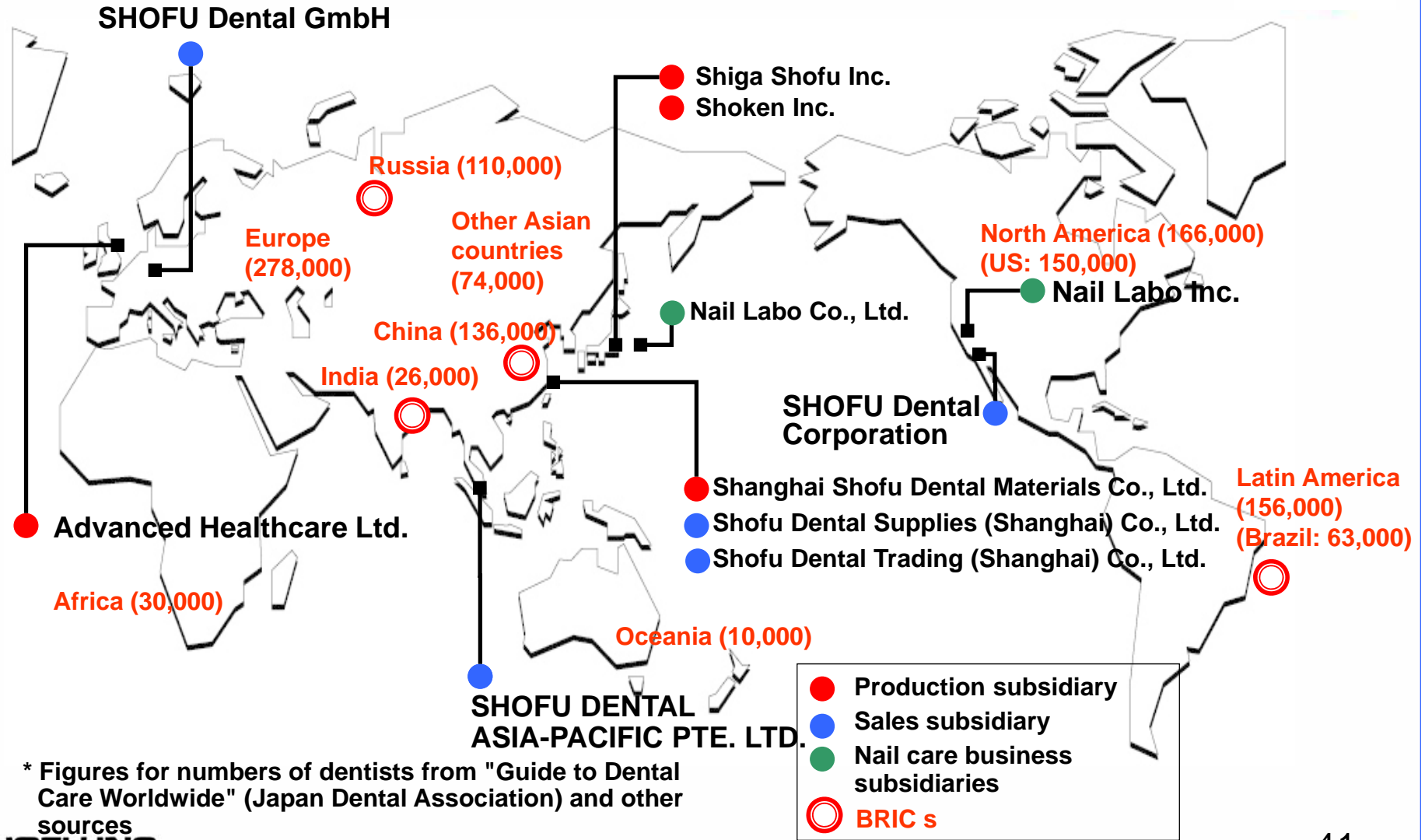


• 1922	Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
• 1963	Shofu shares listed on the over-the-counter market.
• 1971 ~ 1978	Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). 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

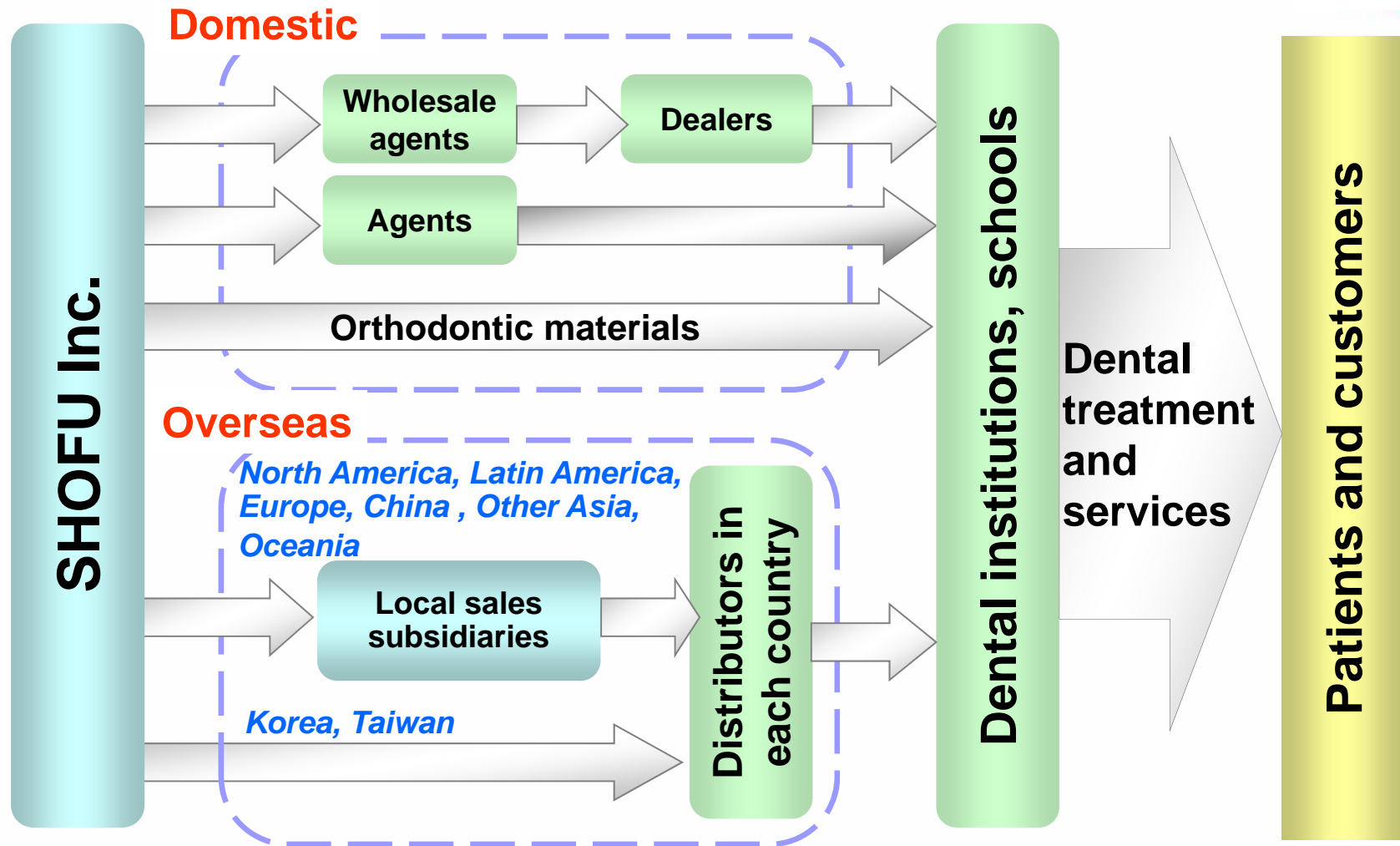


Group Profile and Number of Dentists Worldwide

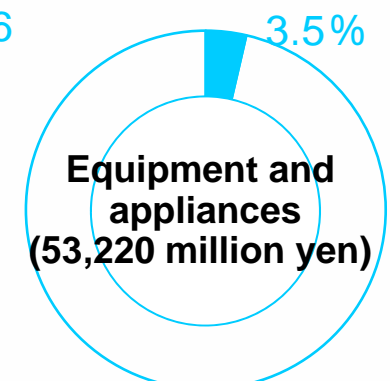
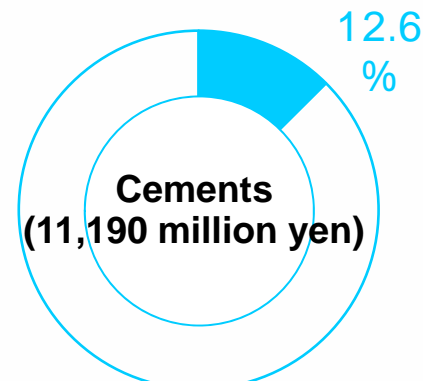
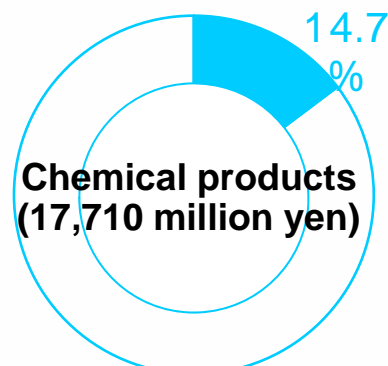
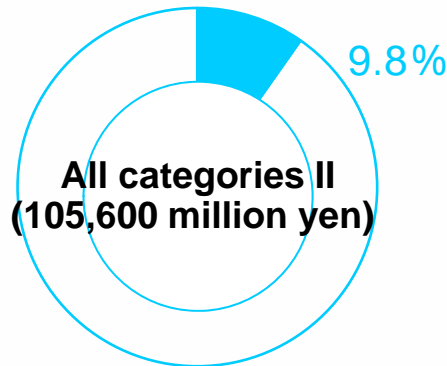
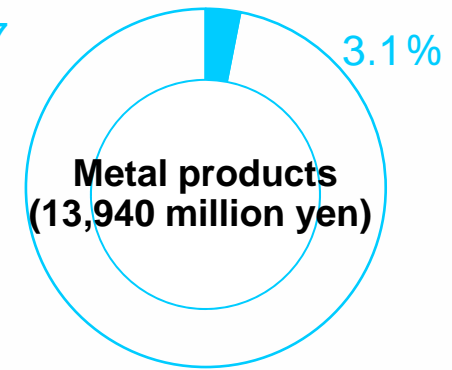
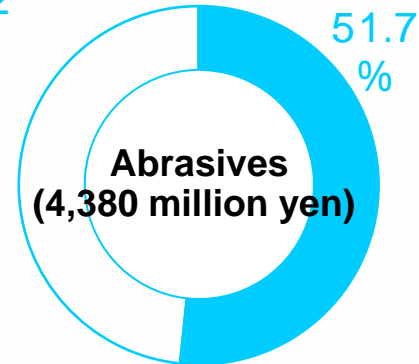
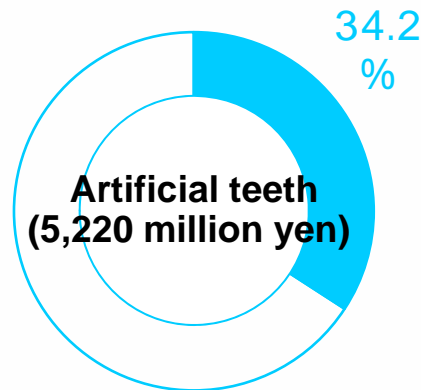
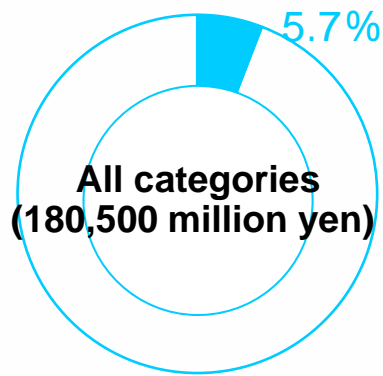


* Figures for numbers of dentists from "Guide to Dental Care Worldwide" (Japan Dental Association) and other sources

Sales Channels



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 2011)

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



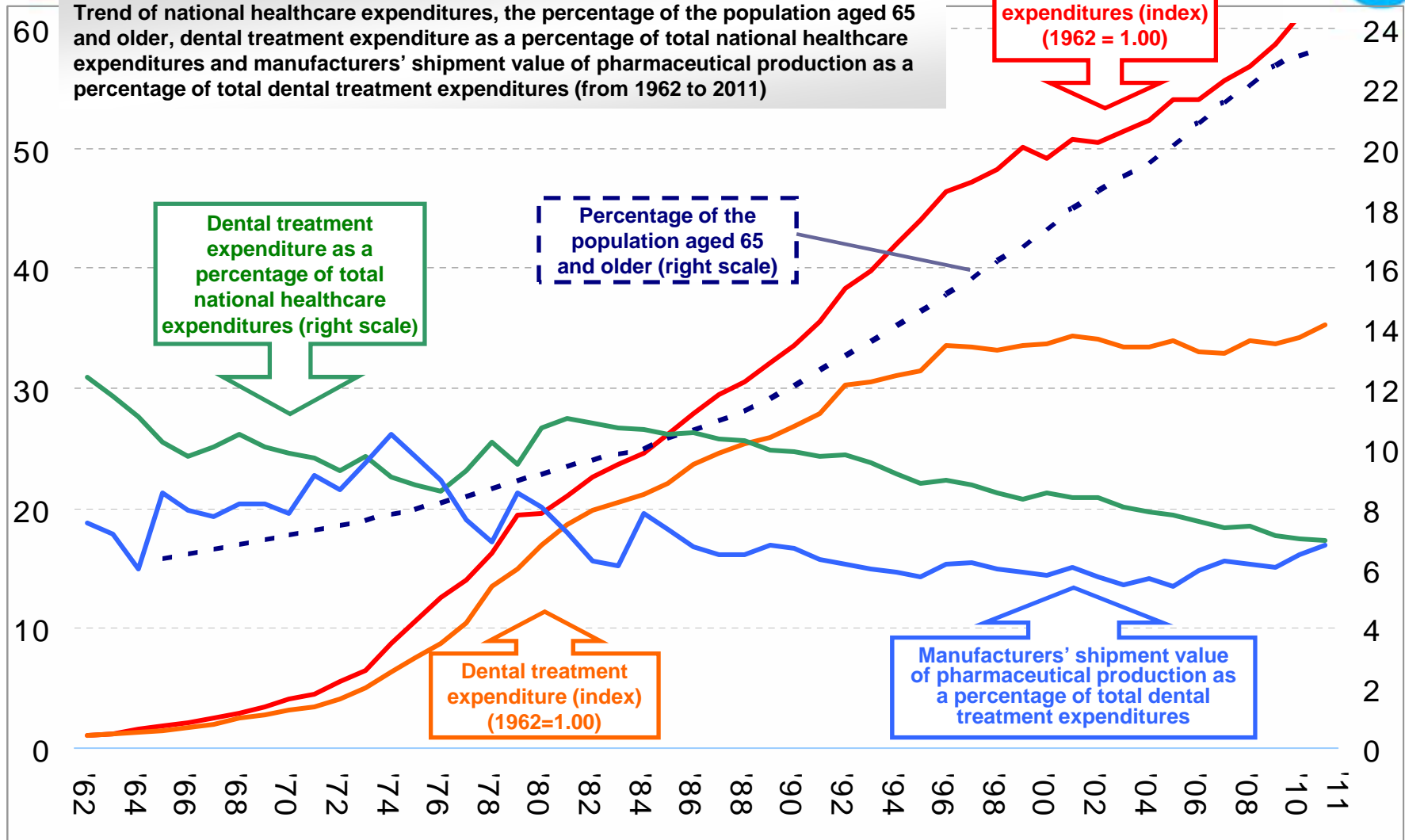
Reference <Dentistry Data>

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 2011)

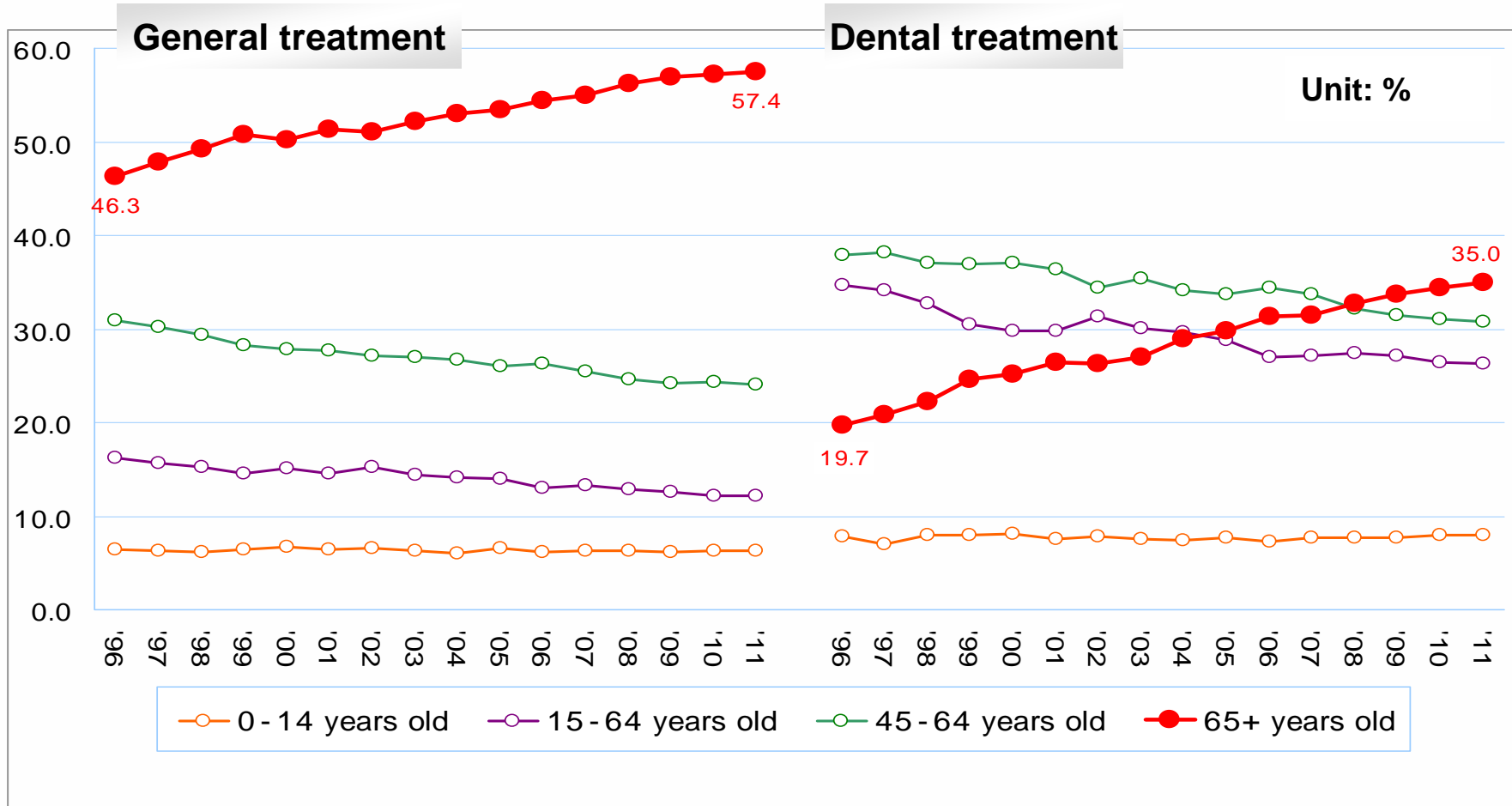


Healthcare Expenditures by Age Group (Component Ratio)

Reference <Dentistry Data>



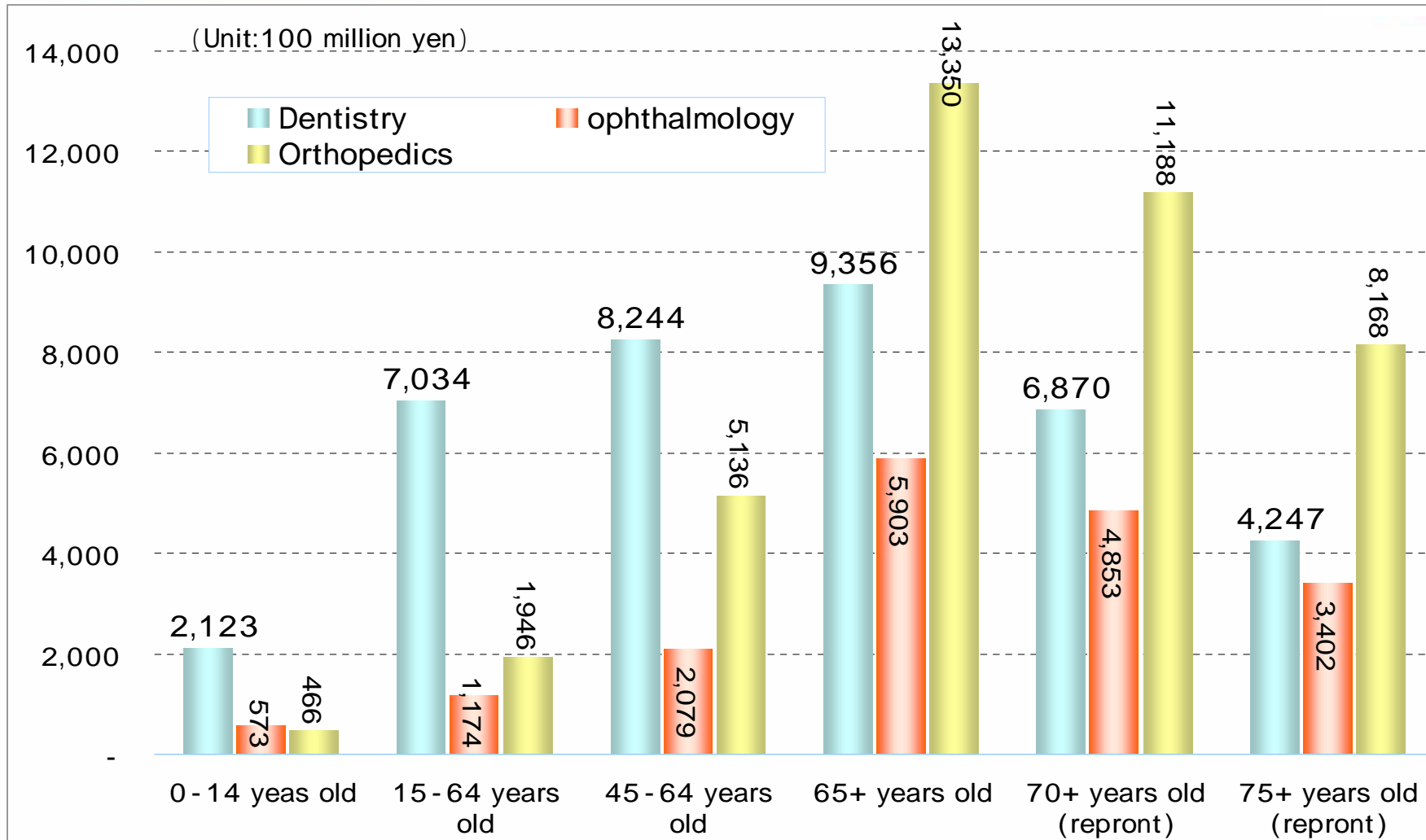
People aged 65 years and older tend to place less importance on dental treatment than general medical treatment.



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

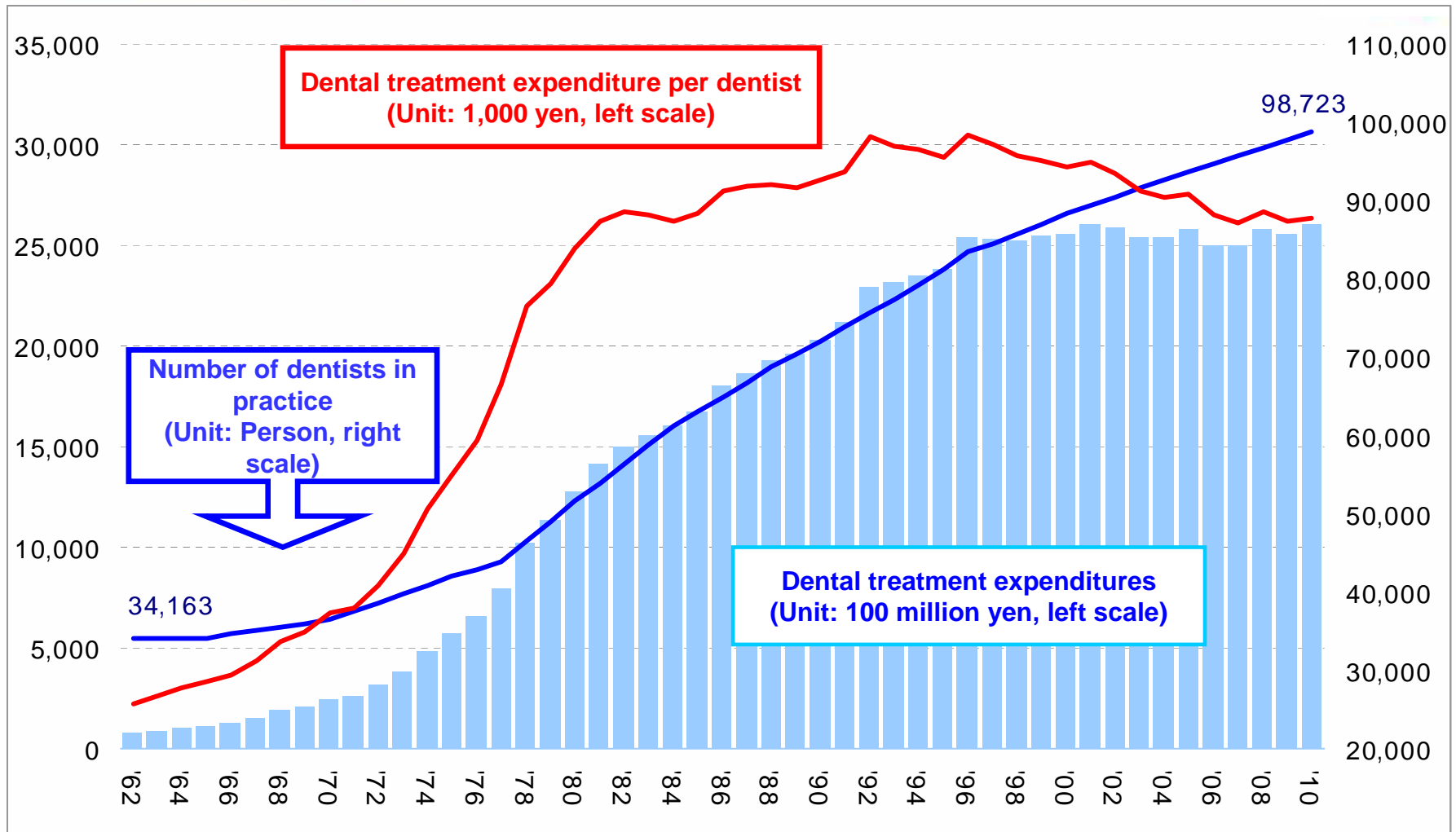
Comparison of Healthcare Expenditures by Age Group - Dentistry, Ophthalmology and Orthopedics

☞ Reference <Dentistry Data>



Trend of the Number of Dentists and Dental Treatment Expenditure

Reference <Dentistry Data>



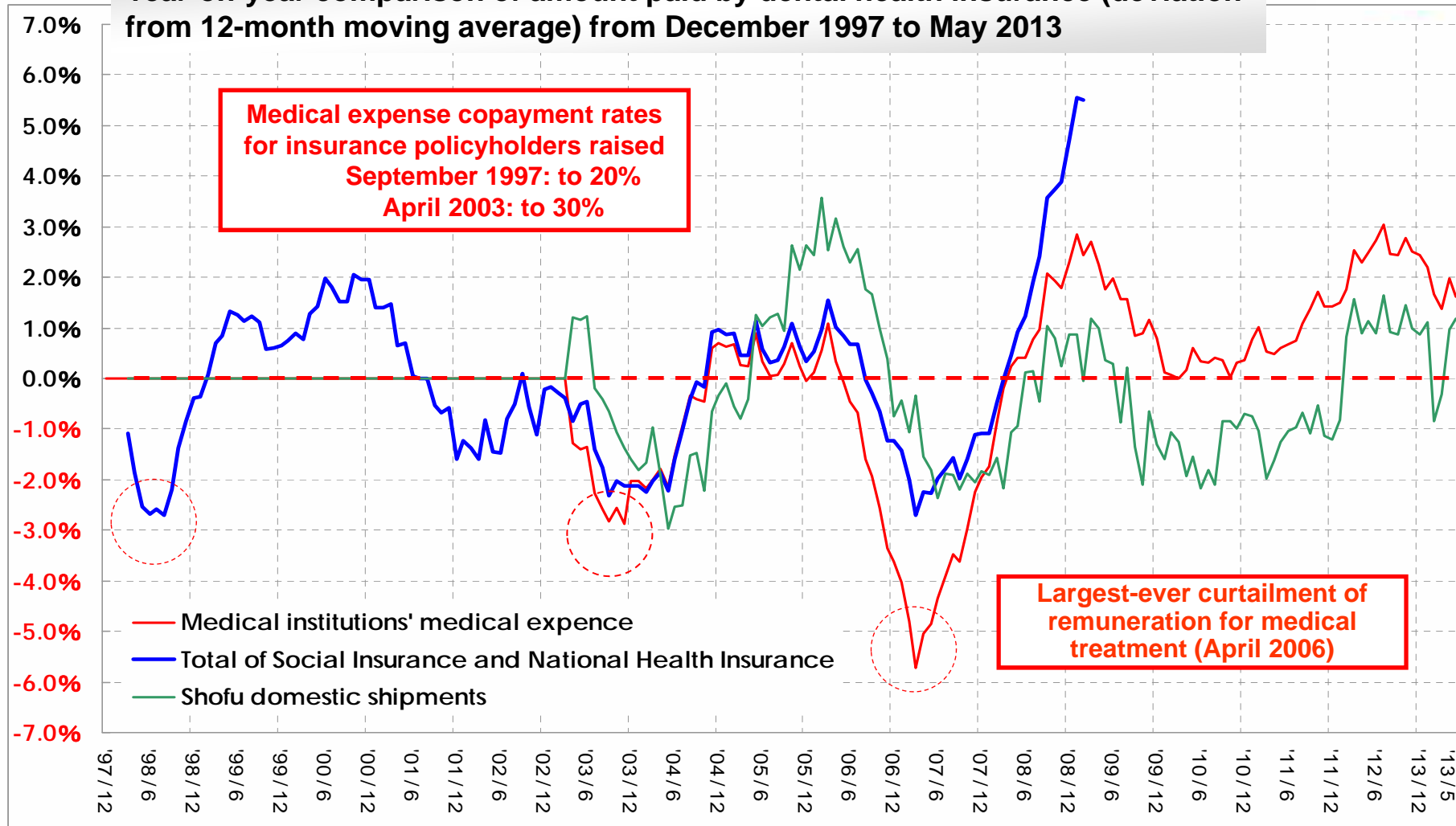
Prepared using yearly data from Summary of National Healthcare Expenditures, Survey on Doctors, Dentists and Pharmacists (Ministry of Health, Labour and Welfare)

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 2013

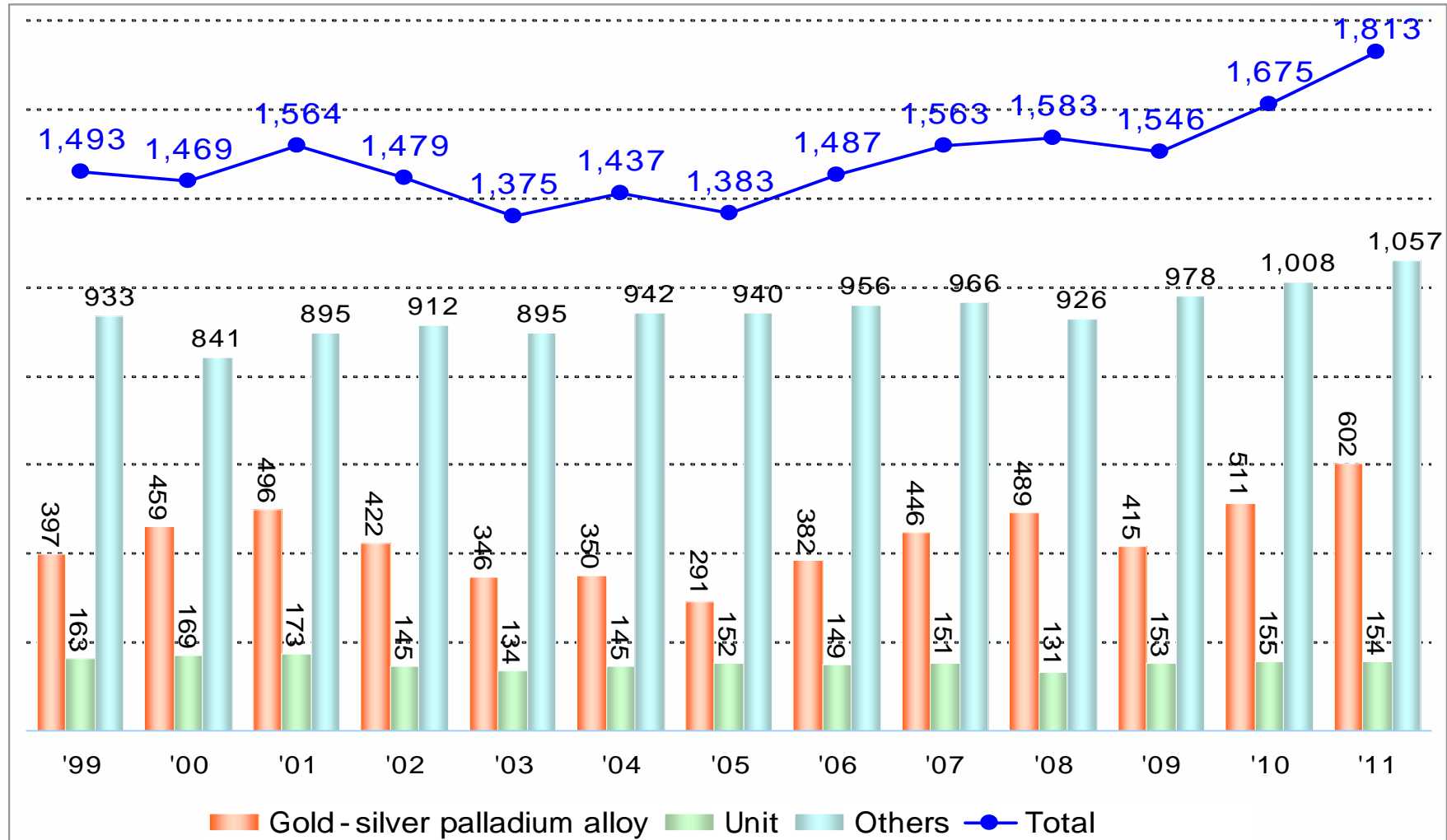


Trend of Shipment Value of Pharmaceutical Industry Production

☞ Reference <Dentistry Data>

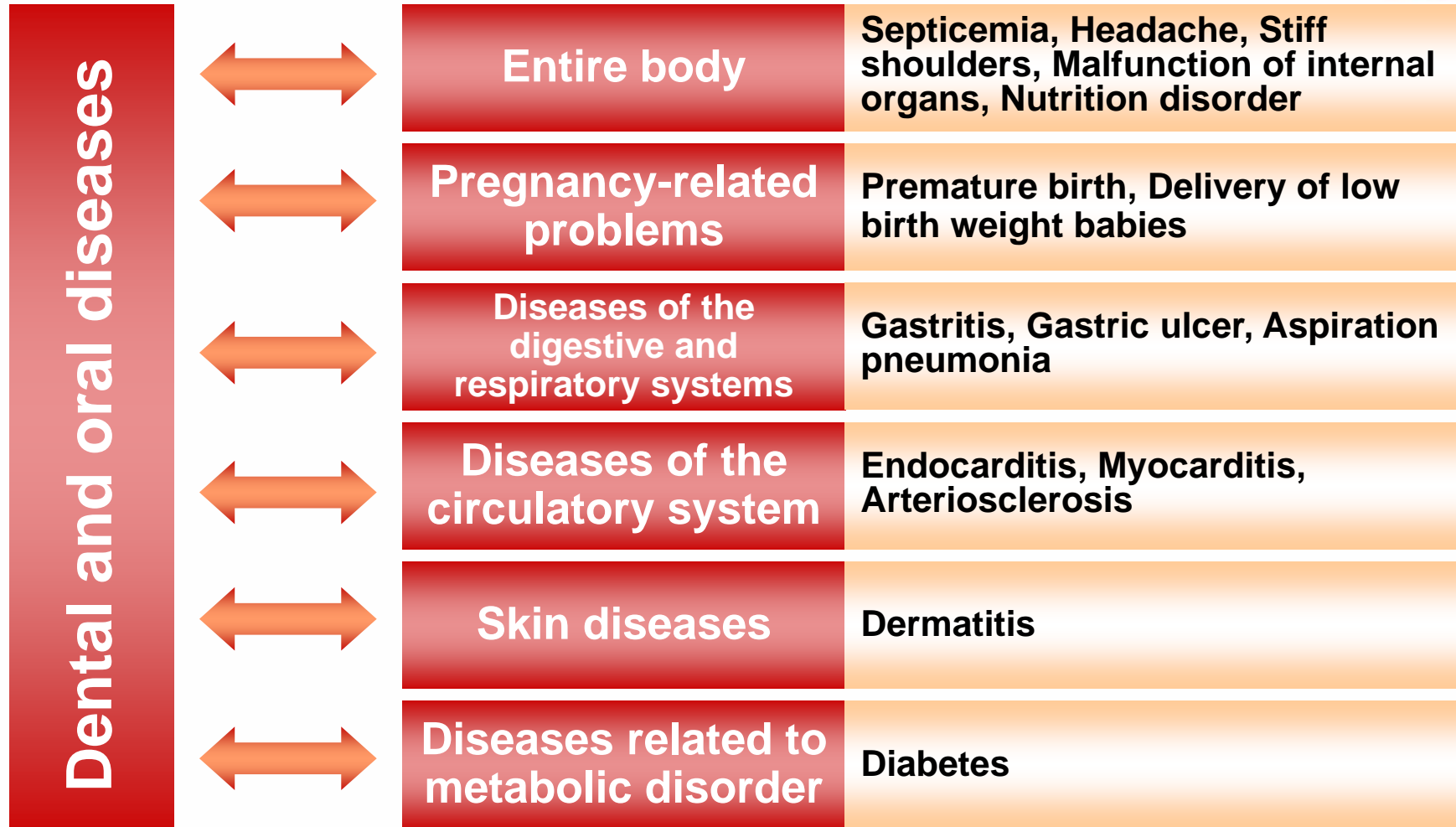


Shipment value, Unit: 100 million yen



Systemic Diseases Caused by Caries and Periodontal Disease

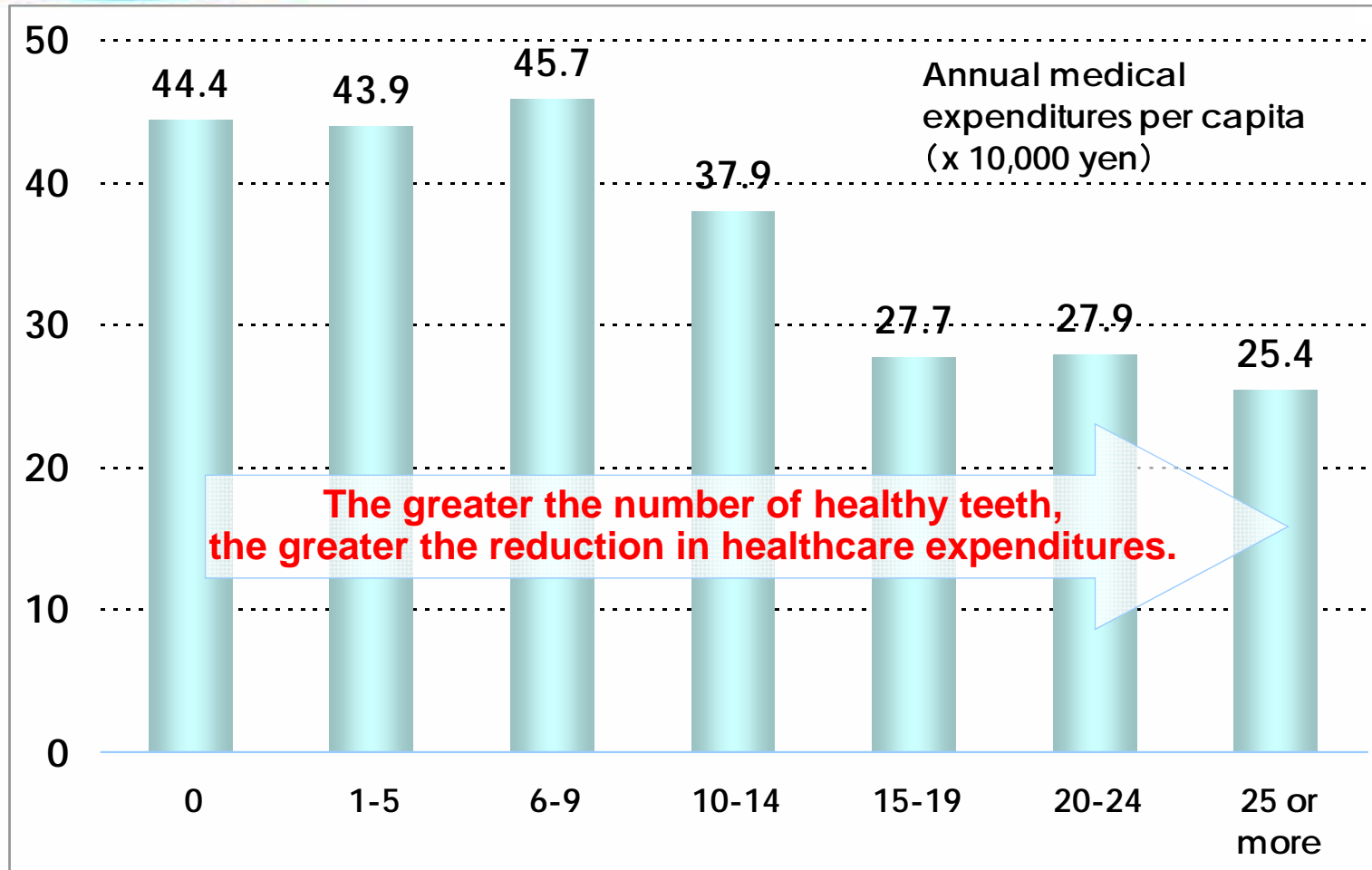
Reference <Dentistry Data>



(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

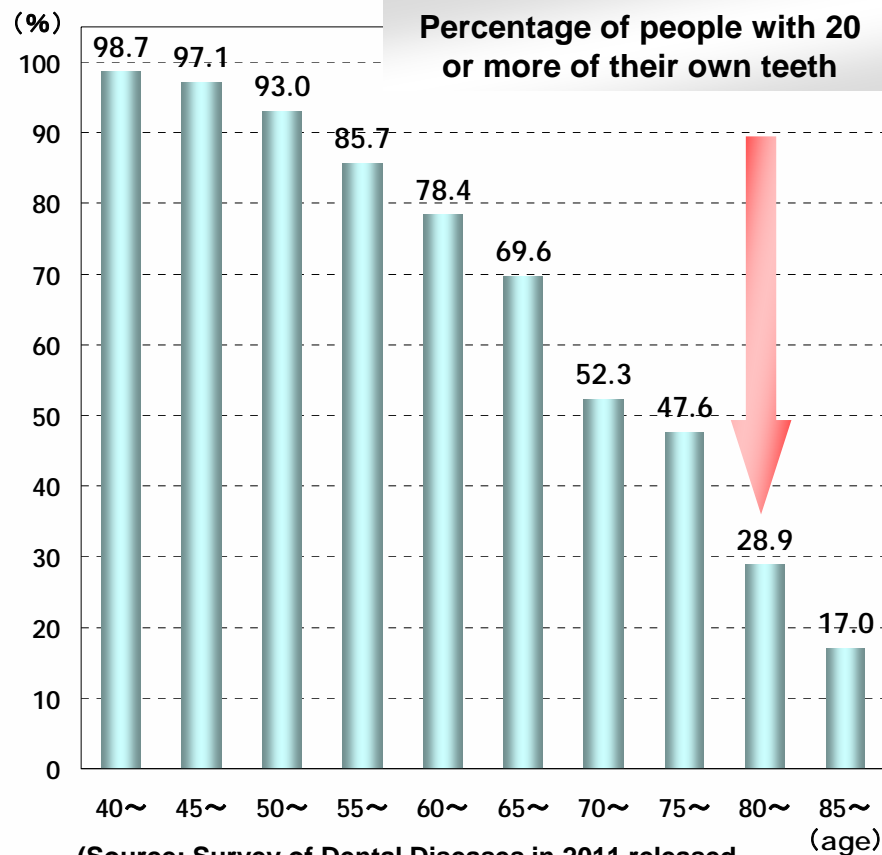
Subjects surveyed: 954 persons aged 80 living independently (392 men, 562 women)

The 8020 Movement and Changes in Dental Diseases

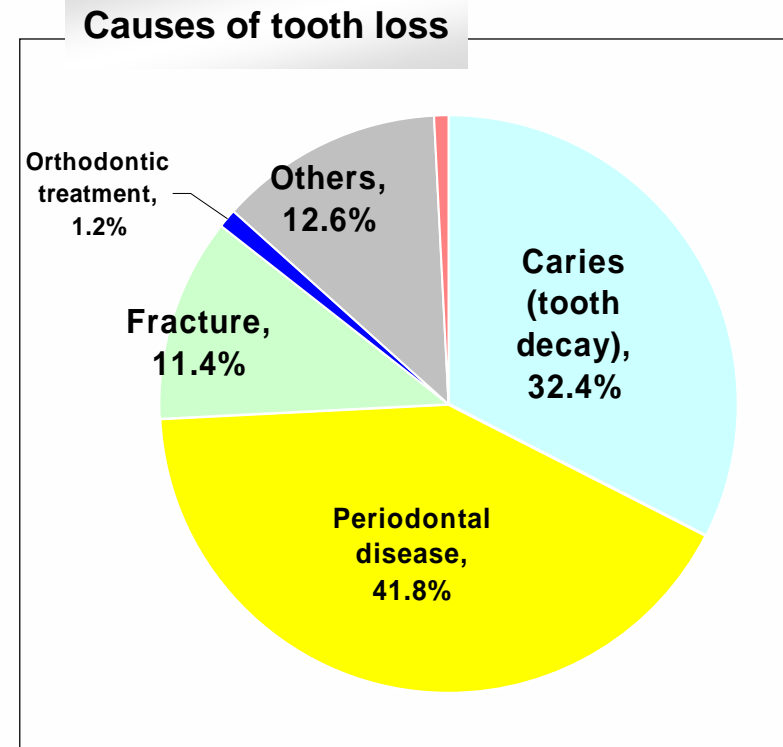
Reference <Dentistry Data>



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)

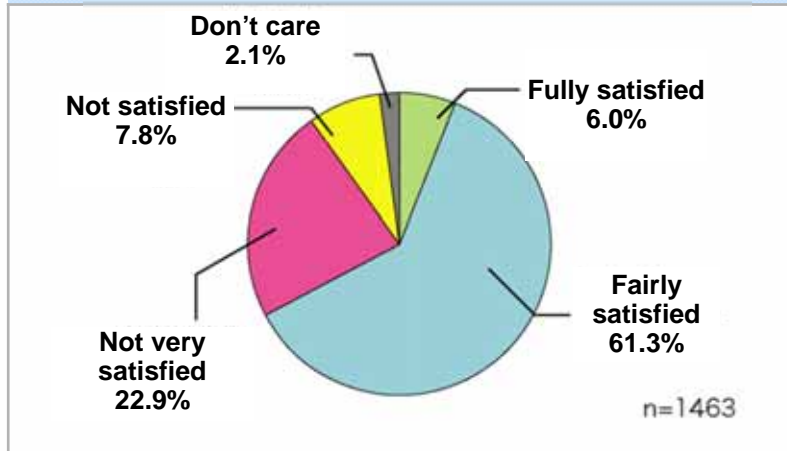
Perception of Dental and Oral Health

Reference <Dentistry Data>

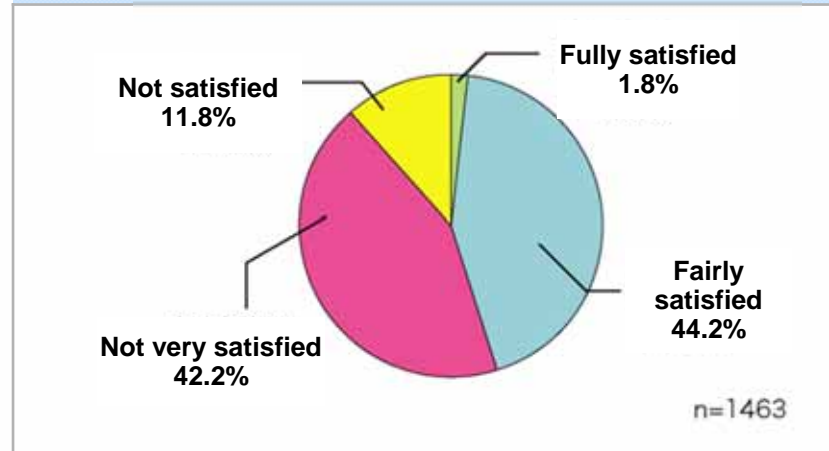


Source: Fiscal 2007's Dental Equipment Industry Vision (References)

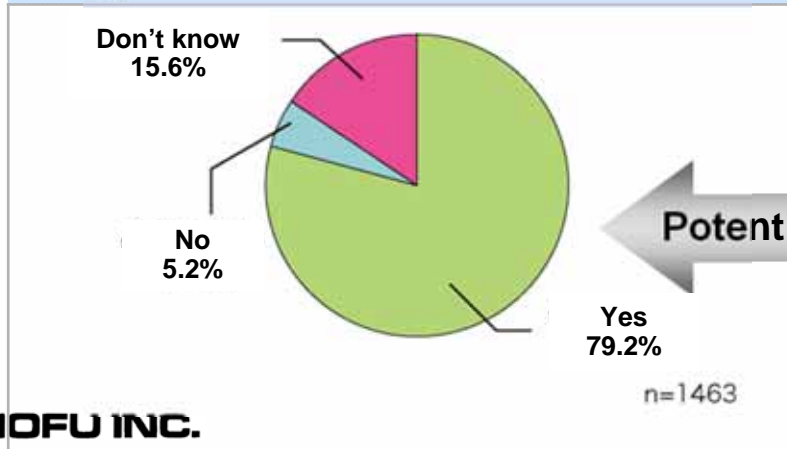
Are you satisfied with your physical health?



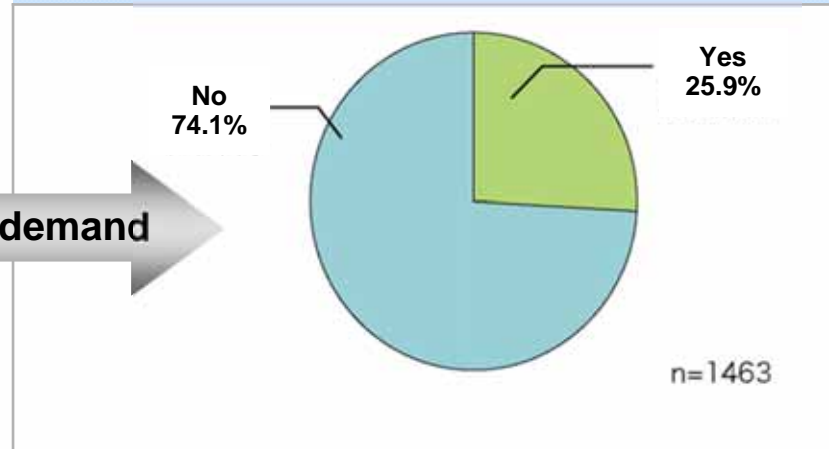
Are you satisfied with your oral health?



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

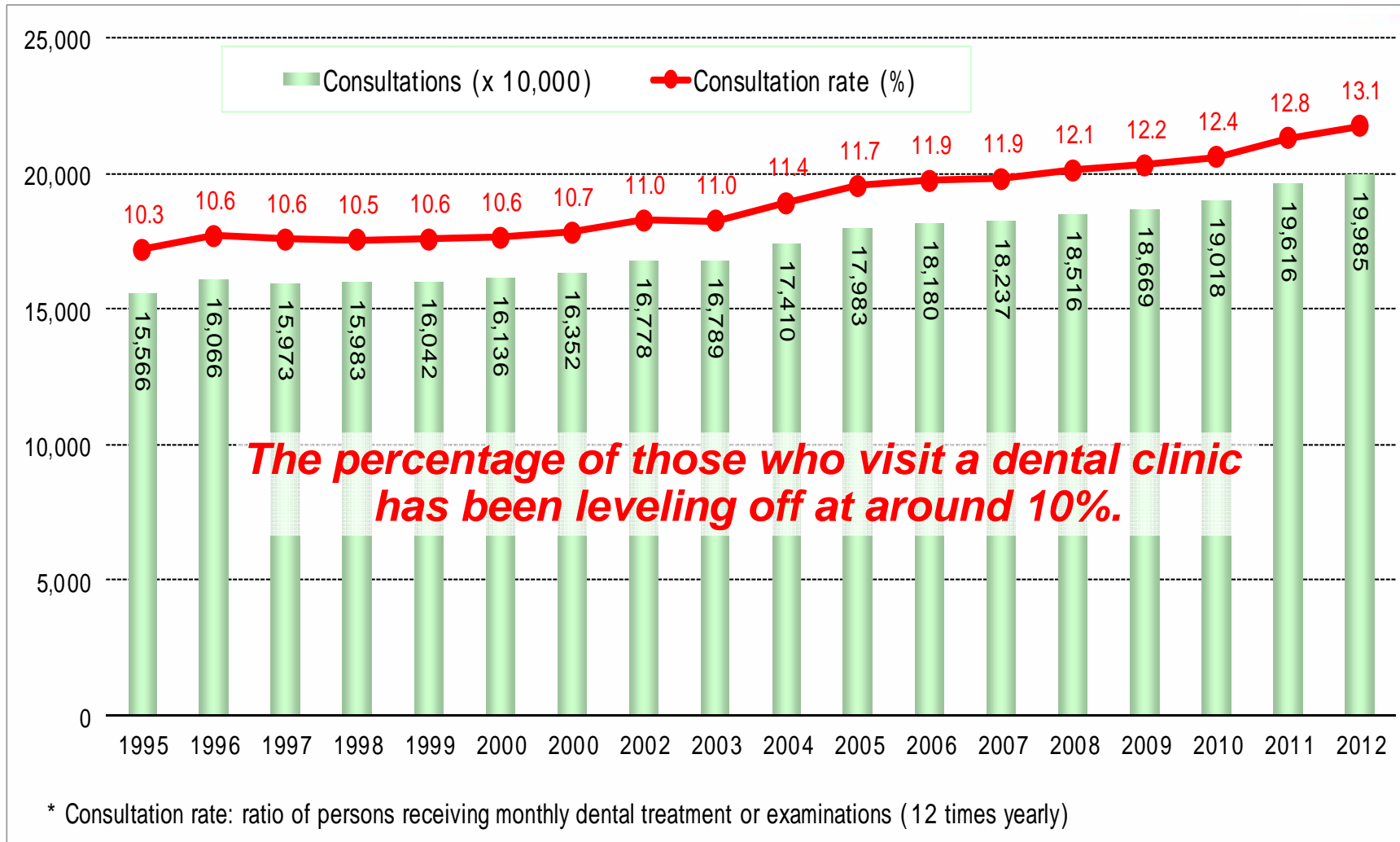


Do you actually receive regular dental care?



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

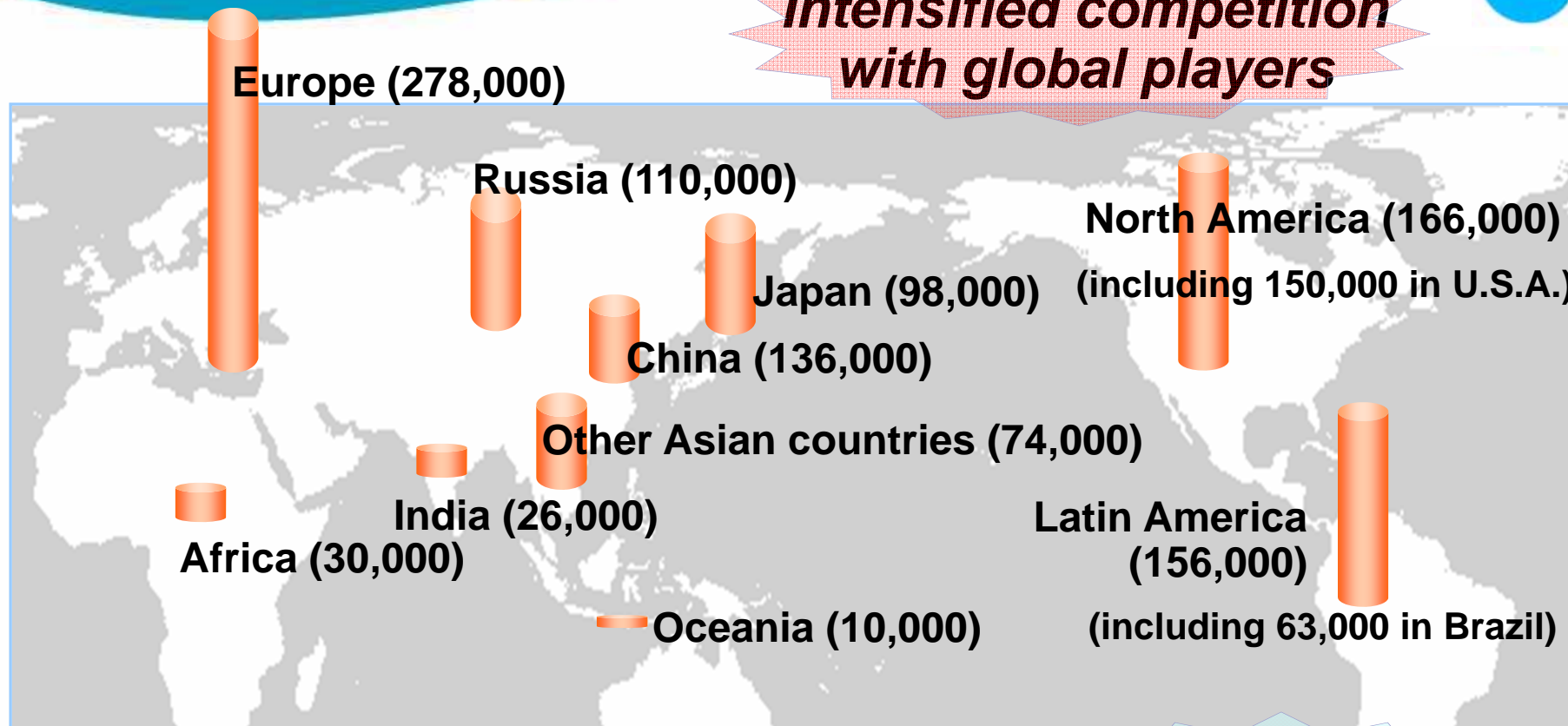
* Consulted an article titled "Reasons for the Success of the Canadian Dental Community" (DH Style, September 2007) by Ken Yaegaki DDS Ph.D., Professor and head of the Department of Oral Health, Nippon Dental

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**

Glossary (1)

☞ Reference <Dentistry Data>



Term	Meaning
Impression	An imprint of teeth and other intraoral areas, created with impression material. Based on the impression mould, plaster model can be produced, onto which prosthesis is fabricated. → Dental prosthetic (page 59)
Implant (treatment)	A treatment method to replace missing tooth. An artificial root is implanted into the bone, upon which a variety of dental prostheses can be placed. In addition to conventional prosthetic treatment, implant is a new option to restore mastication and esthetics.
Caries	Tooth decay.
Occlusion	The position of the teeth when the jaws are closed.
Composite resin	Synthetic resin to fill cavity and lesion, available in a variety of shades to make the restored area harmonious with surrounding teeth of each patient. It is often used to treat decay. → Resin (page 59)
Filling	To fill resin or cement after removing a decay to restore the affected area.
Aesthetic dentistry	A variety of treatment to enhance patient's esthetic appearance, including orthodontics and whitening.
Scaler	An instrument used to remove plaque and tartar accumulated on the tooth surface.
Dental floss	A thread used to remove plaque from the spaces between teeth.
Handpiece SHOFU INC.	A handheld device to which small instruments for removing tooth decay, plaque, and tartar are attached. → Plaque (page 59)

Glossary (2)

☞ Reference <Dentistry Data>



Term	Meaning
Nail care	Care for fingernails and the surrounding area, including attachment of artificial nails. Nail care is widely considered an important part of personal grooming in many parts of the world, and it is also growingly popular among young women in Japan, which leads to a rapid growth of the market.
PMTc	PMTc stands for Professional Mechanical Tooth Cleaning. In PMTc, a dentist or hygienist uses machines and instruments to remove plaque, tartar (calcified plaque), and other dental deposits (caused by smoking, etc).
Fluoride	A substance that accelerates re-calcification of the tooth surface and strengthens tooth structure (especially for enamel).
Plaque	Calculus deposits. Bacteria living in plaque create acids and toxins, which cause decay and periodontal disease. Thus, removing plaque helps prevent dental disease and enhance oral health.
Dental prosthetic	An artificial replacement of defective area. It includes fillings and crowns that restore patient's oral function and esthetic appearance.
Bonding (material)	A material to bond composites to natural tooth (enamel and dentin). → Composite resin (page 58)
Resin	Synthetic high polymer. Resins are popularly used for dental restoratives.