



**Fiscal Year Ending March 2020
(148th Business Year)**

**2Q Quarter Financial
Analyst Meeting**

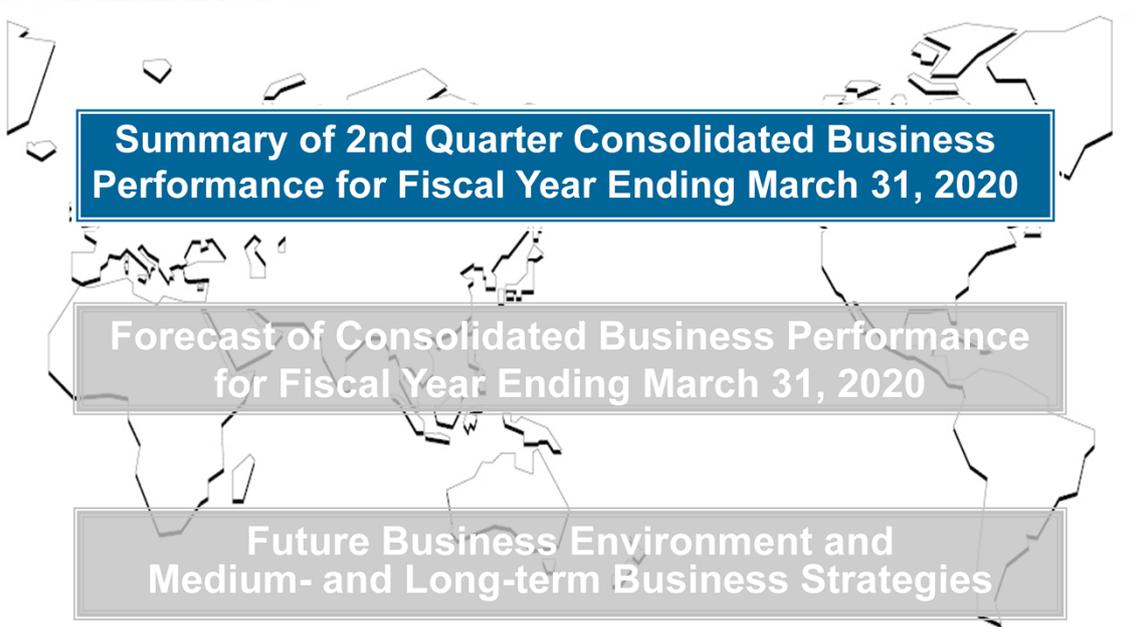
November 20, 2019



Contents of Today's Presentation

- **Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2020**
- **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020**
- **Future Business Environment and Medium- and Long-term Business Strategies**

Noriyuki Negoro, President and CEO

A faint, stylized world map is visible in the background, showing the outlines of continents.

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2020

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020

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, 2020



■ Positive factors ■ Negative factors

P/L

⇒ Net Sales totaled 13,421 million yen (an increase of 10.2%)

Domestic net sales totaled 7,609 million yen (an increase of 13.9%)

- Domestic sales in the dental business increased by 15.4% due to last-minute demand before the sales tax hike and growth in equipment, including new products and CAD/CAM-related products. Domestic sales in the nail care business increased by 4.5%, driven by existing mainstay brands and the new brand for gel nail products.

Overseas net sales totaled 5,811 million yen (an increase of 5.7%)

- Overseas sales in the dental business increased by 6.6%, thanks to strong sales in all regions, particularly Asia and Oceania, which offset the negative effect of a stronger yen.
- Overseas sales in the nail care business decreased by 5.3% due to a drop in sales in Taiwan, where competitors are taking increasingly aggressive actions, despite strong sales in America.

⇒ Operating income totaled 1,415 million yen

- Although the sales cost ratio rose, operating income increased by 80.4% due to the effect of higher sales and selling, general and administrative expenses that were unused.

⇒ Ordinary income totaled 1,242 million yen, and net income totaled 788 million yen

- Ordinary income increased by 58.8%, even though the extent of the increase was lower than that of operating income due to the negative impact of exchange rates.

Net income, after deducting tax expenses, increased by 44.3%.

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

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Consolidated business performance for the first half of the fiscal year ending March 31, 2020 saw sales and profits increase compared to both the previous period and the forecast.

Slide No. 4 shows the contributing factors for the increases over the previous period.

Net sales totaled 13,421 million yen, an increase of 10.2%. Domestic net sales rose by 13.9%, to 7,609 million yen. Overseas net sales increased by 5.7%, to 5,811 million yen.

In our domestic dental business, sales increased by double digits, at 15.4%, because of last-minute demand before the sales tax hike for new products such as EyeSpecial C-IV, a digital oral imaging device, and the Airflow Prophylaxis Master, a dental multi-purpose ultrasonic therapy machine, as well as equipment, including CAD/CAM-related products.

Domestic sales in our nail care business increased by 4.5%, driven by the sale of gel nail products such as our mainstay brand L•E•D Gel Presto and ageha, a new brand developed together with a well-known nail artist.

In our overseas dental business, despite the negative impact of exchange rates amounting to 226 million yen, all regions were solid performers, particularly Asia and Oceania (including China), which resulted in a 6.6% increase in sales.

In the overseas nail care business, sales were solid in America, but fell in Taiwan where competition from other companies has been intensifying, resulting in a 5.3% decrease in sales.

In terms of income, equipment, which has a low domestic profitability rate, accounted for a higher percentage of domestic sales and losses on disposal of obsolete inventories resulted from changes in the pharmaceutical approval organizations in Europe due to Brexit developments. This raised the cost of the sales ratio. However, the effect of higher sales and unused selling, general and administrative expenses resulted in an 80.4% increase in operating income.

Ordinary income rose 58.8% and net income increased by 44.3% despite lower profit gains because of foreign exchange losses attributable to yen appreciation in terms of non-operating expenses.

Summary of 2nd Quarter Business Performance

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2020



Sales and profits increased compared to the previous period / Sales and profits and net income increased compared to the forecast.

Units: millions of yen, %

	Fiscal March 2019 (2Q Results) (% of sales)	Fiscal March 2020 (2Q Forecast) (% of sales)	Fiscal March 2020 (2Q Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	12,179 (100.0)	12,906 (100.0)	13,421 (100.0)	1,242 (10.2)	514 (4.0)
(Domestic sales)	6,679 (54.8)	7,186 (55.7)	7,609 (56.7)	930 (13.9)	422 (5.9)
(Overseas sales)	5,500 (45.2)	5,719 (44.3)	5,811 (43.3)	311 (5.7)	91 (1.6)
Operating income	784 (6.4)	905 (7.0)	1,415 (10.5)	630 (80.4)	510 (56.4)
Ordinary income	782 (6.4)	854 (6.6)	1,242 (9.3)	460 (58.8)	387 (45.4)
Net income	546 (4.5)	569 (4.4)	788 (5.9)	241 (44.3)	218 (38.3)
Net income per share	34.35yen	35.84yen	49.51yen	15.15yen	13.67yen
Return on equity	2.3%	—	3.2%	1.0P	—
Foreign exchange rates					
US dollar	110.07	105.00	109.00	-1.07	4.00
Euro	129.88	125.00	121.43	-8.45	-3.57
Pound sterling	146.49	145.00	136.84	-9.65	-8.16
Renminbi	17.05	16.50	16.21	-0.84	-0.29

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* Based on the results of the first half ended on September 30, 2020, diluted net income per share for the fiscal year ending March 2020 was 49.15 yen.

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Slide No. 5 shows major items of profit and loss in comparison to the previous period and the forecasts.

In this slide, we explain the comparison to the forecasts.

Net sales increased by 514 million yen, or 4.0%, compared to the forecast.

In the domestic dental business, equipment was a strong performer due to the effect of new products and last-minute demand before the sales tax went into effect. As a result, sales increased 434 million yen in the dental business and 2 million yen in the nail care business, in line with forecasts. Overall, sales increased 422 million yen, or 5.9% over the previous year.

In the overseas dental business, the negative foreign exchange impact was 36 million yen, but sales were generally in line with forecasts in all regions on a local currency basis and increased 60 million yen.

In the overseas nail care business, the anticipated decrease in sales was lower than expected, and sales increased 30 million yen, including adjustments to products in Taiwan.

As a result, overseas sales overall increased by 91 million yen, or 1.6%.

In terms of profit, the cost of sales ratio rose due to similar factors compared to the previous fiscal year, but the effect of higher sales and

the unused selling, general and administrative expenses resulted in an increase of 510 million yen, or 56.4%, in operating income, a 387 million yen, or 45.4%, increase in ordinary income and a 218 million yen, or 38.3%, increase in net income.

Sales by Product Category (Comparison with Previous Period)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2020



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2019 (2Q Results)	Fiscal March 2020 (2Q Results)	Change from previous period		
				Domestic	Overseas
Artificial teeth	2,150	2,169	19 (0.9)	6	13
Abrasives	2,072	2,160	87 (4.2)	32	55
Metal products	120	125	5 (4.2)	5	0
Chemical products	2,500	2,743	243 (9.7)	77	165
Cements and others	1,072	1,096	24 (2.3)	0	25
Equipment and others	3,013	3,872	859 (28.5)	784	74
Dental business total	10,929	12,168	1,239 (11.3)	905	334
Nail care business	1,198	1,209	11 (1.0)	34	-22
Other	51	42	-8 (-17.1)	-8	0
Total	12,179	13,421	1,242 (10.2)	930	311

*The effect of foreign currency fluctuations (U.S. dollar (USD), Euro (EUR), British pound (GBP), Chinese yuan (CNY), Indian Rupee (INR), and New Taiwan dollar (NTD)) on overseas net sales was -236 million yen.

SHOFU INC. (Dental business -226 million yen, Nail care business -10 million yen)

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Slide No. 6 shows net sales by product category in comparison to the previous period.

Overall, sales rose 1,242 million yen, of which sales in the dental business increased by 1,239 million yen, sales in the nail care business rose by 11 million yen, and sales of industrial abrasives in the other business decreased by 8 million yen.

In the domestic dental business, sales of all products were solid, particularly equipment, due to contributions from new products and last-minute demand before the sales tax went into effect. This resulted in an overall sales increase of 905 million yen.

In our overseas dental business, foreign exchange rates had a negative impact of 226 million yen, but chemical products were strong in all regions, and abrasives and equipment were good performers in Europe and the US, while artificial teeth and cements were robust in Asia and Oceania. Sales exceeded those in the previous year in all regions, and as a result, sales increased 334 million yen.

In the domestic nail care business, brands of gel nail products drove sales, resulting in a sales increase of 34 million yen.

In our overseas nail care business, sales remained solid in America, but fell in Taiwan, where competition from other companies had worsened, resulting in a 22 million yen decrease in sales.

Sales by Product Category (Comparison with Forecast)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2020



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2020 (2Q Forecast)	Fiscal March 2020 (2Q Results)	Cange from Forecast		
				Domestic	Overseas
Artificial teeth	2,253	2,169	-83 (-3.7)	-11	-71
Abrasives	2,037	2,160	123 (6.1)	16	107
Metal products	121	125	4 (3.3)	4	0
Chemical products	2,713	2,743	29 (1.1)	-18	48
Cements and others	1,081	1,096	15 (1.4)	-2	17
Equipment and others	3,466	3,872	406 (11.7)	447	-40
Dental business total	11,673	12,168	495 (4.2)	434	60
Nail care business	1,175	1,209	33 (2.9)	2	30
Other	57	42	-14 (-25.6)	-14	0
Total	12,906	13,421	514 (4.0)	422	91

*The effect of foreign currency fluctuations (U.S. dollar (USD), Euro (EUR), British pound (GBP), Chinese yuan (CNY), Indian Rupee (INR), New Taiwan dollar (NTD) and Brazilian Real (BRL)) on overseas net sales was -45 million yen.

SHOFU INC. (Dental business -36 million yen, Nail care business -8 million yen)

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Domestic Sales

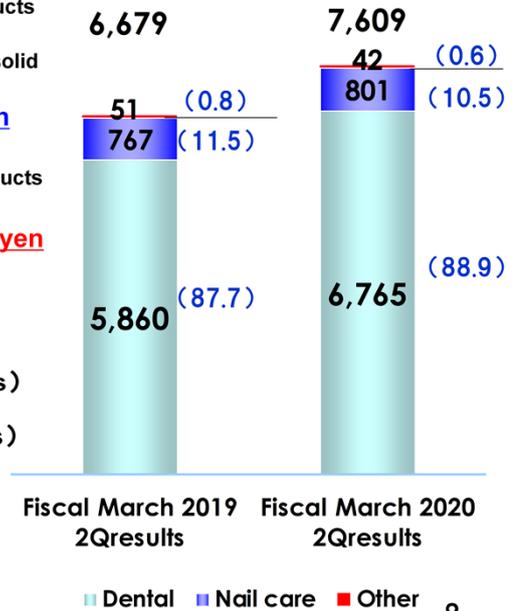
Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2020



Positive factors Negative factors

- **Dental business: Year on year increase of 905 million yen (+15.4%)**
 - Sales of digital cameras for dental use, dental multi-purpose ultrasonic therapy machines and CAD/CAM-related new products contributed significantly to sales.
 - In addition to equipment, other materials and products were solid performers overall.
- **Nail care business: Year on year increase of 34 million yen (+4.5%)**
 - Sales were driven by existing and new brands of gel nail products and the brand for general consumers.
- **Other businesses: Year on year decrease of 8 million yen (-17.1%)**
- **Principal new products launched during recent fiscal year (dental business)**
 - **Dental dentin adhesive**
SHOFU BeautiBond Universal (Chemical products)
 - **Digital oral imaging device**
EyeSpecial C-IV (Equipment and others)
 - **Dental multi-purpose ultrasonic therapy machine**
AIRFLOW PROPHYLAXIS MASTER (Equipment and others)
 - **Resin material for dental cutting processing**
SHOFU BLOCK HC SUPER HARD (Equipment and others)

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



Overseas Sales

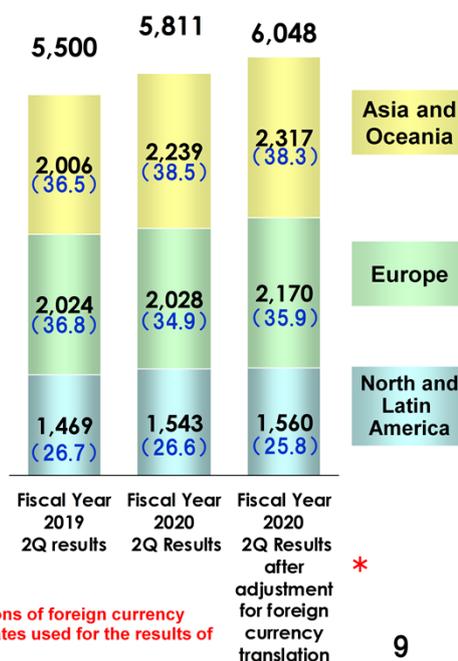
Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2020



Positive factors Negative factors

- North America and Latin America: Year-on-year increase of 74 million yen (+5.1%)**
 - Flagship chemical products, abrasives, equipment and nail care business remained strong.
Local currency basis: Year on year increase of 91 million yen (+6.2%)
- Europe: Year-on-year increase of 3 million yen (+0.2%)**
 - Flagship chemical products, abrasives and equipment remained strong.
Local currency basis: Year on year increase of 145 million yen (+7.2%)
- Asia and Oceania: Year-on-year increase of 232 million yen (+11.6%)**
 - In China, sales of all product lines were strong, primarily for chemical products.
 - In other Asian markets, sales of almost all product lines were strong. Sales fell in the nail care business in Taiwan.
Local currency basis: Year on year increase of 310 million yen (+15.5%)
China: Year on year increase of 96 million yen (+8.8%)
Elsewhere in Asia: Year on year increase of 136 million yen (+15.0%)
- (Dental business) Overseas sales ratio of 44.4%**
(46.4% for the same quarter of the previous fiscal year; 45.4% after adjustment for fluctuations of foreign currency exchange rates)

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



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* The results of the quarter under review after adjustment for fluctuations of foreign currency exchange rates have been calculated based on the same exchange rates used for the results of the fiscal year ended March 2019.

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Slide No. 9 shows the status of overseas net sales by region in comparison to the previous period.

In North and Latin America, despite the negative foreign exchange effect, our chemical products, abrasives, equipment, and the nail care business were strong. This drove sales up by 74 million yen, or 5.1%.

In Europe, chemical products, abrasives, and equipment were solid, offsetting a substantial negative foreign exchange effect compared to other regions. As a result, sales increased by 3 million yen, or 0.2%.

In Asia and Oceania, overall sales increased by 232 million yen, or 11.6%.

In this region, in China the foreign exchange effect was negative, but all product lines, and particularly chemical products, were strong performers. This resulted in a sales increase of 96 million yen, or 8.8%.

In other Asian markets, almost all product lines were strong, particularly chemical products and artificial teeth, so despite negative sales growth in the nail care business and the negative foreign exchange effect, sales increased by 136 million yen, or 15.0%.

Performance by Segment (Sales and Operating Income)

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2020



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

		Fiscal March 2019 (2Q Results) Amount (% of sales)	Fiscal March 2020 (2Q Forecast) Amount (% of sales)	Fiscal March 2020 (2Q Results) Amount (% of sales)	Change from Previous Period	Change from Forecast
Dental	Net Sales	10,929	11,673	12,168	1,239	495
	Operating expenses	10,126	10,777	10,838	712	61
	Operating income (operating income margin)	802 (7.3)	895 (7.7)	1,330 (10.9)	527	434
Nail care	Net Sales	1,198	1,175	1,209	11	33
	Operating expenses	1,228	1,176	1,132	-95	-44
	Operating income (operating income margin)	-29 (-2.5)	0 (-0.1)	77 (6.4)	106	77
Other	Net Sales	55	57	46	-9	-11
	Operating expenses	46	47	40	-6	-6
	Operating income (operating income margin)	9 (16.2)	10 (17.5)	5 (12.2)	-3	-4
Total before consolidation adjustment	Net Sales	12,183	12,906	13,424	1,241	518
	Operating expenses	11,401	12,001	12,011	610	10
	Operating income (operating income margin)	781 (6.4)	905 (7.0)	1,412 (10.5)	630	507
Consolidated	Net Sales	12,179	12,906	13,421	1,242	514
	Operating expenses	11,394	12,001	12,005	611	4
	Operating income (operating income margin)	784 (6.4)	905 (7.0)	1,415 (10.5)	630	510

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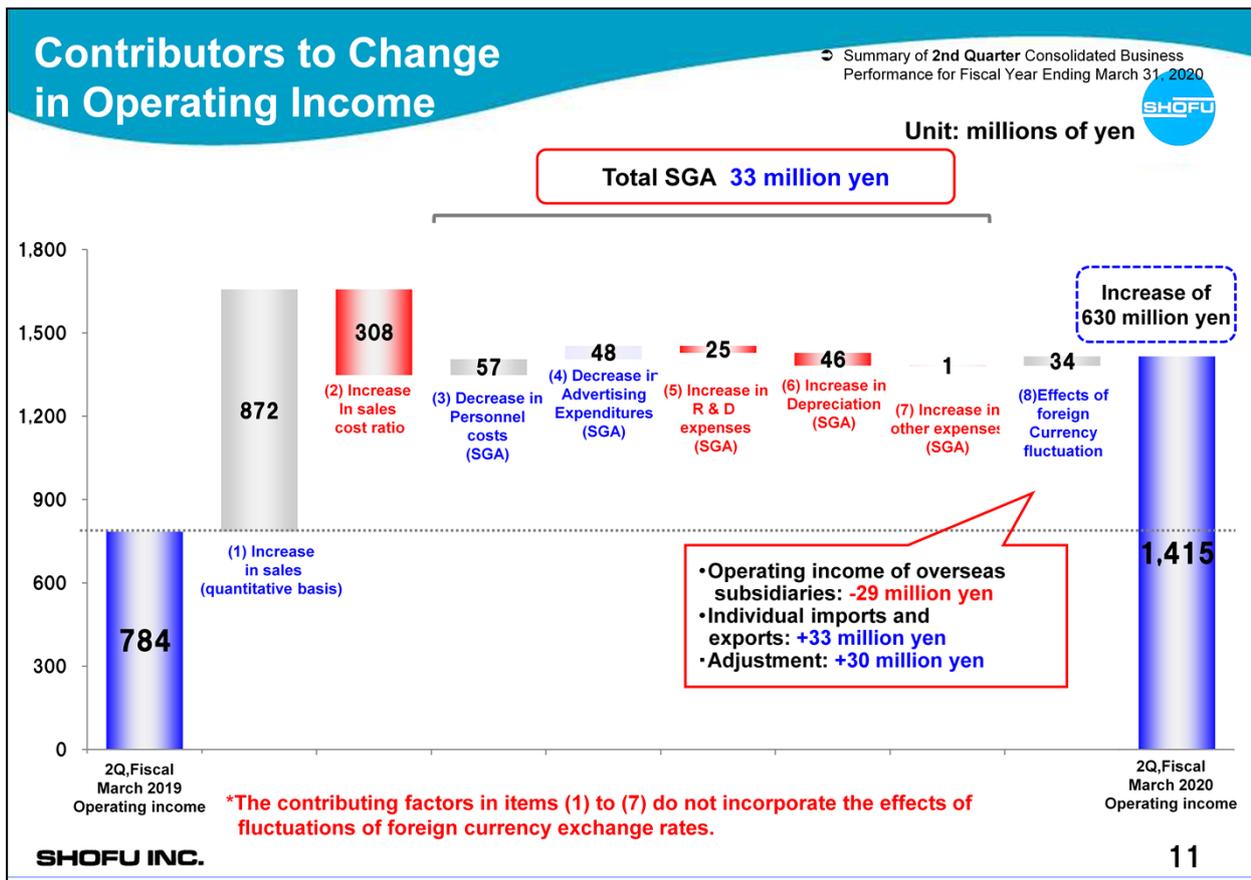
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Slide No. 10 shows net sales and operating income by segment in comparison to the previous period and the forecasts.

Net sales are as described before. Operating income increased by 630 million yen year on year, and increased by 510 million yen from the forecasts.

This is due to the increase in sales in the dental business and higher income resulting from and unused sales, general, and administrative expenses, as well as success in bringing the nail care business back to profitability.

The nail care business returned to the black primarily because domestic sales increased and income improved due to adjustments to products in Taiwan.



Slide No. 11 shows the contributors to change in operating income in comparison to the previous period.

Operating income increased by 630 million yen or 80.4%.

Equipment, which has a low domestic profitability rate, accounted for a higher percentage of domestic sales, and losses on disposal of obsolete inventories resulted from changes in the pharmaceutical approval organizations in Europe due to Brexit developments. However, this was offset by the effect of higher sales and unused sales, general, and administrative expenses, resulting in the increase in operating income.

Financial Condition: Major Balance Sheet Accounts

Summary of 2nd Quarter Consolidated Business
Performance for Fiscal Year Ending March 31, 2020



Unit: millions of yen

	Fiscal March 2019	2Q,Fiscal March 2020	Change	Major contributors to changes, special notes
Cash and deposits	4,890	4,695	-194	Decrease in cash and deposits
Notes and bills receivable, trade accounts receivable	3,354	3,731	377	Increase in accounts receivable-trade
Inventory	6,208	6,603	395	Increase in products and raw materials
Securities, investment securities	6,032	6,064	32	Increase in valuation of investment securities
Others	9,676	9,736	59	
Assets	30,161	30,831	669	
Long-term and short-term borrowings	974	1,379	405	Increase in short-term Loans payable
Reserve for retirement benefits and directors' retirement benefits	228	222	-5	
Others	4,575	4,542	-33	
Liabilities	5,778	6,144	366	
Net worth	24,383	24,687	303	Increase in retained earnings and valuation difference on available-for-sale securities, decrease in foreign currency translation adjustment
Total liabilities and net worth	30,161	30,831	669	
Capital adequacy ratio	80.4%	79.6%	-0.8P	
Net worth per share	1,525yen	1,540yen	15yen	

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Slide No. 12 shows major balance sheet accounts in comparison to the end of the previous fiscal year.

Total assets increased by 669 million yen to 30,831 million yen.

Total net assets increased by 303 million yen to 24,687 million yen. As a result, the capital adequacy ratio fell 0.8 points from the end of the previous fiscal year to 79.6%.

Capital Investments, Depreciation Expenses, R&D Expenses

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2020

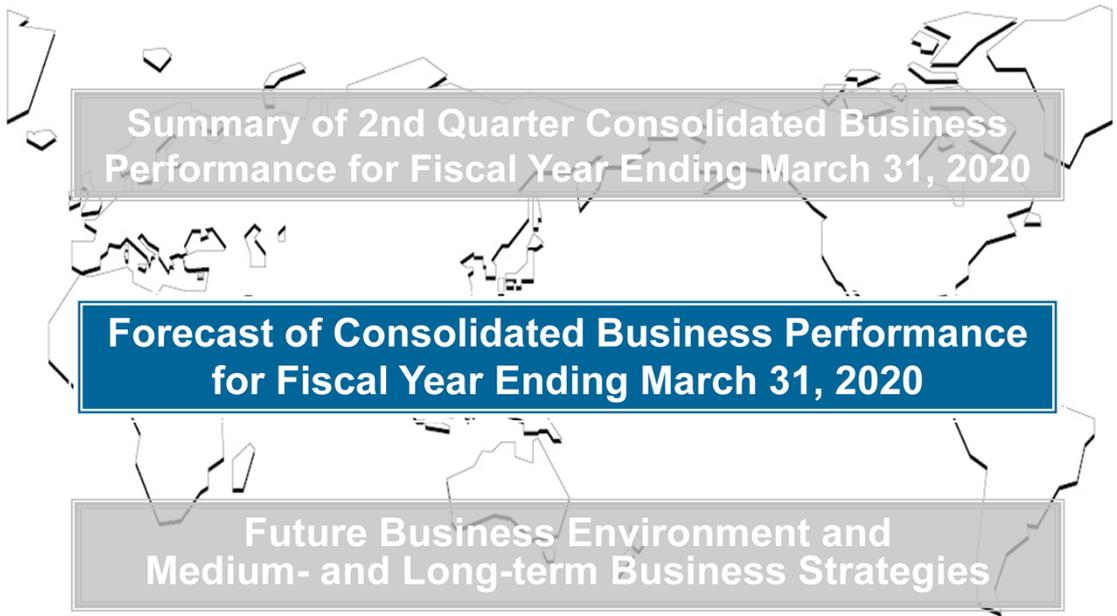


Unit: millions of yen

	Fiscal March 2019 (2Q Results)	Fiscal March 2020 (2Q Forecast)	Fiscal March 2020 (2Q Results)	Change from Previous Period	Change from Forecast
Capital investment	511	854	593	82	-261
Depreciation expenses (of which amortization of goodwill)	425 42	472 41	477 39	52 -3	5 -2
R&D expenses	739	812	759	20	-53
Foreign exchange rates					
US dollar	110.07	105.00	109.00	-1.07	4.00
Euro	129.88	125.00	121.43	-8.45	-3.57
Pound sterling	146.99	145.00	136.84	-10.15	-8.16
Renminbi	17.05	16.50	16.21	-0.84	-0.29

* The foreign exchange rates given are those in effect at the average of each term;

SHOFU INC. conversions of items in the financial statements of overseas subsidiaries all use average rates. 13

A faint, stylized world map is visible in the background, showing the outlines of continents and countries.

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2020

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020

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

Overview of the Next Fiscal Year

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020



■ Positive factors ■ Negative factors

P/L

⇒ Net sales will total 26,190 million yen (an increase of 5.1%)

Domestic net sales will total 14,408 million yen (an increase of 5.8%)

■ In the dental business, we expect sales to increase by 5.3% (+632 million yen) due to the pursuit of sales activities focused on CAD/CAM-related products, for which demand is expected, and mainstay areas, in addition to the development of activities to supply information to dental care workers.

<New product sales: 3,356 million yen, or 19.4% of non-consolidated net sales>

■ In the nail care business, we expect sales to increase by 9.1% (+140 million yen) due to higher sales, primarily for new brands and mainstay gel nail products.

Overseas net sales will total 11,781 million yen (an increase of 4.3%)

■ In the dental business, sales are expected to increase by 5.6% (+590 million yen) as we continue to expand the sales network, strengthen affiliations with other companies, and raise the speed of business expansion overseas.

■ In the nail care business, sales are expected to decrease by 12.5% (-104 million yen) because, although sales are expected to remain solid in North America, we expect sales to decline in Taiwan, where the competition from other companies is increasingly intense.

⇒ Operating income will total 2,056 million yen (an increase of 13.4%).

Ordinary income will total 1,941 million yen (an increase of 13.6%).

Net income will total 1,377 million yen (an increase of 14.7%).

■ Although sales, general and administrative expenses are expected to increase due to proactive investment in sales activities, we expect operating income to increase 13.4% due to the effect of higher sales.

■ Ordinary income increased by 13.6% and net income increased by 14.7%.

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

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Slide No. 15 shows the business forecast for the fiscal year ending March 2020, compared to the previous period.

There are no changes in our earnings forecasts, announced on May 9, 2019.

As we just explained, income and sales increased over forecasts in the first half of the fiscal year, but we have left our initial forecasts for full-year earnings unchanged due to the following factors:

We expect a natural pullback following advance demand ahead of the sales tax hike;

we expect expenses that had been planned for the first half to be incurred with a delay; and

we expect the negative foreign exchange impact to be greater than in the first half.

We expect net sales to increase 5.1% year on year, to 26,190 million yen.

Broken down, domestic net sales will be 14,408 million yen, an increase of 5.8%, and overseas net sales will be 11,781 million yen, an increase of 4.3%.

In our domestic dental business, we will focus sales activities on

CAD/CAM-related products, where demand is expected, and mainstay areas, and will also develop activities to provide information to dental care workers.

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

In the overseas dental business, we will continue to expand 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 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 13.4%.

Also, we expect ordinary income to increase by 13.6% and net income to increase by 14.7%.

Comparison of Major Statistics

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020



Net sales and Net income increased compared to fiscal March 2019

Unit: millions of yen

	Fiscal March 2019 Business Performance (% of sales)	Fiscal March 2020 Forecast (% of sales)	Change From Previous Period (% change)
Net sales	24,915 (100.0)	26,190 (100.0)	1,274 (5.1)
(Domestic sales)	13,619 (54.7)	14,408 (55.0)	789 (5.8)
(Overseas sales)	11,295 (45.3)	11,781 (45.0)	485 (4.3)
Operating income	1,814 (7.3)	2,056 (7.9)	242 (13.4)
Ordinary income	1,709 (6.9)	1,941 (7.4)	231 (13.6)
Net income	1,201 (4.8)	1,377 (5.3)	176 (14.7)
Net income per share	75.54yen	86.61yen	11.07yen
Return on shareholders' equity	5.0%	5.6%	0.6P
Foreign exchange rates			
US dollar	110.69	105.00	-5.69
Euro	128.43	125.00	-3.43
Pound sterling	145.68	145.00	-0.68
Renminbi	16.69	16.50	-0.19

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

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Sales by Product Category

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2019 (Results)	Fiscal March 2020 (Forecast)	Change from previous period			
					Domestic	Overseas
Artificial teeth	4,418	4,663	244	(5.5)	45	199
Abrasives	4,145	4,140	-5	(-0.1)	17	-23
Metal products	237	248	11	(4.7)	12	-0
Chemical products	5,210	5,546	335	(6.4)	137	197
Cements and others	2,181	2,211	29	(1.4)	14	14
Equipment and others	6,251	6,859	607	(9.7)	405	202
Dental business total	22,446	23,669	1,222	(5.4)	632	590
Nail care business	2,372	2,408	35	(1.5)	140	-104
Other	96	112	15	(16.5)	15	—
Total	24,915	26,190	1,274	(5.1)	789	485

• Overseas sales decreased by 303 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi, Indian Rupee, New Taiwan dollar and Brazilian Real). (Dental business -299 million yen, Nail care business -4 million yen)

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Slide No. 17 shows sales by product category compared to the fiscal year ended March 2019.

Overall, we forecast sales to increase by 1,274 million yen. Of this, we expect 1,222 million yen to be in the dental business and 35 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 mainstay chemical products and artificial teeth.

In the nail care business, we expect domestic sales to cover the decreased sales in the overseas business, with an overall increase in sales.

Domestic Net Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020



◇ **Dental business:**
Year-on-year increase of 632 million yen (+5.3%)

- We will carry out sales activities focused on CAD/CAM-related products, where demand is expected, and on mainstay areas, and will also develop information activities aimed at dental care workers.

◇ **Nail care business:**
Year-on-year increase of 140 million yen (+9.1%)

- we will promote sales increase of new brands and flagship product lines of gel nail products.

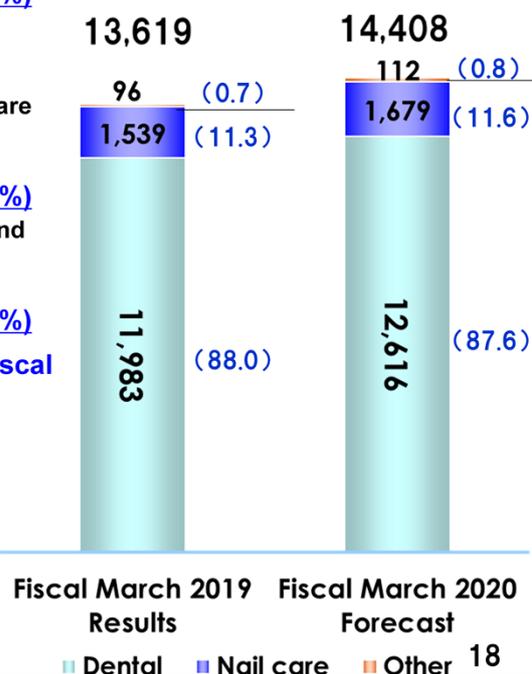
◇ **Other businesses:**
Year-on-year increase of 15 million yen (+16.5%)

◇ **Principal new products launched during the fiscal year ending March 2020.**

- **Digital oral imaging device**
 EyeSpecial C-IV (Equipment and others)
- **Resin material for dental cutting processing**
 SHOFU BLOCK HC SUPER HARD (Equipment and others)
- **New polymerization device for a technical work**
 (Equipment and others)
- **New multilayer zirconia disc**
 (Equipment and others)

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



Overseas Net Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020



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

Summary

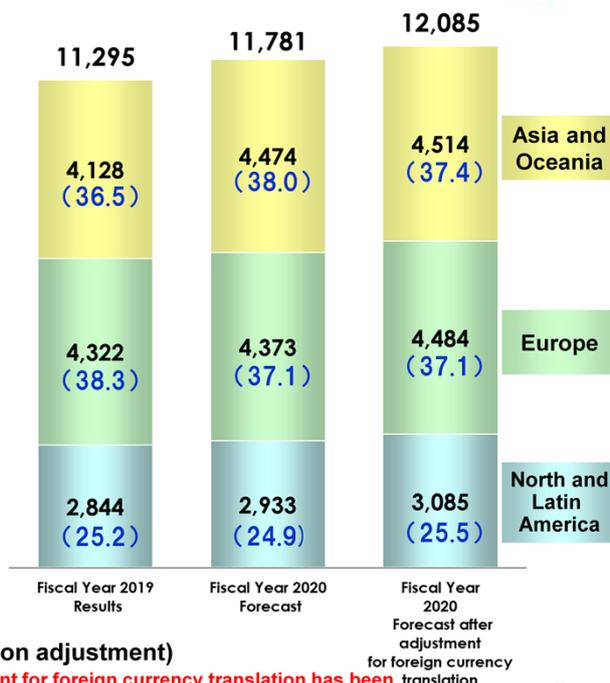
- Despite the negative effects of foreign currency fluctuations (-303 million yen), net sales overall are expected to increase by 4.3% due to strong performances in all regions.
- Growth rates by region
 - *Figures in parentheses indicate the growth rate on local currency basis.
 - North and Latin America +3.1% (+ 8.5%)
 - Europe +1.2% (+ 3.8%)
 - China +15.1% (+16.4%)
 - Asia (Other) +0.9% (+ 1.5%)

Foreign exchange rates

- USD1=JPY105.00
(JPY110.69 in the previous fiscal year)
(Effect: -152 million yen)
- EUR1=JPY125.00
(JPY128.43 in the previous fiscal year)
(Effect: -111 million yen)
- RMB1=JPY16.50
(JPY16.69 in the previous fiscal year)
(Effect: -28 million yen)

(Dental business) Overseas sales ratio

46.7% (46.6% in the previous fiscal year)
(47.4% after foreign currency translation adjustment)



* The fiscal March 2020 forecast after adjustment for foreign currency translation has been calculated based on the same foreign exchange rates used for the fiscal March 2019 results.

Performance by Segment (Net Sales and Operating Income)

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2020

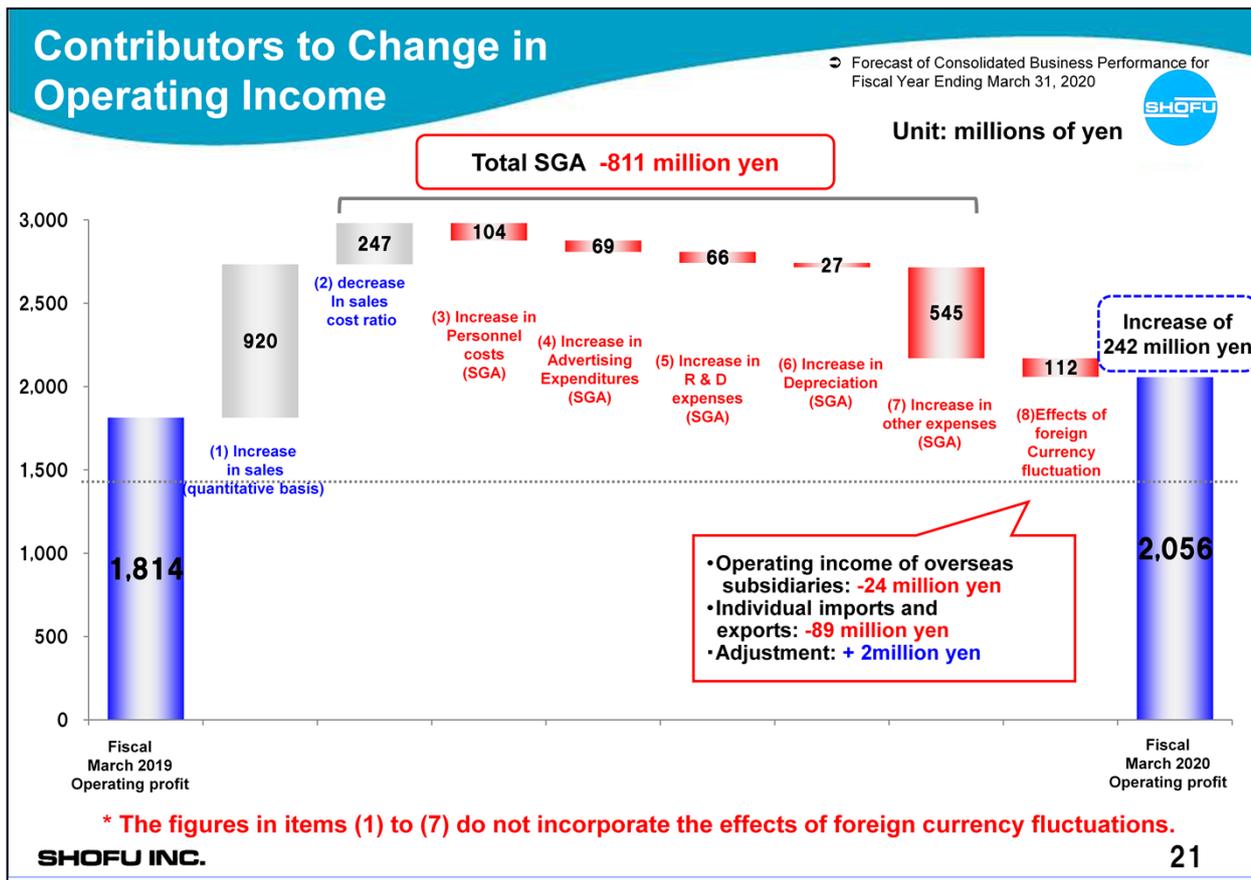


Unit: millions of yen. Figures in parentheses represent
percentage of sales and percentage changes (unit: %)

		Fiscal March 2019 (Results)	Fiscal March 2020 (Forecast)	Change from Previous Period
		Amount (% of sales)	Amount (% of sales)	
Dental	Net Sales	22,446	23,669	1,222
	Operating expenses	20,648	21,695	1,046
	Operating income (operating income margin)	1,797 (8.0)	1,973 (8.3)	176
Nail care	Net Sales	2,372	2,408	35
	Operating expenses	2,378	2,344	-33
	Operating income (operating income margin)	-5 (-0.2)	63 (2.6)	69
Other	Net Sales	104	112	8
	Operating expenses	87	93	5
	Operating income (operating income margin)	16 (15.6)	19 (17.1)	3
Total before consolidation adjustment	Net Sales	24,923	26,190	1,266
	Operating expenses	23,115	24,133	1,018
	Operating income (operating income margin)	1,807 (7.3)	2,056 (7.9)	248
Consolidated	Net Sales	24,915	26,190	1,274
	Operating expenses	23,101	24,133	1,032
	Operating income (operating income margin)	1,814 (7.3)	2,056 (7.9)	242

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Slide No. 21 shows contributors to the change in operating income compared to the fiscal year ended March 2019.

Although selling, general and administrative expenses will increase significantly due to higher personnel costs, advertising expenditures, R&D expenses, and others, we expect that the positive factors of an increase in sales and improvements to the cost of sales ratio will increase operating income by 242 million yen.

Impact of Foreign Exchange Fluctuations

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020



Forecast for Fiscal March 2020

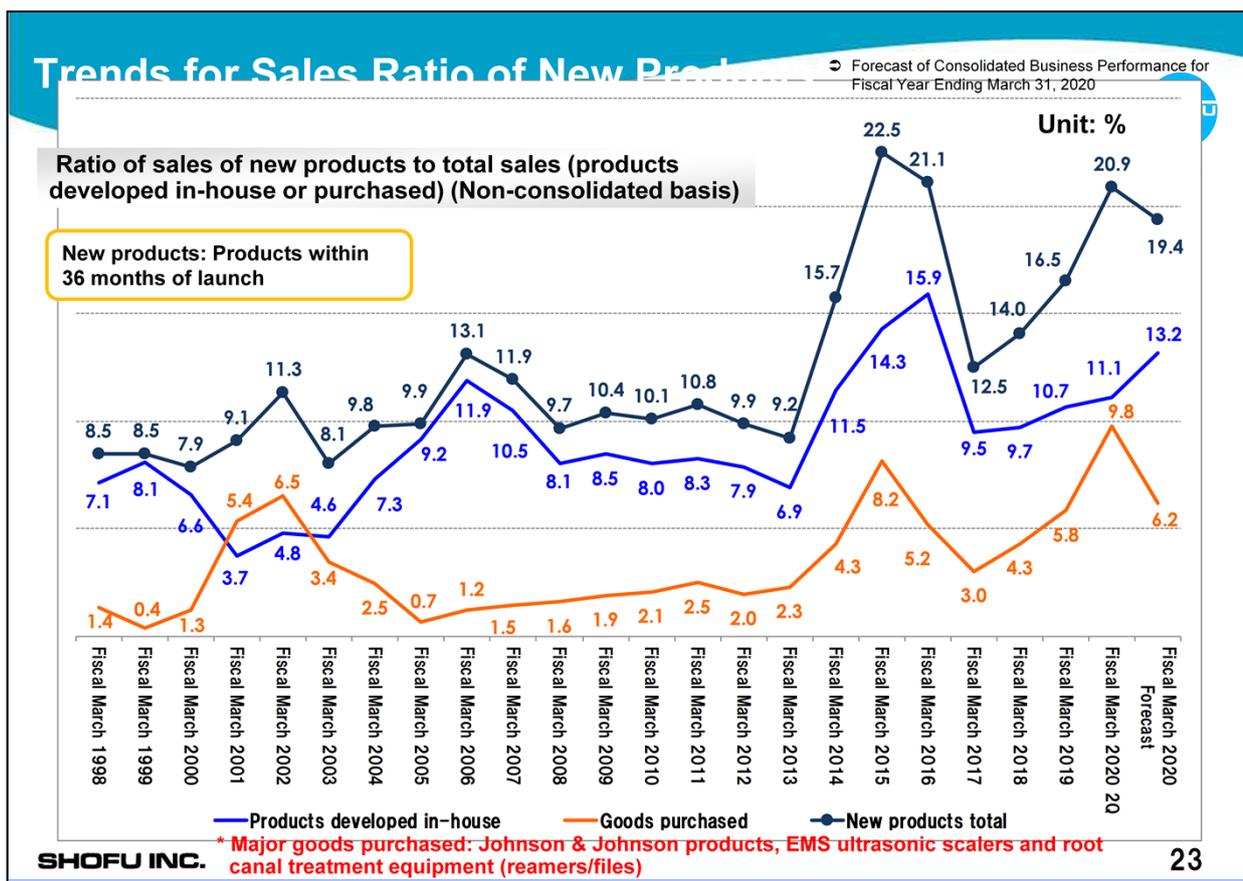
(Unit: millions of yen)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen strength	
	Fiscal March 2019 actual	Fiscal March 2020 estimate	Sales	Operating income	Sales	Operating income
US Dollar	110.69	105.00	-186	-88	-32	-14
Euro	128.43	125.00	-110	-31	-32	-6
GBP	145.68	145.00	-2	0	-3	0
RMB	16.69	16.50	-28	-10	-148	-84

• The foreign exchange rates given are those in effect at the average of each term;

SHOFU INC. conversions of items in the financial statements of overseas subsidiaries all use average rates. 22

Slide No. 22 shows the anticipated impact of foreign exchange fluctuations of major currencies such as the US dollar and euro in the fiscal year ending March 2020.



Slide No. 23 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.

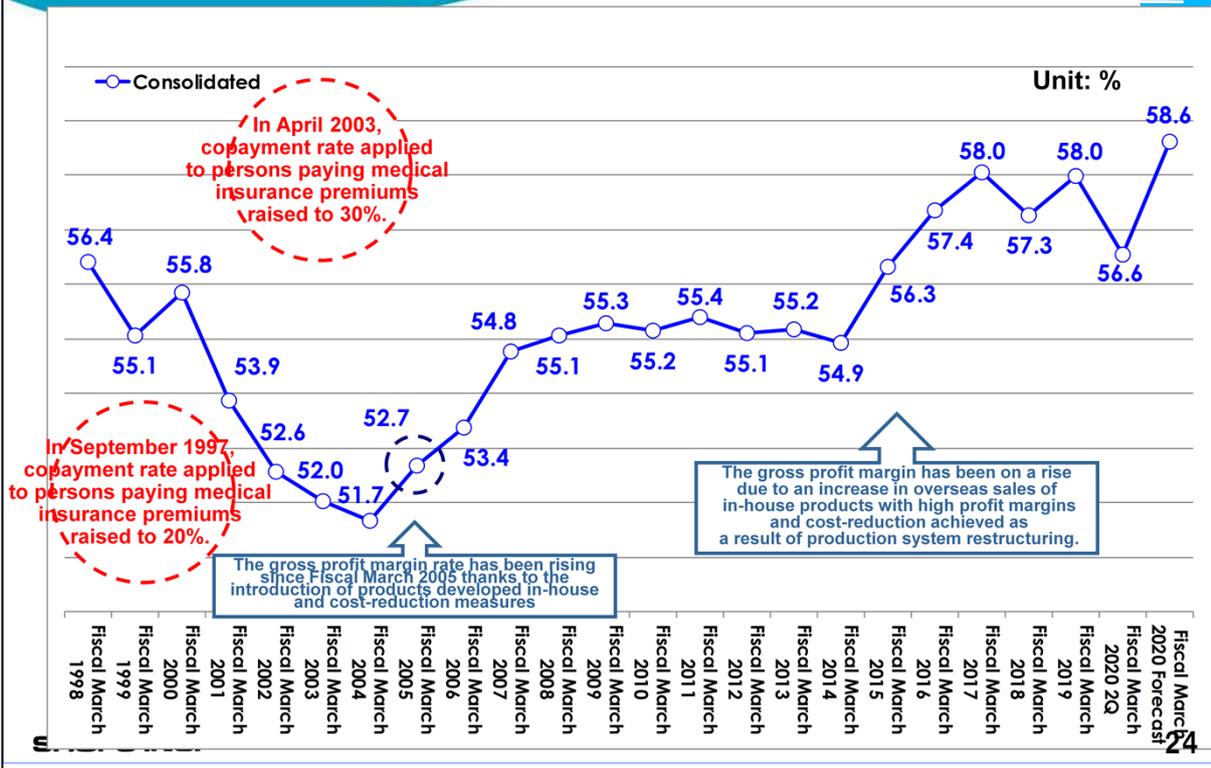
After achieving our target during the three years from the fiscal year ended March 2014, we fell short of the 15% mark from the fiscal year ended March 2017 to the fiscal year ended March 2018, but achieved the target in the previous fiscal year ended March 2019.

In the fiscal year ending March 2020, we expect to reach 19.4% 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.

Trends for Gross Profit Margin Rate

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020

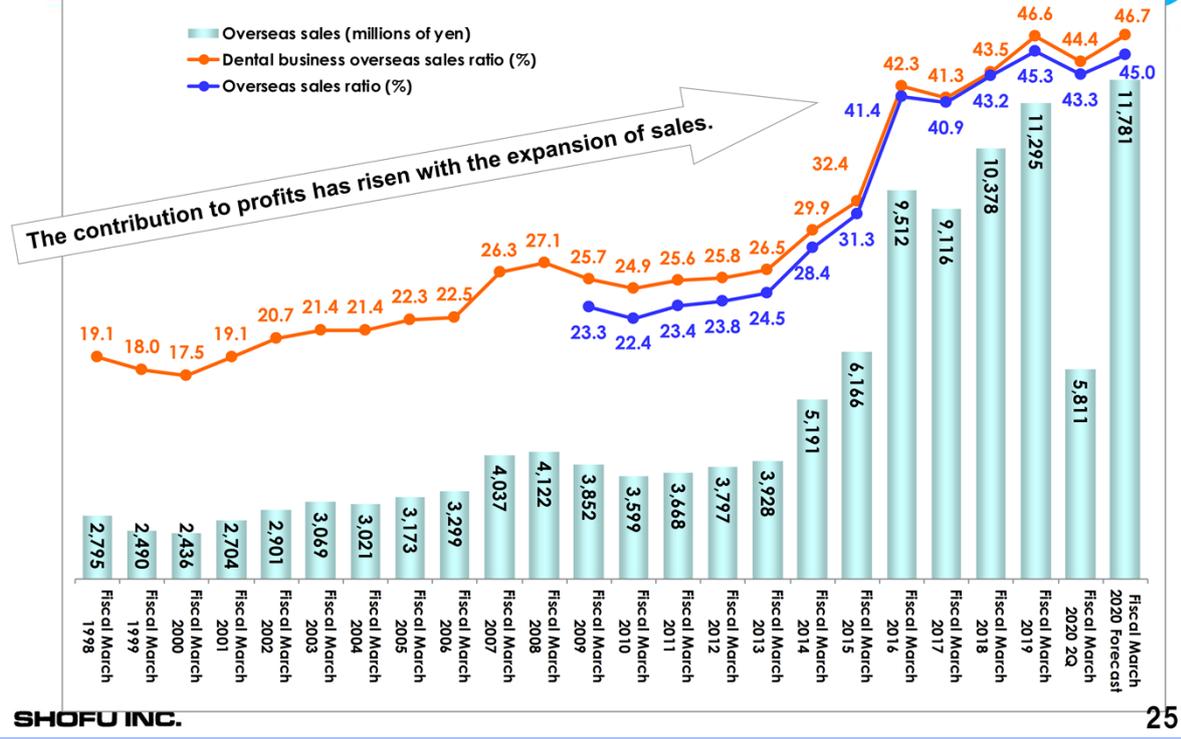


Slide No. 24 shows trends for gross profit margin rates.

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

Trends for Overseas Sales and Overseas Sales Ratios

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020

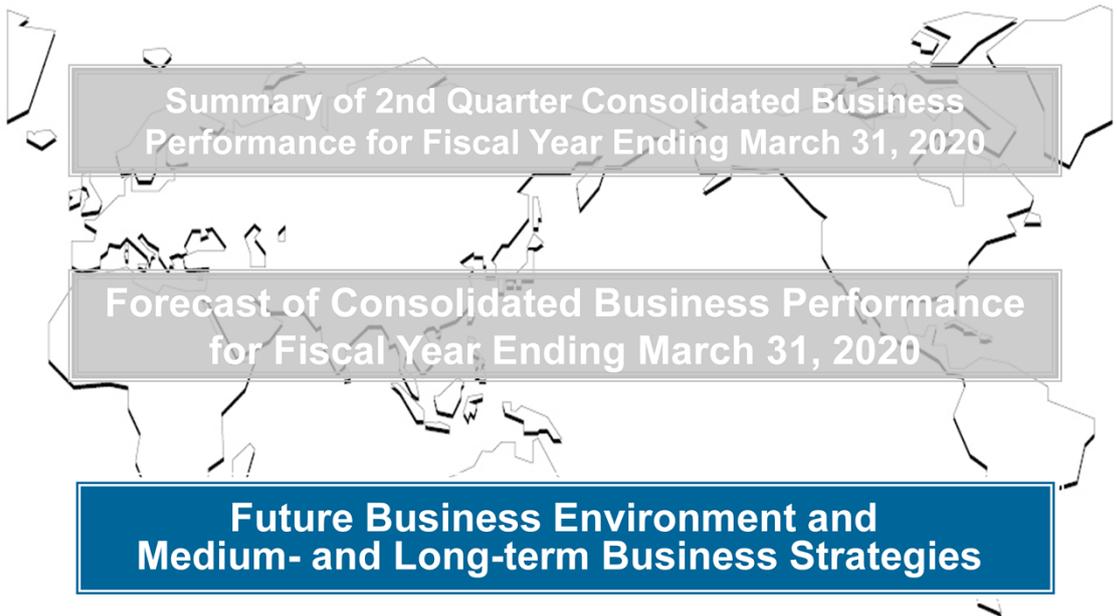


Slide No. 25 shows trends for overseas sales and overseas sales ratios.

Overseas sales have been increasing every fiscal year since the fiscal year ended March 31, 2010, and have remained above 10 billion yen since the fiscal year ended March 31, 2018.

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.

A faint, stylized world map is visible in the background, showing the outlines of continents in a light gray color.

Summary of 2nd Quarter Consolidated Business Performance for Fiscal Year Ending March 31, 2020

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2020

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

Domestic dental market

- **Rising demand in aesthetic and preventive fields**
- **Decrease in population and occurrence of cavities**
- **Maintenance of a certain market scale**
- **Significant growth is unlikely**

Overseas dental market

- **Existence of enormous market centered on developed nations**
- **Economic growth and rising living standards in regions worldwide, particularly developing nations**
- **Demand for dental care increasing dramatically**

Slide No. 27 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.



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

Company-wide targets

- **Group net sales: 50 billion yen**
<Domestic sales: 17 billion yen;
overseas sales: 33 billion yen>
- **Group operating income: 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.

Slide No. 28 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 2018 to 2020 Medium-term Management Plan : Company-wide

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



Company-wide targets for fiscal March 2021

- **Group net sales: 29.2 billion yen**
 <Domestic sales:13.5billion yen; overseas sales:12.2 billion yen; Nail care business sales:3.3 billion yen>
 <Overseas sales ratio in the dental business : 50%>
- **Group operating income: 2.34 billion yen**
 (Operating profit margin: 8.0%)
- **ROE 6.0%**

Key issues in order to achieve goals

R&D	✓ Development and introduction of new products that match the local demands	Promotion of M&As (business tie-ups, technology partnerships, business acquisitions)
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	
HR	✓ Development of human resources and securing the skilled employees	

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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. 29 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.

Specific Efforts – Research and Development

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



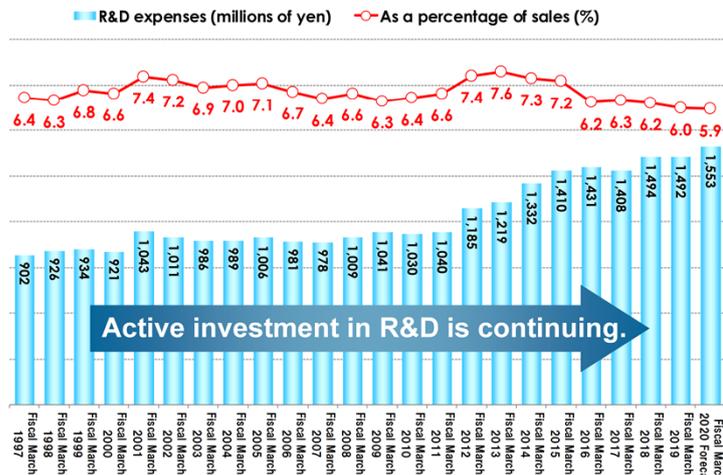
Development and introduction of new products that match the local demands

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



SHOFU INC.

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Slide No. 30 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.

In addition, as the dental industry increasingly adopts digital technology, we will open up new business fields in CAD/CAM-related products and 3D printing-related products.



✧ 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)



Shofu products kyoto (Kyoto)



Nail Labo (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)



Merz Dental GmbH (Germany)

Slide No. 31 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.

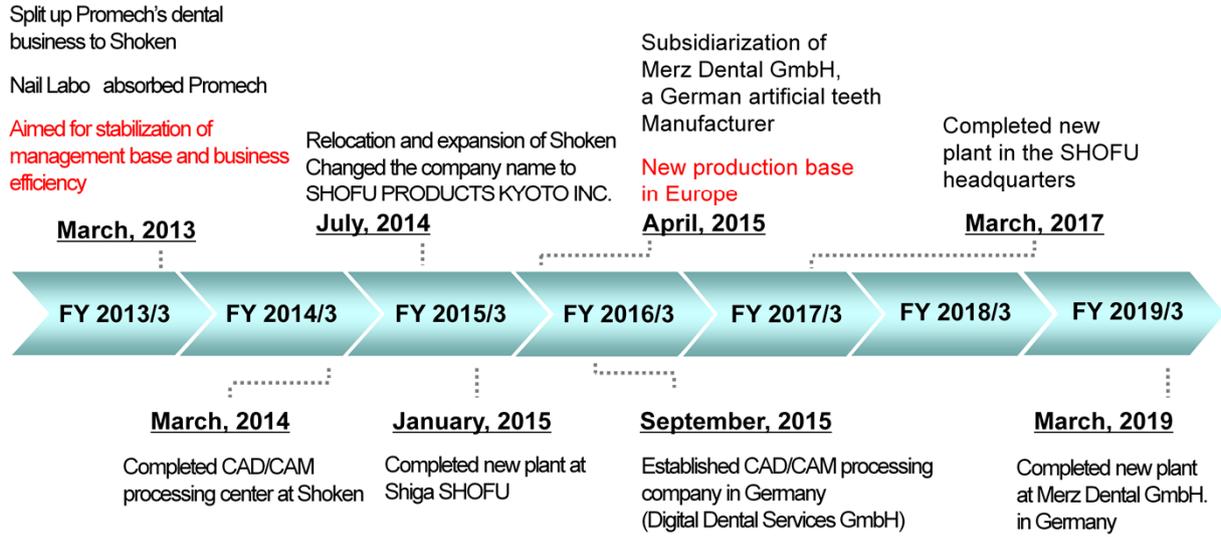
Specifically, at our domestic manufacturing subsidiaries, we will transition away from production at the Shofu headquarters through technology transfers and facilities enlargement as well as construction of new factories.

Overseas, meanwhile, since the acquisition of the German artificial teeth manufacturer Merz Dental and the expansion construction of the factory was completed in March this year, we will increase its utilization as a production base in Europe while also considering the establishment of production bases in other regions.

Specific Efforts – Production



✧ Relocation of production base and expansion of offshore production



SHOFU INC.

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

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



Specific Efforts – Sales

- ❖ **Improvement of our sales network**
 - Develop a network of overseas distributors.
- ❖ **Realignment of sales offices**
 - 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]



Shofu Dental Corporation (U.S.A.)



Shofu Dental GMBH (Germany)



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



Shofu Dental Asia-Pacific PTE (Singapore)



Merz Dental GmbH.(Germany)

[Other overseas bases]

Sales company: Mexico, Brazil, India
Sales base : England, Taiwan, Italy



➤ Improve our customer service



➤ Enhance academic activities



➤ Speed up the product registration work

SHOFU INC. 33

Slide No. 33 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 care workers who are our end customers.

In the 6 years since 2012, established sales subsidiaries in Singapore, Mexico, Brazil and India, established sales bases in Italy and Taiwan, and made Merz Dental GmbH, which has its own sales network, a subsidiary. The network has been improved.

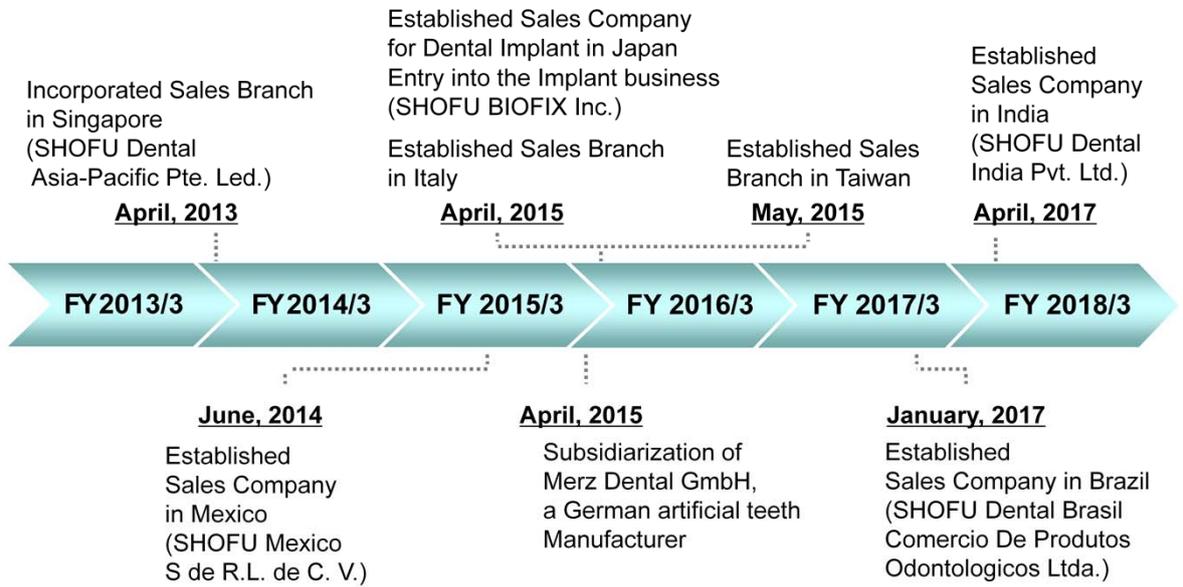
Going forward, we will gradually develop and enhance our sales network in key countries and regions.

Specific Efforts – Sales

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



Realignment of sales offices



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

Specific Efforts – Nail Care Business

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



■ Basic Policy

- ◇ 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.
- ◇ Ensuring profitability by improvement of in-house products ratio
- ◇ Expanding sales channels in overseas markets
 - U.S., Europe, Taiwan, South Korea, China



■ Specific Efforts

- ◇ Capturing share in the LED gel market with improved Presto
- ◇ Improving competitiveness and profitability by integrating operations from product planning to sales
- ◇ Released self nail gel nail “by Nail Labo” (August 2014)
- ◇ Established joint venture in Taiwan (December 2014), began operation in January 2015
- ◇ Launched new “ageha Gel” brand of gel nail products for nail salons (June 2017)



SHOFU INC.

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Slide No. 35 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.

Trends for Sales by Region — North and Latin America

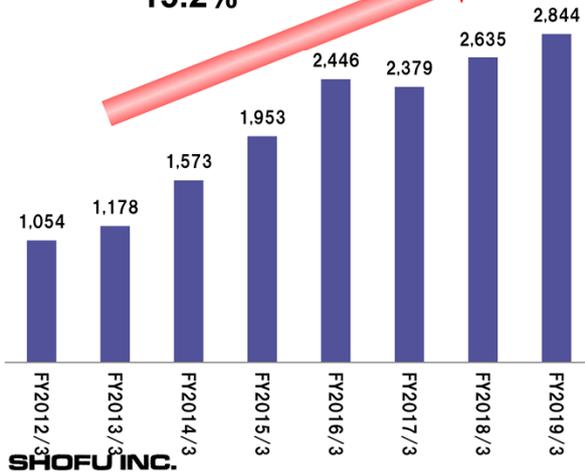
Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

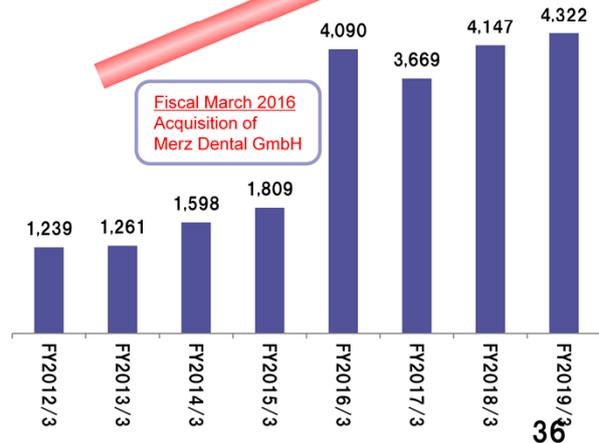
North & Latin America Sales

CAGR
15.2%



Europe Sales

CAGR
19.5%



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Slides No. 36 to No. 37 shows fluctuations in sales by overseas region.

Sales remain strong due to efforts to reinforce sales activities in each region.

Trends for Sales by Region — China, Elsewhere in Asia

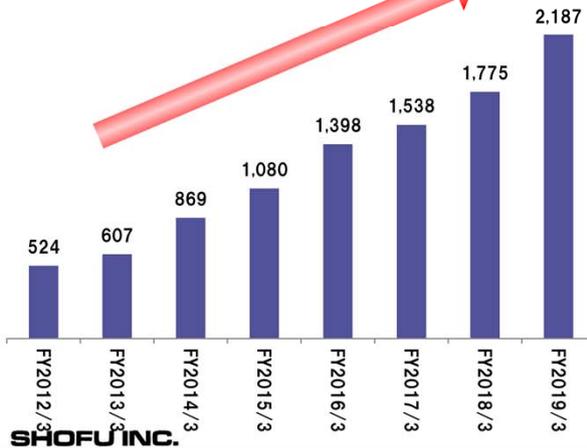
Future Business Environment and Medium- and Long-term Business Strategies



Unit: millions of yen

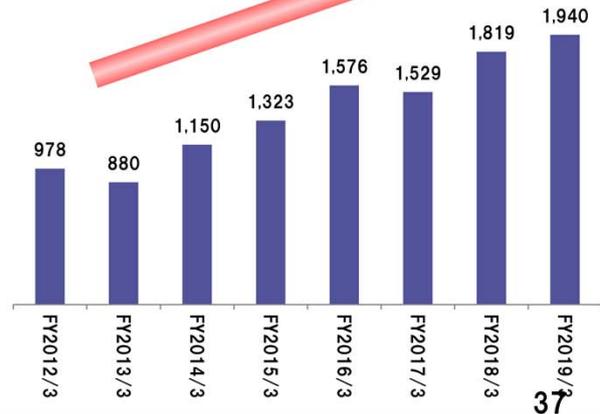
China Sales

CAGR
22.6%



Elsewhere in Asia Sales

CAGR
10.3%



SHOFU INC.

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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 (Results)	Fiscal March 2020 (Forecast)
		Fiscal March 2019	Fiscal March 2020	Fiscal March 2021		
Net sales	★ 24,031	★ 25,725	★ 27,419	★ 29,264	★ 24,915	★ 26,190
(Change from Previous Period)	(7.7%)	(7.1%)	(6.6%)	(6.7%)	(3.7%)	(5.1%)
(Domestic sales)	★ 13,652	★ 14,453	★ 15,085	★ 15,700	13,619	★ 14,408
(Change from Previous Period)	(3.5%)	(5.9%)	(4.4%)	(4.1%)	(-0.2%)	(5.8%)
(Overseas sales)	★ 10,378	★ 11,271	★ 12,333	★ 13,563	★ 11,295	★ 11,781
(Change from Previous Period)	(13.8%)	(8.6%)	(9.4%)	(10.0%)	(8.8%)	(4.3%)
Operating income	1,497	1,737	★ 2,056	★ 2,341	1,814	★ 2,056
(Percentage of sales)	(6.2%)	(6.8%)	(7.5%)	(8.0%)	(7.3%)	(7.9%)
Ordinary income	1,565	1,630	★ 1,946	★ 2,234	1,709	★ 1,941
(Percentage of sales)	(6.5%)	(6.3%)	(7.1%)	(7.6%)	(6.9%)	(7.4%)
Net income	877	★ 1,109	★ 1,370	★ 1,596	★ 1,201	★ 1,377
(Percentage of sales)	(3.7%)	(4.3%)	(5.0%)	(5.5%)	(4.8%)	(5.3%)
Dental business Overseas sales ratio	★ 43.5%	★ 44.6%	★ 46.0%	★ 47.6%	★ 46.6%	★ 46.7%

* "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.

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Slide No. 38 shows principle targets under the Medium-term Management Plan for fiscal year 2018 – 2020.

We expect sales to decrease by 1,229 million yen, or 4.7% in the fiscal year ending March 2020 due to delays in progress in the domestic business and the nail care business in other Asian countries relative to targets for that fiscal year in the medium-term management plan. However, the targets of the medium-term management plan are expected to be achieved on an income basis.

We expect net sales and income in all categories to reach record highs in the fiscal year ending March 2020.

Medium-term Management Plan by Segment (Sales and Operat

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



Unit: millions of yen

	Fiscal March 2018 (Results)		Mid-Term Management Plan						Fiscal March 2019 (Results)		Fiscal March 2020 (Forecast)	
			Fiscal March 2019		Fiscal March 2020		Fiscal March 2021					
	Amout	%	Amout	%	Amout	%	Amout	%	Amout	%	Amout	%
Dental business	21,447	89.2	22,800	88.6	24,227	88.4	25,787	88.1	22,446	90.1	23,669	90.4
Nail care business	2,486	10.3	2,806	10.9	3,068	11.2	3,343	11.4	2,372	9.5	2,408	9.2
Other businesses	105	0.4	117	0.5	123	0.5	133	0.5	104	0.4	112	0.4
Net sales	24,038	100.0	25,725	100.0	27,419	100.0	29,264	100.0	24,923	100.0	26,190	100.0
Dental business	1,410	6.6	1,575	6.9	1,867	7.7	2,070	8.0	1,797	8.0	1,973	8.3
Nail care business	63	2.5	145	5.2	169	5.5	243	7.3	-5	-0.2	63	2.6
Other businesses	17	16.8	16	13.7	18	15.3	27	20.5	16	15.6	19	17.1
Operating income	1,491	6.2	1,737	6.8	2,056	7.5	2,341	8.0	1,807	7.3	2,056	7.9

• 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.

Medium-term Management Plan

Capital Investments, Depreciation Expenses, R&D Expenses

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



Unit: millions of yen

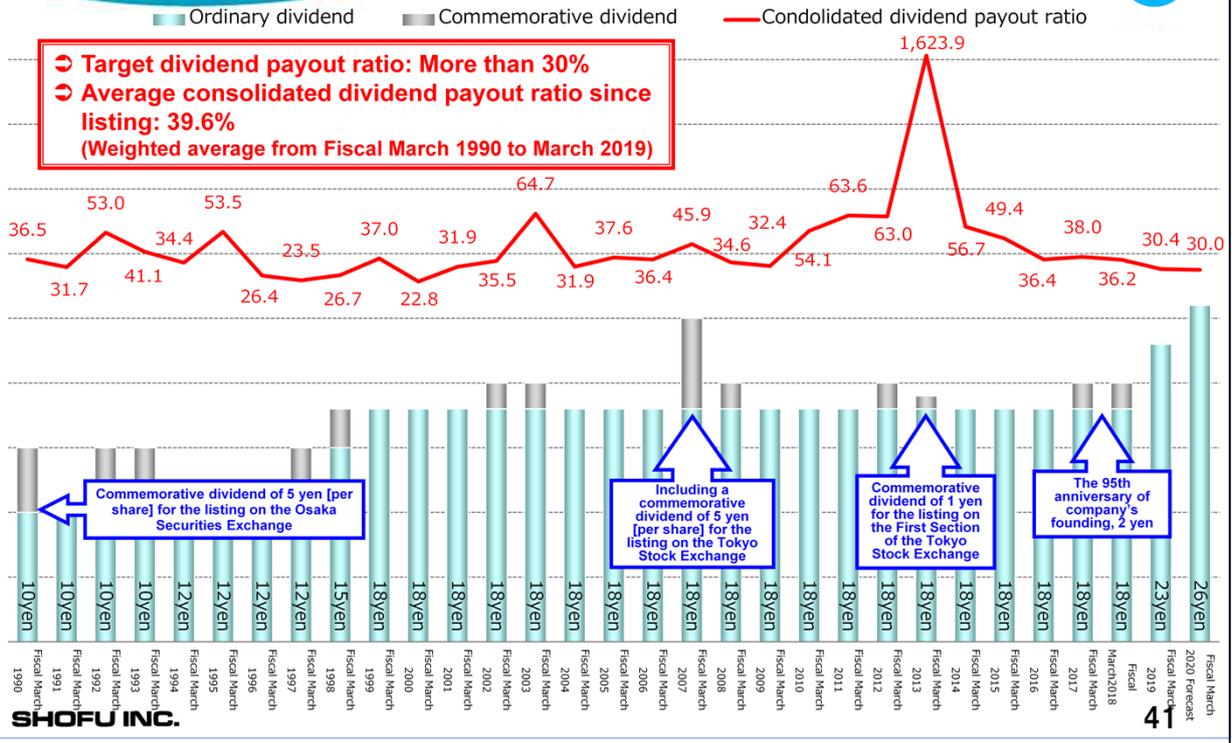
	Fiscal March 2018 (Results)	Mid-Term Management Plan			Fiscal March 2019 (Results)	Fiscal March 2020 (Forecast)
		Fiscal March 2019	Fiscal March 2020	Fiscal March 2021		
Capital investment	710	1,080	967	967	1,403	1,598
Depreciation expenses	975	1,003	1,003	1,003	893	1,026
(of which goodwill amortization)	108	108	108	108	84	82
R&D expenses	1,494	1,572	1,596	1,604	1,492	1,553

• 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.

Dividend Policy

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



Slide No. 41 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 2020, with an increase in profitability, we are planning to issue an ordinary dividend of 26 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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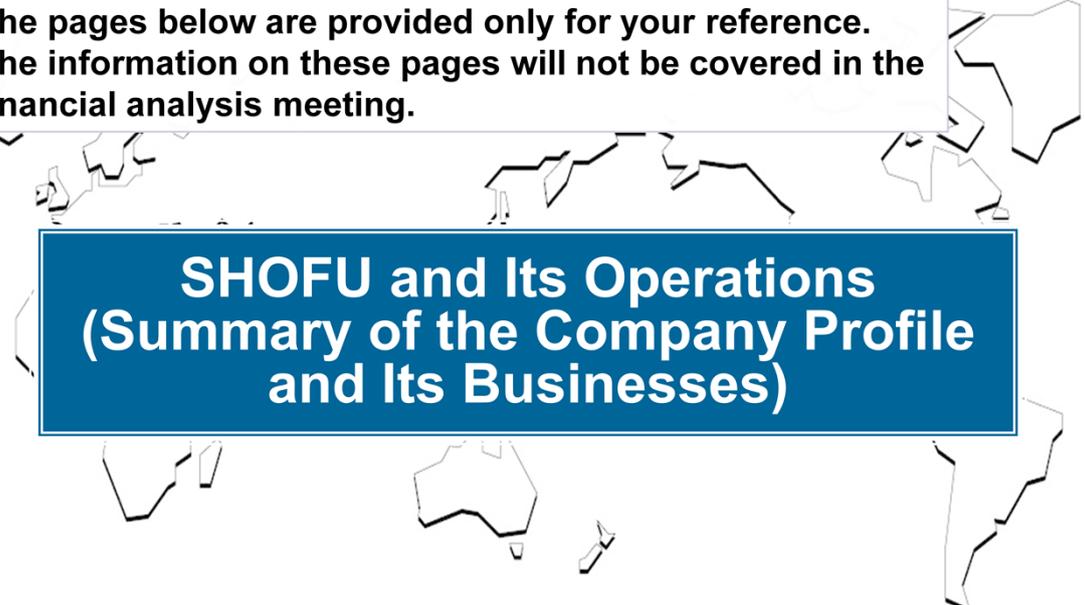
URL: <http://www.shofu.co.jp>

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.**

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

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

Company Profile

Company and Business Profiles



■ 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
■ Number of employees	445 (entire group: 1,183, including 563 in overseas subsidiaries)
■ Business	Manufacture and sale of dental materials and equipment
■ Main customers	Dental institutions (via sales agencies)
■ Number of group companies	17 (four in Japan, thirteen overseas) Dental companies: 14 (three in Japan, eleven overseas) Nail care companies: 3 (one in Japan, two overseas)

SHOFU INC.

(As of September 30, 2019) 45

Main Products



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

Artificial teeth products



Artificial tooth and implant materials

- Porcelain teeth, porcelain powder, resin teeth

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

Abrasives products



Materials for removing diseased areas and polishing crowns

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

Cement products ,other



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

- Dental cements
- Dental stones and investments

Metal products



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

- Alloys for casting, silver alloys
- Other metals

Machinery ,equipment & other products



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.

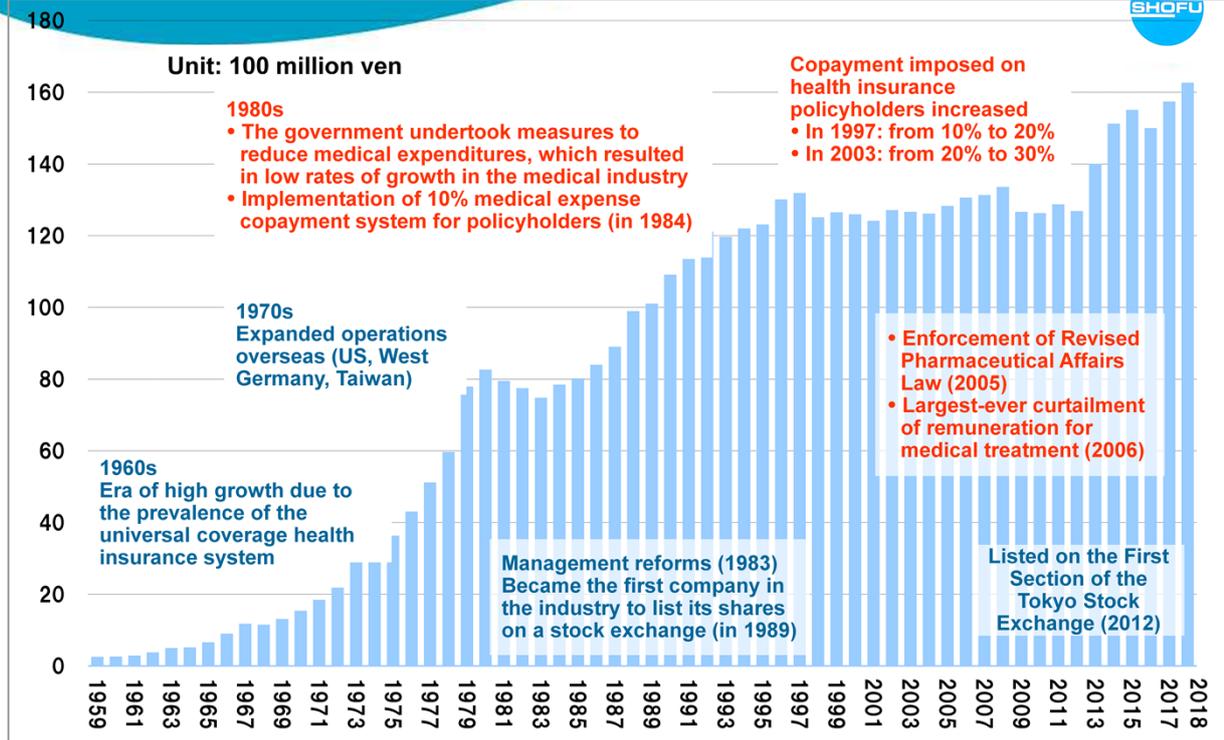


· 1922	Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
· 1963	Shofu shares listed on the over-the-counter market.
· 1971~ 1978	Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). Established 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. Obtained 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 80th anniversary of its founding. 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 85th anniversary of its founding. 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.
• 2010	Shofu Dental Trading (Shanghai) Co., Ltd., is established in China.
• 2012	Celebrated the 90th anniversary of its founding. Listed on the First Section of the Tokyo Stock Exchange.
• 2013	Promech Inc. is split up, with Shoken Inc. taking over its dental businesses and Nail Labo Co., Ltd., absorbing the company and its remaining operations. The Singapore Sales Office is incorporated as the local corporation SHOFU Dental ASIA-Pacific Pte.Ltd.
• 2014	Established joint venture in Taiwan between Nail Labo Co., Ltd. and a local sales distributor.
• 2015	Acquired shares and made Merz Dental GmbH. a subsidiary. Established SHOFU BIOFIX INC.
• 2017	Established a subsidiary in Brazil Established a subsidiary in India
• 2019	Completed new plant at Merz Dental GmbH. in Germany

Corporate History - Sales



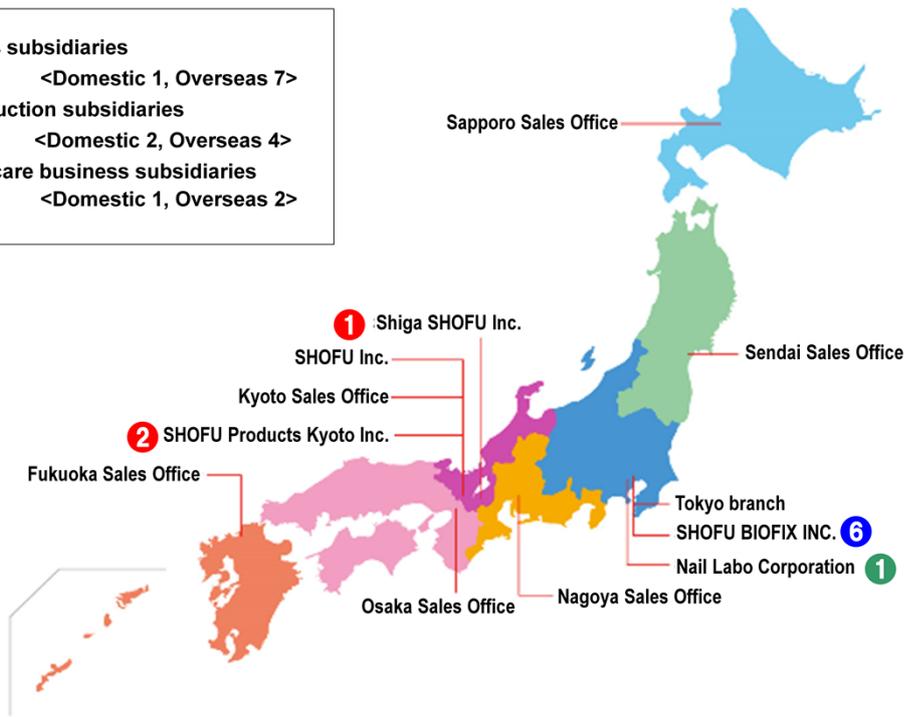
SHOFU INC.

(Note) Figures shown in the graph are non-consolidated sales. 49

Group Overview [Domestic base]

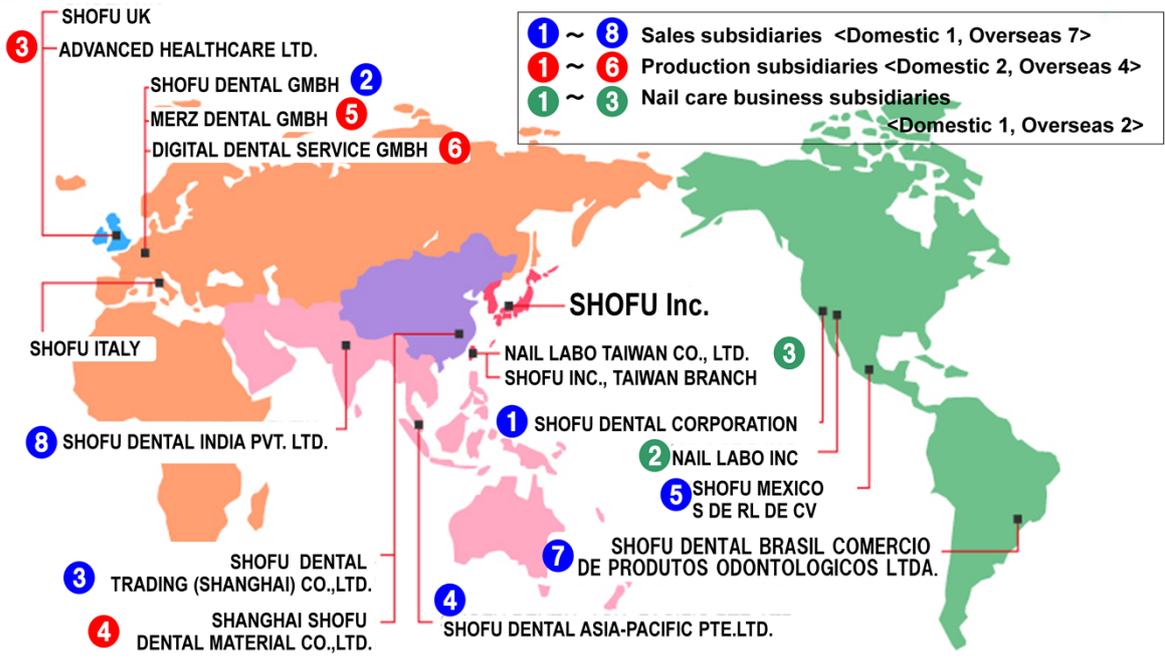


- 1 ~ 8** Sales subsidiaries
<Domestic 1, Overseas 7>
- 1 ~ 6** Production subsidiaries
<Domestic 2, Overseas 4>
- 1 ~ 3** Nail care business subsidiaries
<Domestic 1, Overseas 2>



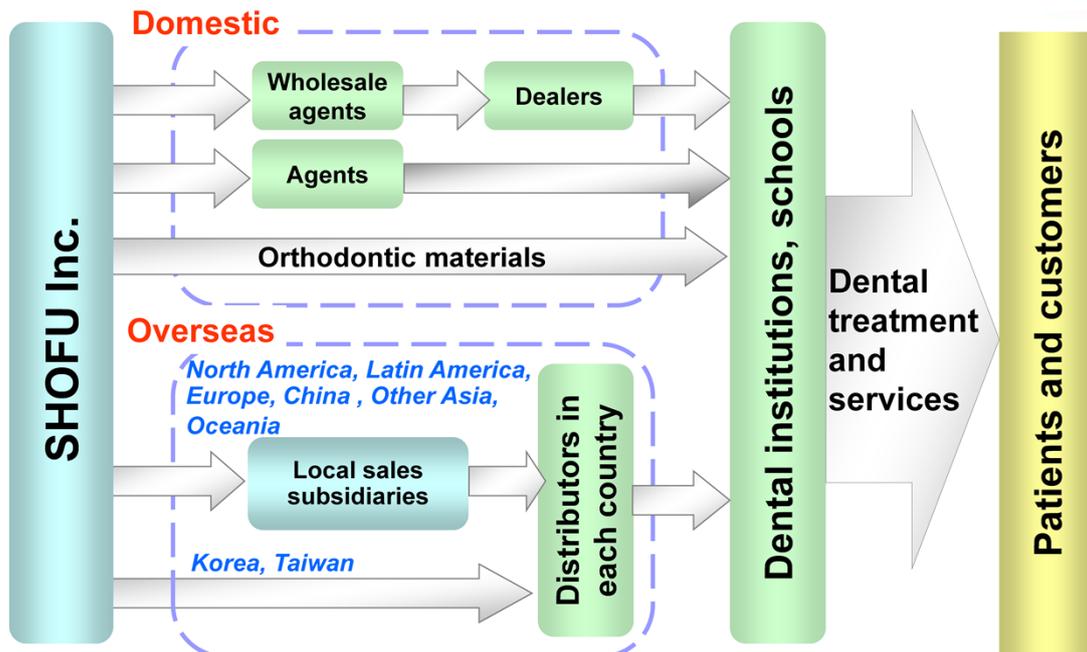
Group Overview [Overseas base]

Company and Business Profiles

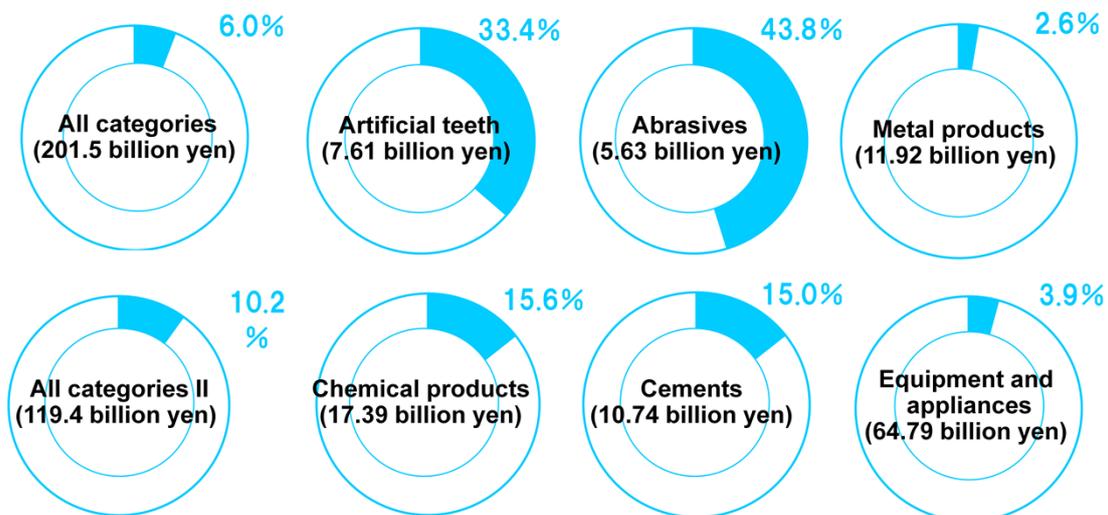


SHOFU INC.

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.”

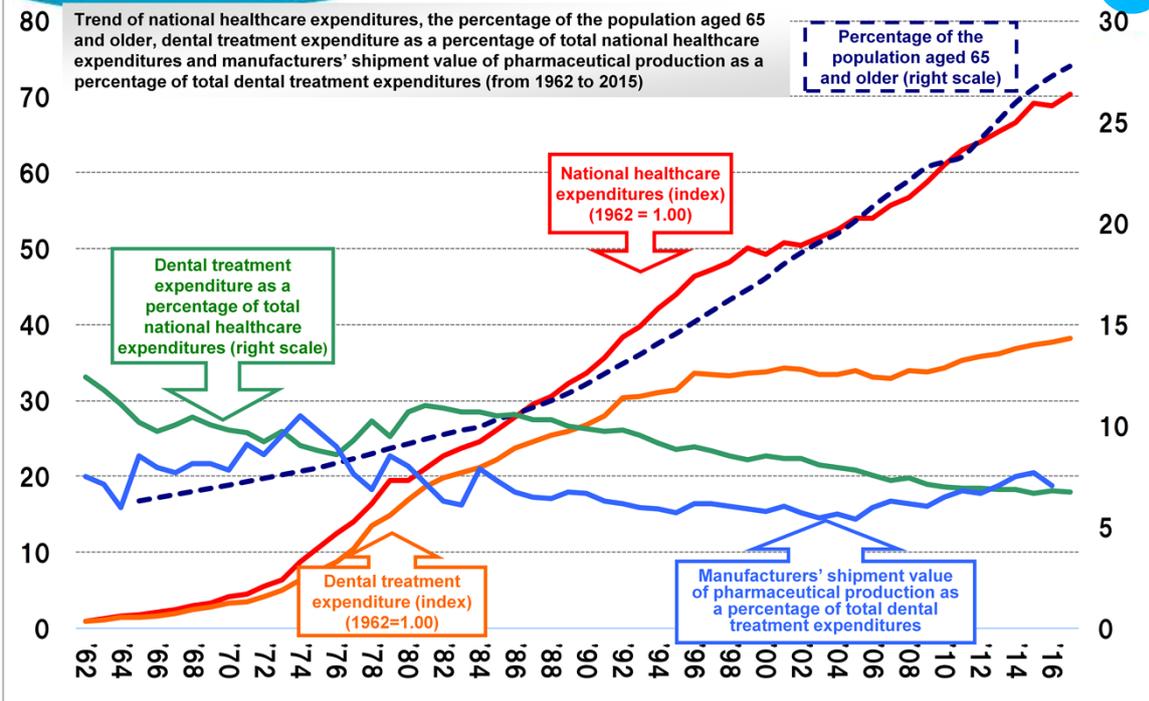
Source: Production Statistics issued by the Pharmaceutical Industry (Manufacturers’ shipment values), Ministry of Health, Labour and Welfare (Domestic data, Calendar Year 2016)
 Figures in parentheses represent market size. (Figures rounded down to the nearest ten million yen)



Reference <Dentistry Data>

Long-term Trend of Dentistry-Related Statistics

Reference <Dentistry Data>



SHOFU INC.

Prepared using yearly data from Summary of National Healthcare Expenditures, Production Statistics issued by the Pharmaceutical Industry (Ministry of Health, Labour and Welfare)

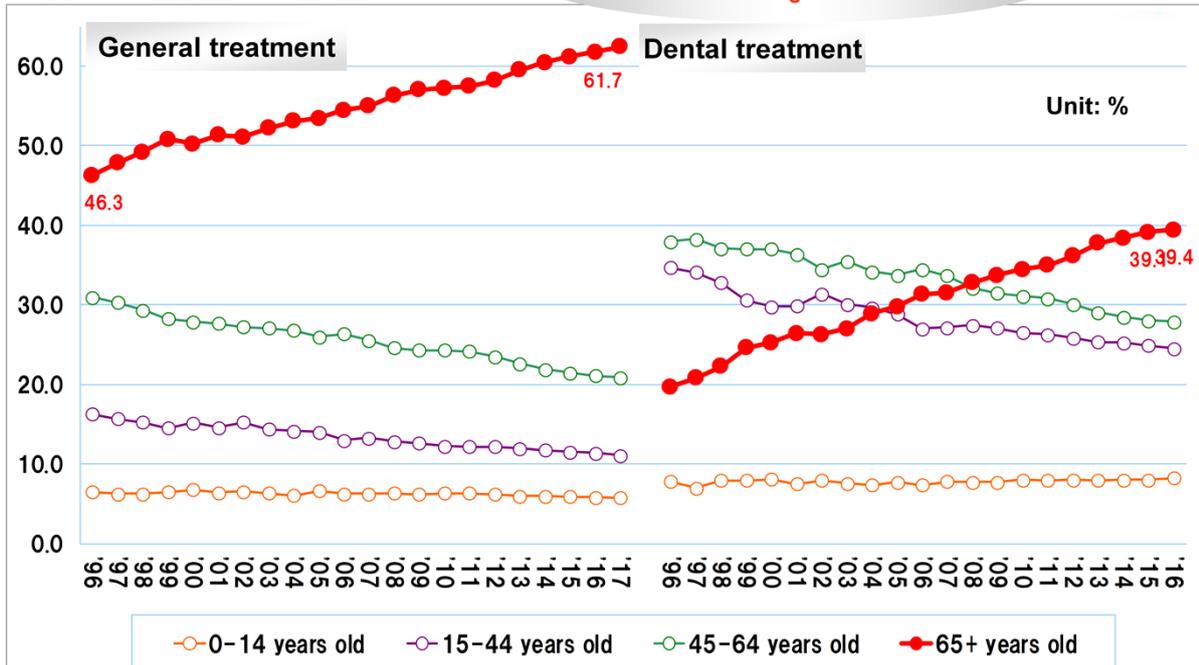
55

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.



SHOFU INC.

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

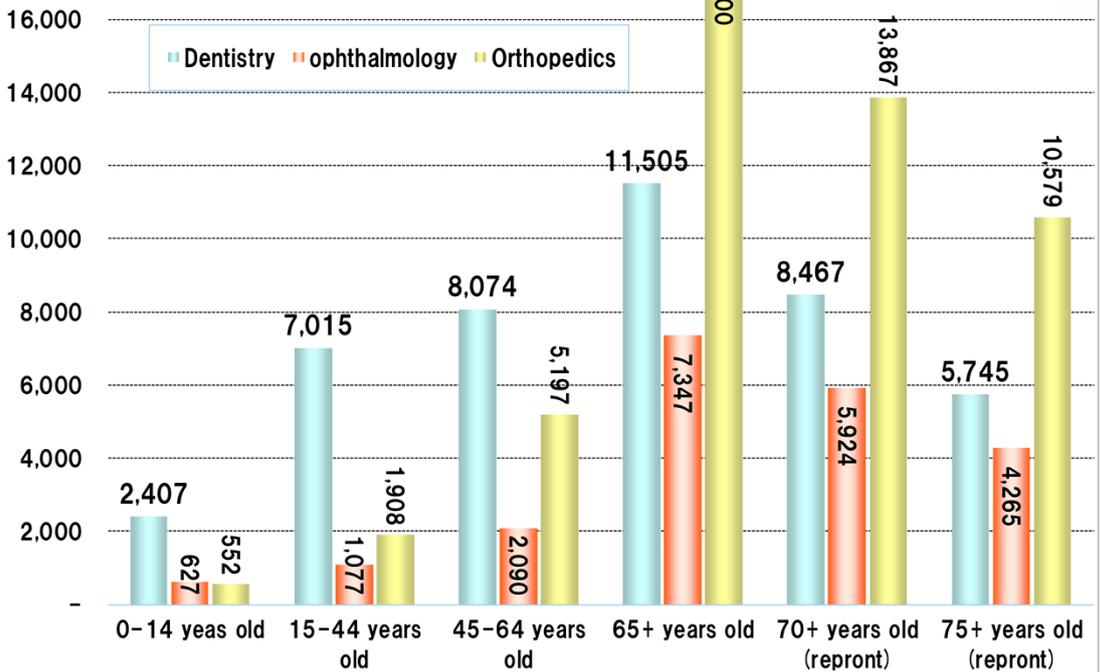
56

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

Reference <Dentistry Data>



(Unit: 100 million yen)

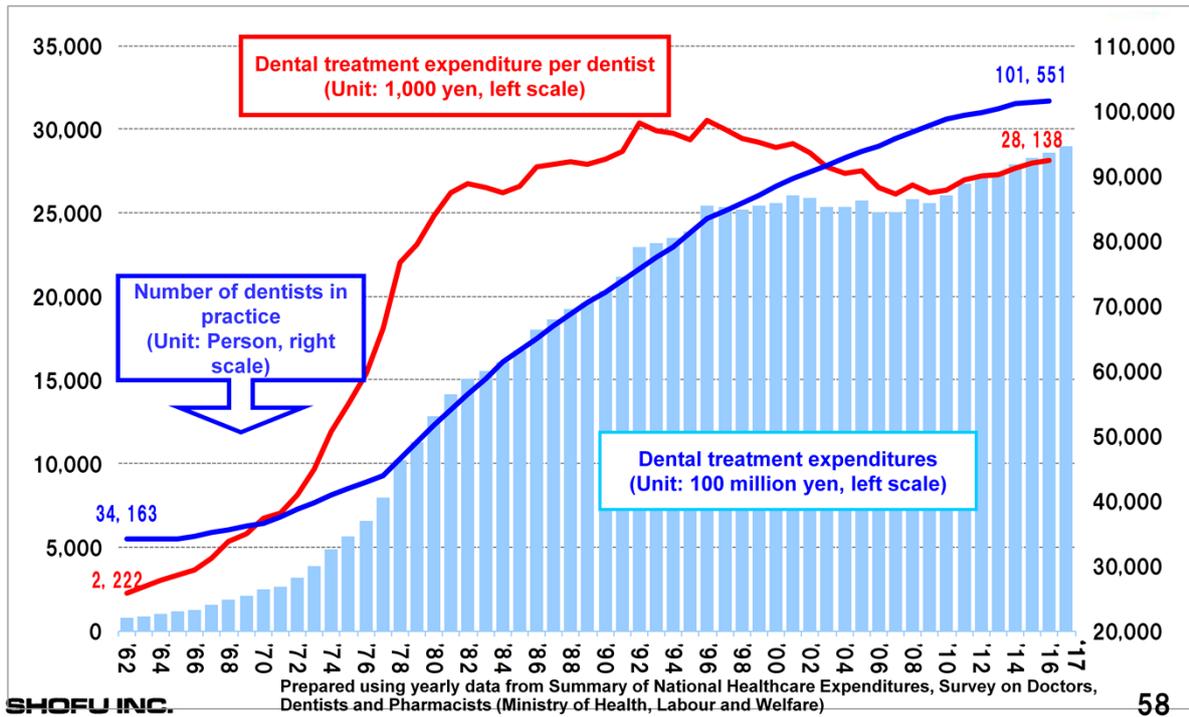


SHOFU INC.

Prepared using Summary of National Healthcare Expenditures in Fiscal Year 2015 (Ministry of Health, Labour and Welfare)

Trend of the Number of Dentists and Dental Treatment Expenditure

Reference <Dentistry Data>



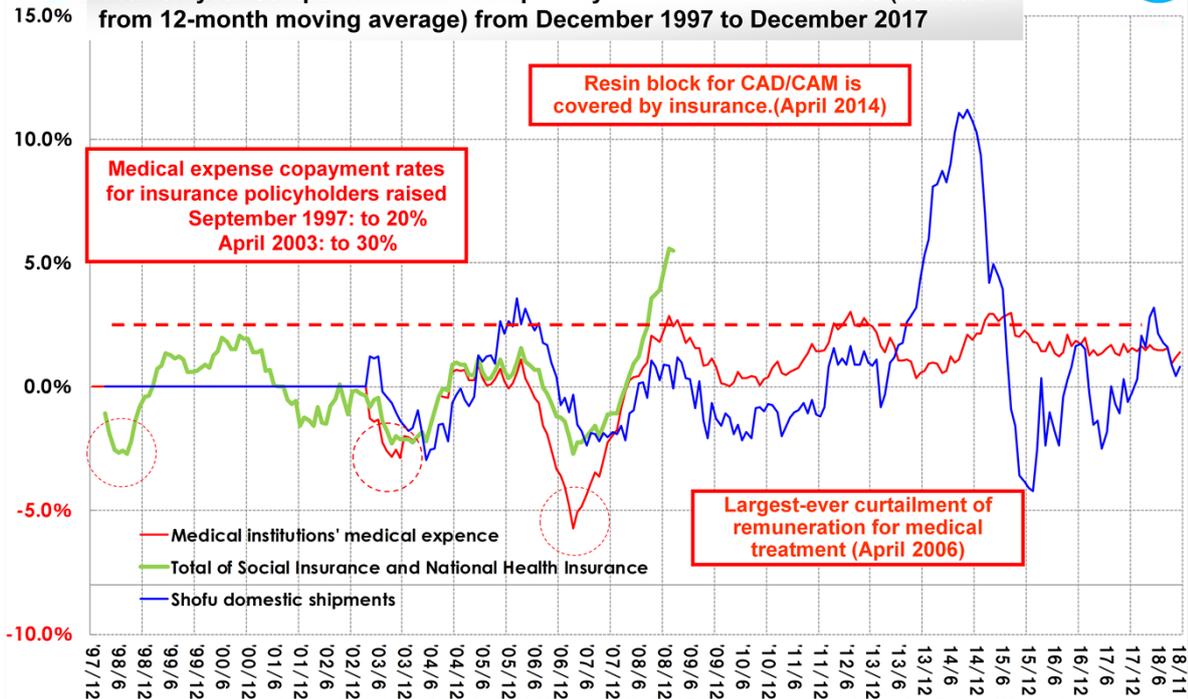
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Dental Treatment Expenditures

Reference <Dentistry Data>



Year-on-year comparison of amount paid by dental health insurance (deviation from 12-month moving average) from December 1997 to December 2017



SHOFU INC.

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

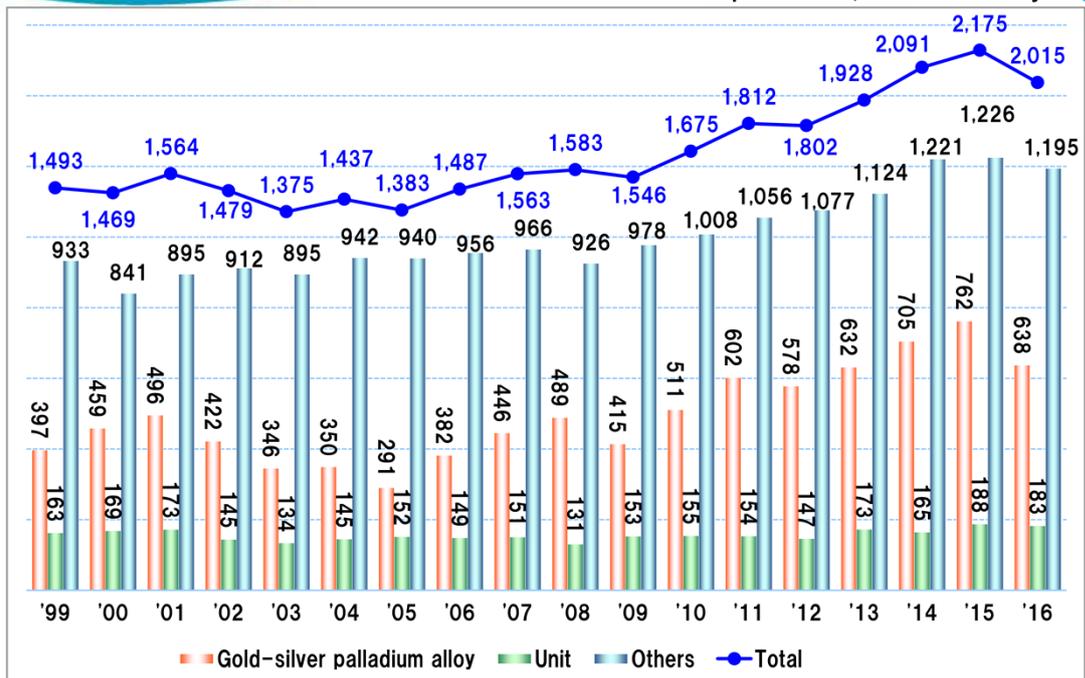
59

Trend of Shipment Value of Pharmaceutical Industry Products

Reference <Dentistry Data>



Shipment value, Unit: 100 million yen

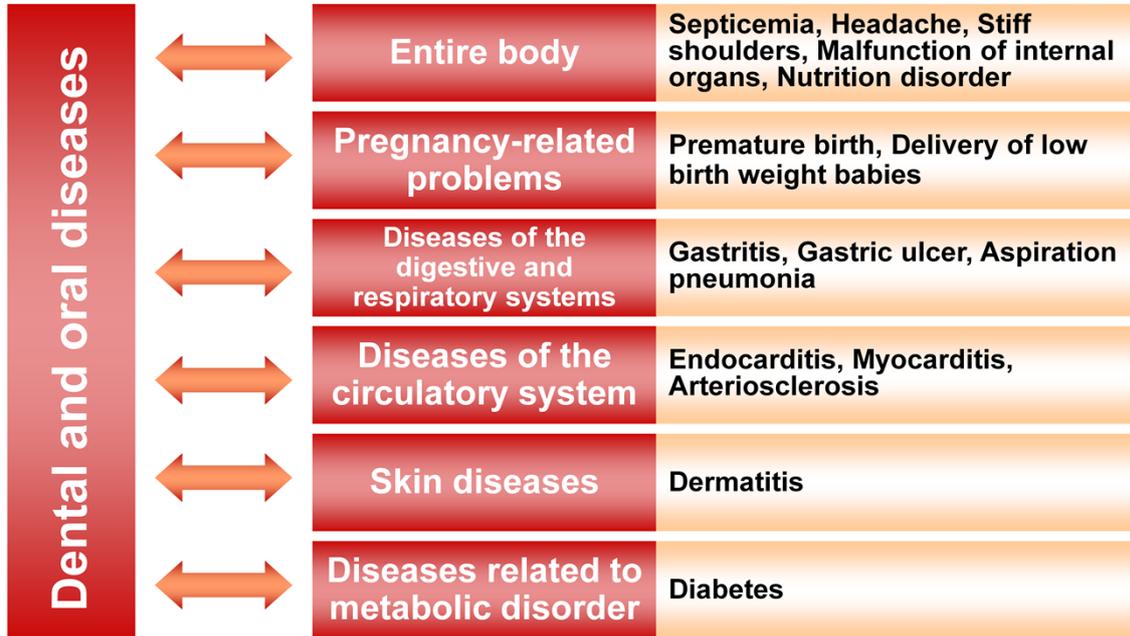


SHOFU INC.

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

Systemic Diseases Caused by Caries and Periodontal Disease

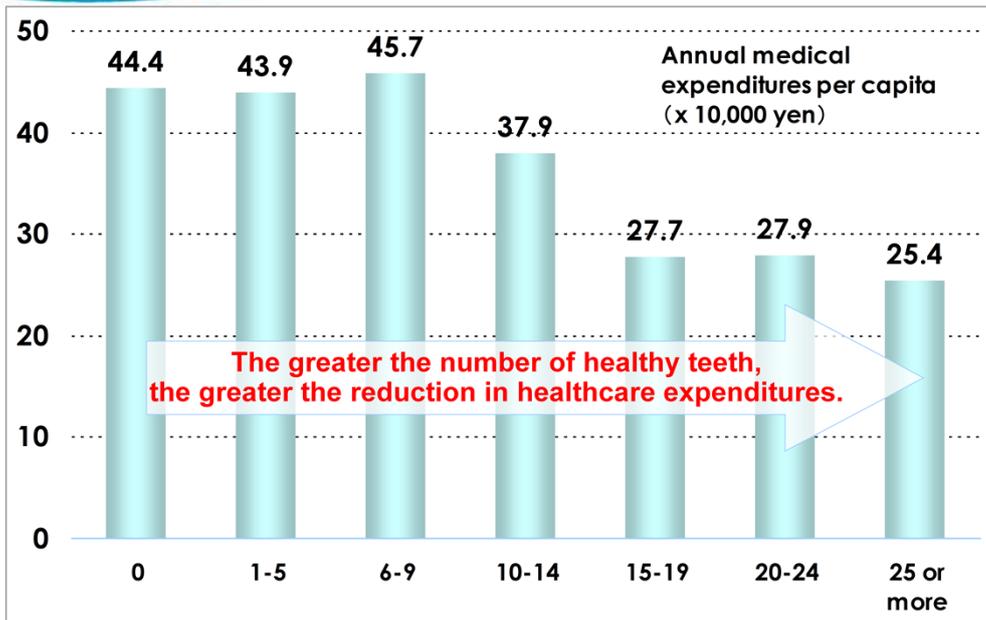
Reference <Dentistry Data>



(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>



The greater the number of healthy teeth, the greater the reduction in healthcare expenditures.

Prepared on the basis of "Correlation between Oral Hygiene Status of Elderly Persons and Healthcare Expenditures," a paper published in 2003 by Kazumune Arikawa, a full-time instructor at the Nihon University School of Dentistry at Matsudo

SHOFU INC.

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

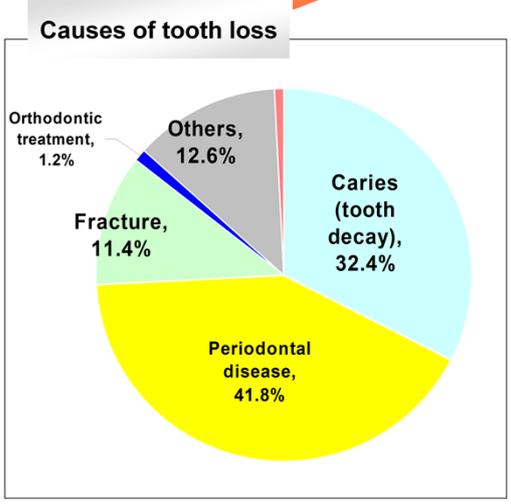
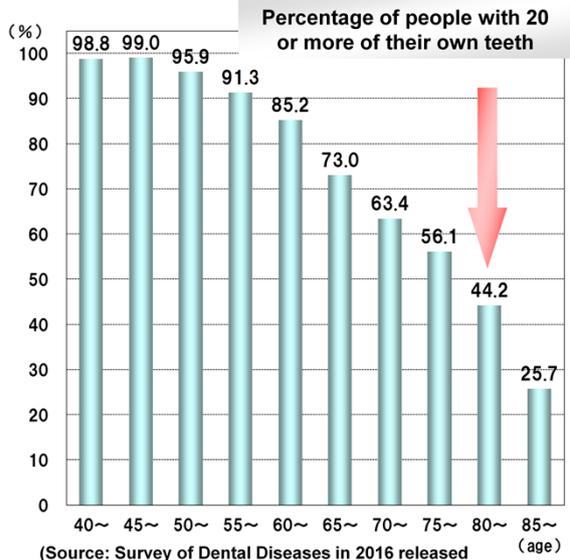
62

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.



(Survey by the 8020 Promotion Foundation in 2005)

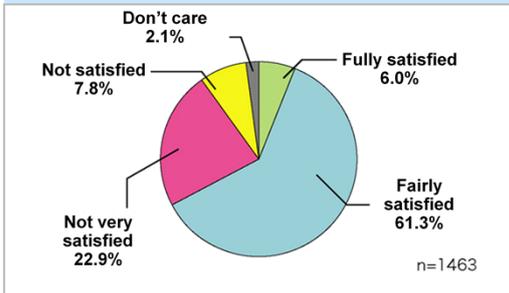
Perception of Dental and Oral Health

Reference <Dentistry Data>

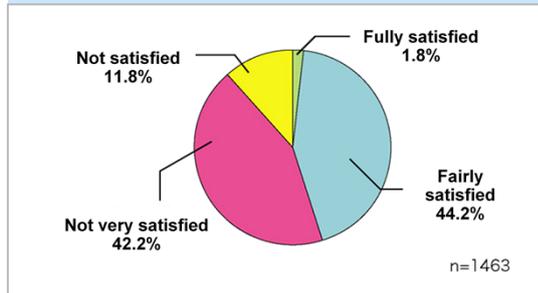
Source: Fiscal 2007's Dental Equipment Industry Vision (References)



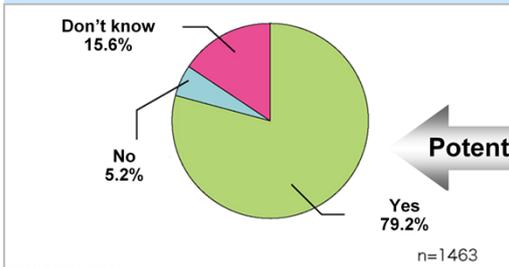
Are you satisfied with your physical health?



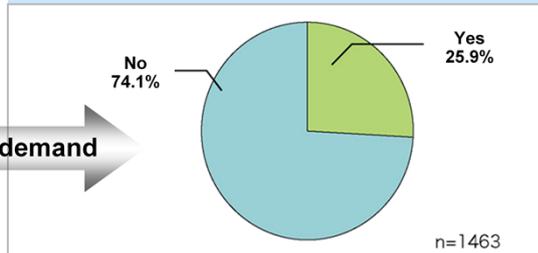
Are you satisfied with your oral health?



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



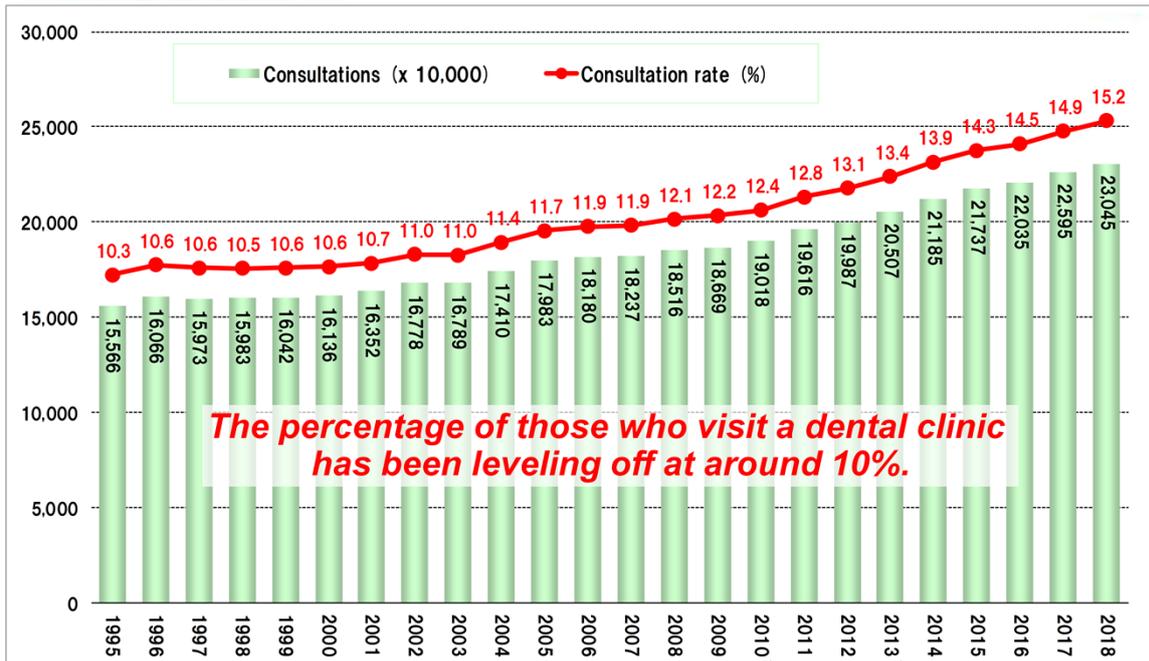
Do you actually receive regular dental care?



Potential demand

Dental Clinic Consultation Rates

Reference <Dentistry Data>



The percentage of those who visit a dental clinic has been leveling off at around 10%.

* Consultation rate: ratio of persons receiving monthly dental treatment or examinations (12 times yearly)

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Prepared using annual data from "Recent Trends in Healthcare Expenditures (MEDIAS)" issued by the Ministry of Health, Labour and Welfare

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

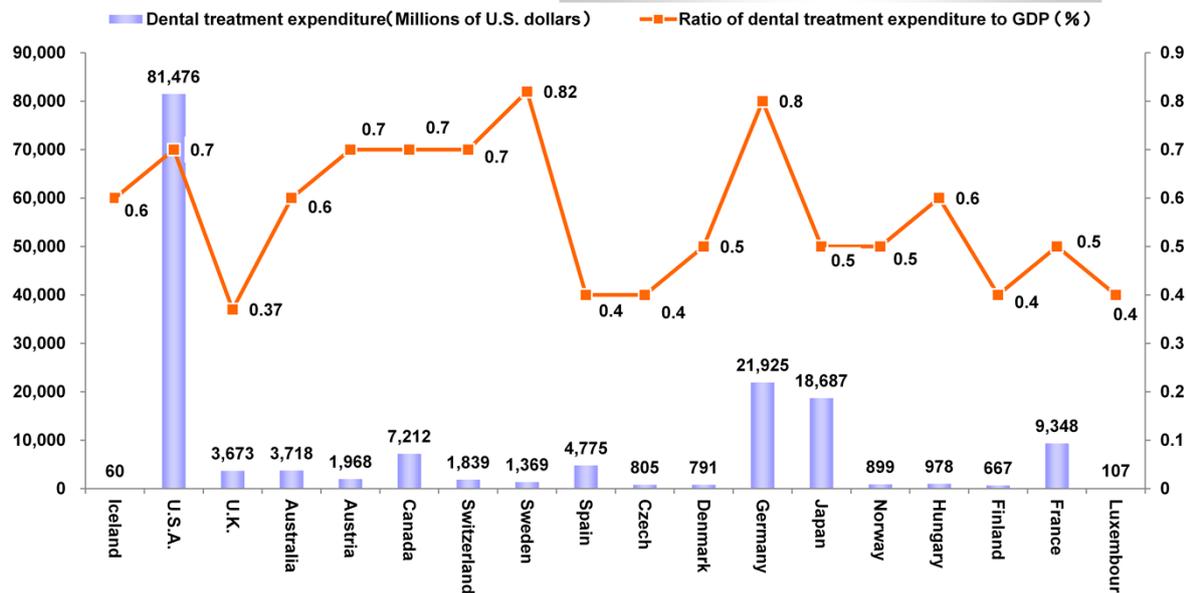
* Consulted an article titled "Reasons for the Success of the Canadian Dental Community" (DH Style, September 2007) by Ken Yaegaki DDS Ph.D., Professor and head of the Department of Oral Health, Nippon Dental

Relation between Dental Treatment Expenditure and GDP

Reference <Dentistry Data>



Although Japan's dental treatment expenditure is at a high level in international comparison, the ratio of Japan's dental treatment expenditure to GDP is in the middle range in international comparison.



* 1. The above chart was prepared using "Nihon-to sekai-no shikai-ryo—kokusai-hikaku-karamita nihon-no shikai-ryo-no sugata (Dental Treatment in Japan and in the Rest of the World—Dental Treatment in Japan from the Perspective of International Comparison)," by Kento Taira (medical corporation Seiryokai) as reference.

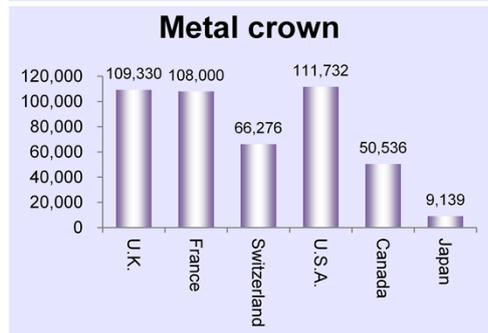
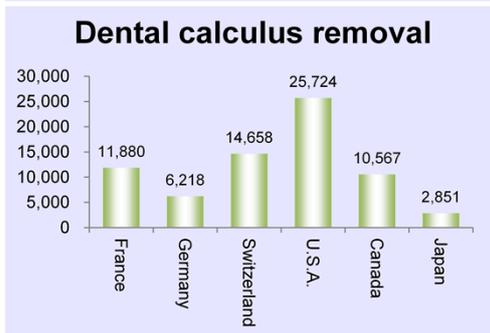
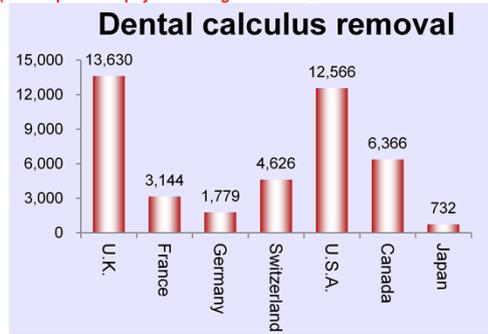
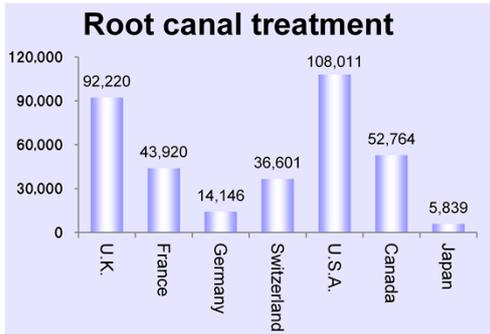
2. The above data for each country is as of 2004 except for Sweden's data, which is as of 1992.

International Comparison of Dental Treatment Expenditure (Unit Price of ...)

Reference <Dentistry Data>

Unit: yen 

*Japan: Unit price for a treatment session according to public healthcare insurance (⇒ The patient's payment obligation is 30% of the amounts below.)



* The above chart was prepared using material from "Iryo, kaigokuyufuhi suikei-ni-tsuite (On the Estimate of Medical and Nursing Care Benefit Expenses)" by Professor Kawabuchi of the Graduate School of Tokyo Medical and Dental University (submitted to the 6th meeting of the Social Security Council of Japan on July 31, 2008).

International Comparison in the Ratio of Persons with Dental Caries

Reference <Dentistry Data>

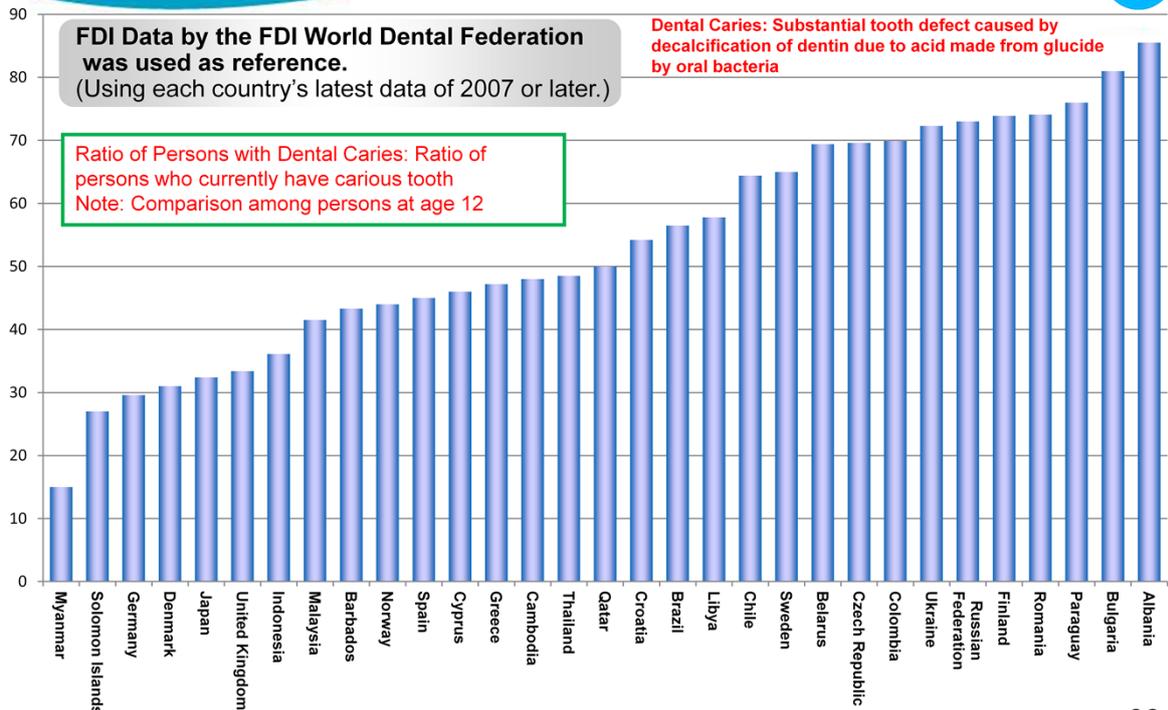
Unit: %



FDI Data by the FDI World Dental Federation was used as reference.
(Using each country's latest data of 2007 or later.)

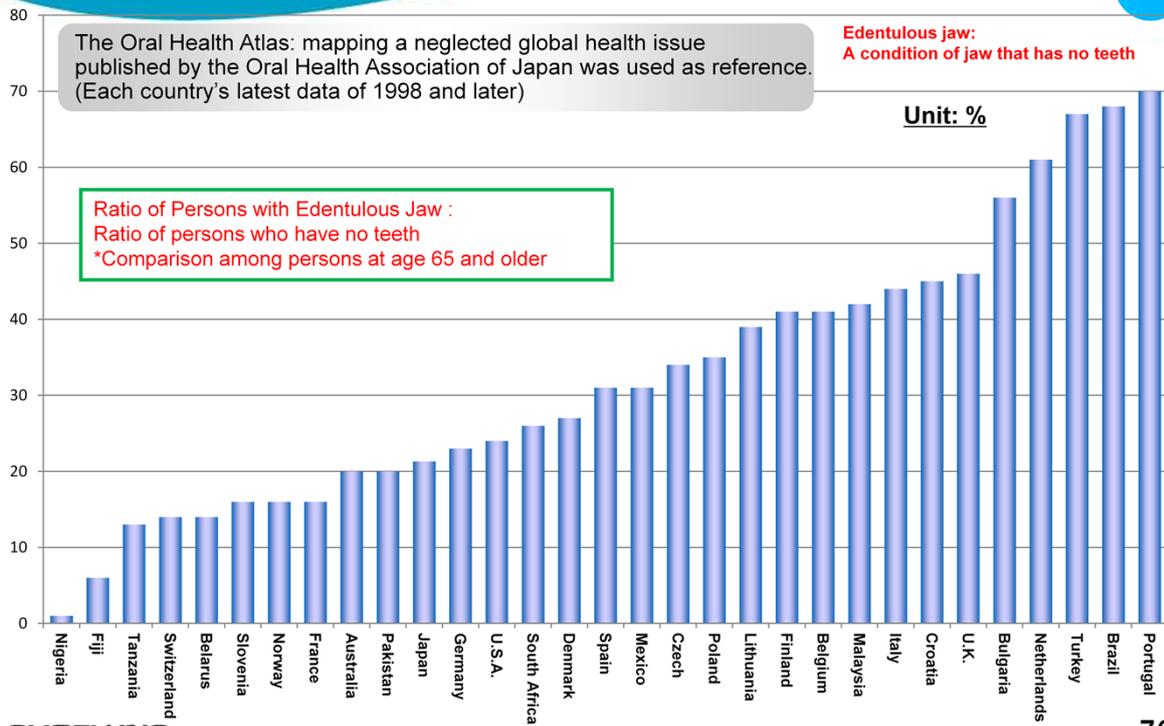
Dental Caries: Substantial tooth defect caused by decalcification of dentin due to acid made from glucide by oral bacteria

Ratio of Persons with Dental Caries: Ratio of persons who currently have carious tooth
Note: Comparison among persons at age 12



International Comparison in the Ratio of Persons with Edentulous Jaw

Reference <Dentistry Data>

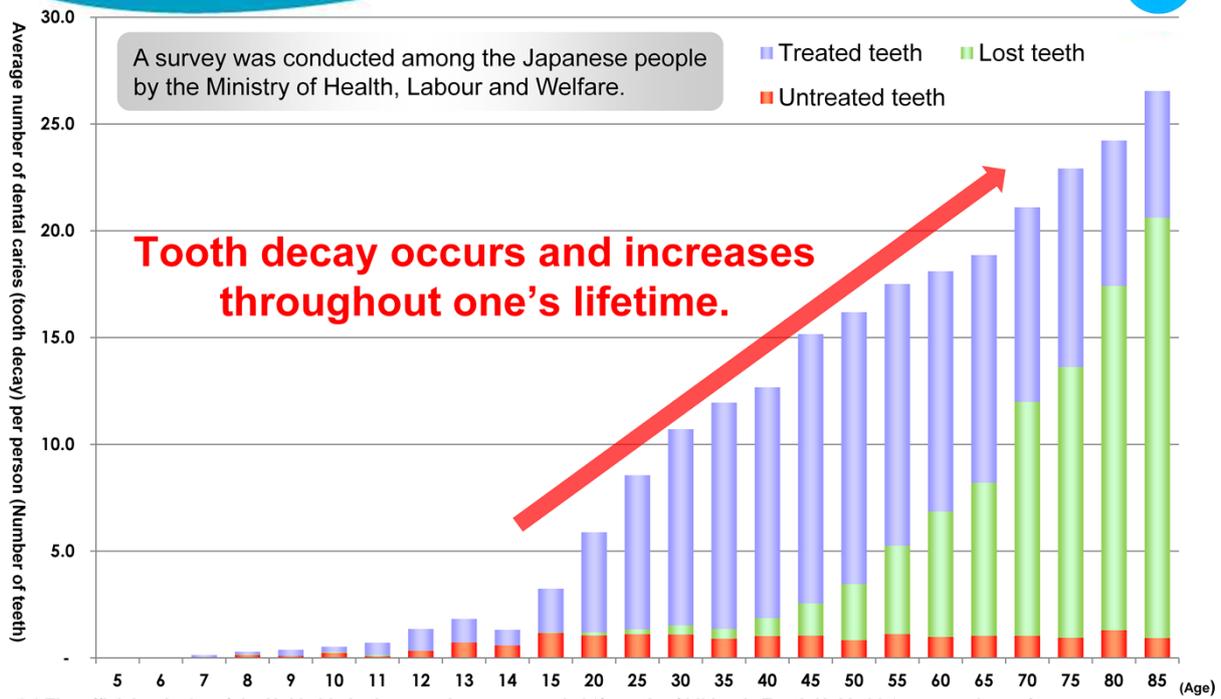


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Factual Survey of Dental Diseases

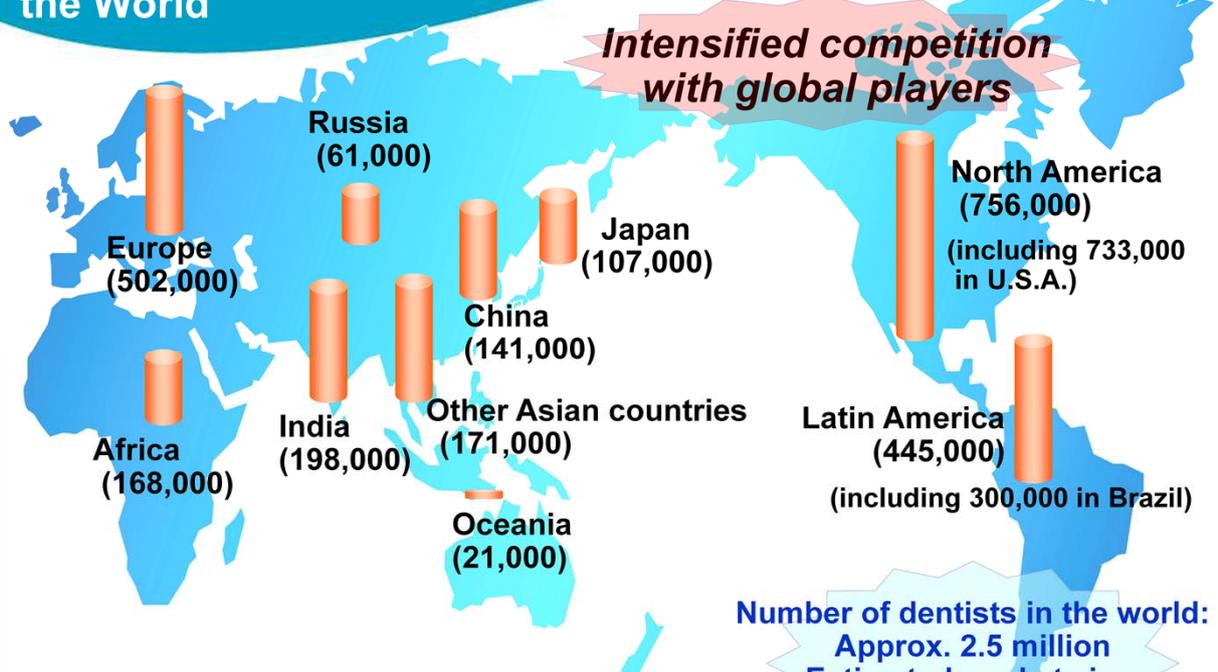
Reference <Dentistry Data>



* 1. The official web site of the Hokkaido kodomo-no ha-o mamoru kai (Save the Children's Tooth Hokkaido) was used as reference
 * 2. Source: Results of the Survey of Dental Diseases in 2011 released by the Ministry of Health, Labour and Welfare

Number of Dentists in the World

Reference <Dentistry Data>



Intensified competition with global players

Number of dentists in the world: Approx. 2.5 million
Estimated market size: Approx. 2.6 trillion yen

◆ Source:
Number of dentists & Estimated market size
—“The World Medical Markets Factbook 2017 ” (BMIResearch)

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 74)
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 74)
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 74)



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 73)
Resin	Synthetic high polymer. Resins are popularly used for dental restoratives.