Fiscal Year Ended March 2018
(146th Business Year)
Financial Analyst Meeting

May 23, 2018

Proven Products for Better Dentistry
SHOFU INC.

Contents of Today's Presentation

- Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018
- Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019
- Future Business Environment and Medium- and Long-term Business Strategies

Noriyuki Negoro, President and CEO

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

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

Sales by Business

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

SHOFU

Fiscal Year ended March 31, 2018

Net Sales：24.0 billion yen

Units: billions of yen, %

	Net Sales	Composition ratio
Dental business	21.45	89.3
Nail care business	2.49	10.3
Other business	0.10	0.4

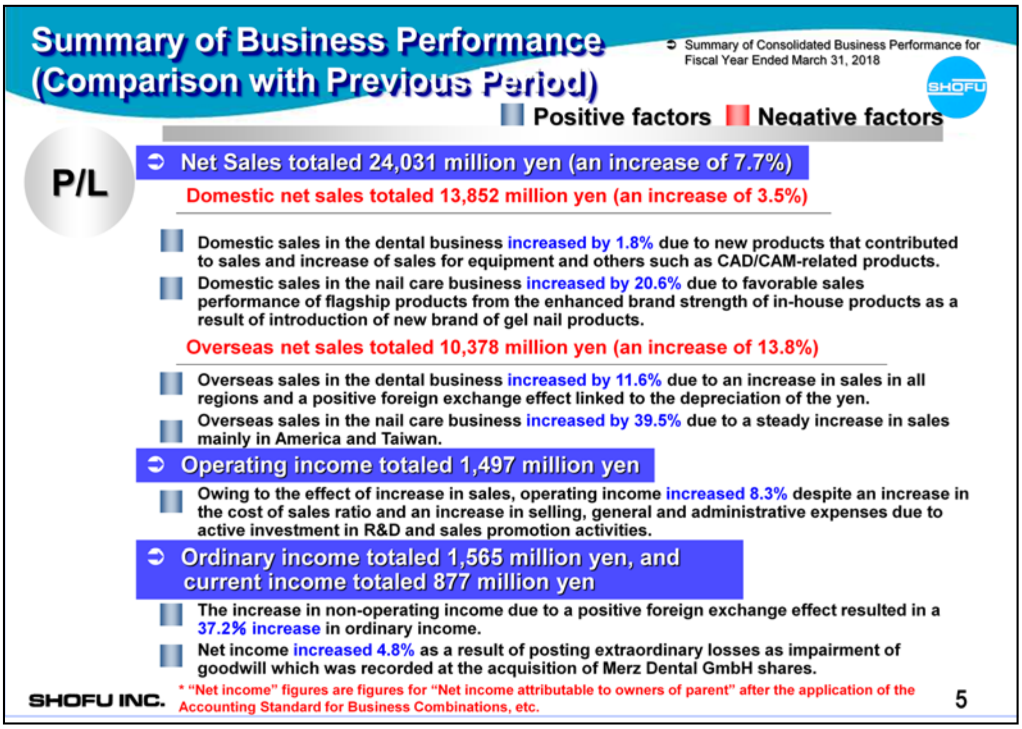
※ Manufacture and sell industrial abrasives in other business.

SHOFU INC. 4

Slide No. 4 shows our three businesses.

Shofu is divided into three businesses: a dental business, a nail care business, and other businesses.

The majority of our sales come from the dental business.



Business performance for the fiscal year ended March 31, 2018, saw sales and profits increase compared to the previous period, while net sales increased and net income decreased compared to the forecast. Slide No. 5 shows the contributing factors for the increases over the previous period.

Net sales totaled 24,031 million yen, an increase of 7.7%. Domestic net sales rose 3.5%, to 13,652 million yen. Overseas net sales increased 13.8%, to 10,378 million yen.

For several years we have been pushing to expand our overseas business, and overseas sales have now topped 10,000 million yen for the first time as a result.

In our domestic dental business, sales increased by 1.8% overall due to new products such as the EyeSpecial C-III digital camera for dentistry; the Beautifil Flow Plus X composite resin for dental fillings, which contributed to sales; and strong sales of equipment and other items such as CAD/CAM-related products, despite a rough ride for our flagship product lines, including artificial teeth and chemical products.

Domestic sales in our nail care business increased by 20.6% due to favorable sales performance of flagship product lines such as L•E•D Gel Presto and the enhanced brand strength of in-house products as a result of the launch of ageha, a new brand of gel nail products co-developed with a noted manicurist.

In our overseas dental business, an aggressive sales promotion strategy yielded results, with sales of chemical products in Europe and the United States and sales of artificial teeth in China and other parts of Asia contributing greatly to net sales. Furthermore, a positive foreign exchange effect of 362 million yen and sales growth in all regions resulted in an increase in sales of 11.6%.

Overseas sales in the nail care business increased by 39.5% due to the favorable sales performance of gel nail products through promotions via SNS in America and Taiwan.

In terms of income, owing to the effect of the increase in sales, operating income increased 8.3%, despite an increase in the cost of sales ratio and an increase in selling, general and administrative expenses due to active investment in R&D and sales promotion activities.

The increase in non-operating income due to a positive foreign exchange effect and other factors resulted in a 37.2% increase in ordinary income. However, the margin of profit increases shrank, with net income increasing by 4.8% as a result of posting extraordinary losses of 231 million yen as impairment loss of goodwill that was recorded at the acquisition of shares of Merz Dental GmbH, which joined the Group in April 2015.

Summary of Business Performance for the Current Fiscal Year

➲ Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

➲ Sales and profits increased compared to the previous period/ Net sales increased and net income decreased compared to the forecast.

Units: millions of yen, %

	Fiscal March 2017 (Results) (% of sales)	Fiscal March 2018 (Forecast) (% of sales)	Fiscal March 2018 (Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Net sales	22,305 (100.0)	23,970 (100.0)	24,031 (100.0)	1,725 (7.7)	60 (0.3)
(Domestic sales)	13,189 (59.1)	13,869 (57.9)	13,652 (56.8)	463 (3.5)	-216 (-1.6)
(Overseas sales)	9,116 (40.9)	10,101 (42.1)	10,378 (43.2)	1,262 (13.8)	277 (2.7)
Operating income	1,382 (6.2)	1,488 (6.2)	1,497 (6.2)	115 (8.3)	8 (0.6)
Ordinary income	1,141 (5.1)	1,403 (5.9)	1,565 (6.5)	424 (37.2)	162 (11.5)
Net income	836 (3.8)	959 (4.0)	877 (3.7)	40 (4.8)	-81 (-8.5)
Net income per share	52.61yen	60.38yen	55.20yen	2.59yen	-5.18yen
Return on shareholders' equity	3.8%	4.2%	3.8%	∆0.0P	-0.4P
Foreign exchange rates					
US dollar	109.03	108.00	110.81	1.78	2.81
Euro	119.37	119.00	129.45	10.08	10.45
Pound sterling	143.04	145.00	147.27	4.23	2.27
Renminbi	16.56	16.20	16.64	0.08	0.44

SHOFU INC. ＊Diluted earnings per shares for fiscal March 2018 results is 54.83 yen. 6

Slide No. 6 shows the main sales and profit increases and decreases compared to the previous period and compared to the forecast.

Here I will explain the increases and decreases compared to the forecast.

Net sales increased by 60 million yen, or 0.3%, compared to the forecast.

Domestic sales in the nail care business increased by 191 million yen. In our mainstay dental business, with all product lines failing to reach the forecast, domestic sales decreased 403 million yen, despite the contribution of new products such as a new digital camera for dentistry. This resulted in a decrease of 216 million yen, or 1.6%.

Overseas sales in the dental business fell below the forecast on a local currency basis in Europe and Asia, excluding China. However, with a positive foreign exchange effect of 472 million yen and favorable performance in the nail care business, overseas sales overall increased by 277 million yen, or 2.7%.

In terms of profit, operating income rose by 8 million yen, or 0.6%, due to a decrease in selling, general and administrative expenses, despite a higher-than-expected cost of sales ratio.

An increase in non-operating income due to a positive foreign exchange effect and other factors resulted in ordinary income increasing by 162 million yen, or 11.5%. However, net income decreased by 81 million yen, or 8.5%, as a result of posting extraordinary losses as impairment loss of goodwill that was recorded at the acquisition of Merz Dental GmbH shares.

Sales by Product Category (Comparison with Previous Period)

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

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Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2017 (Results)	Fiscal March 2018 (Results)	Cange from previous period		Domestic	Overseas
Artificial teeth	3,818	4,077	259	(6.8)	-49	309
Abrasives	3,900	4,006	105	(2.7)	-33	138
Metal products	258	247	-11	(-4.3)	-10	0
Chemical products	4,410	4,770	360	(8.2)	-56	416
Cements and others	2,055	2,044	-10	(-0.5)	-71	60
Equipment and others	5,823	6,300	476	(8.2)	433	42
Dental business total	20,267	21,446	1,179	(5.8)	212	967
Nail care business	1,944	2,485	541	(27.8)	246	295
Other	93	98	5	(5.5)	5	-
Total	22,305	24,031	1,725	(7.7)	463	1,262

*The effect of foreign currency fluctuations (U.S. dollar (USD), Euro (EUR), British pound (GBP), Chinese yuan (CNY) and New Taiwan dollar (NTD)) on overseas net sales was +412 million yen. (Dental business +362 million yen, Nail care business +50 million yen)

SHOFU INC. 7

Slide No. 7 shows sales by product category compared with the previous period.

Overall, sales rose 1,725 million yen, of which sales in the dental business increased by 1,179 million yen and sales in the nail care business increased by 541 million yen.

In the domestic dental business, favorable performance of a new digital camera for dentistry and equipment and others, to which CAD/CAM-related products contributed, resulted in an overall sales increase of 212 million yen, despite a rough ride on the whole for our flagship product lines such as artificial teeth and chemical products.

In our overseas dental business, favorable sales of our flagship product lines, including chemical products and artificial teeth, exceeded the results of the previous period in every region. This plus a positive foreign exchange effect of 362 million yen resulted in an overall sales increase of 967 million yen.

In the domestic nail care business, enhanced brand strength from the introduction of a new brand coupled with favorable sales of our flagship product lines resulted in a sales increase of 246 yen.

In our overseas nail care business, active promotion activities using SNS in America and Taiwan yielded results, which together with a favorable performance in sales of gel nail products, resulted in sales increasing by 295 million yen.

Sales by Product Category (Comparison with Forecast)

➲ Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

Unit: millions of yen
Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2018 (Forecast)	Fiscal March 2018 (Results)	Cange from Forecast		Domestic	Overseas
Artificial teeth	4,065	4,077	12	(0.3)	-113	126
Abrasives	3,991	4,006	14	(0.4)	-39	54
Metal products	258	247	-10	(-4.2)	-11	0
Chemical products	4,808	4,770	-38	(-0.8)	-142	104
Cements and others	2,157	2,044	-112	(-5.2)	-68	-43
Equipment and others	6,448	6,300	-147	(-2.3)	-27	-120
Dental business total	21,729	21,446	-282	(-1.3)	-403	121
Nail care business	2,137	2,485	347	(16.3)	191	156
Other	103	98	-5	(-5.2)	-5	0
Total	23,970	24,031	60	(0.3)	-216	277

*The effect of foreign currency fluctuations (U.S. dollar (USD), Euro (EUR), British pound (GBP), Chinese yuan (CNY), New Taiwan dollar (NTD) and Indian Rupee (INR)) on overseas net sales was +473 million yen. (Dental business +432 million yen, Nail care business +40 million yen)

SHOFU INC. 8

Slide No. 8 shows sales by product category compared with the forecast.

Overall, sales rose by 60 million yen, of which sales in the dental business decreased by 282 million yen and sales in the nail care business increased by 347 million yen.

Domestic Sales

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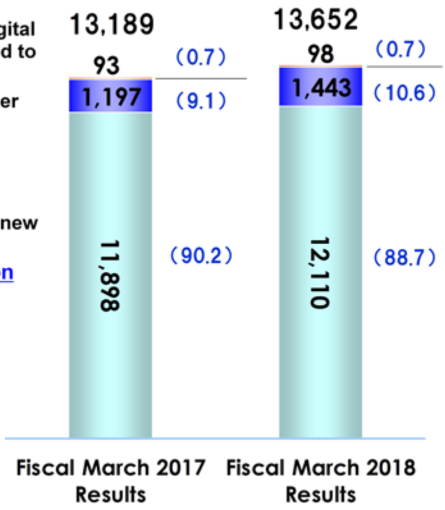
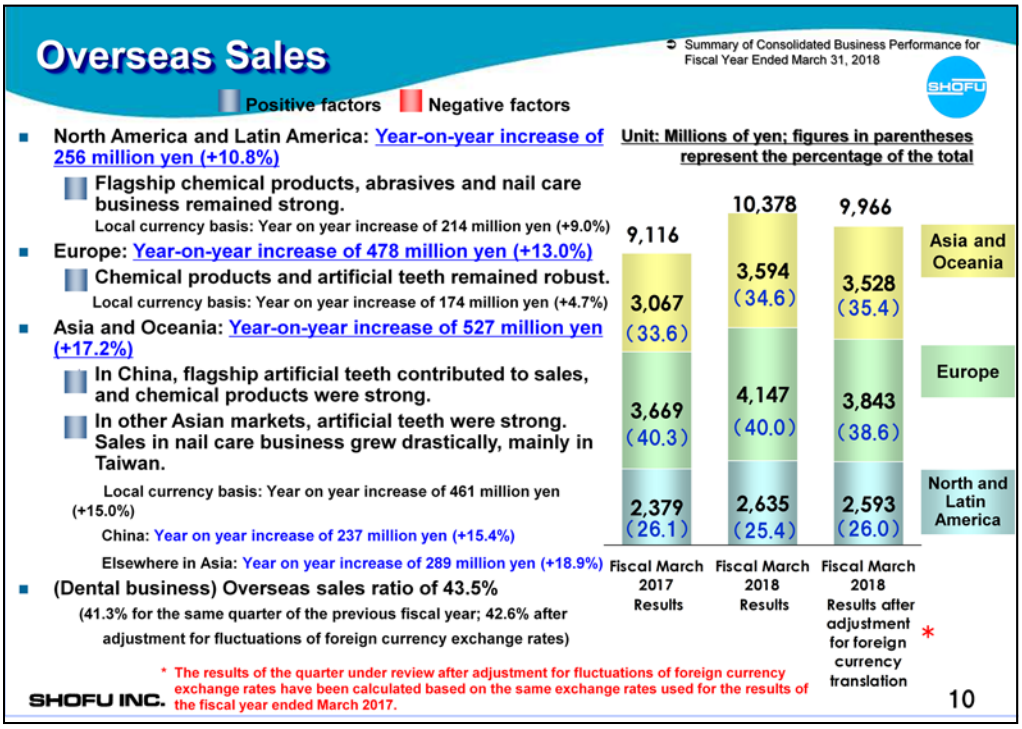
Positive factors　Negative factors

- Dental business: Year on year increase of 212 million yen (+1.8%)
  - (Positive) Equipment and others including the new dental digital camera and CAD/CAM-related products contributed to domestic sales.
  - (Negative) Sales of artificial teeth, chemical products and other existing flagship products decreased.
- Nail care business: Year on year increase of 246 million yen (+20.6%)
  - (Positive) Flagship product lines were favorable due to enhanced brand strength from the introduction of new brand of gel nail products.
- Other businesses: Year on year increase of 5 million yen (+5.5%)
- Principal new products launched this FY (dental business)
  - Dental filling composite resin
    BEAUTIFUL Flow Plus X（Chemical products）
  - Digital oral imaging device
    EyeSpecial C-III（Equipment and others）
  - Digital impression molding device
    TRIOS3 oral scanner（Equipment and others）
  - Resin material for dental cutting processing
    SHOFU BLOCK HC HARD（Equipment and others）

Unit: Millions of yen; figures in parentheses represent the percentage of the total





Slide No. 10 shows overseas sales by region compared with the previous period.

In North and Latin America, our flagship chemical products, abrasives and nail care business remained strong. This plus a positive foreign exchange effect drove sales up by 256 million yen, or 10.8%.

In Europe, our flagship product lines, led by chemical products, remained robust, and with a positive foreign exchange effect, sales rose by 478 million yen, or 13.0%.

In Asia and Oceania, overall sales increased by 527 million yen, or 17.2%.

Looking by area within this region, in China, our flagship artificial teeth contributed to sales, and chemical products were strong, resulting in a sales increase of 237 million yen, or 15.4%.

In other Asian markets, our flagship artificial teeth and the nail care business remained robust. This plus a positive foreign exchange effect lifted sales by 289 million yen, or 18.9%.

Performance by Segment (Sales and Operating Income)

➲ Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

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

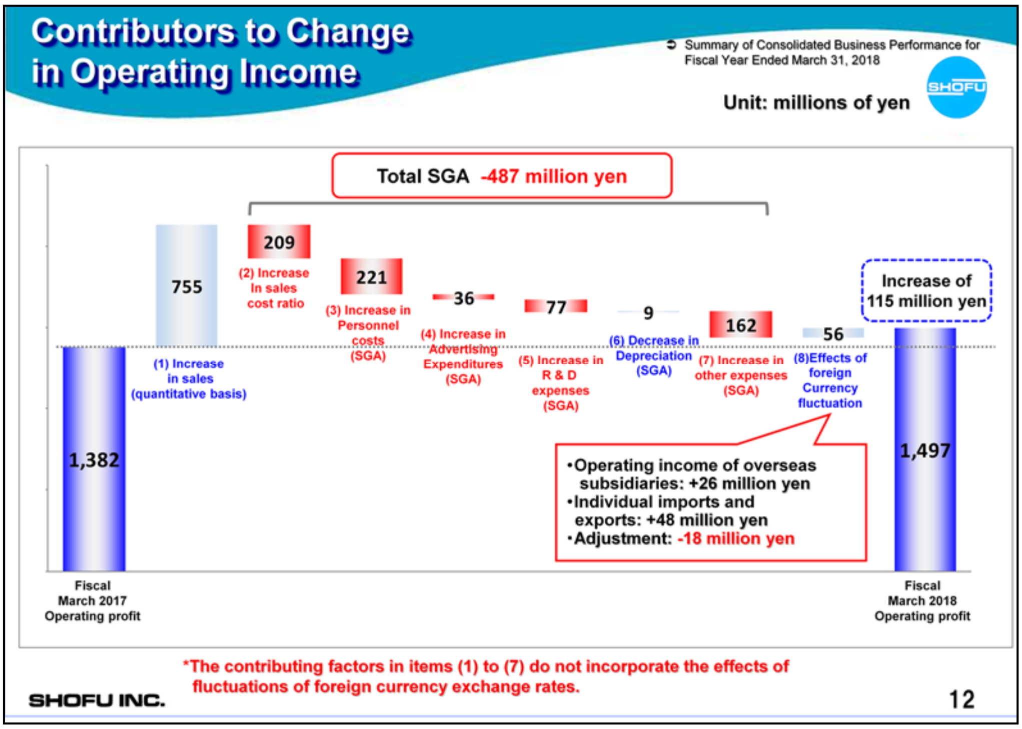
		Fiscal March 2017 (Results) Amount (% of sales)	Fiscal March 2013 (Forecast) Amount (% of sales)	Fiscal March 2018 (Results) Amount (% of sales)	Change from Previous Period	Change from Forecast
Dental	Net Sales	20,267	21,729	21,447	1,179	-281
	Operating expenses	18,887	20,283	20,037	1,149	-246
	Operating income (operating income margin)	1,380 (6.8)	1,445 (6.7)	1,410 (6.6)	30	-35
Nail care	Net Sales	1,944	2,137	2,486	541	348
	Operating expenses	1,970	2,105	2,422	452	316
	Operating income (operating income margin)	-25 (-1.3)	31 (1.5)	63 (2.5)	88	31
Other	Net Sales	100	103	105	5	1
	Operating expenses	77	92	87	9	-4
	Operating income (operating income margin)	22 (22.3)	11 (11.2)	17 (16.8)	-4	6
Total before consolidation adjustment	Net Sales	22,312	23,970	24,038	1,725	67
	Operating expenses	20,935	22,481	22,547	1,611	65
	Operating income (operating income margin)	1,376 (6.2)	1,488 (6.2)	1,491 (6.2)	114	2
Consolidated	Net Sales	22,305	23,970	24,031	1,725	60
	Operating expenses	20,922	22,481	22,533	1,610	51
	Operating income (operating income margin)	1,382 (6.2)	1,488 (6.2)	1,497 (6.2)	115	8

SHOFU INC. 11

Slide No. 11 shows sales and operating income by segment compared to the previous period and the forecast.

Net sales were as I just explained. Operating income increased by 115 million yen year on year and by 8 million yen against the forecast.

The increase in income from the previous period is mainly attributable to the increase in sales in the dental business and the nail care business. The increase in income against the forecast mainly resulted from the increase in sales in the nail care business.



Slide No. 12 shows contributors to the change in operating income compared to the previous period.

Operating income increased year on year by 115 million yen, or 8.3%.

As for the contributors to change, despite increases in the cost of sales ratio, R&D expenses, personnel costs associated with active sales activities, advertising expenditures, and SGA included in other expenses, the effect of higher sales plus a positive foreign exchange effect resulted in the increase in operating income.

Financial Condition: Major Balance Sheet Accounts

➲ Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

Unit: millions of yen

	Fiscal March 2017	Fiscal March 2018	Change	Major contributors to changes, special notes
Cash and cash in banks	4,997	5,733	736	Increase in time deposits
Notes and accounts receivable	3,138	3,285	147	Increase in accounts receivable-trade
Inventories	5,367	5,871	504	Increase in merchandises, raw materials and supplies
Marketable securities and Investment in securities	5,273	6,632	1,358	Increase in valuation of investment securities
Others	10,076	9,834	-242	Decrease in intangible assets due to impairment loss of goodwill
Total Assets	28,853	31,357	2,504	
Short-term loans payable and Long-term debt	1,730	1,486	-244	Decrease in long-term loans payable
Net defined benefit liability and Retirements allowance for directors and auditors	202	221	18	
Others	4,624	5,493	869	Increase in deferred tax liabilities, income taxes payable
Total Liabilities	6,556	7,200	643	
Total net assets	22,296	24,157	1,860	Increase in valuation difference on available-for-sale securities and retained earnings
Total Liabilities and net assets	28,853	31,357	2,504	
Shareholders' equity ratio	76.9%	76.7%	-0.2P	
Shareholders' equity per share	1,397yen	1,512yen	115yen	

SHOFU INC. 13

Slide No. 13 shows the change from the end of the previous period in major balance sheet accounts.

Total assets increased by 2,504 million yen, to 31,357 million yen.

Total net assets increased by 1,860 million yen, to 24,157 million yen. As a result, the shareholders' equity ratio declined 0.2 points, to 76.7%, from the end of the previous period.

Capital Investments, Depreciation Expenses, R&D Expenses, etc.

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金額単位:百万円

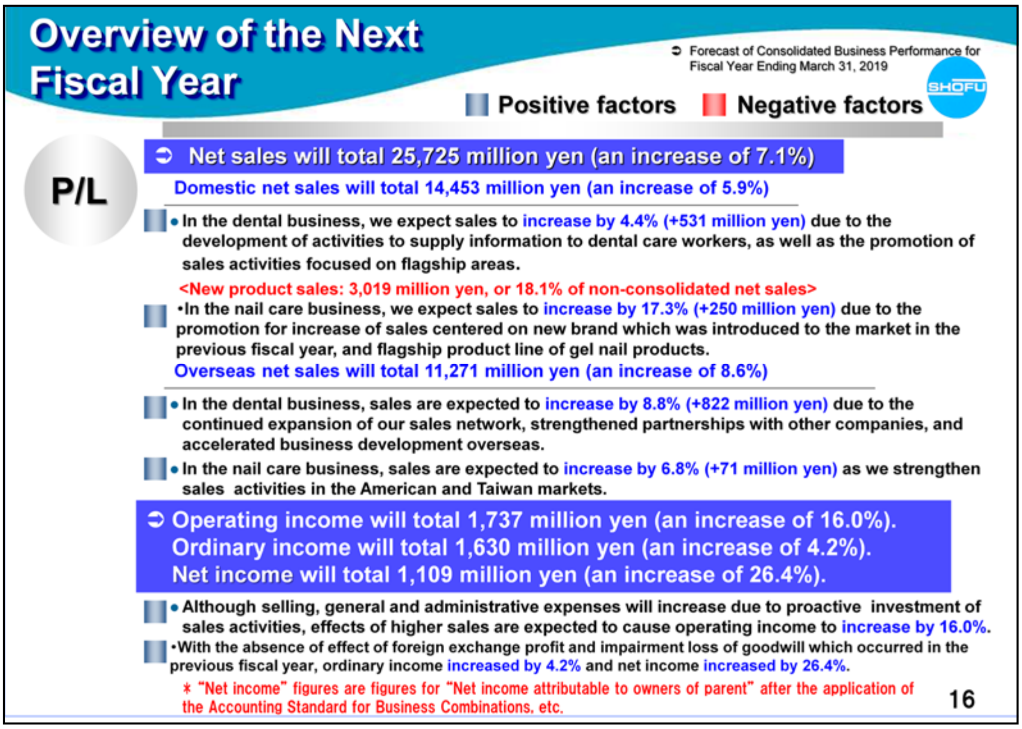
	Fiscal March 2017 (Results)	Fiscal March 2018 (Forecast)	Fiscal March 2018 (Results)	Change from Previous Period	Change from Forecast
Capital investment	875	780	710	-164	-69
Depreciation expenses	939	1,010	975	36	-35
(of which amortization of goodwill)	99	99	108	8	8
R&D expenses	1,408	1,604	1,494	85	-109
Foreign exchange rates					
US dollar	109.03	108.00	110.81	1.78	2.81
Euro	119.37	119.00	129.45	10.08	10.45
Pound sterling	143.04	145.00	147.27	4.23	2.27
Renminbi	16.56	16.20	16.64	0.08	0.44

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

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

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



Slide No. 16 shows the business forecast for the fiscal year ending March 2019, compared to the previous period.

We anticipate net sales to increase 7.1% year on year, to 25,725 million yen.

Broken down, domestic net sales will be 14,453 million yen, an increase of 5.9%, and overseas net sales will be 11,271 million yen, an increase of 8.6%.

In our domestic dental business, we will develop activities to provide information to dental professionals and promote sales activities focused on flagship areas.

In our domestic nail care business, we will strive to further promote sales of ageha, a new brand that we launched in the previous period, and gel nail products such as L•E•D Gel Presto.

In the overseas dental business, we will continue expansion of our sales network, strengthen partnerships with other companies, and accelerate business development overseas.

In our overseas nail care business, we will continue to strengthen sales activities, especially in the American and Taiwanese markets.

In terms of income, although we will step up investment for future growth, including personnel costs, and although selling, general and administrative expenses will increase due to proactive investment in sales activities, the effect of higher sales plus improvement in the cost of sales ratio is expected to cause operating income to increase by 16.0%.

Also, we expect ordinary income to increase by no more than 4.2% due to the absence of the effect of foreign exchange profit, which occurred in the previous period. In addition, with the absence of effect of impairment loss of goodwill related to Merz Dental GmbH, which also occurred in the previous period, we project net income to increase by 26.4%.

Comparison of Major Statistics

➲ Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

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➲ Net sales and Net income increased compared to fiscal March 2018

Units: millions of yen, %

	Fiscal March 2018 Business Performance (% of sales)		Fiscal March 2019 Forecast (% of sales)		Change From Previous Period (% change)	
Net sales	24,031	(100.0)	25,725	(100.0)	1,694	(7.1)
(Domestic sales)	13,652	(56.8)	14,453	(56.2)	800	(5.9)
(Overseas sales)	10,378	(43.2)	11,271	(43.8)	893	(8.6)
Operating income	1,497	(6.2)	1,737	(6.8)	240	(16.0)
Ordinary income	1,565	(6.5)	1,630	(6.3)	65	(4.2)
Net income	877	(3.7)	1,109	(4.3)	231	(26.4)
Net income per share	55.20yen		69.77yen		14.57yen	
Return on shareholders' equity	3.8%		4.6%		0.8P	

Foreign exchange rates			
US dollar	110.81	105.00	-5.81
Euro	129.45	130.00	0.55
Pound sterling	147.27	150.00	2.73
Renminbi	16.64	16.50	-0.14

* "Net income" figures are figures for "Net income attributable to owners of parent" after the application of the Accounting Standard for Business Combinations, etc.

Sales by Product Category

➲ Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

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Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2018 (Results)	Fiscal March 2019 (Forecast)	Cange from previous period		Domestic	Overseas
Artificial teeth	4,077	4,352	274	(6.7)	50	223
Abrasives	4,006	4,114	108	(2.7)	43	65
Metal products	247	271	24	(9.7)	23	0
Chemical products	4,770	5,163	393	(8.2)	105	287
Cements and others	2,044	2,170	126	(6.2)	71	54
Equipment and others	6,300	6,728	427	(6.8)	236	191
Dental business total	21,446	22,800	1,353	(6.3)	531	822
Nail care business	2,485	2,806	321	(12.9)	250	71
Other	98	117	18	(19.2)	18	—
Total	24,031	25,725	1,694	(7.1)	800	893

• Overseas sales decreased by 154 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi, New Taiwan dollar, Indian Rupee). (Dental business -144 million yen, Nail care business -10 million yen)

SHOFU INC. 18

Slide No. 18 shows sales by product category compared to the fiscal year ended March 2018.

Overall, we forecast sales to increase by 1,694 million yen. Of this, we expect 1,353 million yen to be in the dental business and 321 million yen to be in the nail care business.

In both the domestic and overseas dental business, we will aim to expand sales, focusing on equipment, including digital cameras for dentistry and CAD/CAM-related products, as well as our flagship chemical products and artificial teeth.

In the nail care business, we anticipate sales to increase both in the domestic and overseas markets.

Domestic Net Sales

➲ Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

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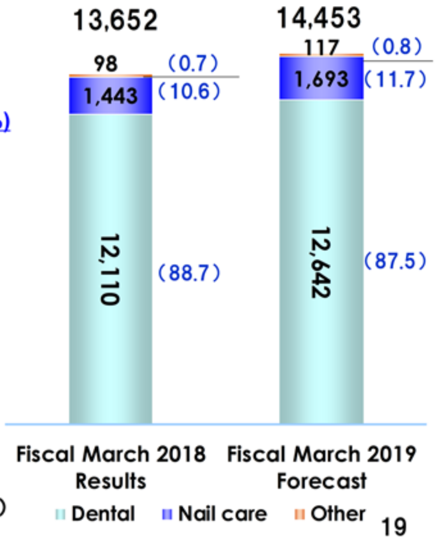
- Dental business:
  Year-on-year increase of 531 million yen (4.4%)
  - we will enhance our sales promotion activities in our major focus areas and provide information activities towards dental professionals.
- Nail care business:
  Year-on-year increase of 250 million yen (17.3%)
  - we will promote sales increase of new brand and flagship product lines of gel nail products.
- Other businesses:
  Year-on-year increase of 18 million yen (19.2%)
- Principal new products launched during recent fiscal year.
  - Dental filling composite resin
    BEAUTIFUL Flow Plus X （Chemical products）
  - Digital oral imaging device
    EyeSpecial C-III （Equipment and others）
  - Digital impression molding device
    TRIOS3 oral scanner （Equipment and others）
  - Resin material for dental cutting processing
    SHOFU BLOCK HC HARD（Equipment and others）

Unit: Millions of yen; figures in parentheses represent the percentage of the total



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Overseas Net Sales

➲ Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

✧ **Summary**

- Despite the negative effects of foreign currency fluctuations (-154 million yen), net sales overall are expected to increase by 8.6% due to strong performances in all regions.
- Growth rates by region

*Figures in parentheses indicate the growth rate on local currency basis.

North and Latin America	+0.6%	(+ 6.0%)
Europe	+9.7%	(+ 9.1%)
China	+11.9%	(+12.9%)
Asia (Other)	+14.6%	(+15.7%)

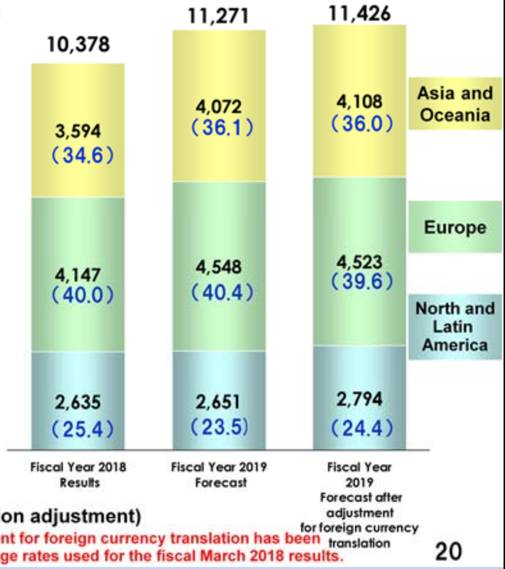
✧ **Foreign exchange rates**

- USD1=JPY105.00
  (JPY110.81 in the previous fiscal year)
  (Effect: -171 million yen)
- EUR1=JPY130.00
  (JPY129.45 in the previous fiscal year)
  (Effect: +17 million yen)
- RMB1=JPY16.50
  (JPY16.64 in the previous fiscal year)
  (Effect: -16 million yen)

✧ **(Dental business) Overseas sales ratio**

44.6% (43.5% in the previous fiscal year)
(44.9% after foreign currency translation adjustment)

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



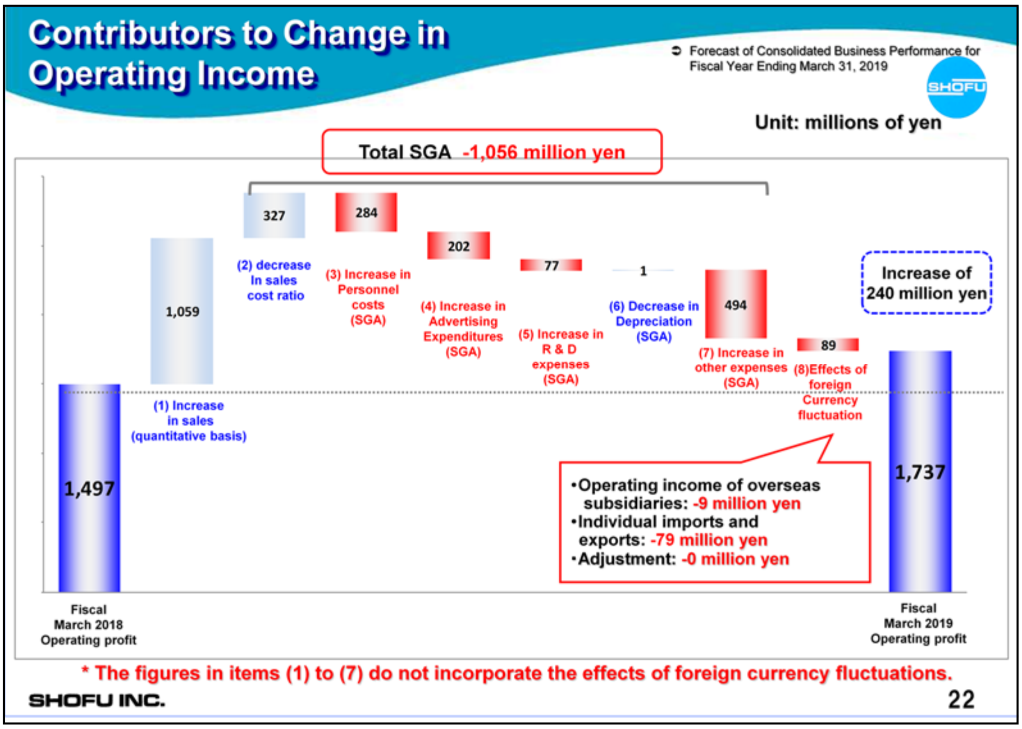
* The fiscal March 2019 forecast after adjustment for foreign currency translation has been calculated based on the same foreign exchange rates used for the fiscal March 2018 results.

Performance by Segment (Net Sales and Operating Income)

➲ Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

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

		Fiscal March 2018 (Results) Amount (% of sales)	Fiscal March 2019 (Forecast) Amount (% of sales)	Change from Previous Period
Dental	Net Sales	21,447	22,800	1,353
	Operating expenses	20,037	21,224	1,187
	Operating income (operating income margin)	1,410 (6.6)	1,575 (6.9)	165
Nail care	Net Sales	2,486	2,806	320
	Operating expenses	2,422	2,661	238
	Operating income (operating income margin)	63 (2.5)	145 (5.2)	82
Other	Net Sales	105	117	12
	Operating expenses	87	101	13
	Operating income (operating income margin)	17 (16.8)	16 (13.7)	-1
Total before consolidation adjustment	Net Sales	24,038	25,725	1,686
	Operating expenses	22,547	23,987	1,439
	Operating income (operating income margin)	1,491 (6.2)	1,737 (6.8)	246
Consolidated	Net Sales	24,031	25,725	1,694
	Operating expenses	22,533	23,987	1,454
	Operating income (operating income margin)	1,497 (6.2)	1,737 (6.8)	240



Slide No. 22 shows contributors to the change in operating income compared to the fiscal year ended March 2018.

Although selling, general and administrative expenses will increase greatly due to increases in personnel costs, advertising expenditures, R&D expenses and others, we forecast the upside factors of an increase in sales and improvement in the cost of sales ratio to increase operating income by 240 million yen.

Impact of Foreign Exchange Fluctuations

➲ Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

SHOFU

Forecast for Fiscal March 2019

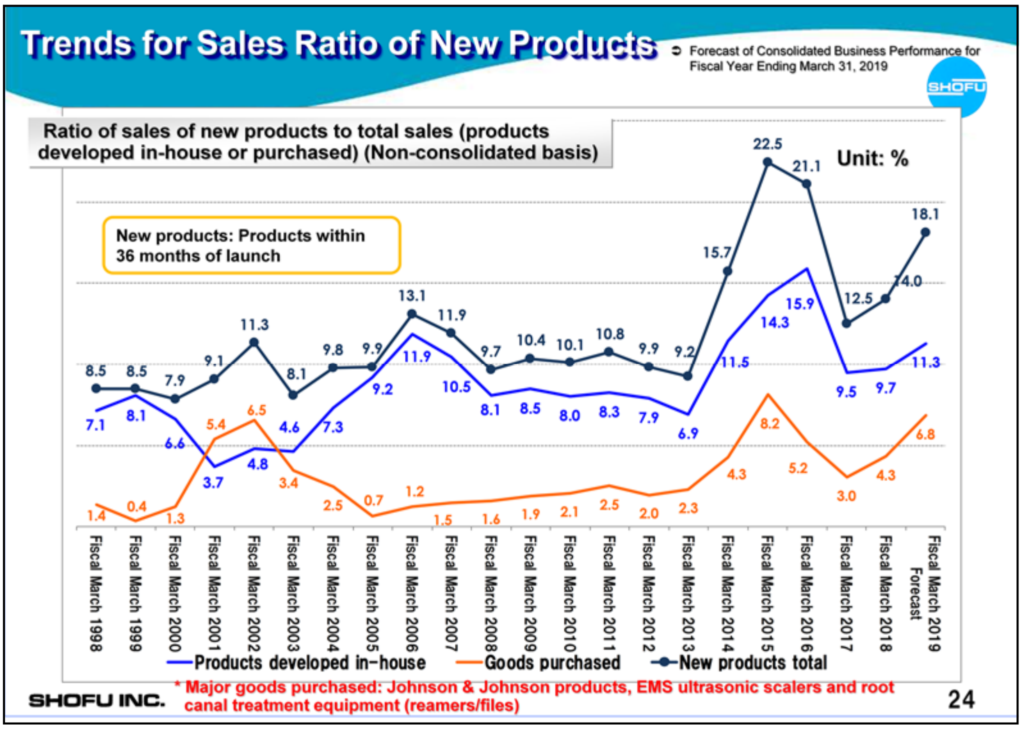
(Unit: millions of yen)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen strength	
	Fiscal March 2018 actual	Fiscal March 2019 estimate	Sales	Operating income	Sales	Operating income
US Dollar	110.81	105.00	-171	-78	-29	-12
Euro	129.45	130.00	17	4	-32	-5
GBP	147.27	150.00	7	0	-2	0
RMB	16.64	16.50	-16	-15	-117	-59

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

SHOFU INC. 23

Slide No. 23 shows the anticipated impact of foreign exchange fluctuations of major currencies such as the US dollar and euro in the fiscal year ending March 2019.



Slide No. 24 shows trends for the sales ratio of new products.

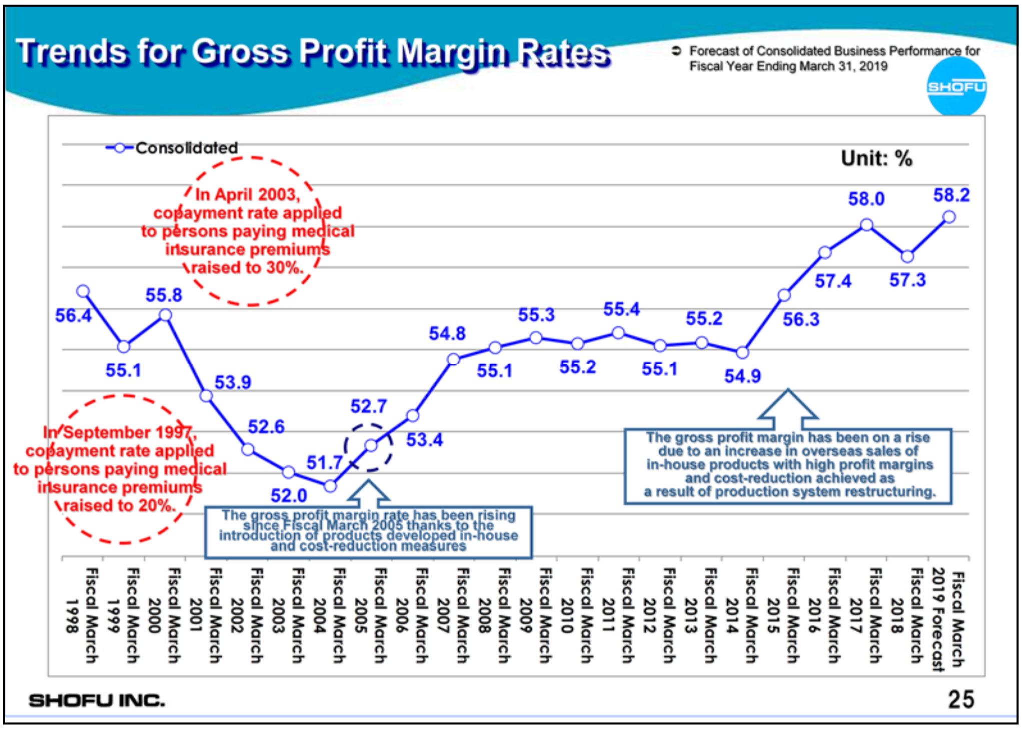
Shofu defines new products as products launched within the past three years. Our aim is for the sales ratio of new products to be 15% of total sales.

We attach importance to the expansion of new product sales as an indicator of the company's collective strength, including R&D capabilities and sales ability.

We achieved our target during the three years from the fiscal year ended March 2014, but fell short of the 15% mark during the past two periods.

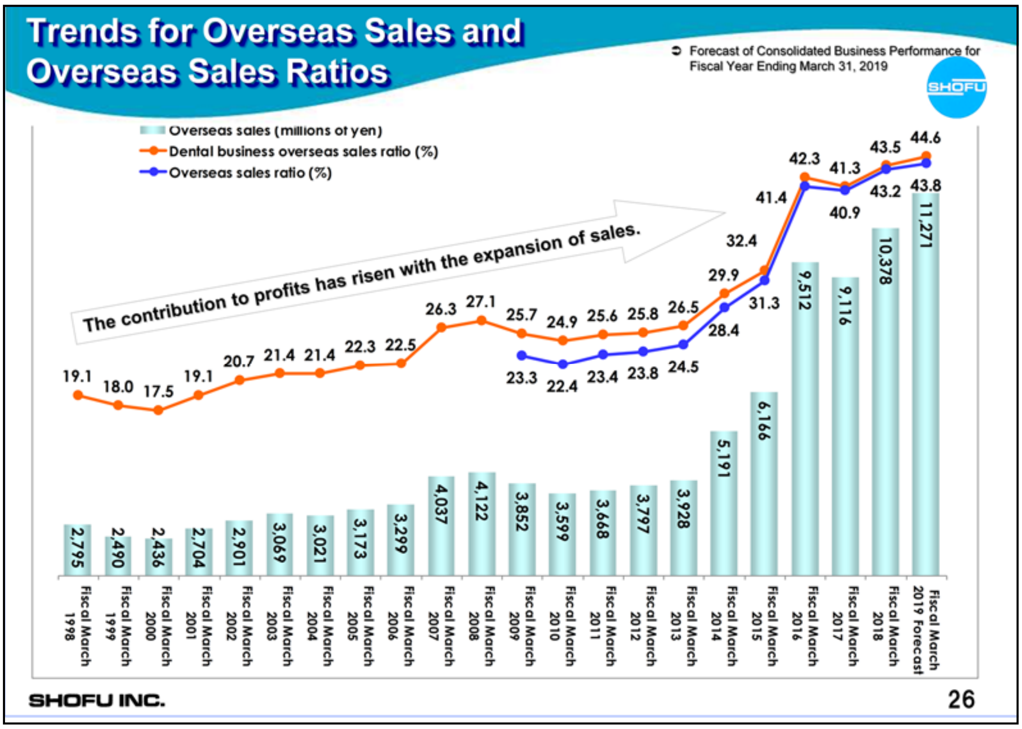
In the fiscal year ending March 2019, we expect to reach 18.1% thanks to the contribution to sales throughout the year of new products launched in the previous period, plus the effect of new products launched in the current fiscal year.

Going forward, we will strive to maintain a ratio of 15% or higher by increasing sales of new products, especially new products developed in-house.



Slide No. 25 shows trends for gross profit margin rates.

We will pursue a higher profit margin from volume effects and by reducing costs through production relocation.



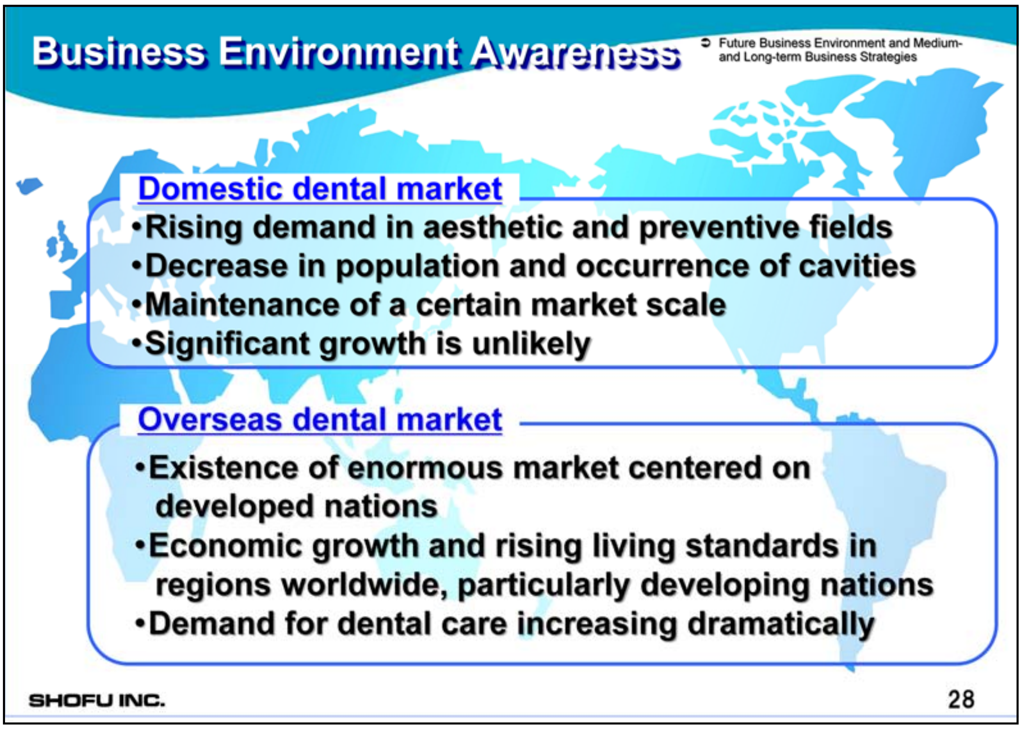
Slide No. 26 shows trends for overseas sales and overseas sales ratios.

Overseas sales have increased every year since the fiscal year ended March 2010. Going forward, we will continue to shift the allocation of management resources to overseas markets to a large extent with the aim of further expanding overseas sales. This graph emphasizes the dental business overseas sales ratio, shown in orange.

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2018

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2019

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



Slide No. 28 shows business environment awareness in the domestic and overseas markets.

Considering the domestic market first, the present situation for dentistry is that even though the elderly population is increasing, this does not necessarily translate into increases in medical charges.

Looking ahead, rising awareness of oral health is expected to foster the spread of the aesthetic, preventive, and oral health fields and to increase demand related to periodontal disease. With the decrease in population and the occurrence of cavities, however, even if the domestic dental market were to maintain a certain market scale, significant growth is unlikely.

Overseas, however, there is a market that is currently around 13 times the size of the domestic market. In addition to this, when considering the economic growth and rising living standards in regions worldwide, including developing nations, demand for dental care is anticipated to increase dramatically.

Even accounting for the differences in price level, Shofu believes that in 10 years, the global dental market could grow to 20 times or more the size of the Japanese dental market.

Slide No. 29 shows the vision for our company to pursue over the medium- to long-term.

Since its establishment, Shofu has pursued its business as a comprehensive manufacturer of dental materials and equipment in line with its Corporate Philosophy of "Contribution to dentistry through innovative business activities." However, with an overseas market at least 13 times the size of the domestic Japanese market, Shofu's contribution and presence to date has been insufficient.

There are a variety of opinions on how to define "contribution" and "presence." Shofu takes net sales as the barometer of "contribution" and considers "presence" as being among the top 10 in the world.

Accordingly, while maintaining and expanding our business base in Japan, we will strive to expand our overseas business by dramatically shifting the allocation of management resources to overseas markets. By so doing, we aim to achieve group net sales of 50 billion yen and operating income of 7.5 billion yen and to raise our contribution to and presence in dentistry worldwide.

Fiscal 2015 to 2017: Review of Medium-term Management Plan

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

SHOFU

Unit: millions of yen

	Fiscal March 2018 Mid-term plan (% of Sales)	Fiscal March 2018 results (% of Sales)	Change from Mid-term plan (% change)	Change from Fiscal year 2012 (CAGR)
Net sales	28,471	24,031	-4,440 (△15.6%)	8,045 (7.0%)
(Domestic sales)	16,024 (56.3%)	13,652 (56.8%)	-2,372 (△14.8%)	1,464 (1.9%)
(Overseas sales)	12,446 (43.7%)	10,378 (43.2%)	-2,068 (△16.6%)	6,581 (18.2%)
Operating income	2,978 (10.5%)	1,497 (6.2%)	-1,480 (△49.7%)	500 (7.0%)

Divergence factor between fiscal March 2018 and Medium-term Plan

- ✓ **Insufficient speed in responding to market needs and growth opportunities in growth fields**
- ✓ **Delays in improving our sales network and handling product registration**
- ✓ **Lack of progress in price competitiveness improvements**

SHOFU INC. 30

We expressed this view six years ago at the time of our 90th anniversary of it's foundation in the fiscal year ended March 2012. At that time, we set 10 years in the future, or the fiscal year ending March 2022, which will be our 100th anniversary, as the period by which to achieve these targets. During the past six years, we have carried out many initiatives toward that goal.

However, when stacked against our Second Medium-term Management Plan, the final year of which was the fiscal year ended March 2018, our performance fell short to a large extent on each count, with, as shown on Slide 30, net sales of 24 billion yen versus a goal of 28.5 billion yen and operating income of 1.5 billion yen versus a goal of 3.0 billion yen. Based on these results, we are forced to conclude that it will be difficult to achieve our goals in the remaining four years.

In terms of the implications of our Corporate Philosophy and our intentions, there will be no change in the numerical targets of our vision: 50 billion yen in net sales and 7.5 billion yen in operating income. Unfortunately, however, we have decided to push the period of achievement back.

While the fact that we were more susceptible than we initially imagined to external factors such as the global political and economic situation as well as the effect of regulations in each country, the greatest factors that led to revision of the period of achievement fall on our own shoulders. These include: insufficient speed in responding to market needs and growth opportunities in growth fields; delays in improving our sales network and handling product registration; and lack of progress in price competitiveness improvements.

On the other hand, I believe that we gained quite a lot from the various initiatives and challenges made thus far toward our vision, including, for example, enhanced knowledge of growth fields as well as stronger and broader systems in them, enhanced overseas sales networks, and spreading throughout the Group a mindset that embraces challenges. Although not as quickly as desired, I do feel that our overly conservative management approach has started to undergo a huge transformation.

Therefore, we will not obsess on our 100th anniversary as the period of achievement. Instead, we formulated a Third Medium-term Management Plan with a policy of firmly carrying out measures against the factors that led to the divergence between our performance results and the Second Medium-term Management Plan, accelerating efforts to address priority issues, and making use of cooperation with outside organizations, M&As, and other techniques to boost speed. In this way, we hope to minimize the delay until achievement of our goals.

Specific Efforts – Production

SHOFU

✧ Relocation of production base and expansion of offshore production

March, 2013

Split up Promech's dental business to Shoken

Nail Labo absorbed Promech

Aimed for stabilization of management base and business efficiency

July, 2014

Relocation and expansion of Shoken
Changed the company name to SHOFU PRODUCTS KYOTO INC.

April, 2015

Subsidiarization of Merz Dental GmbH, a German artificial teeth Manufacturer

New production base in Europe

March, 2017

Completed new plant in the SHOFU headquarters

FY2013/3 → FY2014/3 → FY 2015/3 → FY 2016/3 → FY 2017/3 → FY 2018/3

March, 2014

Completed CAD/CAM processing center at Shoken

January, 2015

Completed new plant at Shiga SHOFU

September, 2015

Established CAD/CAM processing company in Germany (Digital Dental Services GmbH)

※We are gradually developing production bases in other important countries and regions.

Specific Efforts – Sales

SHOFU

✧Realignment of sales offices

April, 2013
Incorporated Sales Branch in Singapore (SHOFU Dental Asia-Pacific Pte. Led.)

June, 2014
Established Sales Company in Mexico (SHOFU Mexico S de R.L. de C. V.)

April, 2015
Established Sales Company for Dental Implant in Japan
Entry into the Implant business (SHOFU BIOFIX Inc.)

Established Sales Branch in Italy

April, 2015
Subsidiarization of Merz Dental GmbH, a German artificial teeth Manufacturer

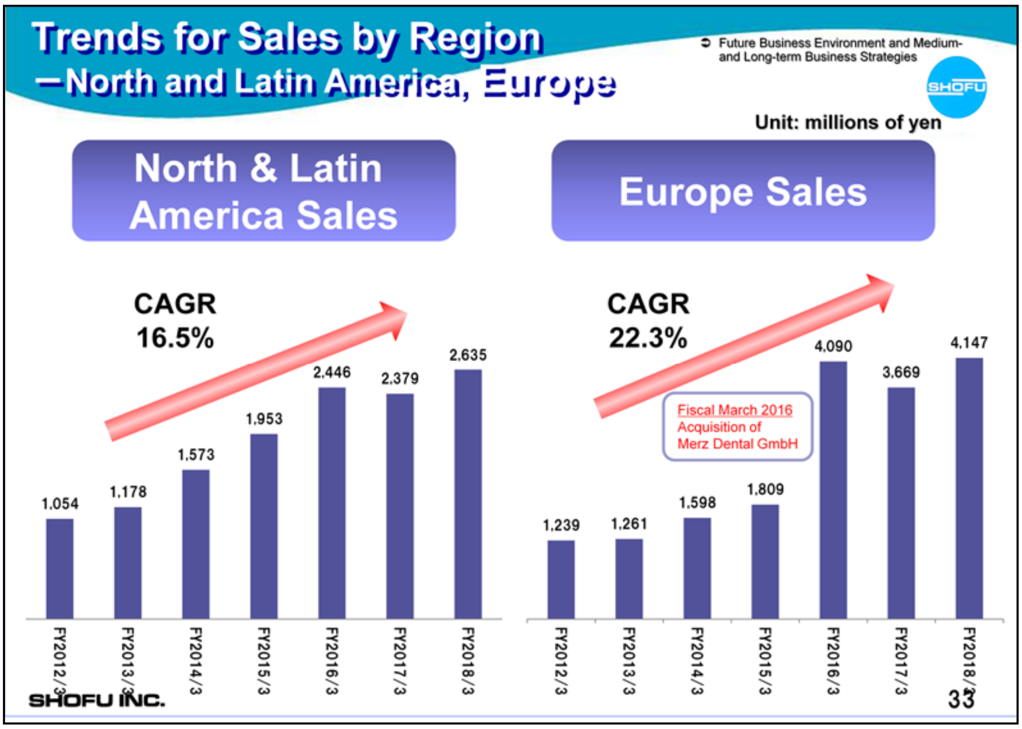
May, 2015
Established Sales Branch in Taiwan

January, 2017
Established Sales Company in Brazil (SHOFU Dental Brasil Comercio De Produtos Odontologicos Ltda.)

April, 2017
Established Sales Company in India (SHOFU Dental India Pvt. Ltd.)

FY2013/3 → FY2014/3 → FY 2015/3 → FY 2016/3 → FY 2017/3 → FY 2018/3

＊We are planning to establish sales bases in other important countries / regions.


Trends for Sales by Region
―North and Latin America, Europe
Future Business Environment and Medium- and Long-term Business Strategies
SHOFU
Unit: millions of yen
North & Latin America Sales
Europe Sales
CAGR 16.5%
1,054
1,178
1,573
1,953
2,446
2,379
2,635
CAGR 22.3%
1,239
1,261
1,598
1,809
4,090
3,669
4,147
Fiscal March 2016 Acquisition of Merz Dental GmbH
FY2012/3
FY2013/3
FY2014/3
FY2015/3
FY2016/3
FY2017/3
FY2018/3
SHOFU INC.
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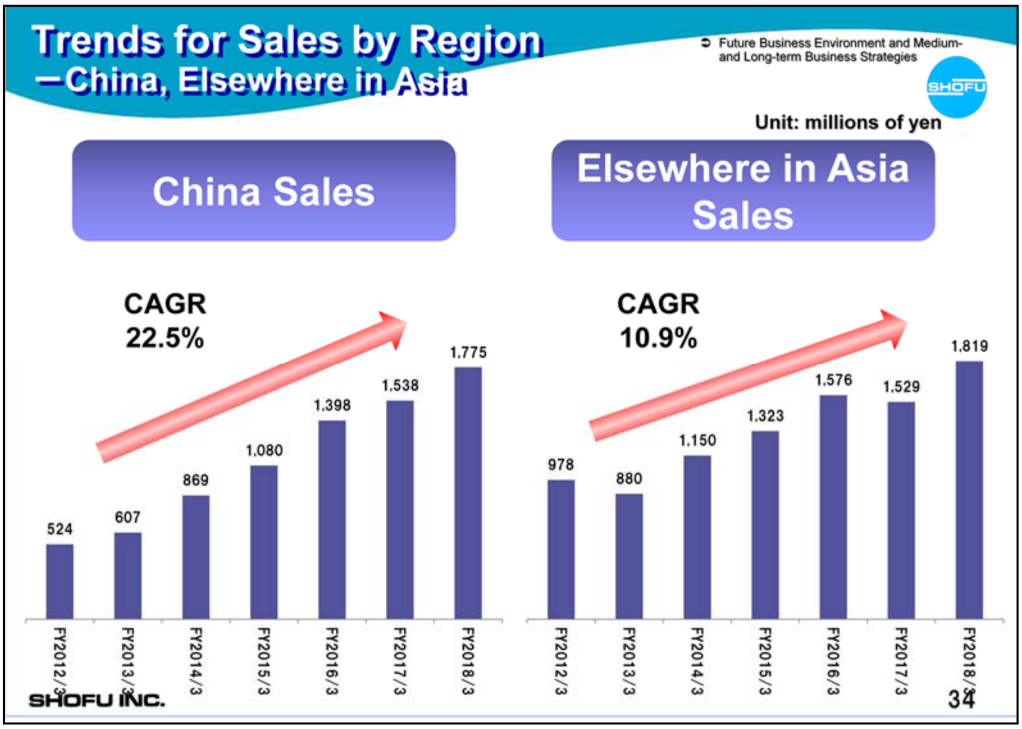
Trends for Sales by Region
－China, Elsewhere in Asia
Future Business Environment and Medium- and Long-term Business Strategies
SHOFU
Unit: millions of yen
China Sales
CAGR 22.5%
524
607
869
1,080
1,398
1,538
1,775
FY2012/3
FY2013/3
FY2014/3
FY2015/3
FY2016/3
FY2017/3
FY2018/3
Elsewhere in Asia Sales
CAGR 10.9%
978
880
1,150
1,323
1,576
1,529
1,819
FY2012/3
FY2013/3
FY2014/3
FY2015/3
FY2016/3
FY2017/3
FY2018/3
SHOFU INC.
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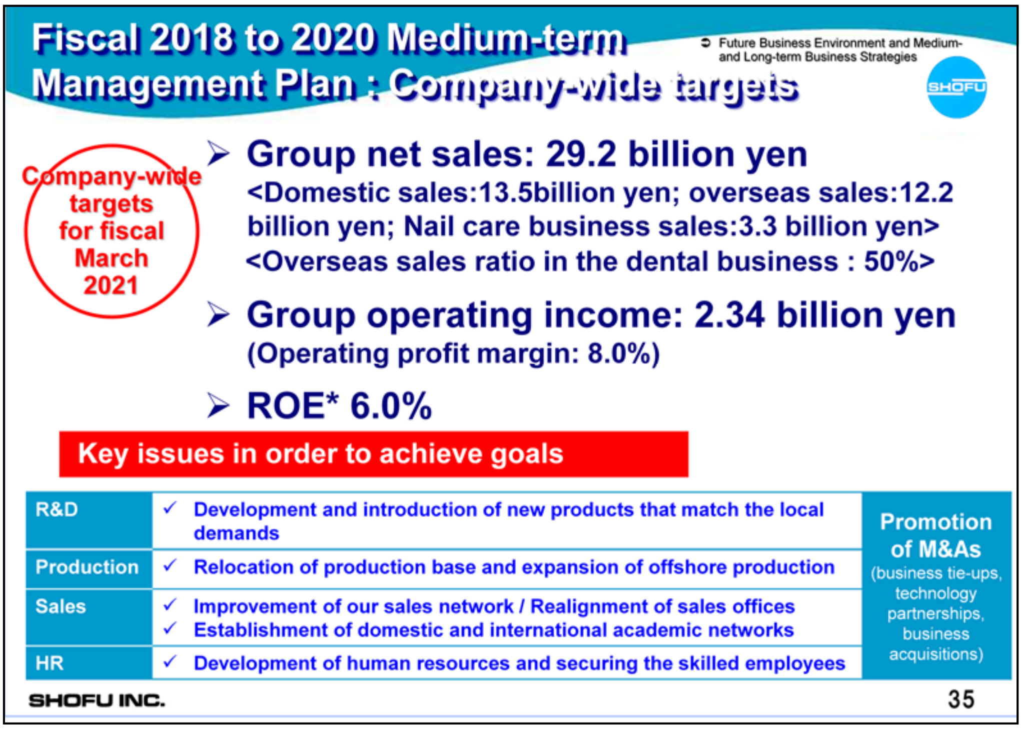
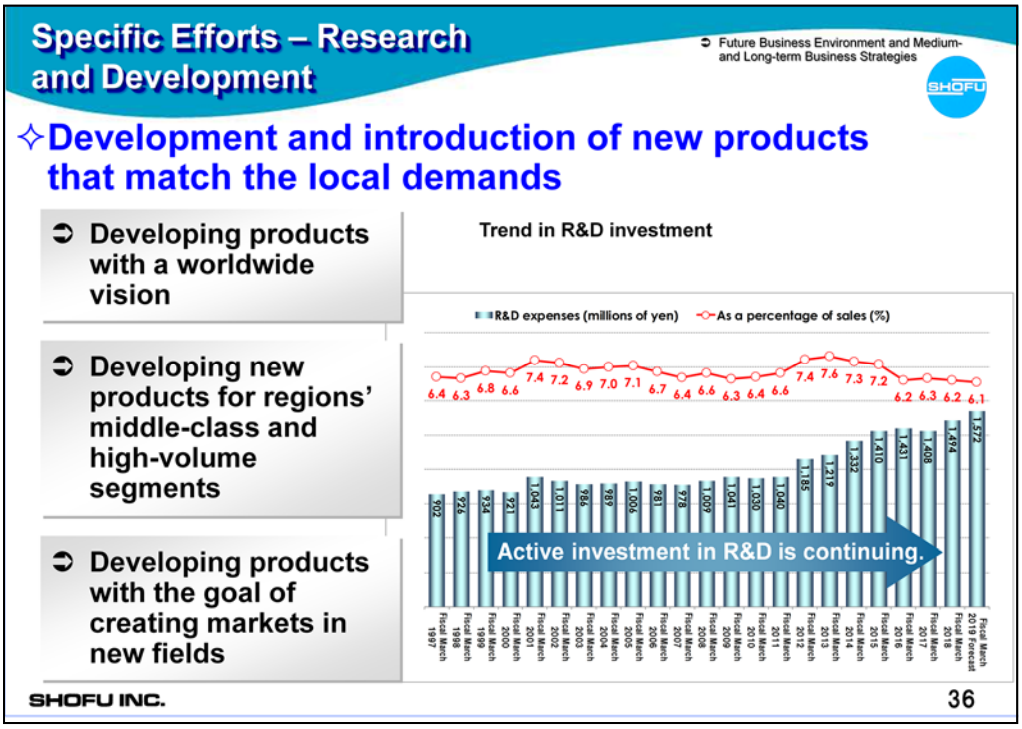


Based on that view, we formulated the Third Medium-term Management Plan, which covers the period up through the fiscal year ending March 2021. Slide No. 35 shows an overview of the plan.

In the fiscal year ending March 2021, the last year of the plan, our main goals are to achieve Group net sales of 29.2 billion yen, an operating profit margin of 8.0%, and an ROE of 6%.

Toward the achievement of these goals, we will principally focus on carrying out our key issues with greater speed over the next three years. As I just mentioned, we intend to actively make use of M&As and cooperation with outside organizations to increase speed.

I will now explain the specific efforts that we will make with respect to each issue.

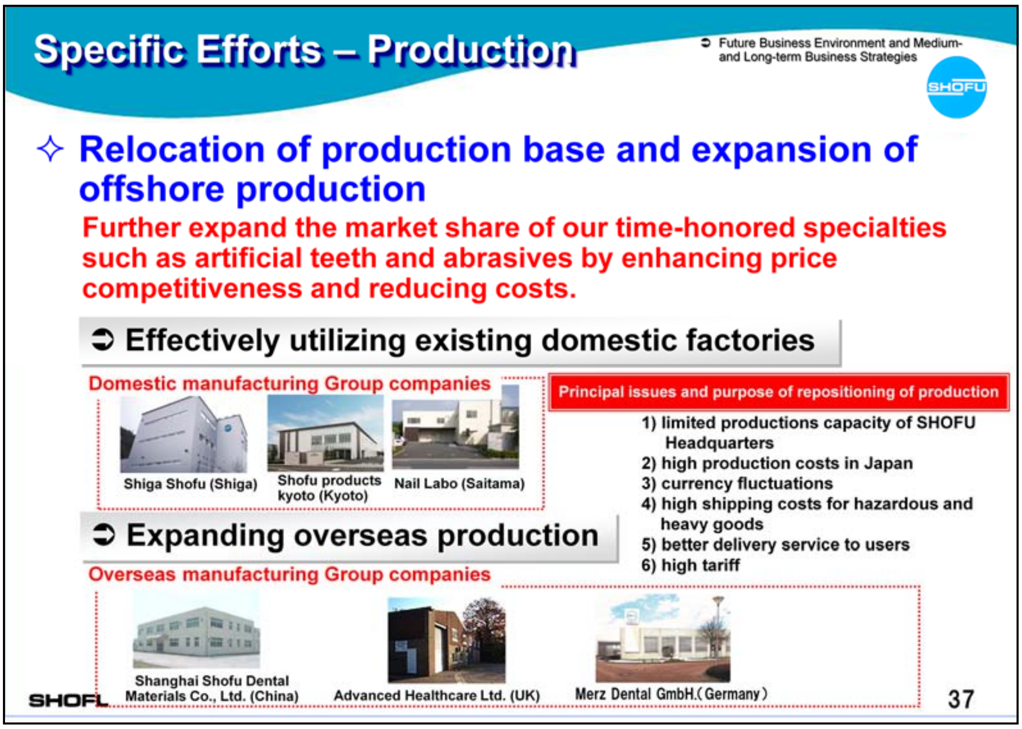


Slide No. 36 shows priority efforts related to research and development.

Shofu aims to pursue global growth as an R&D-driven company. Going forward, we will continue to develop products with a worldwide vision.

In addition to that, from here on we will also develop new products that match local demands, targeting the middle-class and high-volume segments.

Furthermore, as well as opening up new business fields related to CAD/CAM, we have also begun selling implants developed in-house and produced in Japan.

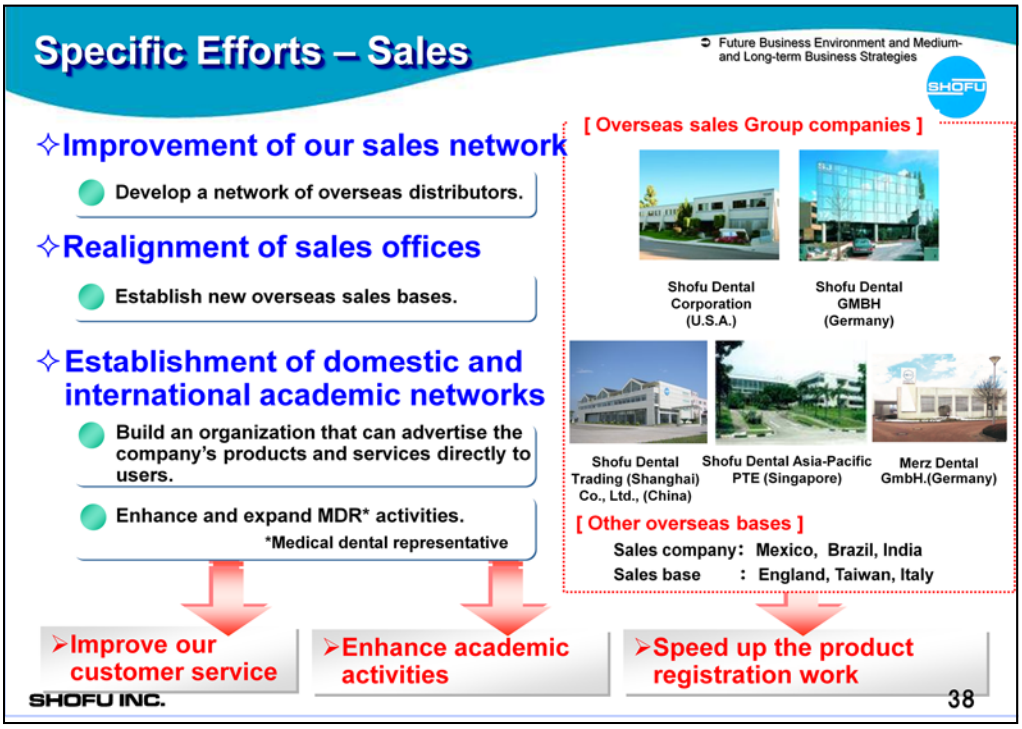


Slide No. 37 shows priority efforts related to production.

With respect to production, we will relocate production bases by effectively utilizing existing domestic factories and expanding overseas production in an effort to enhance price competitiveness through increased production volume and cost reductions.

Specifically, at our domestic manufacturing subsidiaries, we will transition away from production at the Shofu headquarters through technology transfers and facilities enlargement as well as construction of new factories.

Overseas, meanwhile, since the acquisition of the German artificial teeth manufacturer Merz Dental has given us a relatively large production base in Europe, we will increase its utilization while also considering the establishment of production bases in other regions.

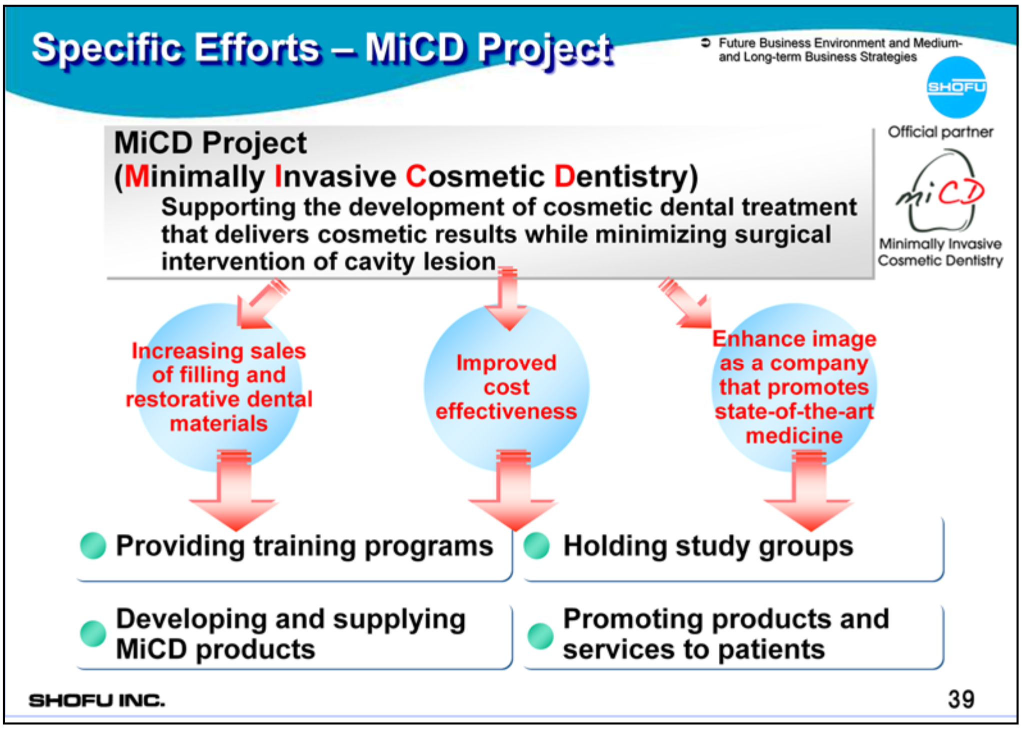


Slide No. 38 shows priority efforts related to sales.

The most important challenge both in the domestic and overseas markets, is the need to establish a system for Shofu's products to earn firm recognition among the dental professionals who are our end customers.

Specific efforts overseas include the establishment of a local subsidiary in Singapore and the establishment of bases in Mexico, Italy, and Taiwan in order to strengthen sales activities in each of those regions. We will also increase utilization of Merz Dental's sales network.

Furthermore, last year we established sales companies in Brazil and India. Going forward, we will gradually develop and enhance our sales network in key countries and regions.



Slide No. 39 shows the MiCD Project, through which we are pushing sales activities hard in and outside Japan.

MiCD stands for Minimally Invasive Cosmetic Dentistry, and refers to cosmetic dental treatment focused on patients' emotional, health, and aesthetic requests "to have a more beautiful smile with the least drilling possible."

Shofu doesn't just support the spread of the MiCD concept; by applying its own technology, it will also strive to "increase sales of filling and restorative dental materials," "achieve differentiation and superiority by making a wide range of product lines compatible with the MiCD concept," and "enhance its image as a company that promotes state-of-the-art dentistry"

Slide No. 40 shows our basic policy and priority efforts related to the nail care business.

Price competition is becoming increasingly intense in today's business environment compared to when we entered the nail care business in earnest in 2008. While the business has not reached the scale we had initially imagined, we have built an integrated system for working on everything from product development to manufacturing and sales, and we are striving to stabilize our management base and streamline operations.

Moreover, in addition to offering products to professional manicurists, we are developing products for general consumers, and have established a joint venture in Taiwan, launched a collaboration with a noted manicurist, and are making other efforts to develop the market from both the product development and sales angles.

Progress of Specific Efforts (Summary 1)

SHOFU

Key issues	Progress of specific efforts
【Research and Development】 Development and introduction of new products that match the local demands	①Developing products with a worldwide vision ✓ Expand product range of LITE-FIL(chemical products) (Sequential expansion) ✓ Further expand market share of dental digital cameras (Domestic: May 2017, Overseas: August 2017) ②Developing new products for regions' high-volume segments ✓ Introduce acrylic artificial teeth to Asian markets (June 2015) ③Developing products with the goal of creating markets in new fields ✓ Proactively expand the latest CAD/CAM equipment and systems (Developing from May 2013) ✓ Entering into the implant business (April 2015)
【Production】 Relocation of production base and expansion of offshore production	①Effectively utilizing existing domestic factories ✓ Transfer manufacturing to domestic subsidiaries (Shofu products kyoto established: July 2014) (New plant of Shiga Shofu: January 2015) ✓ Outsource domestic logistics functions (Eastern japan: July 2012, West Japan: November 2015) ✓ Restructure Head Office production system (Construction of a new factory in the head office: March 2017) ②Expanding offshore production ✓ Expand production capabilities in Europe through the acquisition of Merz Dental GmbH (April 2015)

Progress of Specific Efforts (Summary 2)

Key issues	Progress of specific efforts
【Sales】 Improvement of sales network and sales offices, establishment of academic networks	①Improve sales network and sales offices ✓ Increase sales staff (Sequential enhancement) ✓ Switch to a multiple agency structure (Europe / Asia Sequential development) ✓ Develop new agencies (Latin America / China Sequential development) ✓ Establish local corporations (Mexico: September 2014, Brazil: January 2017, India: April 2017) ✓ Establish branches (Italy: April 2015, Taiwan: May 2015) ②Establish academic networks ✓ Increase KOL (Sequential enhancement) ✓ proactively expand workshops and seminars (Sequential development)
【Acquisition of Merz Dental GmbH】 Creating synergies in many areas, including R&D capabilities, production and sales	①Product development taking advantage of the quality and technological capabilities of SHOFU and the brand strengths of Merz Dental ✓ Photopolymerized hard resins for crowns (March 2017) ✓ Resin teeth (June 2017)
【Nail care business】 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.	①Broaden lineup by releasing new in-house products (Sequential expansion) ②Expand sales routes by developing and releasing "by Nail Labo", the gel nail system for general consumers (August 2014) ③Expand overseas business (America, Asia) (Taiwan: December 2014)

Medium-term Management Plan – Principle Targets

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

★・・・Record Unit: Millions of yen, %

	Fiscal March 2018 (Results)	Mid-term Management Plan		
		Fiscal March 2019	Fiscal March 2020	Fiscal March 2021
Net sales	★ 24,031	★ 25,725	★ 27,419	★ 29,264
(Change from Previous Period)	(7.7%)	(7.1%)	(6.6%)	(6.7%)
(Domestic sales)	★ 13,652	★ 14,453	★ 15,085	★ 15,700
(Change from Previous Period)	(3.5%)	(5.9%)	(4.4%)	(4.1%)
(Overseas sales)	★ 10,378	★ 11,271	★ 12,333	★ 13,563
(Change from Previous Period)	(13.8%)	(8.6%)	(9.4%)	(10.0%)
Operating income	1,497	1,737	★ 2,056	★ 2,341
(Persentage of sales)	(6.2%)	(6.8%)	(7.5%)	(8.0%)
Ordinary income	1,565	1,630	★ 1,946	★ 2,234
(Persentage of sales)	(6.5%)	(6.3%)	(7.1%)	(7.6%)
Net income	877	★ 1,109	★ 1,370	★ 1,596
(Persentage of sales)	(3.7%)	(4.3%)	(5.0%)	(5.5%)
Dental business Overseas sales ratio	★ 43.5%	★ 44.6%	★ 46.0%	★ 47.6%

* "Net income" figures are figures for "Net income attributable to owners of parent" after the application of the Accounting Standard for Business Combinations, etc.

SHOFU INC. 43

Slide No. 43 shows principle targets under the Medium-term Management Plan for fiscal year 2018 – 2020.

We expect to continue posting record net sales from the fiscal year ending March 2019 forward and anticipate record income performance from the fiscal year ending 2020 onward.

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

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

SHOFU

Unit: Millions of yen, %

	Fiscal March 2018 (Results)		Mid-Term Management Plan					
			Fiscal March 2019		Fiscal March 2020		Fiscal March 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Dental business	21,447	89.2	22,800	88.6	24,227	88.4	25,787	88.1
Nail care business	2,486	10.3	2,806	10.9	3,068	11.2	3,343	11.4
Other businesses	105	0.4	117	0.5	123	0.5	133	0.5
Net sales	24,038	100.0	25,725	100.0	27,419	100.0	29,264	100.0
Dental business	1,410	6.6	1,575	6.9	1,867	7.7	2,070	8.0
Nail care business	63	2.5	145	5.2	169	5.5	243	7.3
Other businesses	17	16.8	16	13.7	18	15.3	27	20.5
Operating income	1,491	6.2	1,737	6.8	2,056	7.5	2,341	8.0

Medium-term Management Plan Capital Investments, Depreciation Expenses , R&D Expenses

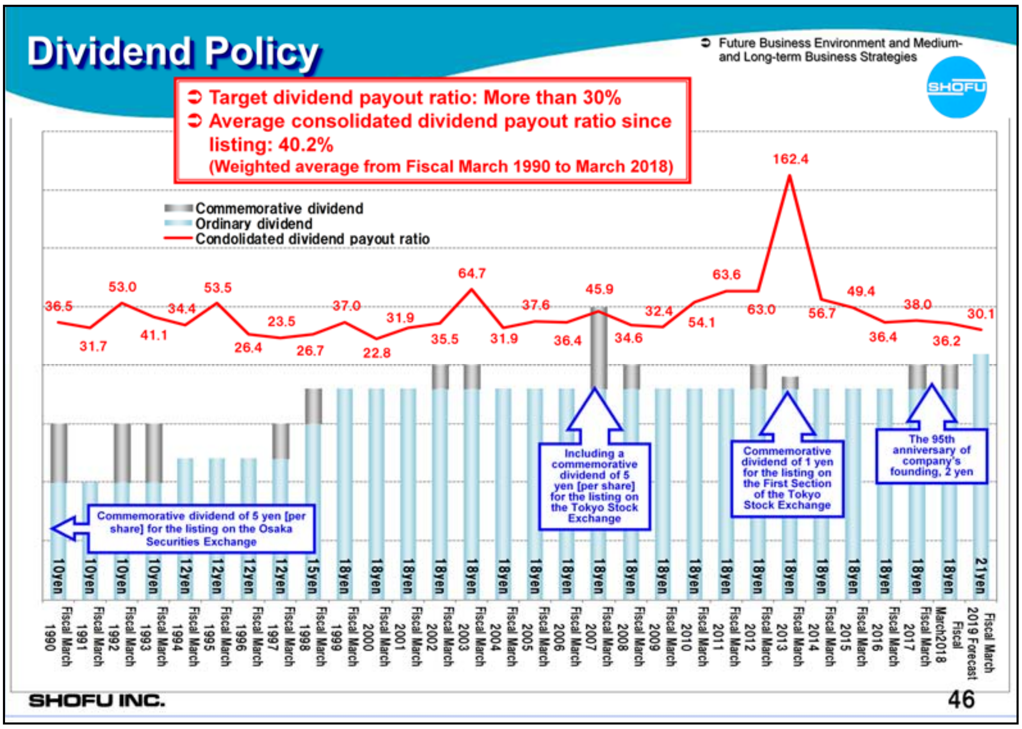
SHOFU

Unit: Millions of yen

	Fiscal March 2018 (Results)	Mid-Term Management Plan Ficsal March 2019	Mid-Term Management Plan Ficsal March 2020	Mid-Term Management Plan Ficsal March 2021
Capital investment	710	1,080	967	967
Depreciation expenses	975	1,003	1,003	1,003
(of which goodwill amortization)	108	108	108	108
R&D expenses	1,494	1,572	1,596	1,604

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

＊Capital investment, depreciation expenses and R&D expenses above are recorded only for those realized at this moment. Profit plan includes certain strategy investment expenses.



Slide No. 46 shows our dividend policy.

Our basic dividend policy is to maintain a dividend payout ratio of at least 30% on a consolidated basis with a lower limit of 18 yen per share.

In the current fiscal year ending March 2019, with an increase in profitability, we are planning to go above the past 18-yen-per-share dividend and issue an ordinary dividend of 21 yen per share.

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

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