



Fiscal Year Ended March 2020 (148th Business Year)

Financial Analyst Meeting

May 21, 2020



Tokyo Stock Exchange
(1st Section)
Code Number: 7979

Contents of Today's Presentation

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

Noriyuki Negoro, President and CEO

A faint, white outline map of Japan is visible in the background, showing the main islands and surrounding waters.

**Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2020**

**Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2021**

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

Summary of Business Performance (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



■ Positive factors ■ Negative factors

P/L

⇒ Net Sales totaled 26,108 million yen (an increase of 4.8%) **[Record high]**

Domestic net sales totaled 14,608 million yen (an increase of 7.3%)

- In the dental business, although mainstay products such as artificial teeth struggled, new products and equipment, including CAD/CAM products, saw growth. As a result, domestic sales **rose 8.2%**.
- Domestic sales in the nail care business **rose 0.8%** due to the solid performance of gel nail products on the back of efforts to augment the lineup of own-brand products and to proactively hold seminar activities.

Overseas net sales totaled 11,499 million yen (an increase of 1.8%)

- Overseas sales in the dental business **rose 2.2%** due to higher sales in all regions on a local currency basis, offsetting the negative impact of foreign exchange rates resulting from a strong yen.
- Overseas sales in the nail care business **decreased by 3.5%** due to a drop in sales in Taiwan, where competitors are taking increasingly aggressive actions, despite strong sales in America.

Summary of Business Performance (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



■ Positive factors ■ Negative factors

P/L

⇒ Operating income totaled 2,210 million yen **【Record high】**,
and Ordinary income totaled 1,988 million yen **【Record high】**

- The cost of sales ratio rose, but operating income **rose 21.9%** due to the effect of higher sales and a decrease in selling, general and administrative expenses.
- Ordinary income **increased by 16.4%**, even though the extent of the increase was lower than that of operating income due to the negative impact of exchange rates.

⇒ Net income totaled 704 million yen

- Net income **fell 41.3%** due to the posting of impairment losses on goodwill when shares in Merz Dental GmbH were acquired and the posting of impairment losses related to intangible assets.

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

Summary of Business Performance for the Current Fiscal Year

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



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

Units: millions
of yen, %

	Fiscal March 2019 (Results) (% of sales)	Fiscal March 2020 (Forecast) (% of sales)	Fiscal March 2020 (Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Net sales	24,915 (100.0)	26,190 (100.0)	26,108 (100.0)	1,193 (4.8)	-81 (-0.3)
(Domestic sales)	13,619 (54.7)	14,408 (55.0)	14,608 (56.0)	988 (7.3)	199 (1.4)
(Overseas sales)	11,295 (45.3)	11,781 (45.0)	11,499 (44.0)	204 (1.8)	-281 (-2.4)
Operating income	1,814 (7.3)	2,056 (7.9)	2,210 (8.5)	396 (21.9)	154 (7.5)
Ordinary income	1,709 (6.9)	1,941 (7.4)	1,988 (7.6)	279 (16.4)	47 (2.5)
Net income	1,201 (4.8)	1,377 (5.3)	704 (2.7)	-496 (-41.3)	-672 (-48.8)
Net income per share	75.54yen	86.61yen	44.24yen	-31.30yen	-42.37yen
Return on equity	5.0%	5.6%	2.9%	-2.0P	-2.6P
Foreign exchange rates					
US dollar	110.69	105.00	109.10	-1.59	4.10
Euro	128.43	125.00	121.14	-7.29	-3.86
Pound sterling	145.68	145.00	138.51	-7.17	-6.49
Renminbi	16.69	16.50	15.85	-0.84	-0.65

Sales by Product Category (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2019 (Results)	Fiscal March 2020 (Results)	Change from previous period		
				Domestic	Overseas
Artificial teeth	4,418	4,259	-159 (-3.6)	-69	-89
Abrasives	4,145	4,169	23 (0.6)	11	11
Metal products	237	240	3 (1.4)	3	-0
Chemical products	5,210	5,297	86 (1.7)	-18	104
Cements and others	2,181	2,147	-34 (-1.6)	-36	1
Equipment and others	6,251	7,551	1,299 (20.8)	1,095	204
Dental business total	22,446	23,665	1,219 (5.4)	986	232
Nail care business	2,372	2,355	-16 (-0.7)	12	-28
Other	96	87	-9 (-10.0)	-9	-
Total	24,915	26,108	1,193 (4.8)	988	204

*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 -448 million yen. (Dental business -433 million yen, Nail care business -15 million yen)

Sales by Product Category (Comparison with Forecast)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2020 (Forecast)	Fiscal March 2020 (Results)	Change from Forecast		
				Domestic	Overseas
Artificial teeth	4,663	4,259	-403 (-8.7)	-115	-288
Abrasives	4,140	4,169	29 (0.7)	-5	35
Metal products	248	240	-7 (-3.2)	-8	0
Chemical products	5,546	5,297	-248 (-4.5)	-155	-92
Cements and others	2,211	2,147	-64 (-2.9)	-51	-13
Equipment and others	6,859	7,551	692 (10.1)	689	2
Dental business total	23,669	23,665	-3 (-0.0)	353	-357
Nail care business	2,408	2,355	-52 (-2.2)	-128	75
Other	112	87	-25 (-22.8)	-25	-
Total	26,190	26,108	-81 (-0.3)	199	-281

*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 -159 million yen. (Dental business -146 million yen, Nail care business -12 million yen)

Domestic Sales



■ Positive factors ■ Negative factors

Dental business:

Year on year increase of 986 million yen (+8.2%)

■ Sales of new products, such as dental digital cameras and resin for dental milling and processing, and CAD/CAM products contributed significantly to sales.

■ Mainstay artificial teeth and chemical products struggled.

Nail care business:

Year on year increase of 12 million yen (+0.8%)

■ Existing and new brands of gel nail products were strong.

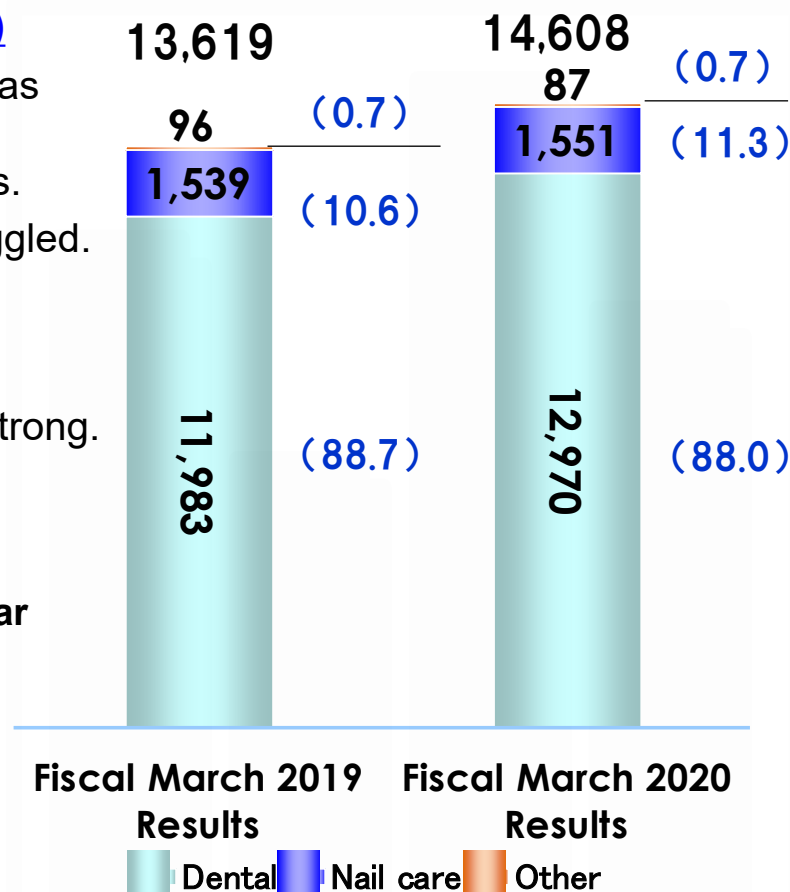
Other businesses:

Year on year decrease of 9 million yen (-10.0%)

Principal new products launched during recent fiscal year (dental business)

- Digital oral imaging device
EyeSpecial C-IV (Equipment and others)
- Resin material for dental cutting processing
SHOFU BLOCK HC SUPER HARD
(Equipment and others)
- Ceramics for dental cutting processing
SHOFU DISK ZR LUCENT SUPRA
(Equipment and others)

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



Overseas Sales



■ Positive factors ■ Negative factors

North America and Latin America:

Year-on-year increase of 14 million yen (+0.5%)

■ Abrasives, equipment and chemical products remained strong.

Local currency basis: Year on year increase of 58 million yen (+2.0%)

Europe: **Year-on-year decrease of 105 million yen (-2.5%)**

■ Sales of abrasives and equipment were strong, but sales overall were down due to the impact of exchange rates.

Local currency basis: Year on year increase of 139 million yen (+3.3%)

Asia and Oceania:

Year-on-year increase of 295 million yen (+7.1%)

■ In China, sales of almost 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 453 million yen (+10.9%)

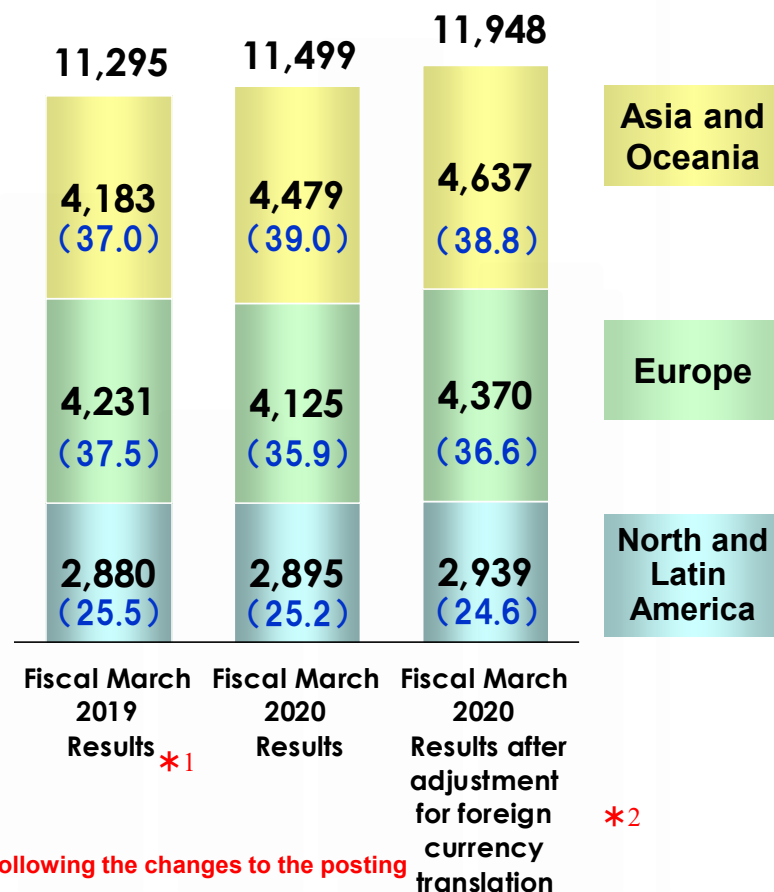
China: **Year on year increase of 240 million yen (+11.0%)**

Elsewhere in Asia: **Year on year increase of 54 million yen (+2.7%)**

(Dental business) Overseas sales ratio of 45.2%

(46.6% for the same quarter of the previous fiscal year; 46.2% after adjustment for fluctuations of foreign currency exchange rates)

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



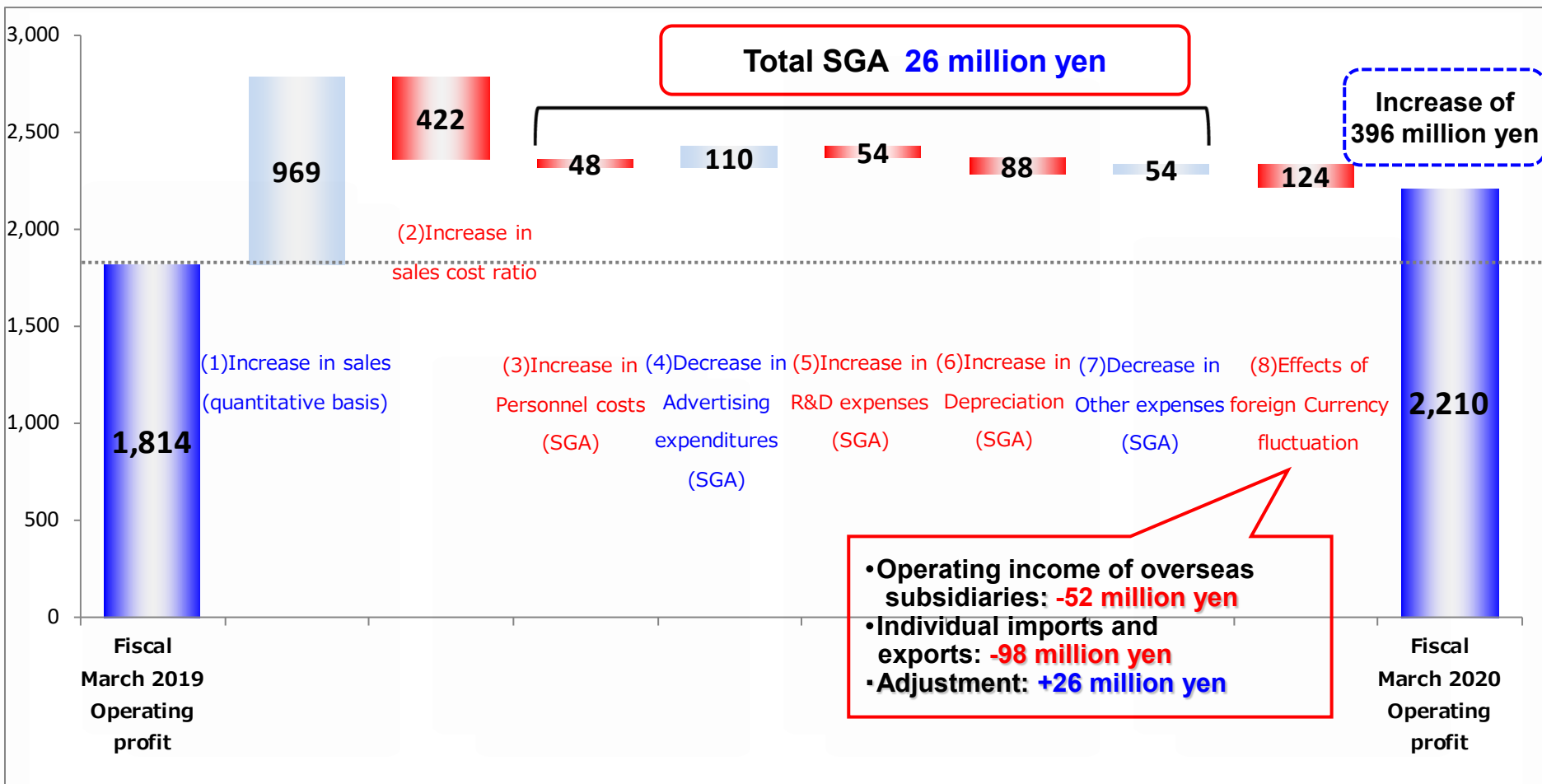
*1The results for the fiscal year ended in March 2019 were retroactively revised following the changes to the posting method for sales by region for the UK subsidiary.

*2The 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.

Contributors to Change in Operating Income



Unit: millions of yen



*The contributing factors in items (1) to (7) do not incorporate the effects of fluctuations of foreign currency exchange rates.

Performance by Segment (Sales and Operating Income)

Summary of Consolidated Business Performance for
Fiscal Year Ended 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)	Fiscal March 2020 (Results)	Change from Previous Period	Change from Forecast
		Amount (% of sales)	Amount (% of sales)	Amount (% of sales)		
Dental	Net Sales	22,446	23,669	23,665	1,219	-3
	Operating expenses	20,648	21,695	21,581	932	-113
	Operating income (operating income margin)	1,797 (8.0)	1,973 (8.3)	2,083 (8.8)	286	110
Nail care	Net Sales	2,372	2,408	2,355	-17	-52
	Operating expenses	2,378	2,344	2,248	-129	-96
	Operating income (operating income margin)	-5 (-0.2)	63 (2.6)	107 (4.5)	112	43
Other	Net Sales	104	112	93	-10	-19
	Operating expenses	87	93	79	-8	-13
	Operating income (operating income margin)	16 (15.6)	19 (17.1)	13 (14.7)	-2	-5
Total before consolidation adjustment	Net Sales	24,923	26,190	26,114	1,191	-75
	Operating expenses	23,115	24,133	23,909	794	-223
	Operating income (operating income margin)	1,807 (7.3)	2,056 (7.9)	2,204 (8.4)	396	148
Consolidated	Net Sales	24,915	26,190	26,108	1,193	-81
	Operating expenses	23,101	24,133	23,897	796	-236
	Operating income (operating income margin)	1,814 (7.3)	2,056 (7.9)	2,210 (8.5)	396	154

Financial Condition: Major Balance Sheet Accounts

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2020



Unit: millions of yen

	Fiscal March 2019	Fiscal March 2020	Change	Major contributors to changes, special notes
Cash and cash in banks	4,890	4,862	-28	
Notes and accounts receivable	3,354	3,187	-167	Decrease in accounts receivable - trade
Inventories	6,208	6,731	523	Increase in merchandises and work in process
Marketable securities and Investment in securities	5,934	5,434	-499	Decrease in valuation of investment securities
Others	9,774	9,618	-156	Decrease in intangible assets, Increase in property, plant and equipment
Total Assets	30,161	29,834	-327	
Short-term loans payable and Long-term debt	974	1,236	262	Increase in short-term loans payable
Net defined benefit liability and Retirements allowance for directors and Others	228	243	15	
	4,575	4,417	-158	Decrease in net defined tax liabilities, Increase in accounts payable-trade
Total Liabilities	5,778	5,897	119	
Total net assets	24,383	23,936	-446	Increase in retained earnings and foreign currency translation adjustments, decrease in valuation difference on available-for-sale securities
Total Liabilities and net assets	30,161	29,834	-327	
Shareholders' equity ratio	80.4%	79.7%	-0.7P	
Shareholders' equity per share	1,525yen	1,492yen	-33yen	

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

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020



Unit: millions of yen

	Fiscal March 2019 (Results)	Fiscal March 2020 (Forecast)	Fiscal March 2020 (Results)	Change from Previous Period	Change from Forecast
Capital investment	1,403	1,598	1,601	198	3
Depreciation expenses	893	1,026	979	85	-47
(of which amortization of goodwill)	84	82	79	-5	-3
R&D expenses	1,492	1,553	1,537	45	-16
Foreign exchange rates					
US dollar	110.69	105.00	109.10	-1.59	4.10
Euro	128.43	125.00	121.14	-7.29	-3.86
Pound sterling	145.68	145.00	138.51	-7.17	-6.49
Renminbi	16.69	16.50	15.85	-0.84	-0.65

• 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.

Trends for Sales Ratio of New Products

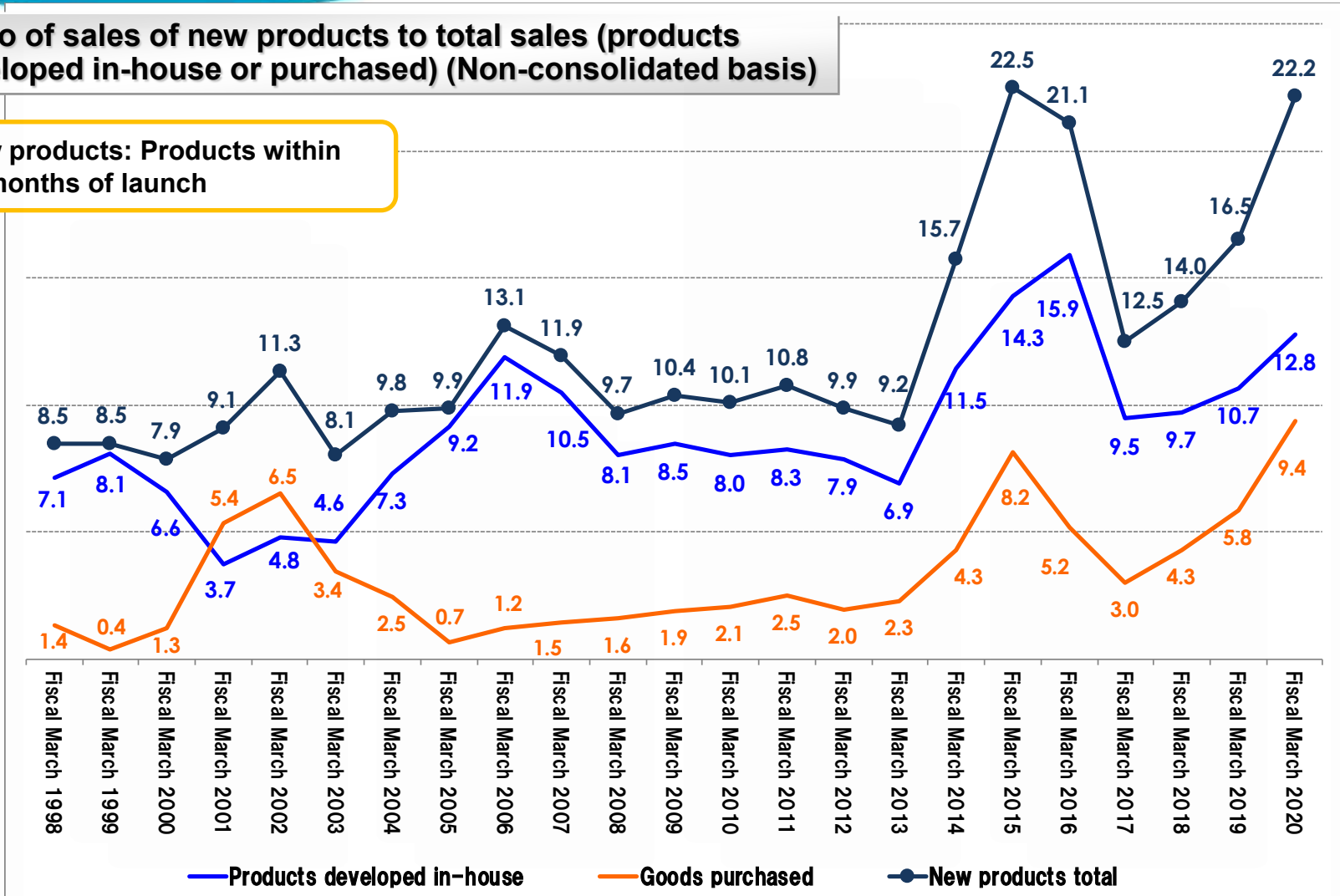
Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020



Unit: %

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

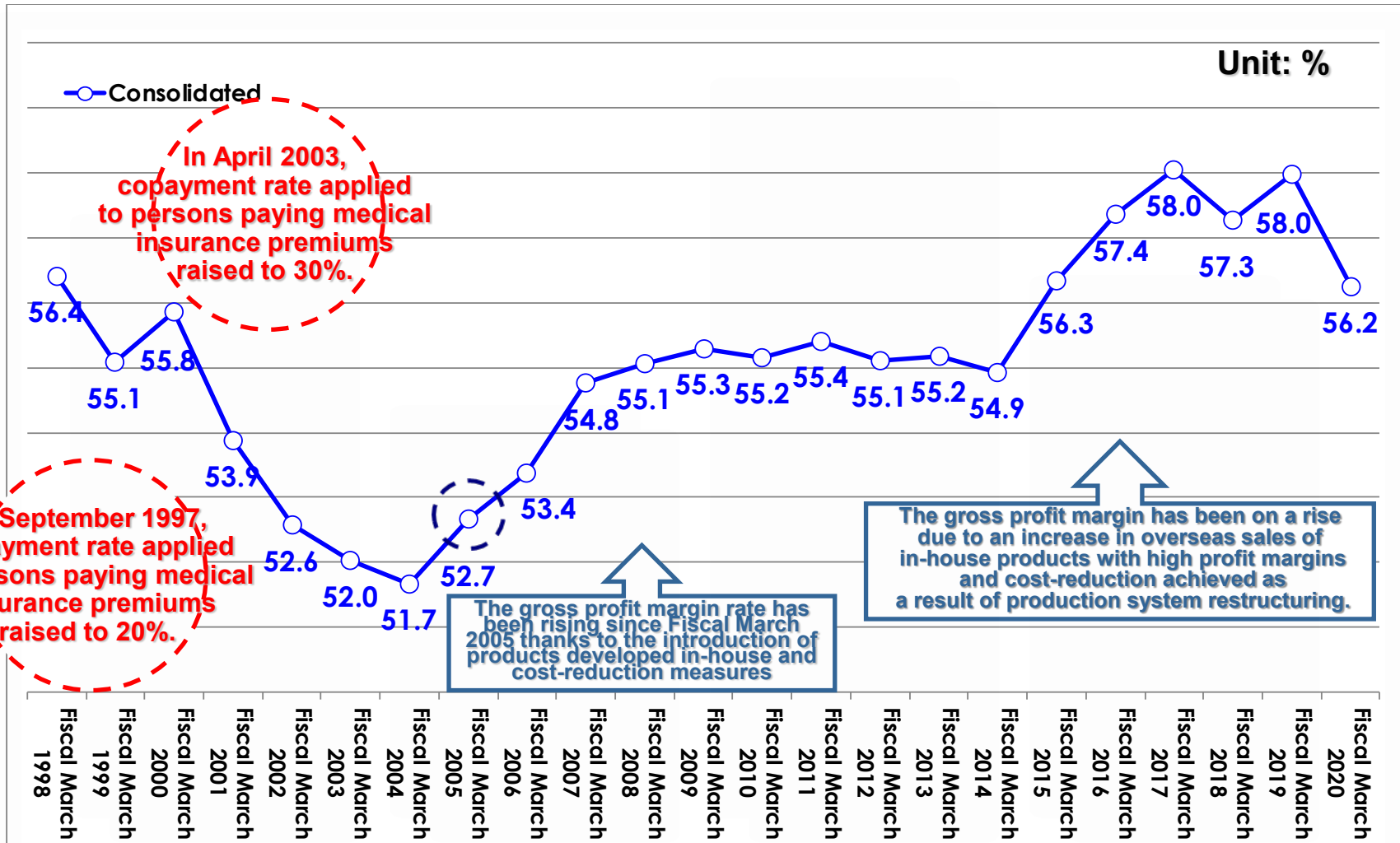
New products: Products within 36 months of launch



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

Trends for Gross Profit Margin Rates

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020



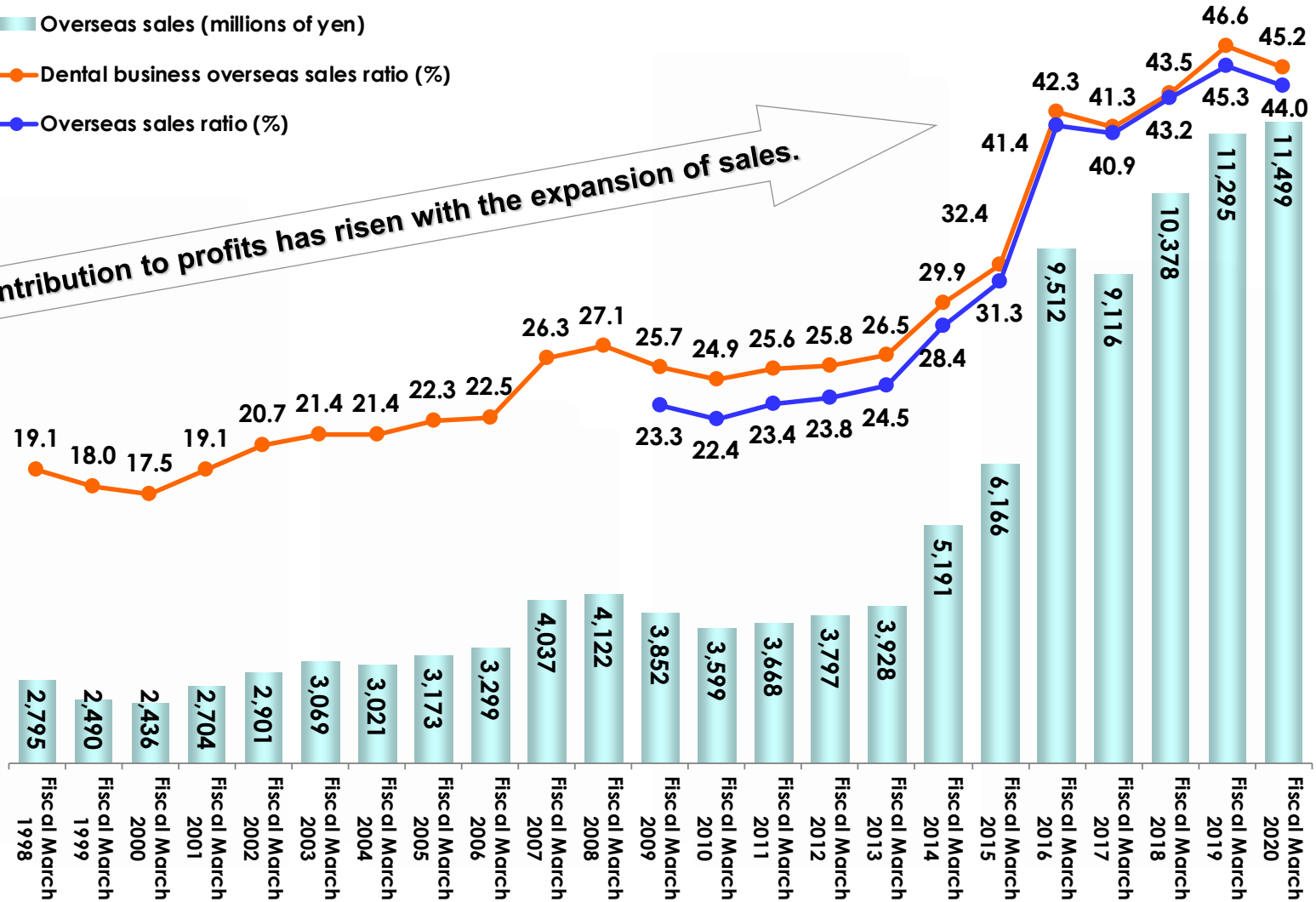
Trends for Overseas Sales and Overseas Sales Ratios

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2020



- Overseas sales (millions of yen)
- Dental business overseas sales ratio (%)
- Overseas sales ratio (%)

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



The background features a stylized world map with black outlines of continents. Overlaid on the map are several line graphs with jagged lines, representing data trends. Three text boxes are positioned across the map: a grey box at the top, a blue box in the middle, and a grey box at the bottom.

**Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2020**

**Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2021**

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



Impact on business activities

- Ban on dental treatment (US), voluntary restraint, resumption (China)
- Even in regions in which dental treatment continued, the number of patients declined
- Exhibits and academic conferences have been suspended and postponed (around the world)
- There has been no major impact at this point on manufacturing and procurement

Customers and business partners

- Voluntary restrictions on visits to customers and business partners, cuts to frequency
- Normal response to inquiries and orders

Employees

- Work at home, shift work, recommendations that sales staff travel directly between home and clients

Forecasts for consolidated earnings for year ending in March 2021

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2021



P/L

- **The global spread of the coronavirus has made it difficult to rationally calculate our earnings forecasts. As a result, we have decided not to issue earnings forecasts and dividend forecasts at this point for the fiscal year ending in March 2021.**
- **We will cautiously examine the impact on earnings going forward, and as soon as rational calculations are possible, we plan to promptly release forecasts.**
- **Although we will cautiously assess the impact, we have not changed our basic medium- and long-term policies nor our dividend policy.**

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

**Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2020**

**Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2021**

**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

Vision for our company: Medium-to Long-term Basic Policy

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



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

Company-wide targets

- **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.

Fiscal 2018 to 2020 Medium-term Management Plan : Company-wide targets



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	

Specific Efforts – Research and Development

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



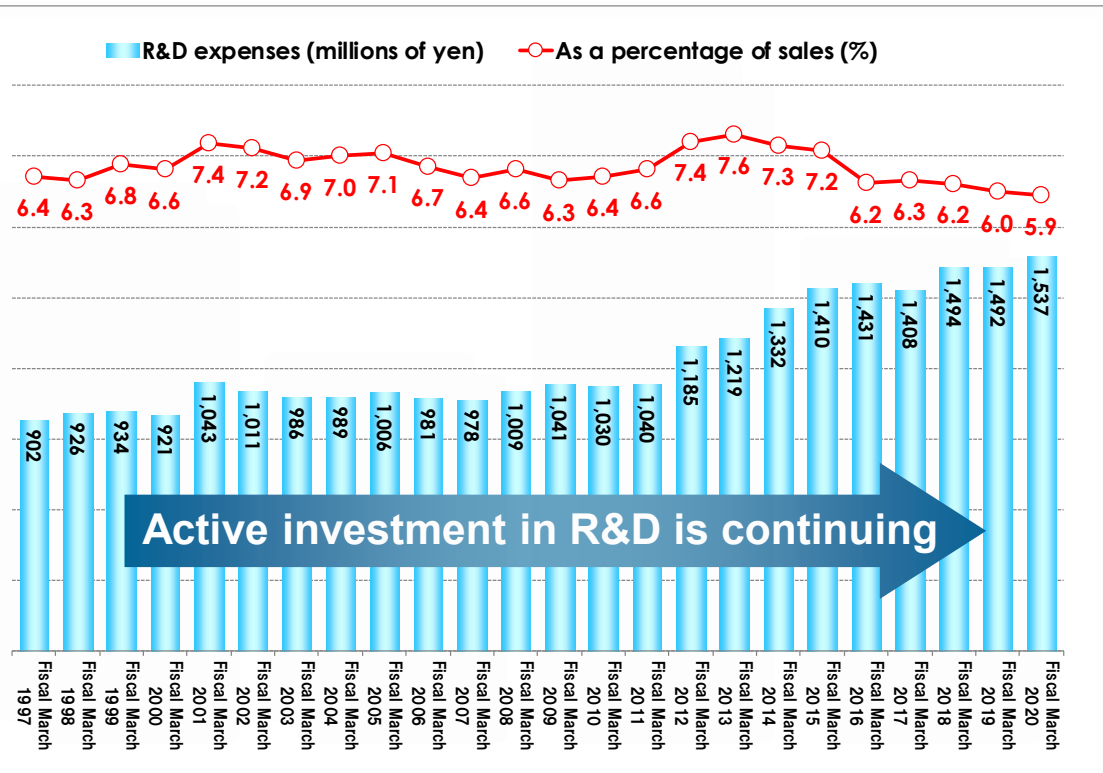
✧ Development and introduction of new products that match the local demands

➤ 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





✧ 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)

Specific Efforts – Production

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



✧ Relocation of production base and expansion of offshore production

Reorganization of manufacturing functions of dental business and nail care business
Consolidation of manufacturing and sales functions in nail subsidiary

Relocation and expansion of domestic production subsidiary

Subsidiarization of Merz Dental GmbH, a German artificial teeth Manufacturer.
New production base in Europe.

Completed new plant in the SHOFU headquarters

Established production subsidiary in Vietnam (SHOFU Products Vietnam)

March, 2013

July, 2014

April, 2015

March, 2017

May, 2020 ~

FY 2013/3

FY 2014/3

FY 2015/3

FY 2016/3

FY 2017/3

FY 2018/3

FY 2019/3

FY 2020/3

March, 2014

January, 2015

September, 2015

March, 2019

Completed CAD/CAM processing center at domestic production subsidiary

Completed new plant at production subsidiary in Shiga

Established CAD/CAM processing company in Germany

Completed new plant at Merz Dental GmbH.

Specific Efforts – Sales

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



✧ Improvement of our sales network

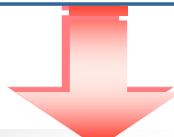
- Develop a network of overseas distributors.

✧ Realignment of sales offices

- 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



➤ Improve our customer service

➤ Enhance academic activities

➤ Speed up the product registration work

[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)

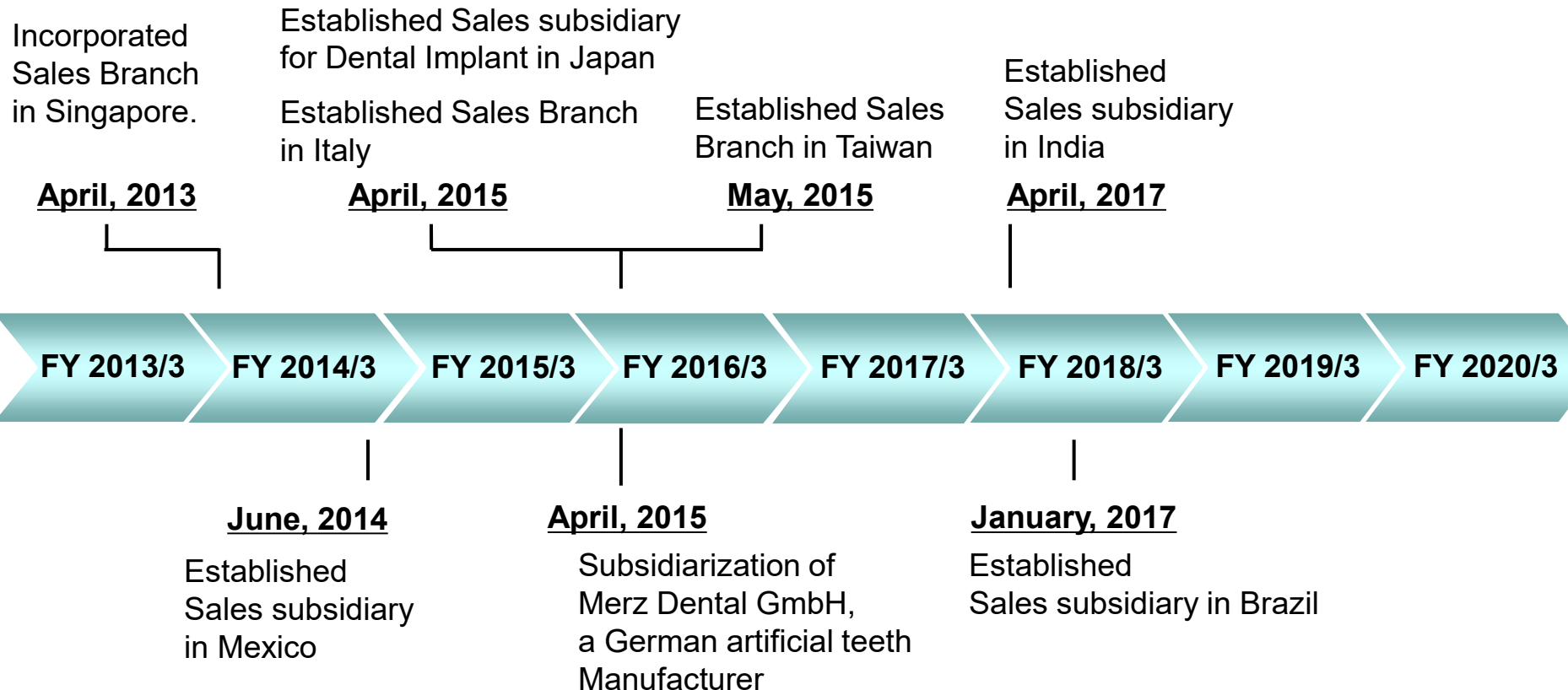
[Other overseas bases]

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

Specific Efforts – Sales



✧ 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)



Trends for Sales by Region — North and Latin America, Europe

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

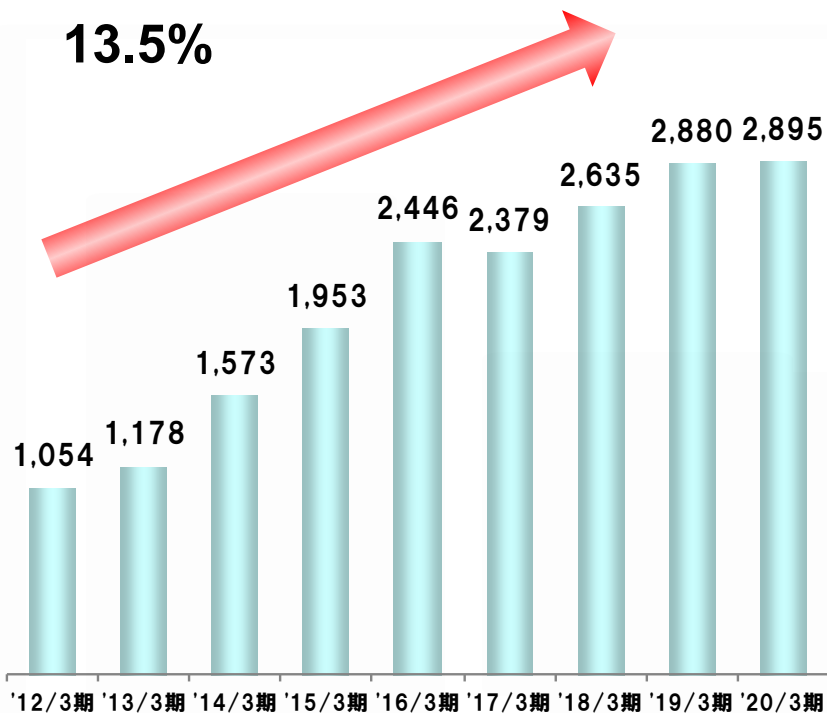


Unit: millions of yen

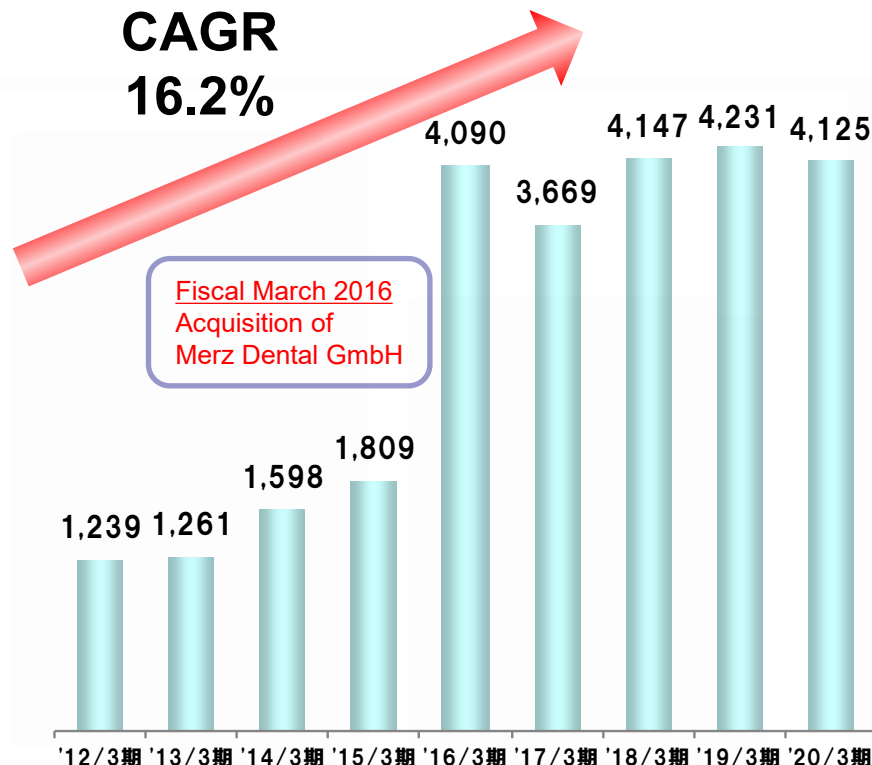
North and Latin America

Europe

CAGR
13.5%



CAGR
16.2%



Trends for Sales by Region —China, Elsewhere in Asia

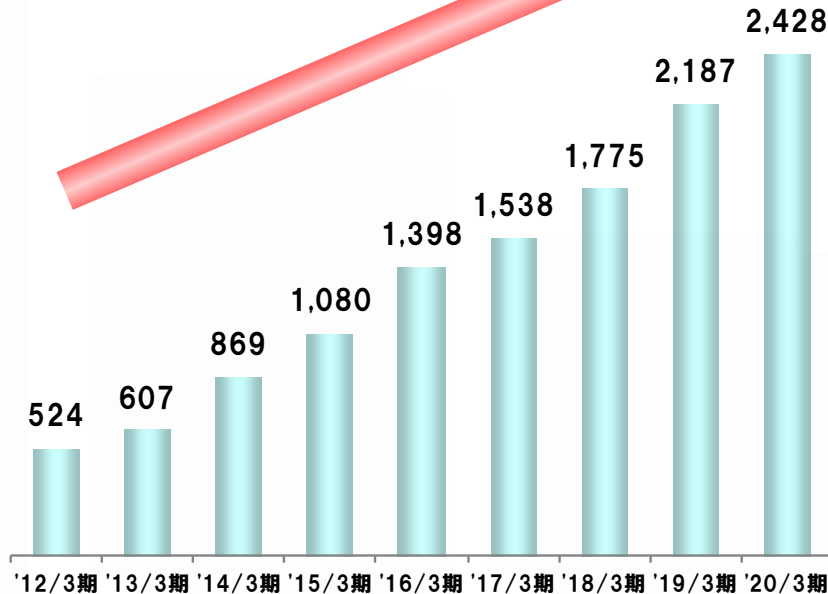


Unit: millions of yen

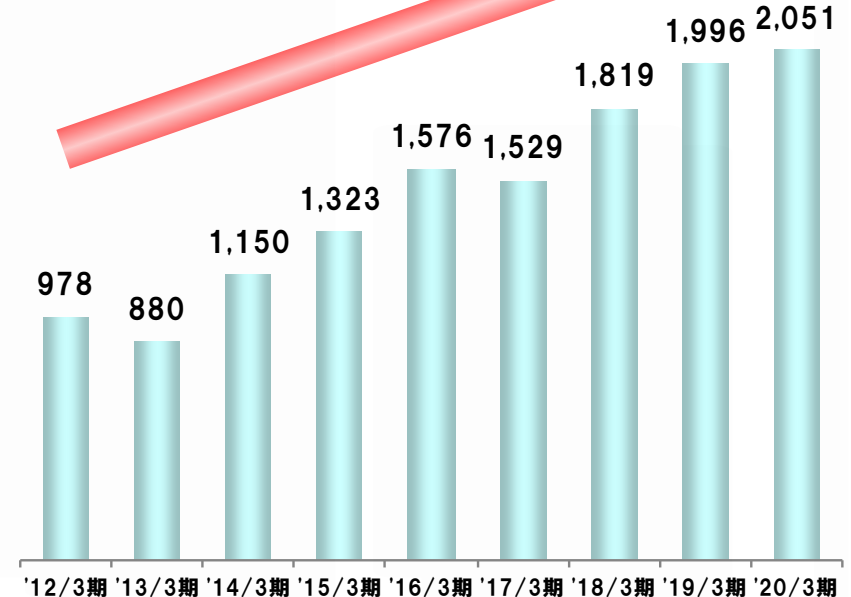
China

Elsewhere in Asia

CAGR
21.1%



CAGR
9.7%



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 (Results)
		Fiscal March 2019	Fiscal March 2020	Fiscal March 2021		
Net sales	★ 24,031	★ 25,725	★ 27,419	★ 29,264	★ 24,915	★ 26,108
(Change from Previous Period)	(7.7%)	(7.1%)	(6.6%)	(6.7%)	(3.7%)	(4.8%)
(Domestic sales)	★ 13,652	★ 14,453	★ 15,085	★ 15,700	13,619	★ 14,608
(Change from Previous Period)	(3.5%)	(5.9%)	(4.4%)	(4.1%)	(-0.2%)	(7.3%)
(Overseas sales)	★ 10,378	★ 11,271	★ 12,333	★ 13,563	★ 11,295	★ 11,499
(Change from Previous Period)	(13.8%)	(8.6%)	(9.4%)	(10.0%)	(8.8%)	(1.8%)
Operating income	1,497	1,737	★ 2,056	★ 2,341	1,814	★ 2,210
(Percentage of sales)	(6.2%)	(6.8%)	(7.5%)	(8.0%)	(7.3%)	(8.5%)
Ordinary income	1,565	1,630	★ 1,946	★ 2,234	1,709	★ 1,988
(Percentage of sales)	(6.5%)	(6.3%)	(7.1%)	(7.6%)	(6.9%)	(7.6%)
Net income	877	★ 1,109	★ 1,370	★ 1,596	★ 1,201	704
(Percentage of sales)	(3.7%)	(4.3%)	(5.0%)	(5.5%)	(4.8%)	(2.7%)
Dental business Overseas sales ratio	★ 43.5%	★ 44.6%	★ 46.0%	★ 47.6%	★ 46.6%	45.2%

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

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

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 (Results)	
			Fiscal March 2019		Fiscal March 2020		Fiscal March 2021					
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Dental business	21,447	89.2	22,800	88.6	24,227	88.4	25,787	88.1	22,446	90.1	23,665	90.6
Nail care business	2,486	10.3	2,806	10.9	3,068	11.2	3,343	11.4	2,372	9.5	2,355	9.0
Other businesses	105	0.4	117	0.5	123	0.5	133	0.5	104	0.4	93	0.4
Net sales	24,038	100.0	25,725	100.0	27,419	100.0	29,264	100.0	24,923	100.0	26,114	100.0

Dental business	1,410	6.6	1,575	6.9	1,867	7.7	2,070	8.0	1,797	8.0	2,083	8.8
Nail care business	63	2.5	145	5.2	169	5.5	243	7.3	-5	-0.2	107	4.5
Other businesses	17	16.8	16	13.7	18	15.3	27	20.5	16	15.6	13	14.7
Operating income	1,491	6.2	1,737	6.8	2,056	7.5	2,341	8.0	1,807	7.3	2,204	8.4

- 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



単位：百万円

	Fiscal March 2018 (Results)	Mid-Term Management Plan			Fiscal March 2019 (Results)	Fiscal March 2020 (Results)
		Fiscal March 2019	Fiscal March 2020	Fiscal March 2021		
Capital investment	710	1,080	967	967	1,403	1,601
Depreciation expenses	975	1,003	1,003	1,003	893	979
(of which goodwill amortization)	108	108	108	108	84	79
R&D expenses	1,494	1,572	1,596	1,604	1,492	1,537

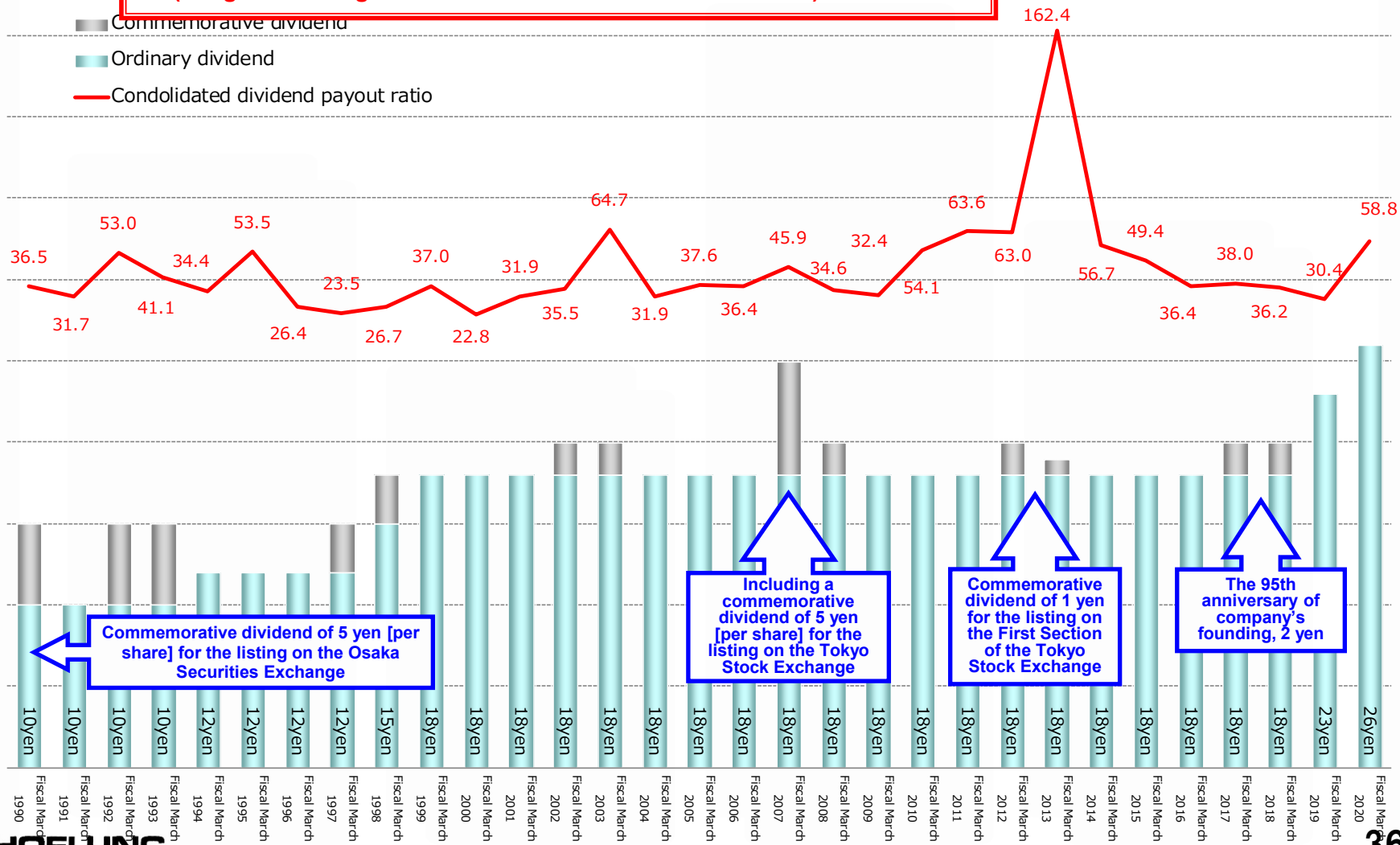
* The foreign exchange rates given are those in effect at the average of each term; conversions of items in the financial statements of overseas subsidiaries all use average rates.

* 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



- Target dividend payout ratio: More than 30%
- Average consolidated dividend payout ratio since listing: 40.3% (Weighted average from Fiscal March 1990 to March 2020)



Enhancement of Business and Capital Tie-up with Mitsui Chemicals and Sun Medical



Mitsui Chemicals



- Capital tie-up
 - Shofu will issue 1,780,000 new shares in a third-party allocation
MCI will receive these charges (total value of 2,988 million yen)
 - MCI's shareholdings will increase from 11.17% to 20.01%
(Shofu will become an equity-method affiliate)
 - Shofu will acquire 20% of MCI's 70% shareholding in Sun Medical
 - MCI's shareholding: 70.0%⇒50.0%
 - Shofu's shareholding: 0.0%⇒20.0% (Sun Medical will become Shofu's equity-method affiliate)
- Business tie-up
 - New product development
 - Expansion of product lineup
 - Use of sales networks in Japan and overseas
 - Augmentation and sharing of manufacturing functions
- Exchange of personnel
 - MCI will send one part-time director to Shofu's board
 - Shofu will send one part-time director to Sun Medical's board

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

SHOFU INC.

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Phone: +81-75-561-1112

Fax: +81-75-561-1227

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

E-mail: ir@shofu.co.jp

Contact: Corporate Planning Department



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

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



■ Company name	SHOFU Inc.	(As of March 31, 2020)
■ 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	453 (entire group: 1189, including 567 in overseas subsidiaries)	
■ Business	Manufacture and sale of dental materials and equipment	
■ Main customers	Dental institutions (via sales agencies)	
■ Number of group companies	18 (four in Japan, fourteen overseas) Dental companies: 15 (three in Japan, twelve overseas) Nail care companies: 3 (one in Japan, two overseas)	



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



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**



Metal products

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

- Alloys for casting, silver alloys
- Other metals



Chemical products

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

- Synthetic resins
- Impression materials
- Waxes



Cement products ,other

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

- Dental cements
- Dental stones and investments



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



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

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

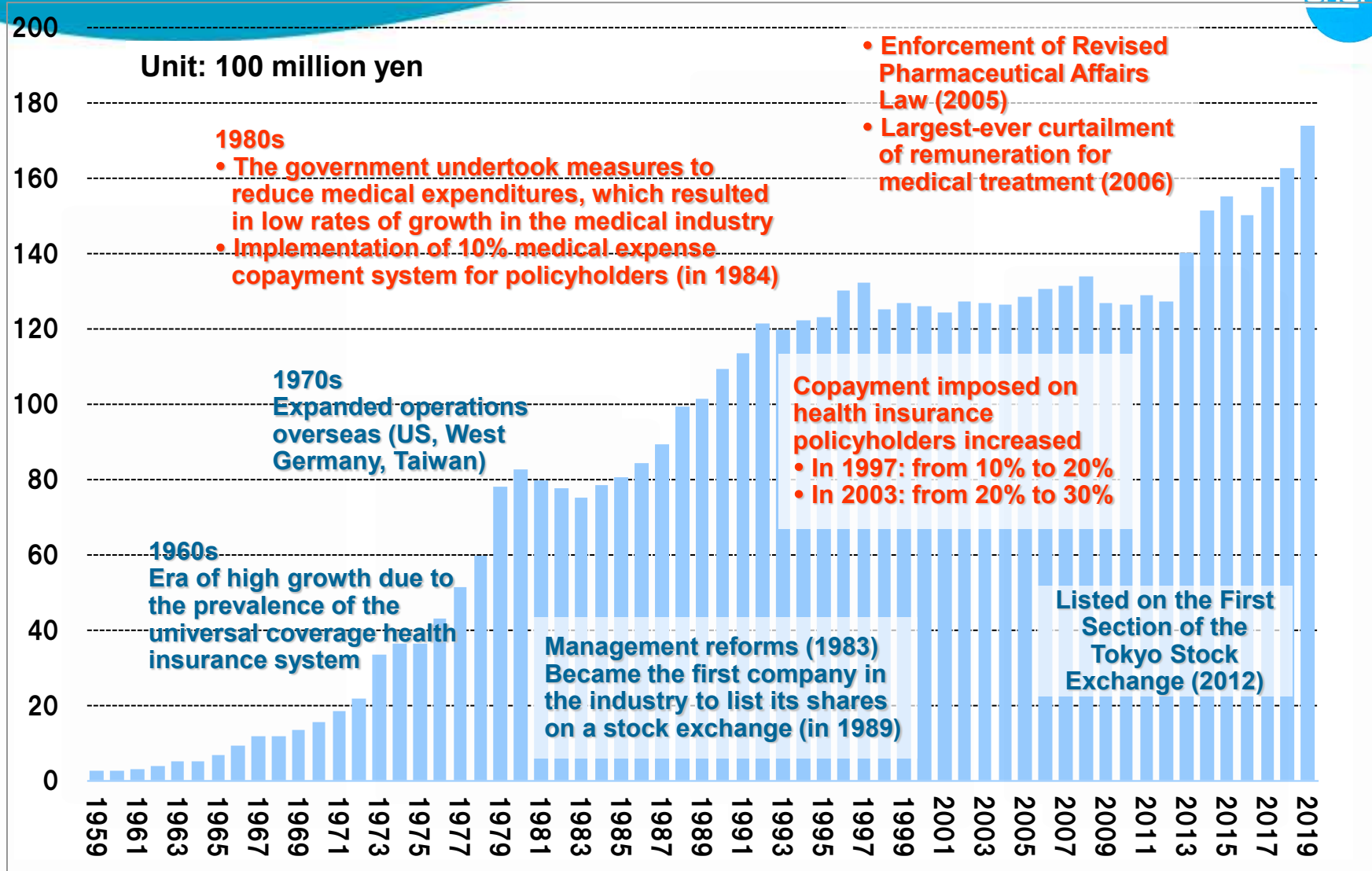


• 1922	Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
• 1963	Shofu shares listed on the over-the-counter market.
• 1971~ 1978	Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). Established 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.
Established a subsidiary in Mexico
- 2017 **Established a subsidiary in Brazil**
Established a subsidiary in India
- 2019 **New plant for Merz Dental GmbH. completed**
- 2020 **Established a subsidiary in Vietnam**

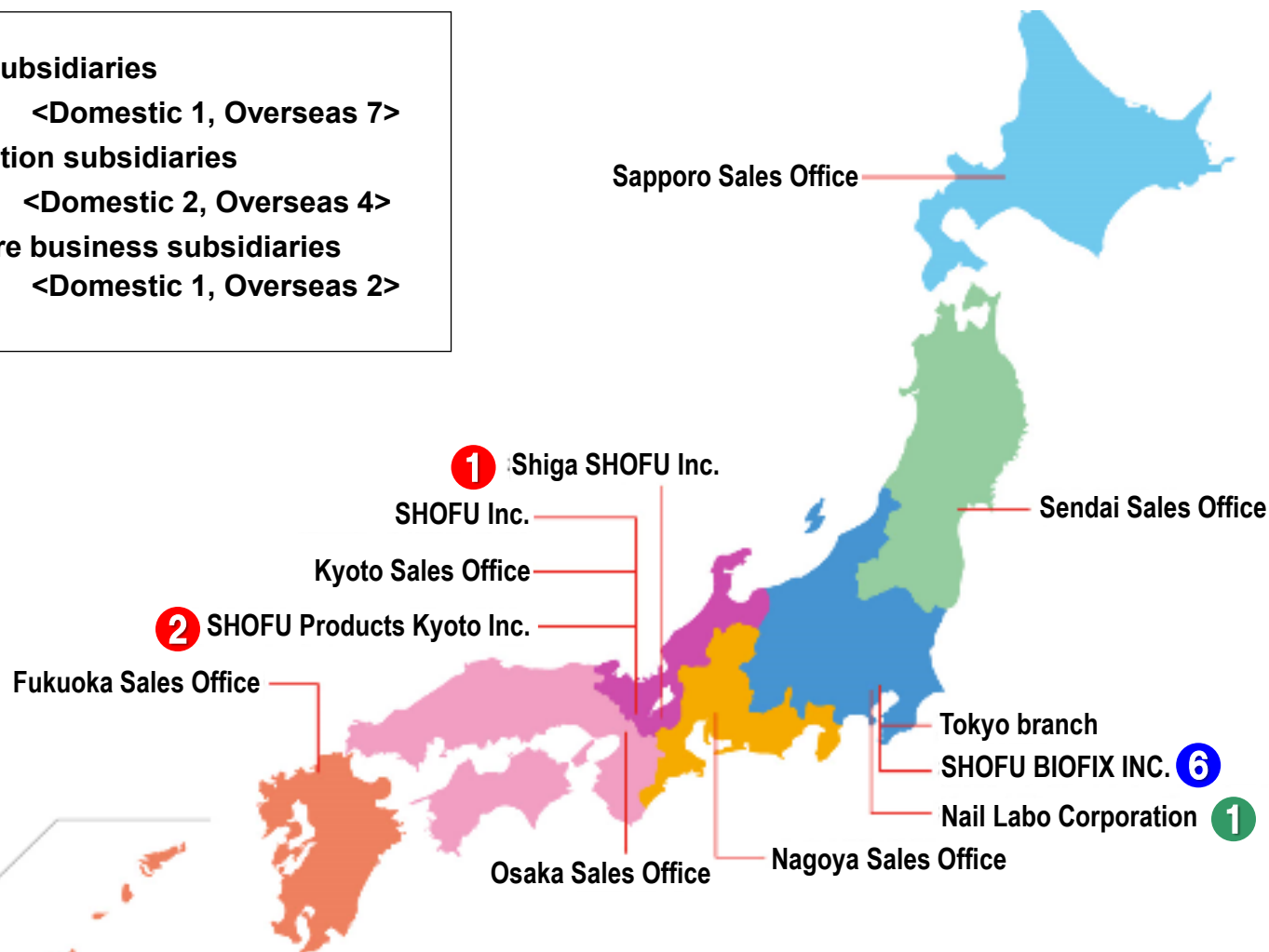
Corporate History - Sales



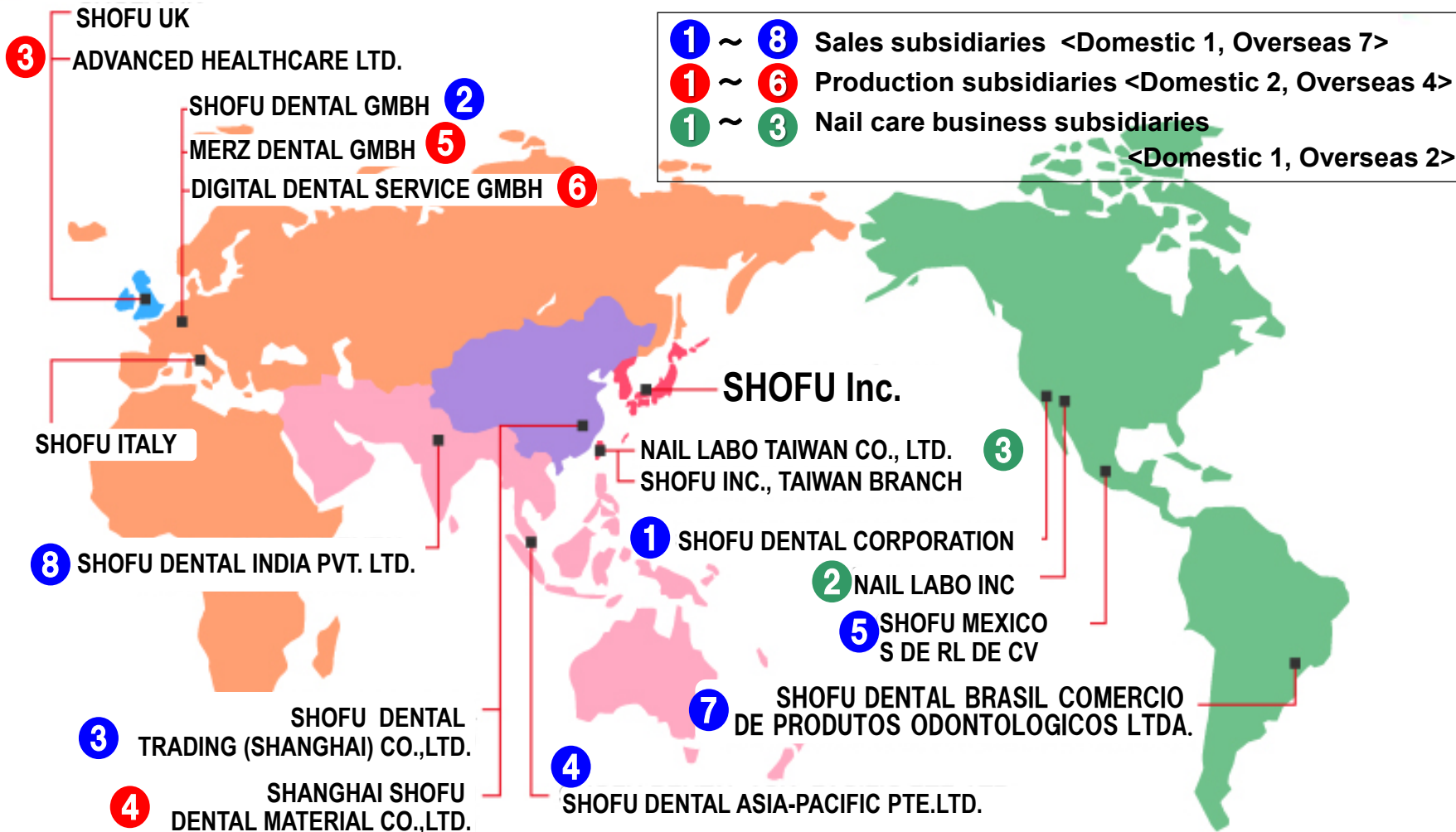
Group Overview [Domestic base]

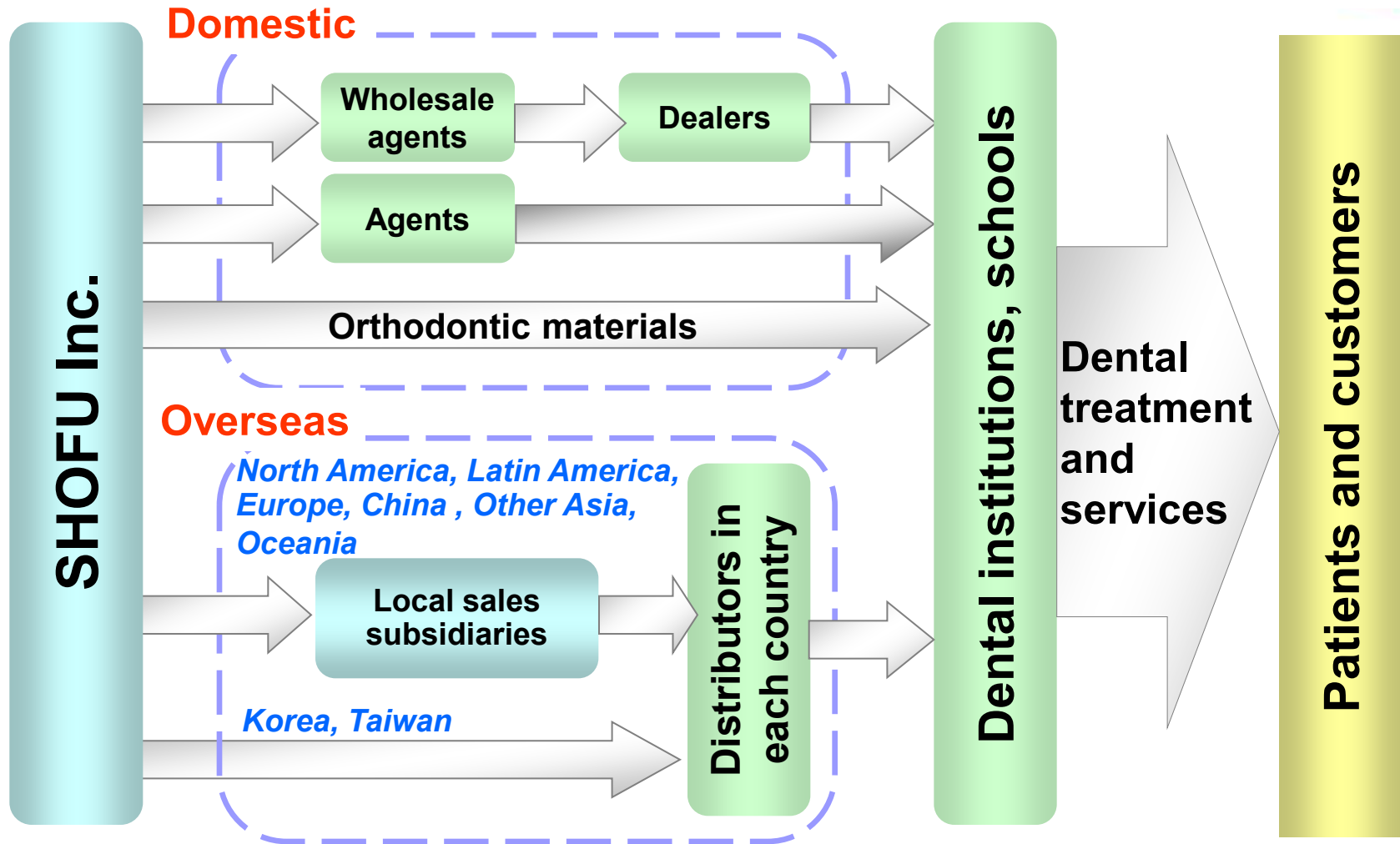


- 1 ~ 8** Sales subsidiaries
<Domestic 1, Overseas 7>
- 1 ~ 6** Production subsidiaries
<Domestic 2, Overseas 4>
- 1 ~ 3** Nail care business subsidiaries
<Domestic 1, Overseas 2>

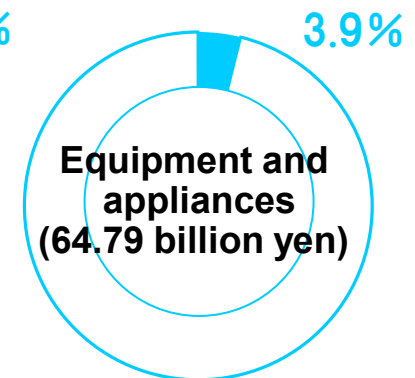
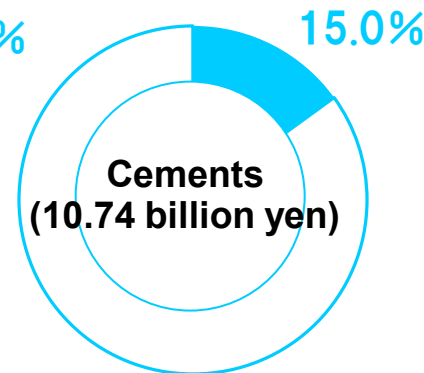
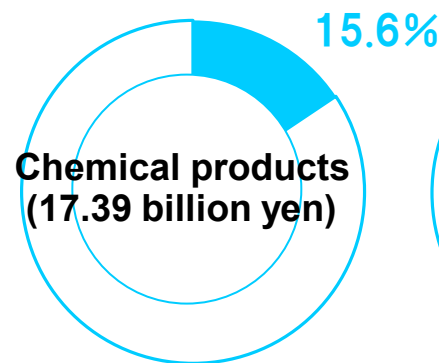
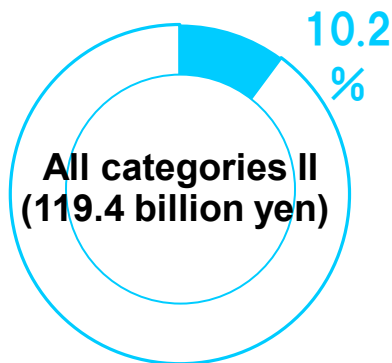
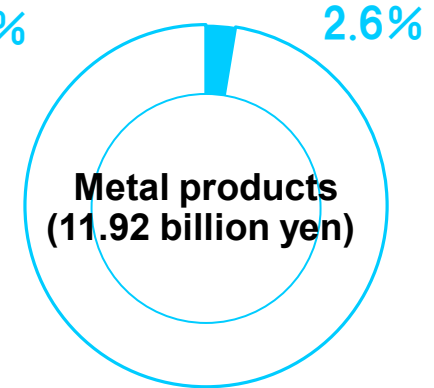
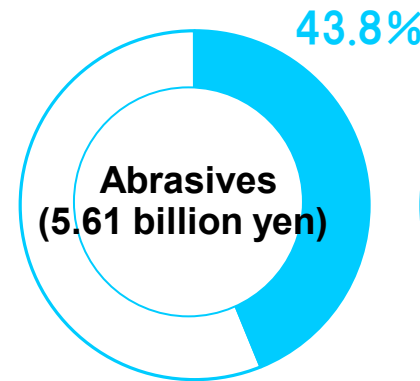
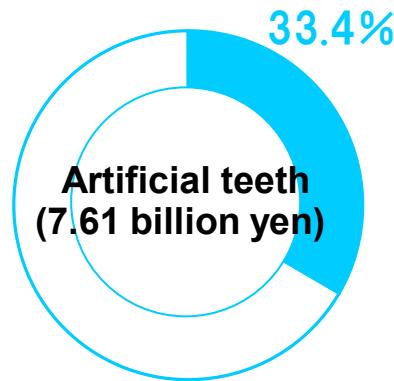
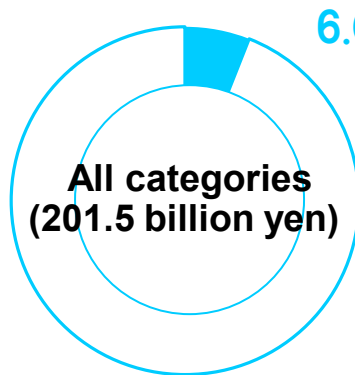


Group Overview [Overseas base]





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)

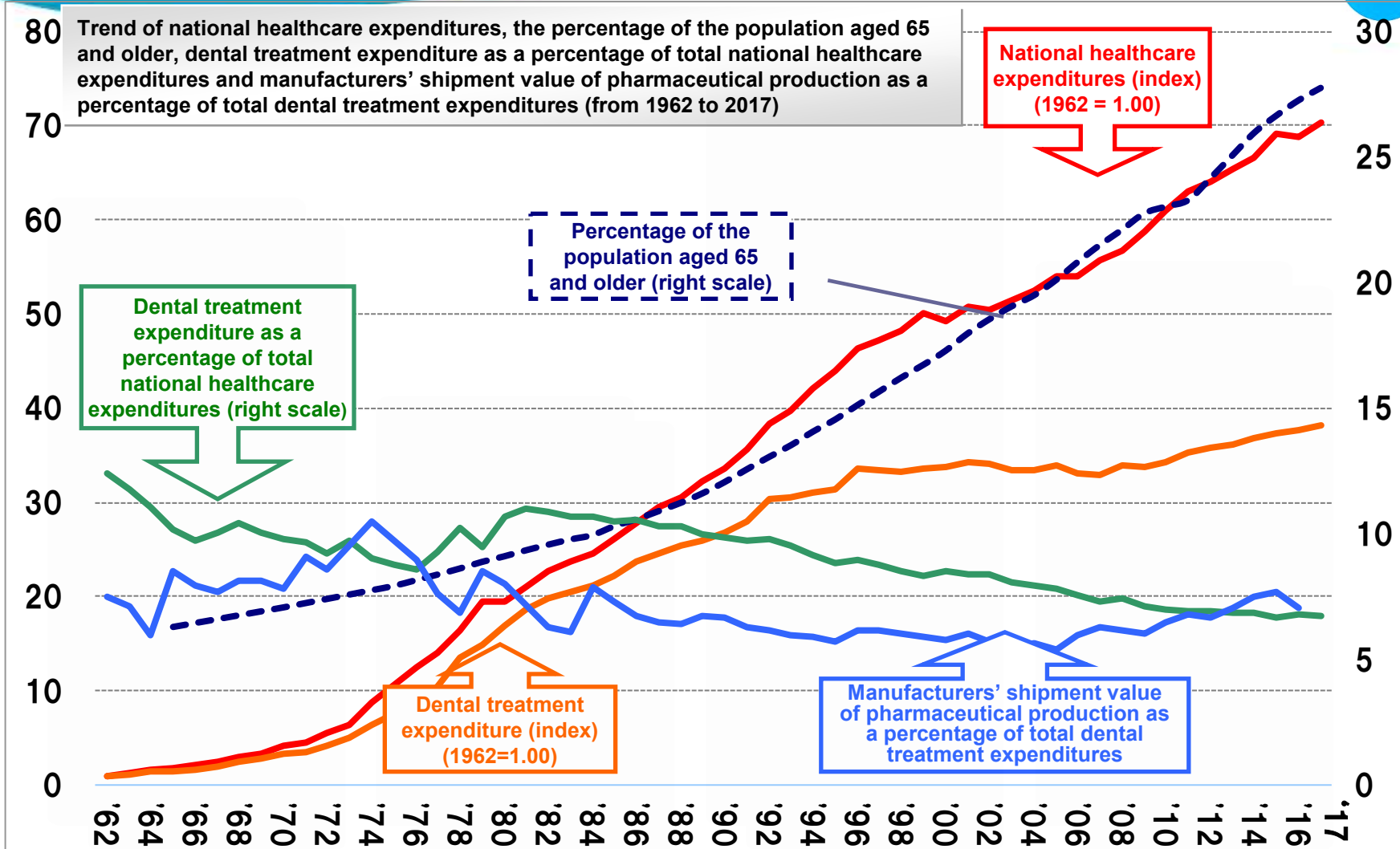
Figures in parentheses represent market size. (Figures rounded down to the nearest ten million yen)



Reference <Dentistry Data>

Healthcare Expenditures by Age Group (Component Ratio)

Reference <Dentistry Data>

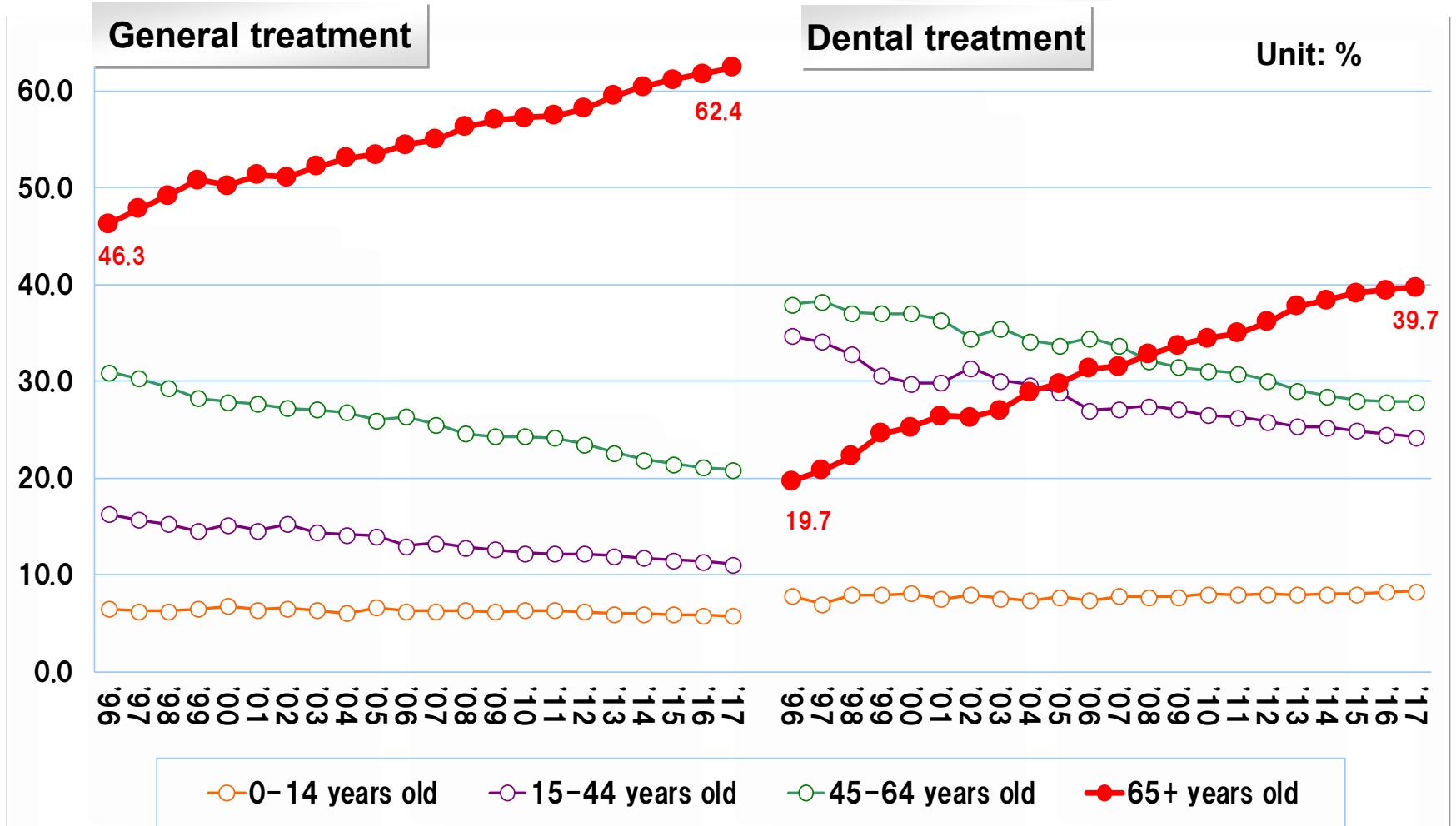


Healthcare Expenditures by Age Group (Component Ratio)

Reference <Dentistry Data>



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



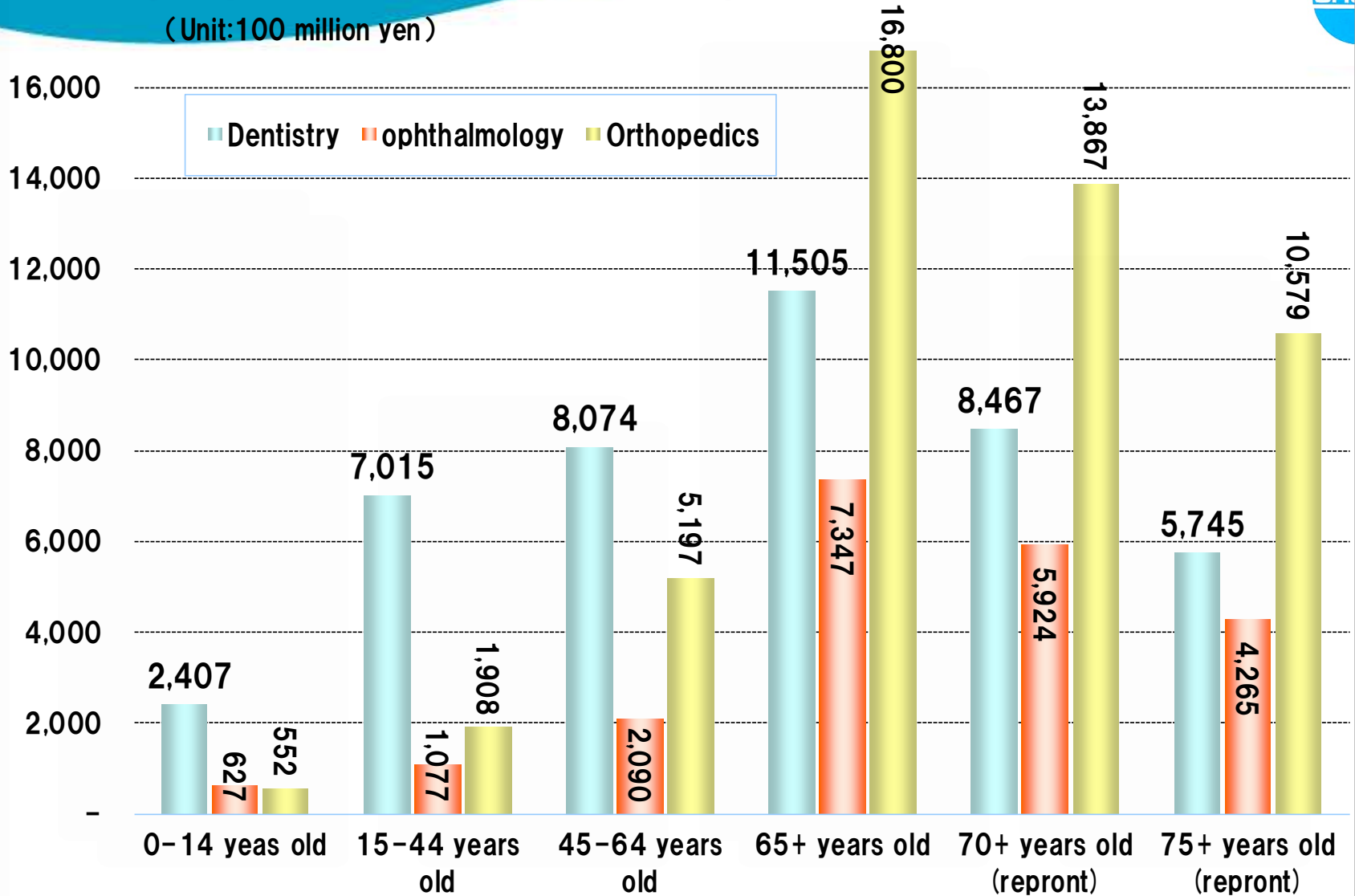
Prepared using yearly data from Summary of National Healthcare Expenditures (Ministry of Health, Labour and Welfare)

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

Reference <Dentistry Data>

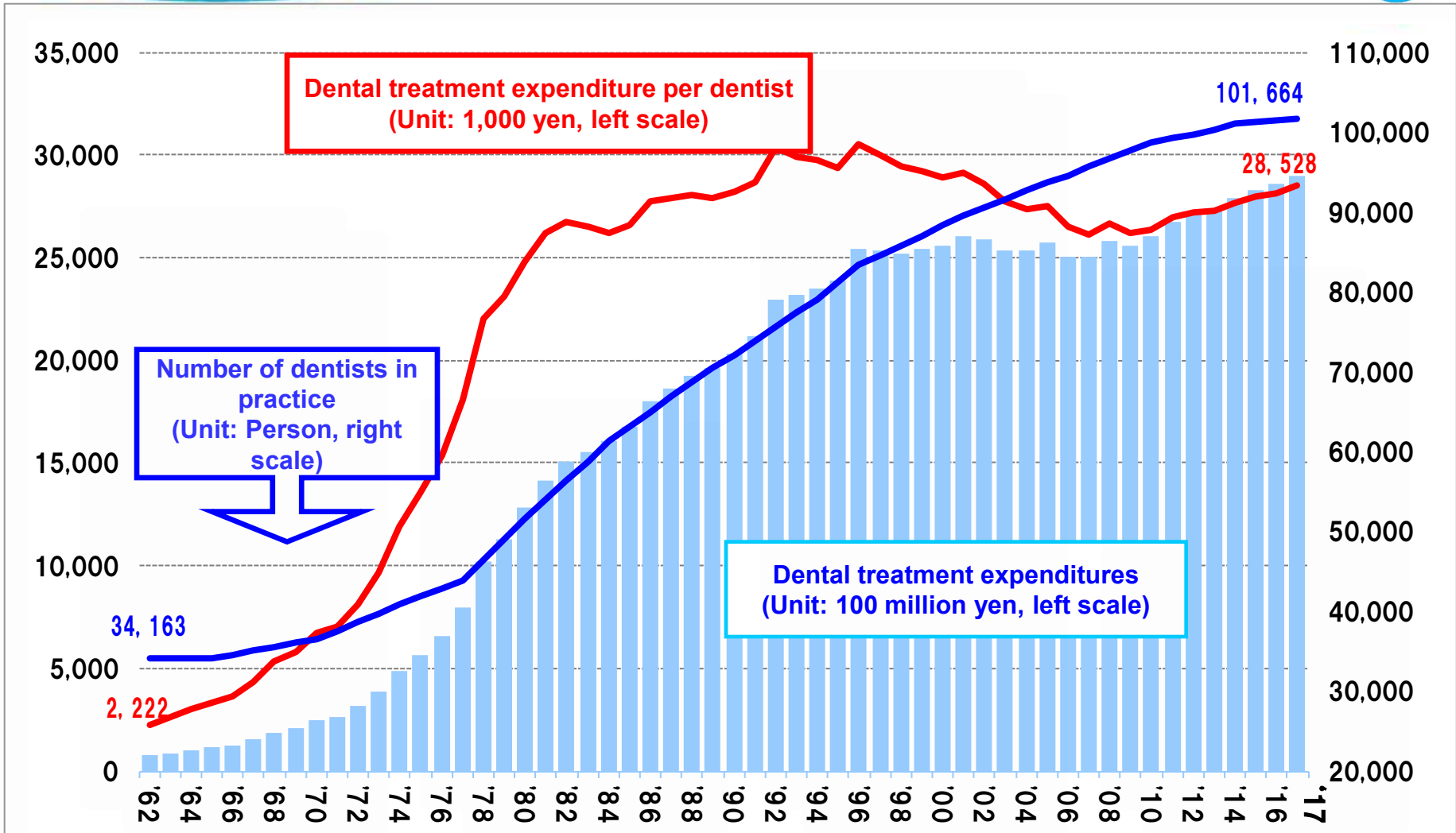


(Unit: 100 million yen)



Trend of the Number of Dentists and Dental Treatment Expenditure

Reference <Dentistry Data>

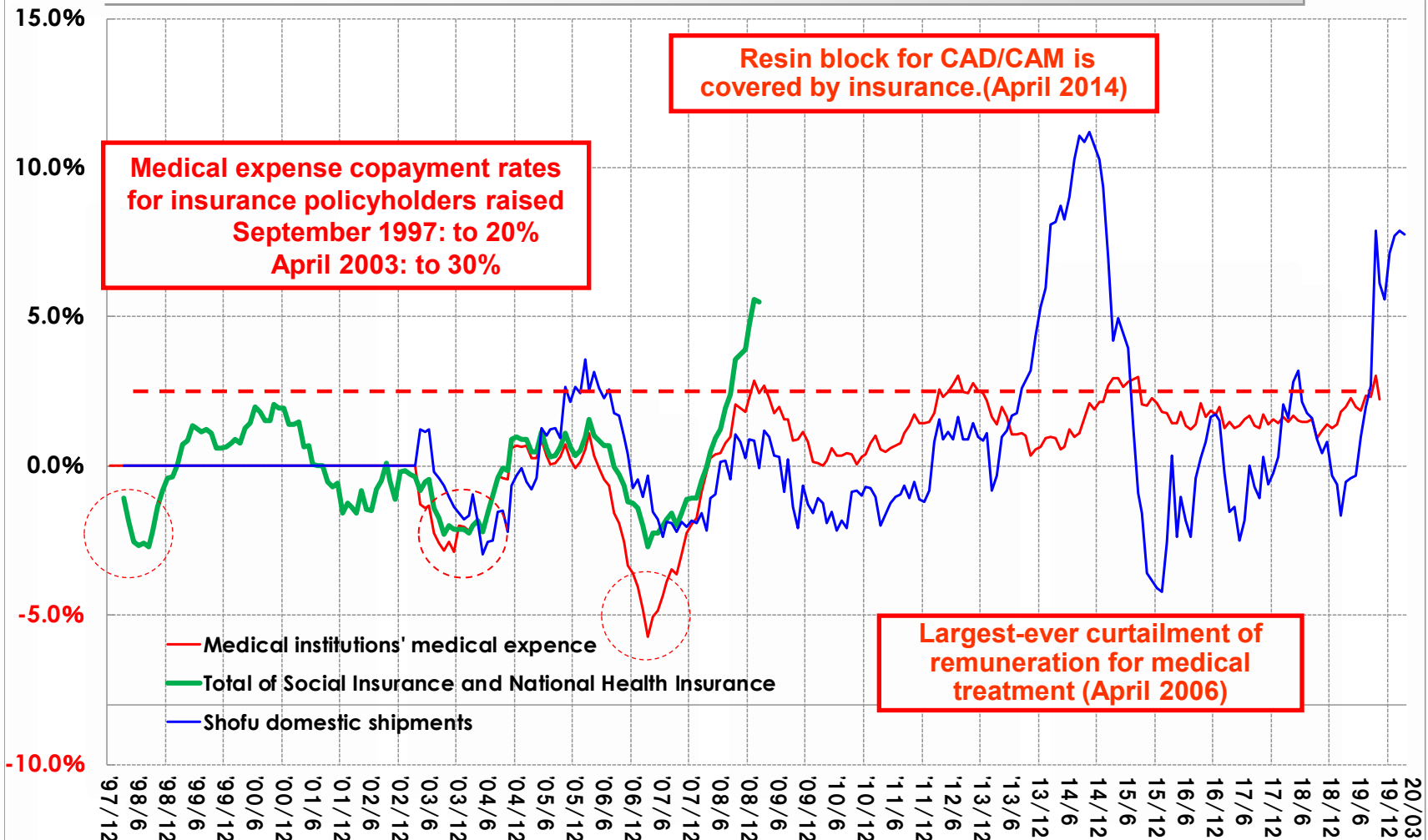


Prepared using yearly data from Summary of National Healthcare Expenditures, Survey on Doctors, Dentists and Pharmacists (Ministry of Health, Labour and Welfare)

Dental Treatment Expenditures



Year-on-year comparison of amount paid by dental health insurance (deviation from 12-month moving average) from December 1997 to March 2020



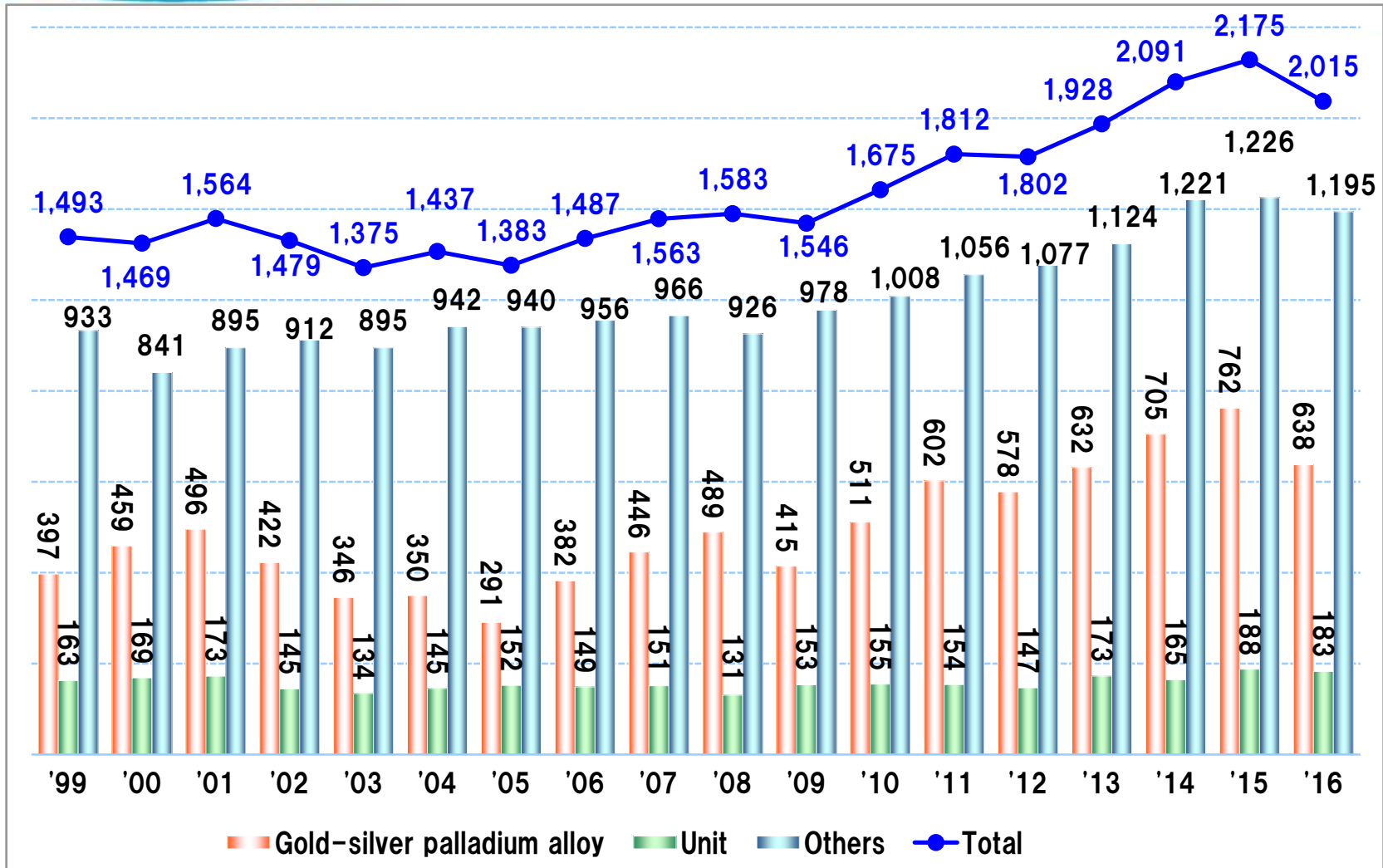
Prepared using data from the Social Insurance Medical Fee Payment Fund and from the "Trend of National Health Insurance Expenditures" issued by the All-Japan Federation of National Health Insurance Organizations

Trend of Shipment Value of Pharmaceutical Industry Production

Reference <Dentistry Data>

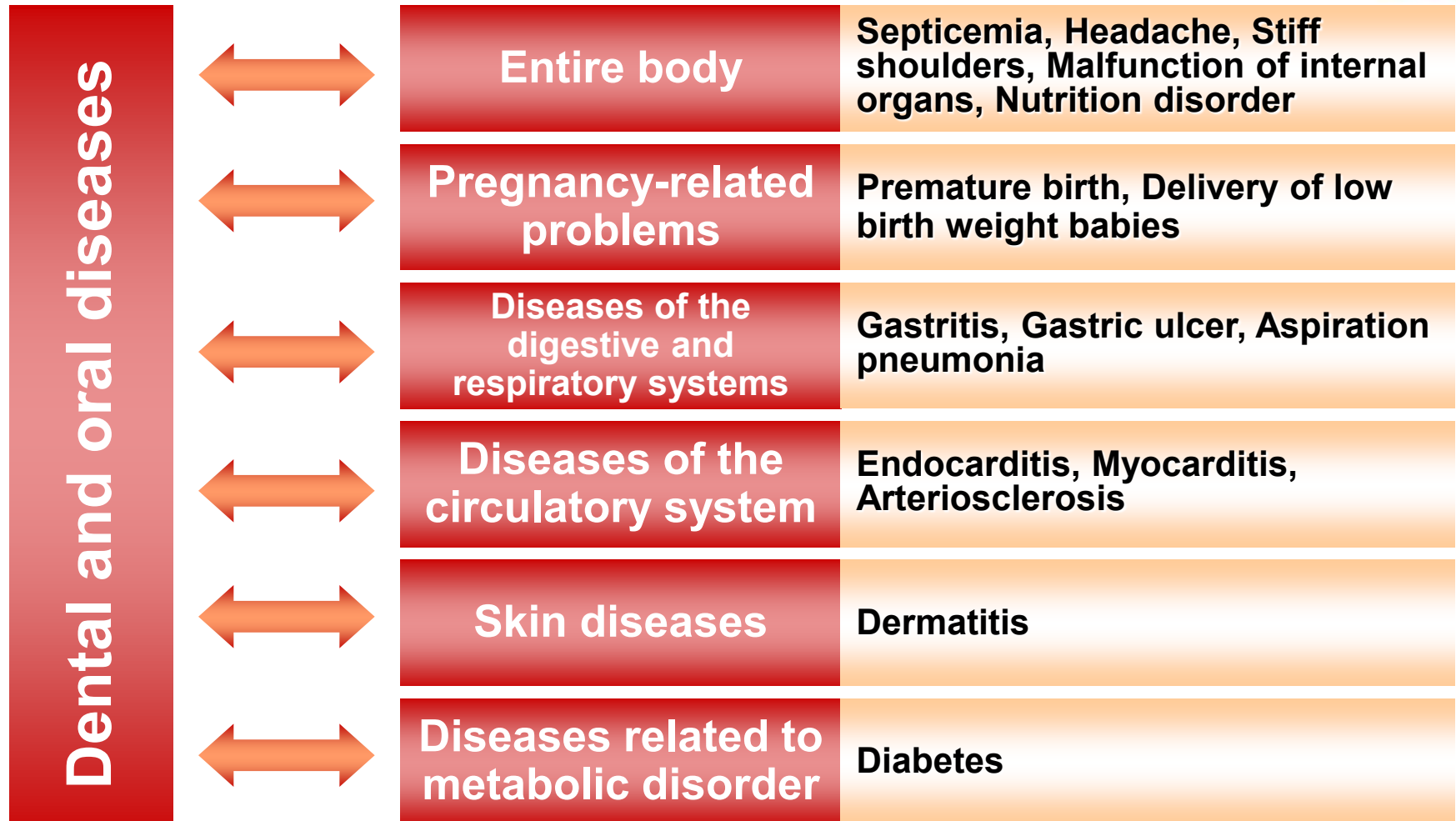


Shipment value, Unit: 100 million yen



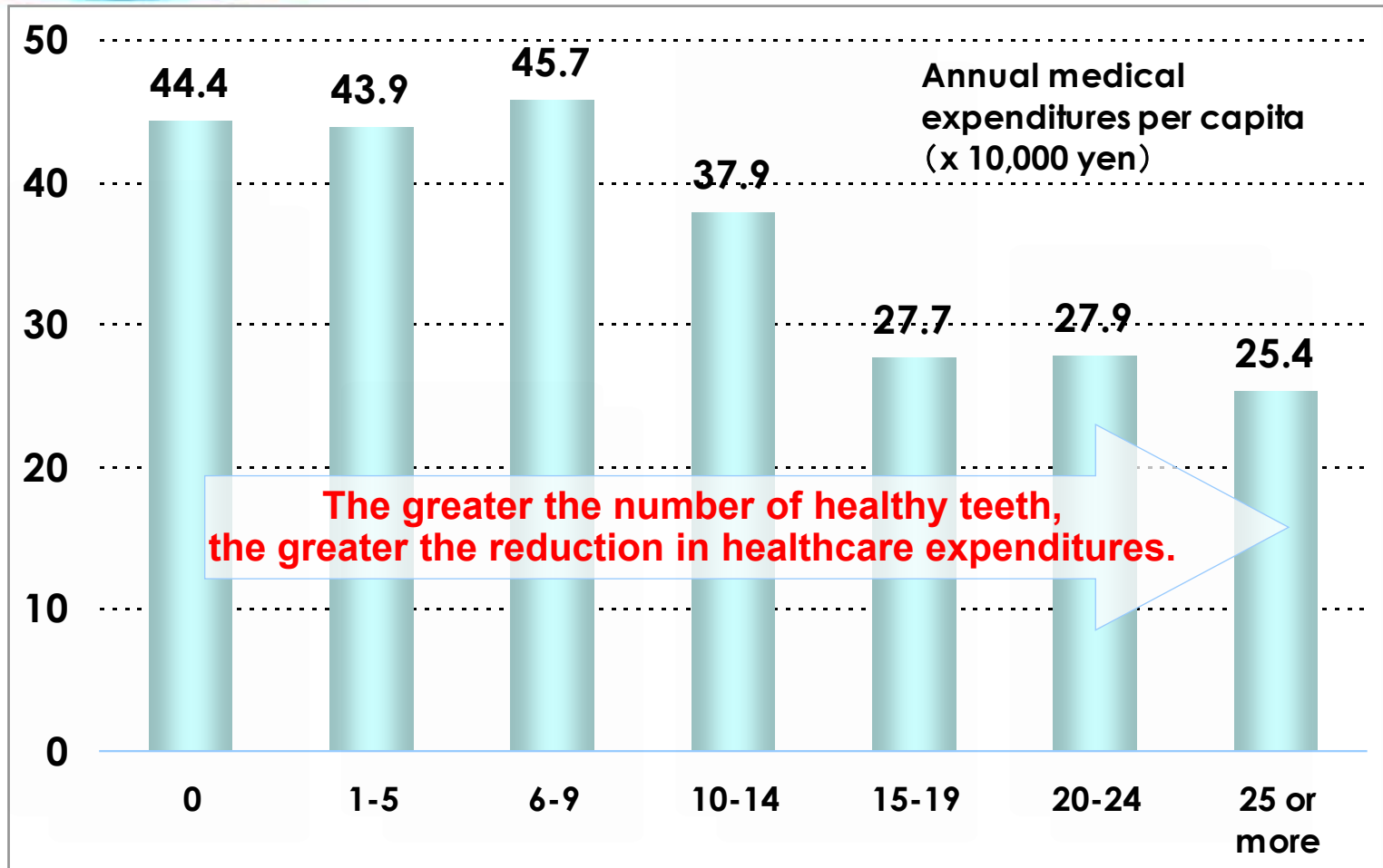
Prepared using data from Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

Systemic Diseases Caused by Caries and Periodontal Disease



(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



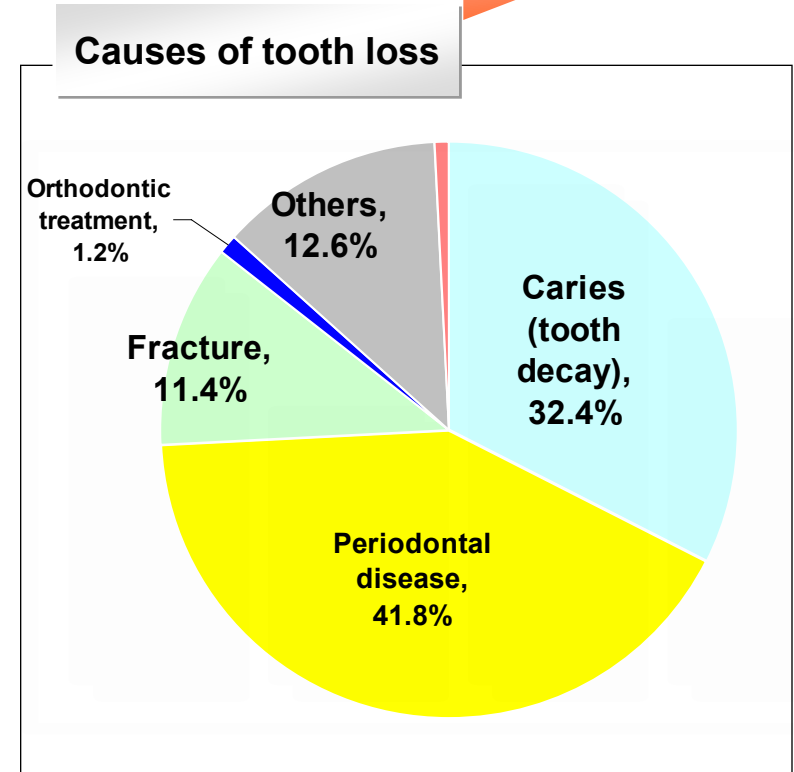
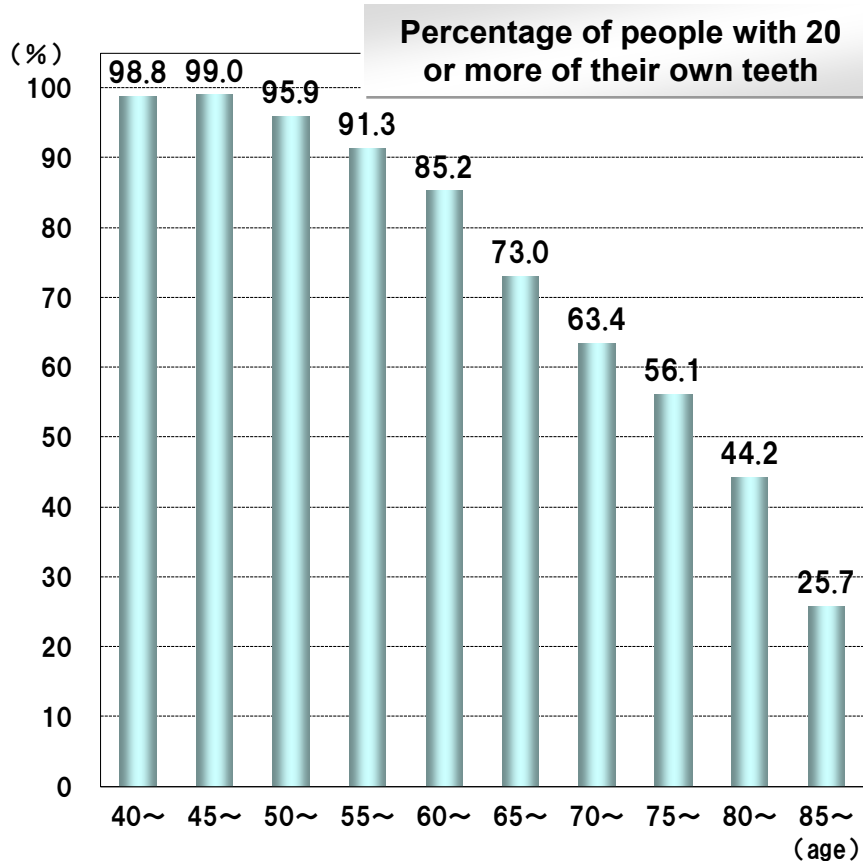
Prepared on the basis of "Correlation between Oral Hygiene Status of Elderly Persons and Healthcare Expenditures," a paper published in 2003 by Kazumune Arikawa, a full-time instructor at the Nihon University School of Dentistry at Matsudo

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

The 8020 Movement and Changes in Dental Diseases



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



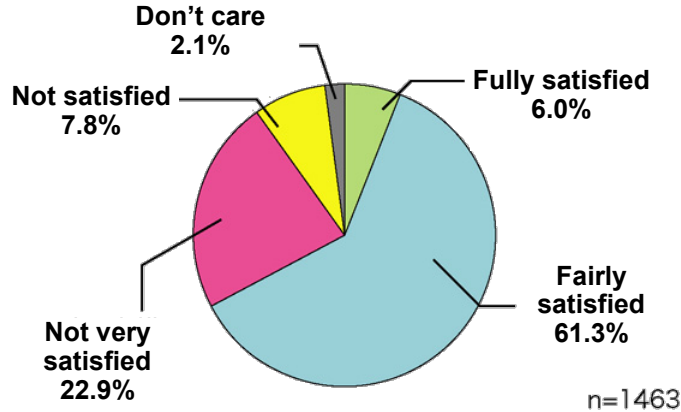
(Survey by the 8020 Promotion Foundation in 2005)

Perception of Dental and Oral Health

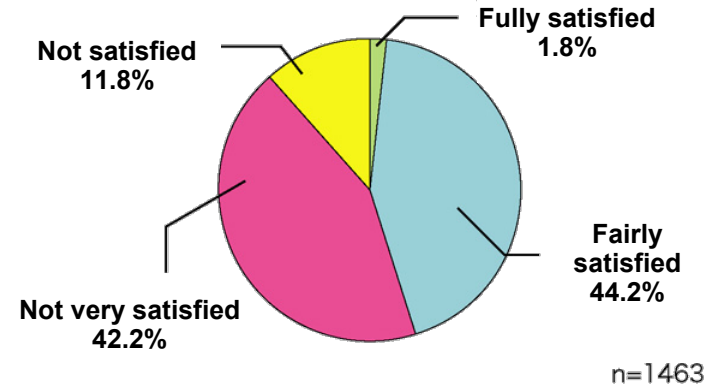


Source: Fiscal 2007's Dental Equipment Industry Vision (References)

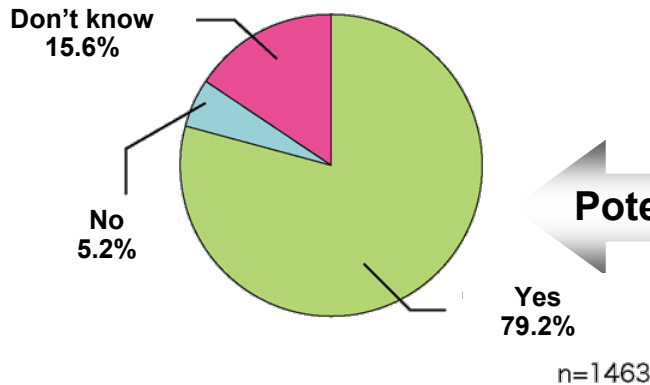
Are you satisfied with your physical health?



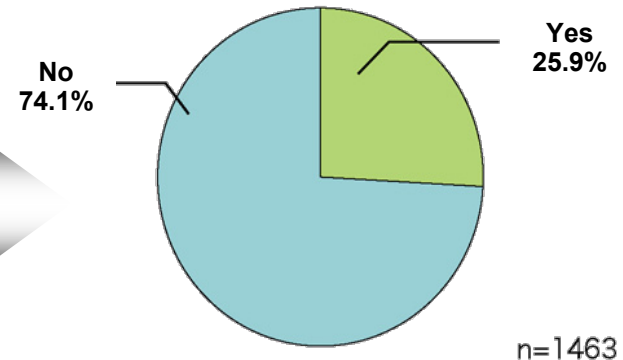
Are you satisfied with your oral health?



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

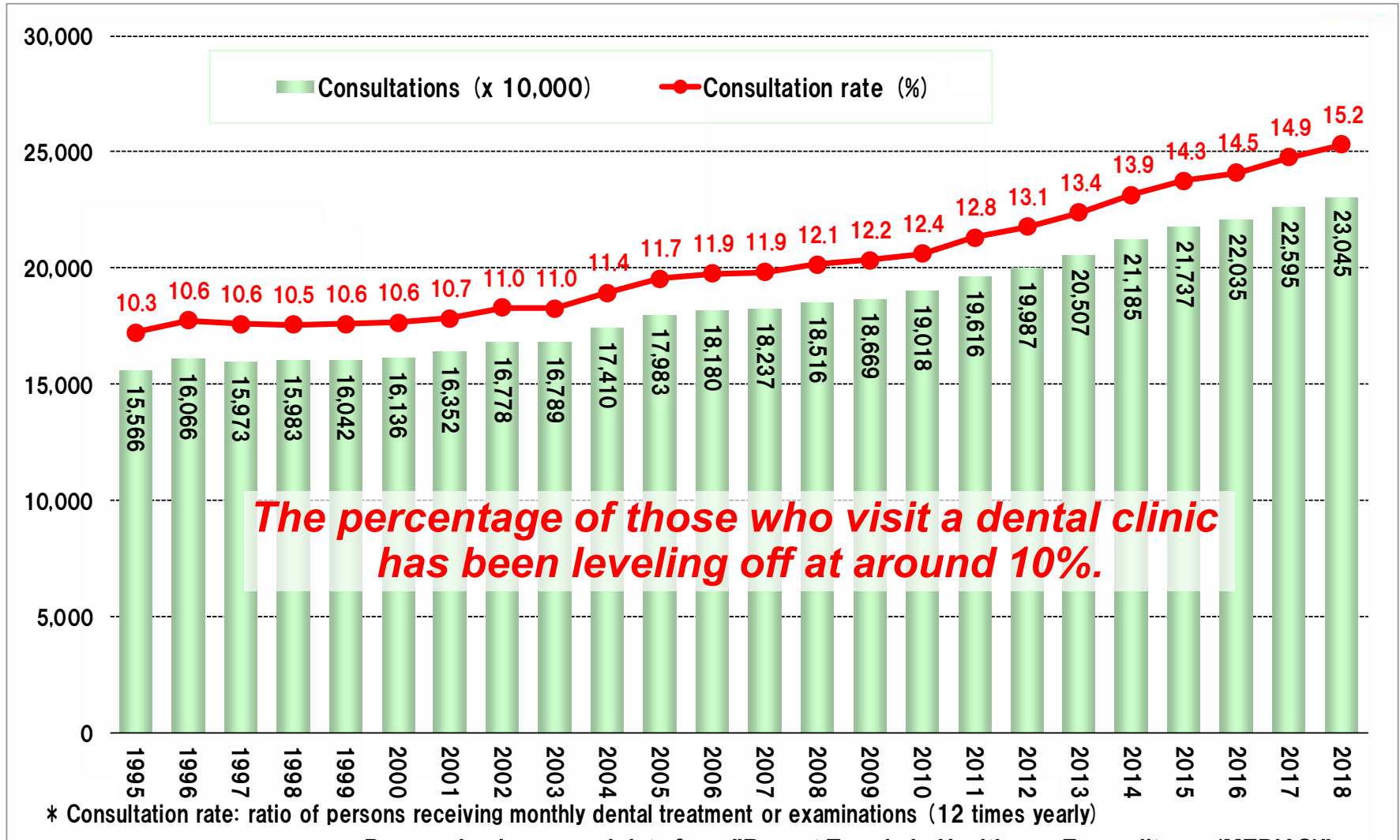


Do you actually receive regular dental care?



Potential demand

Dental Clinic Consultation Rates



Trend in the North American Market



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.

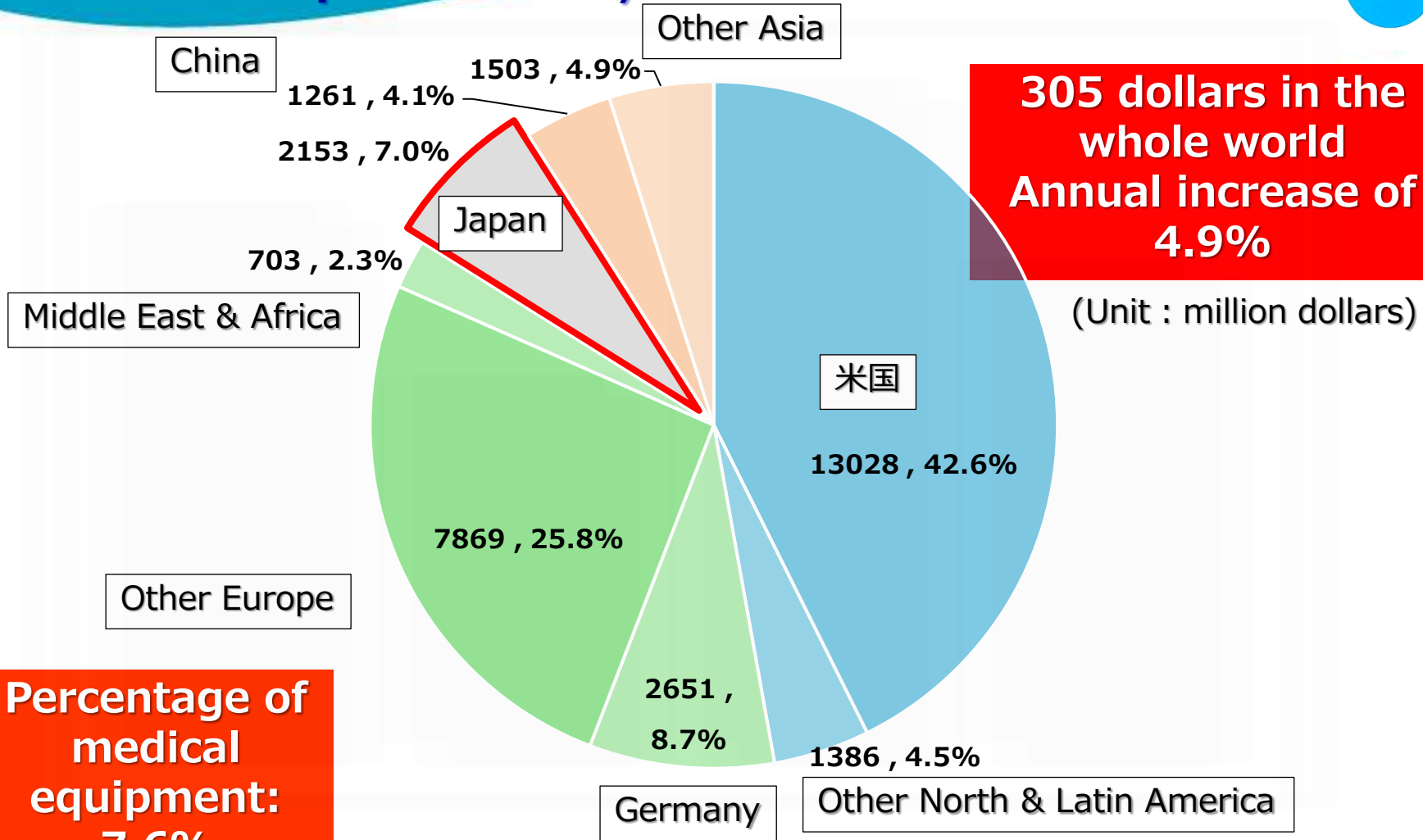
Source:

* 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

Global dental equipment market size (amount・component ratio)

Reference <Dentistry Data>



**305 dollars in the whole world
Annual increase of 4.9%**

(Unit : million dollars)

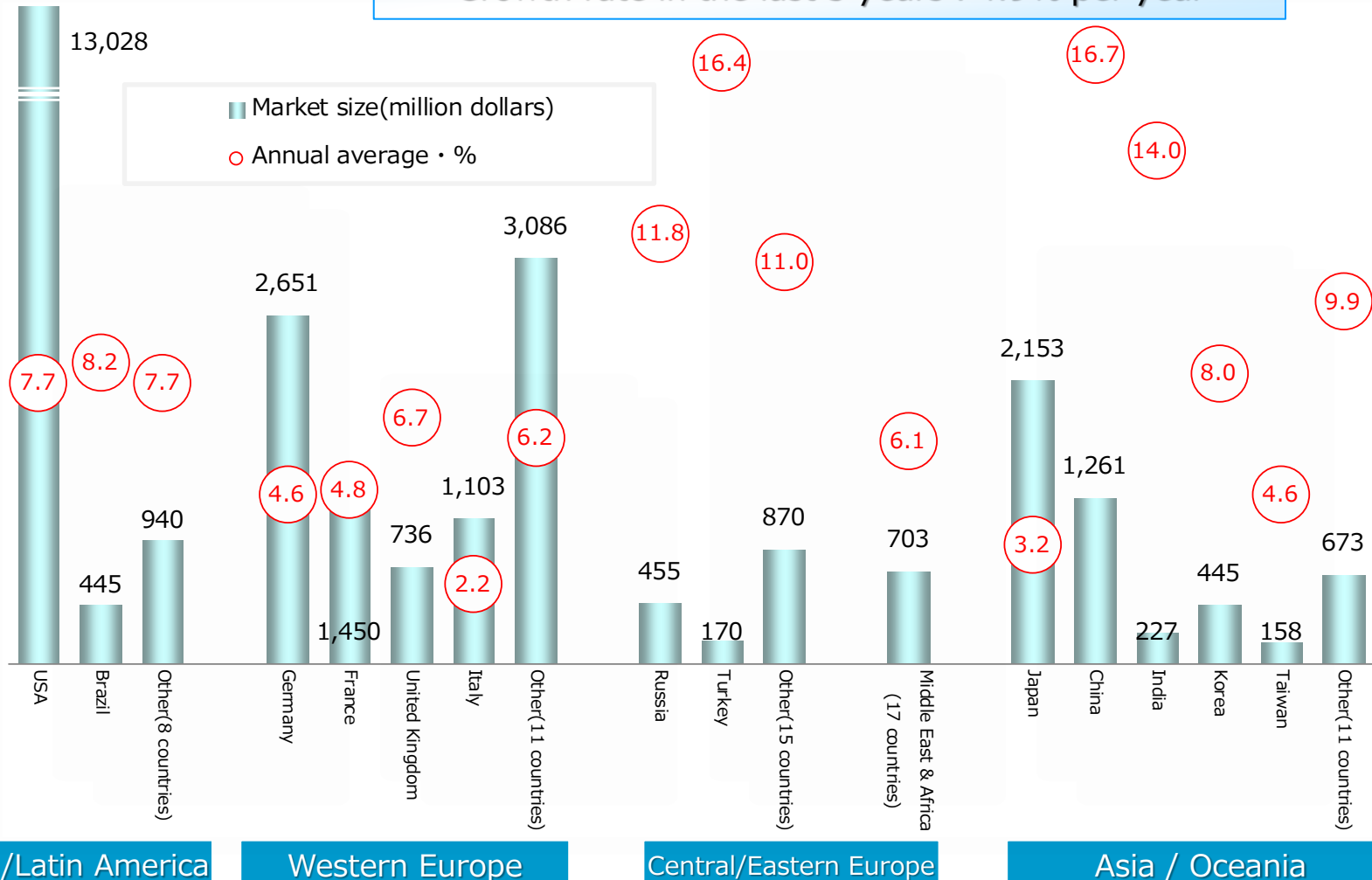
**Percentage of medical equipment:
7.6%**

◆ Source : BMI Research
「The World Medical Markets Fact Book 2019」

Global dental market— Market size and growth potential



Global Dental Equipment Market :30.5 billion dollars
Growth rate in the last 5 years : 4.9% per year



North/Latin America

Western Europe

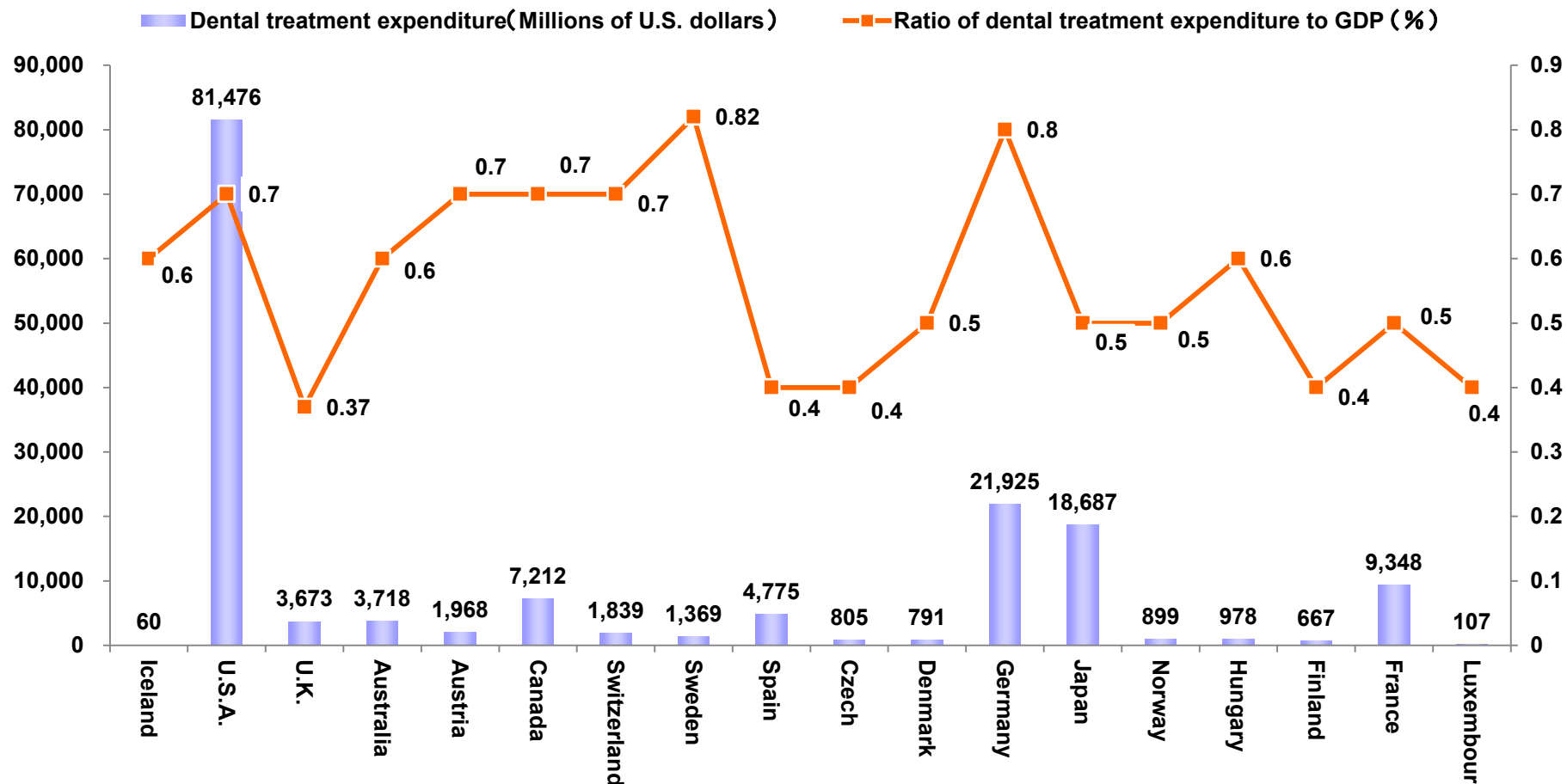
Central/Eastern Europe

Asia / Oceania

Relation between Dental Treatment Expenditure and GDP



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 shikairyo—kokusai hikaku-karamita nihon-no shikairyo-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.

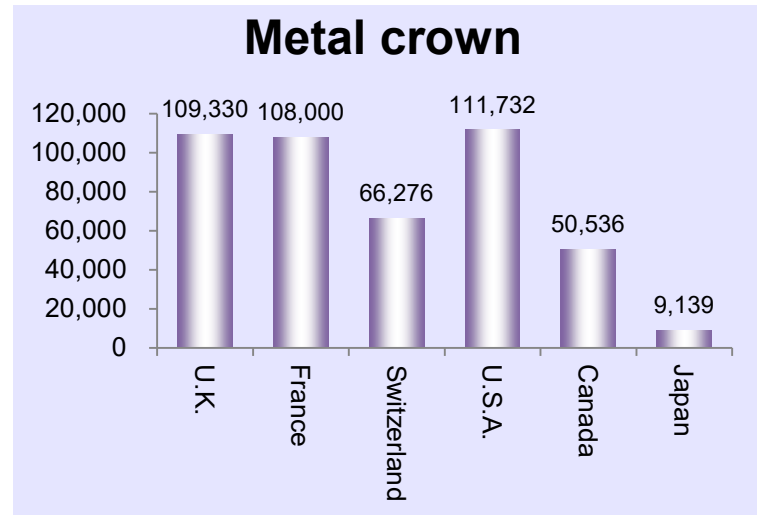
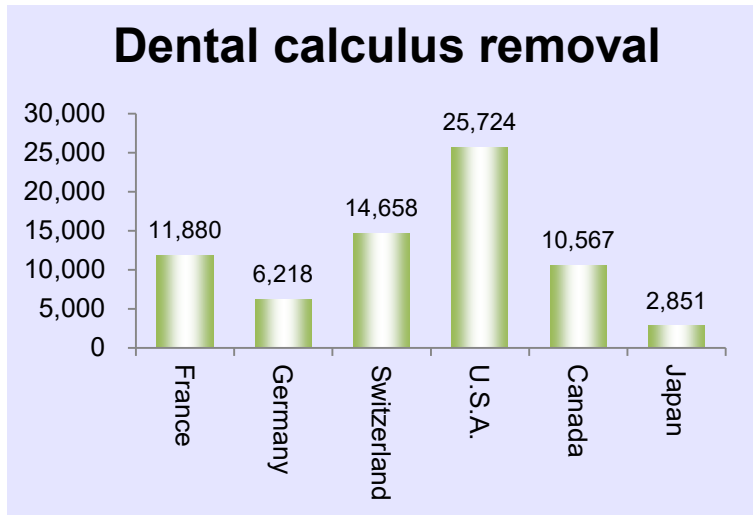
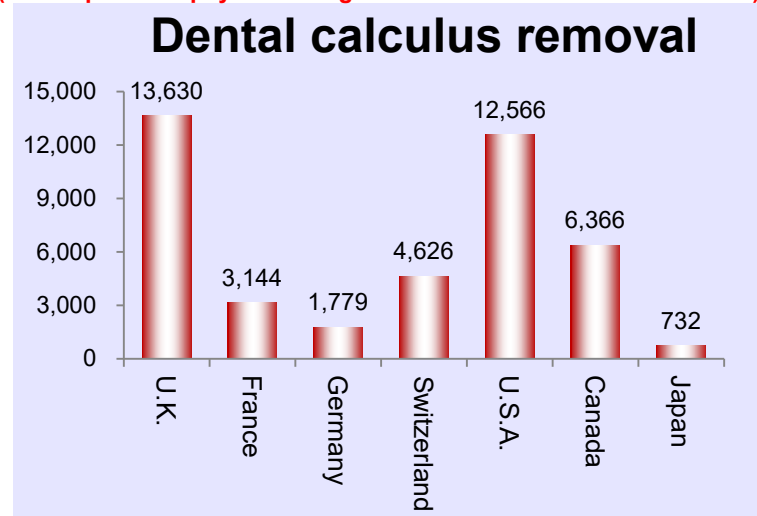
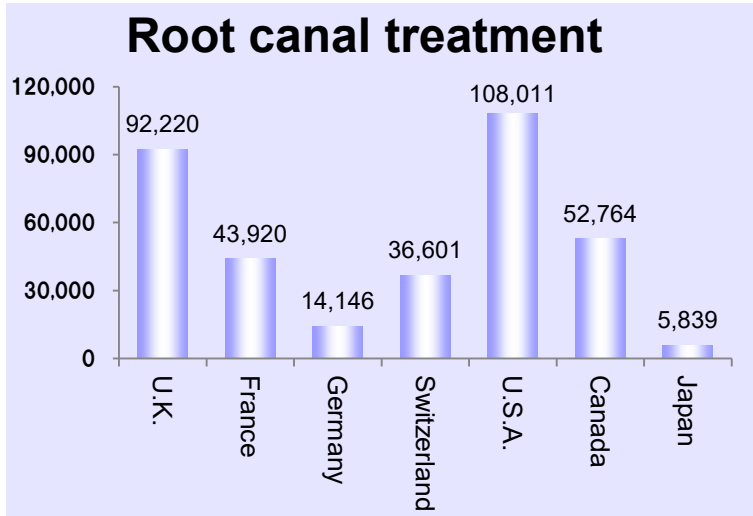
International Comparison of Dental Treatment Expenditure (Unit Price of a Treatment Session)

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, kaigokyufuhi 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 (at age 12)

Reference <Dentistry Data>

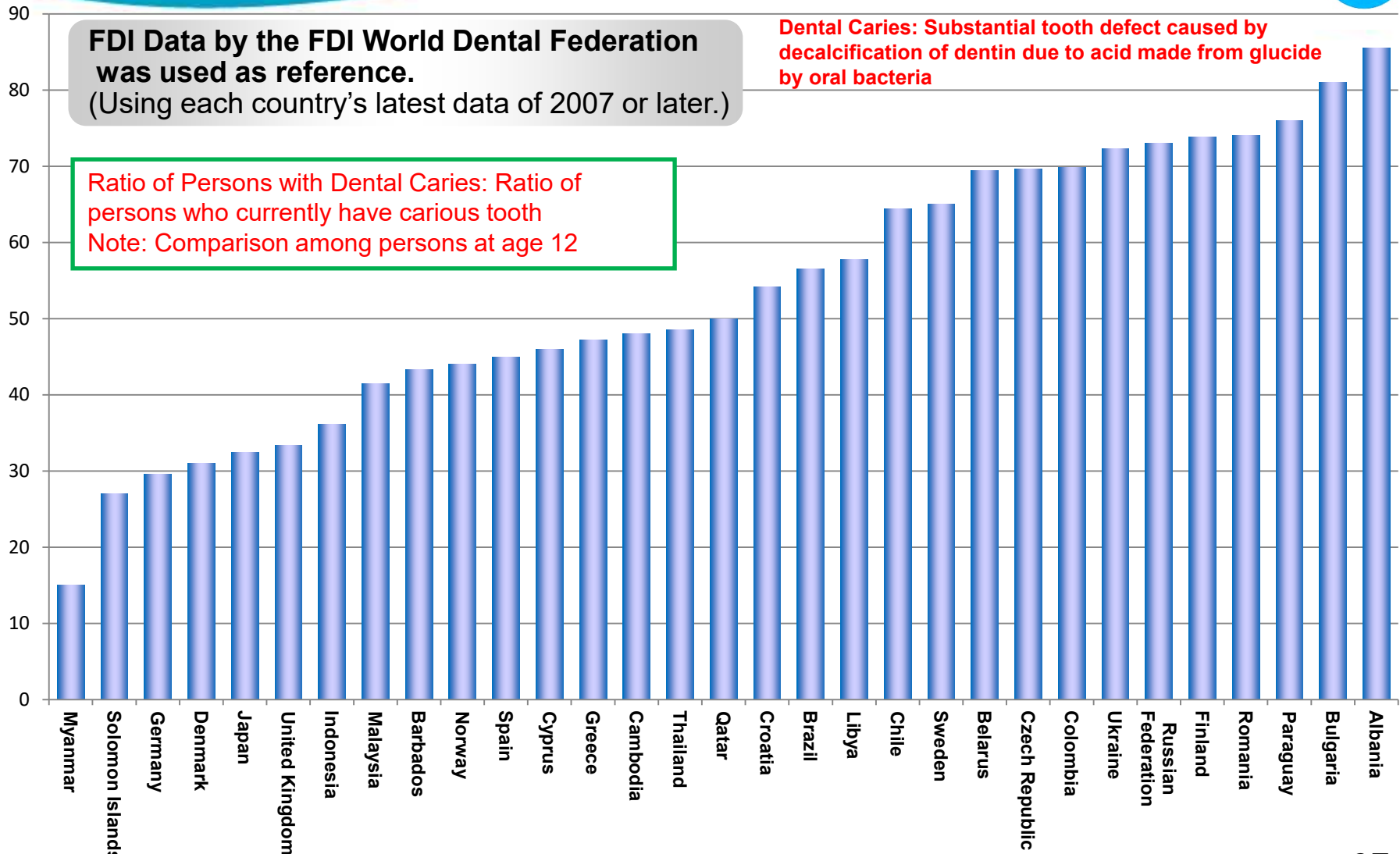
Unit: %



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 (at age 65 and older)

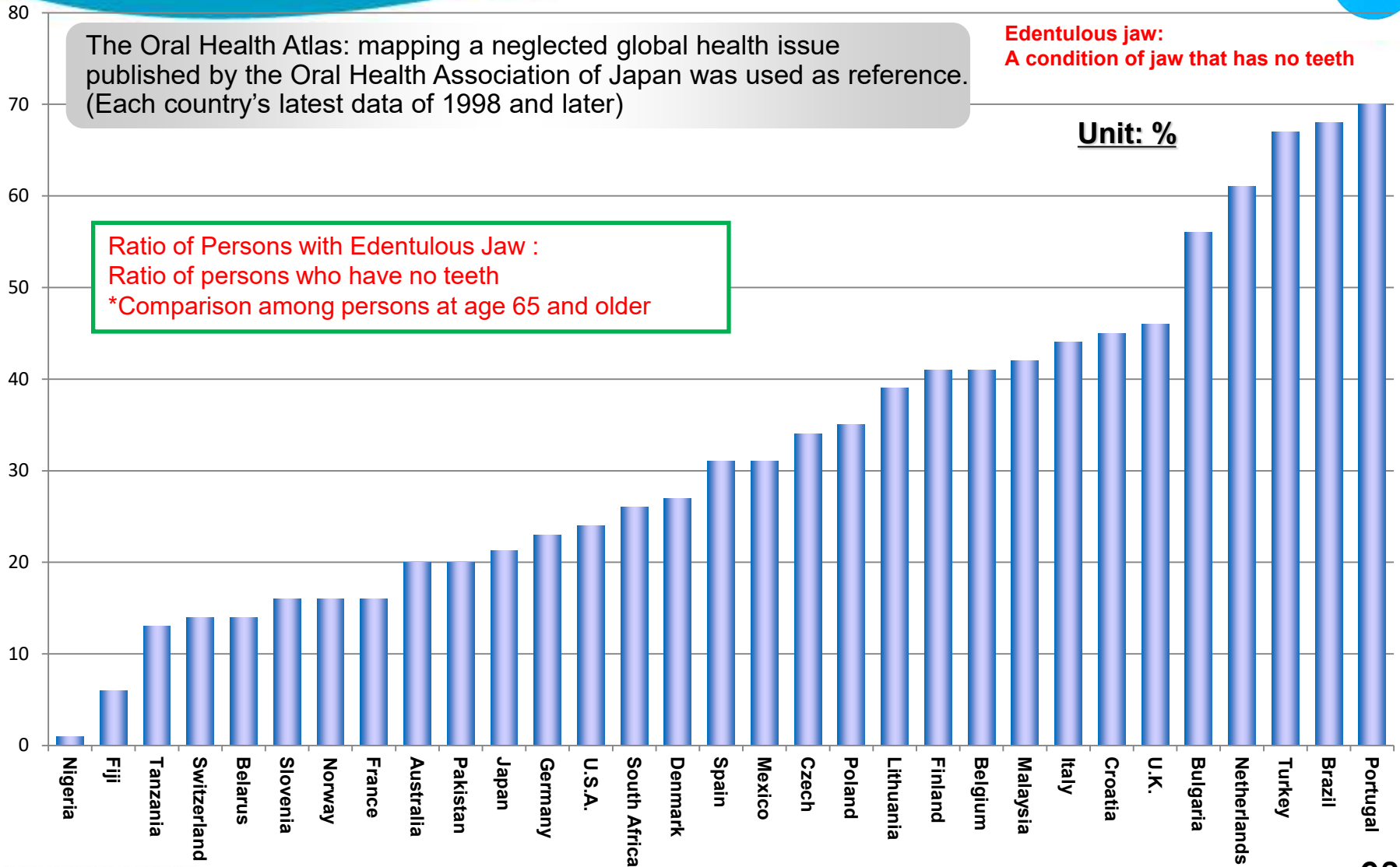


The Oral Health Atlas: mapping a neglected global health issue published by the Oral Health Association of Japan was used as reference. (Each country's latest data of 1998 and later)

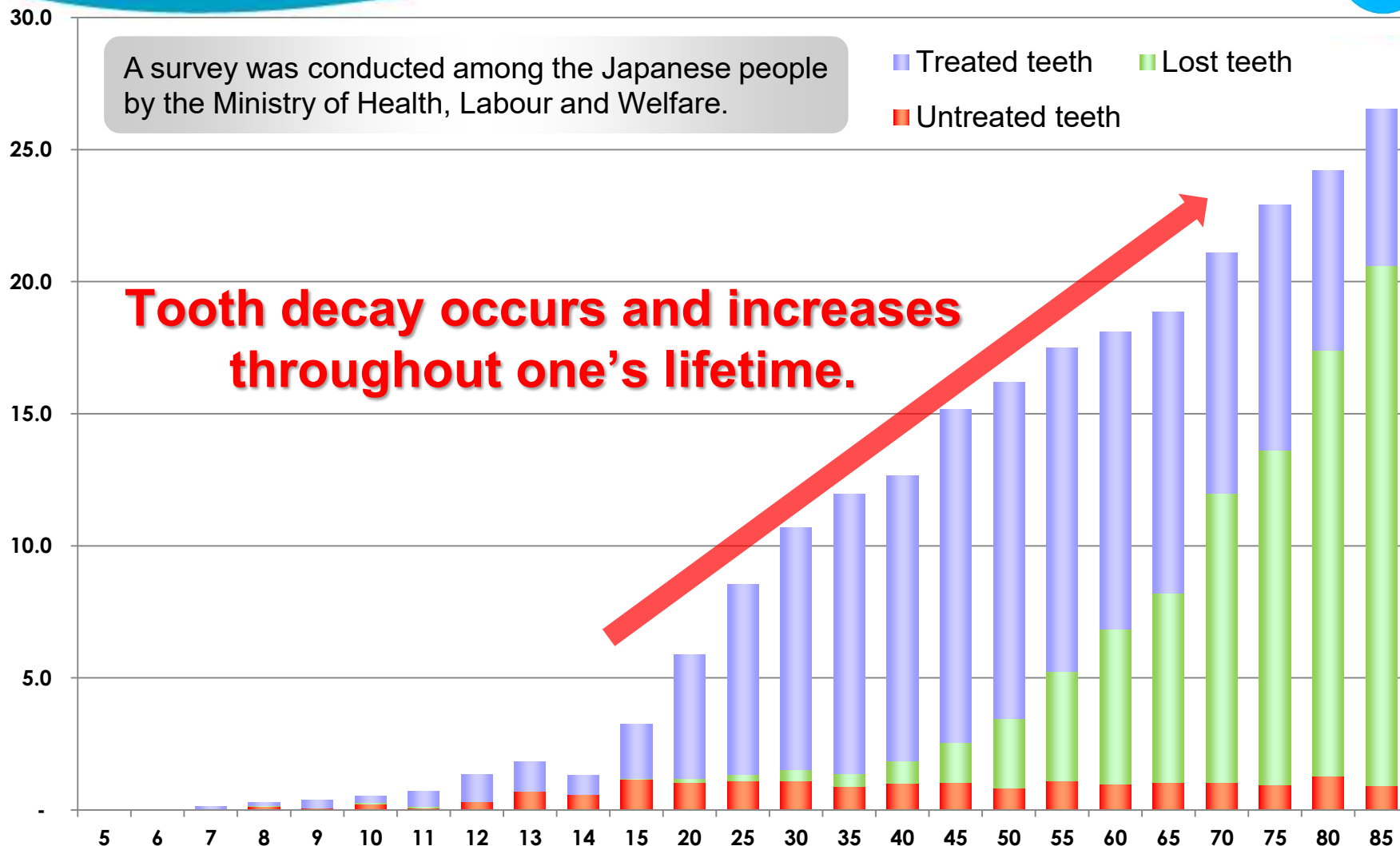
Edentulous jaw:
A condition of jaw that has no teeth

Unit: %

Ratio of Persons with Edentulous Jaw :
Ratio of persons who have no teeth
*Comparison among persons at age 65 and older



Factual Survey of Dental Diseases

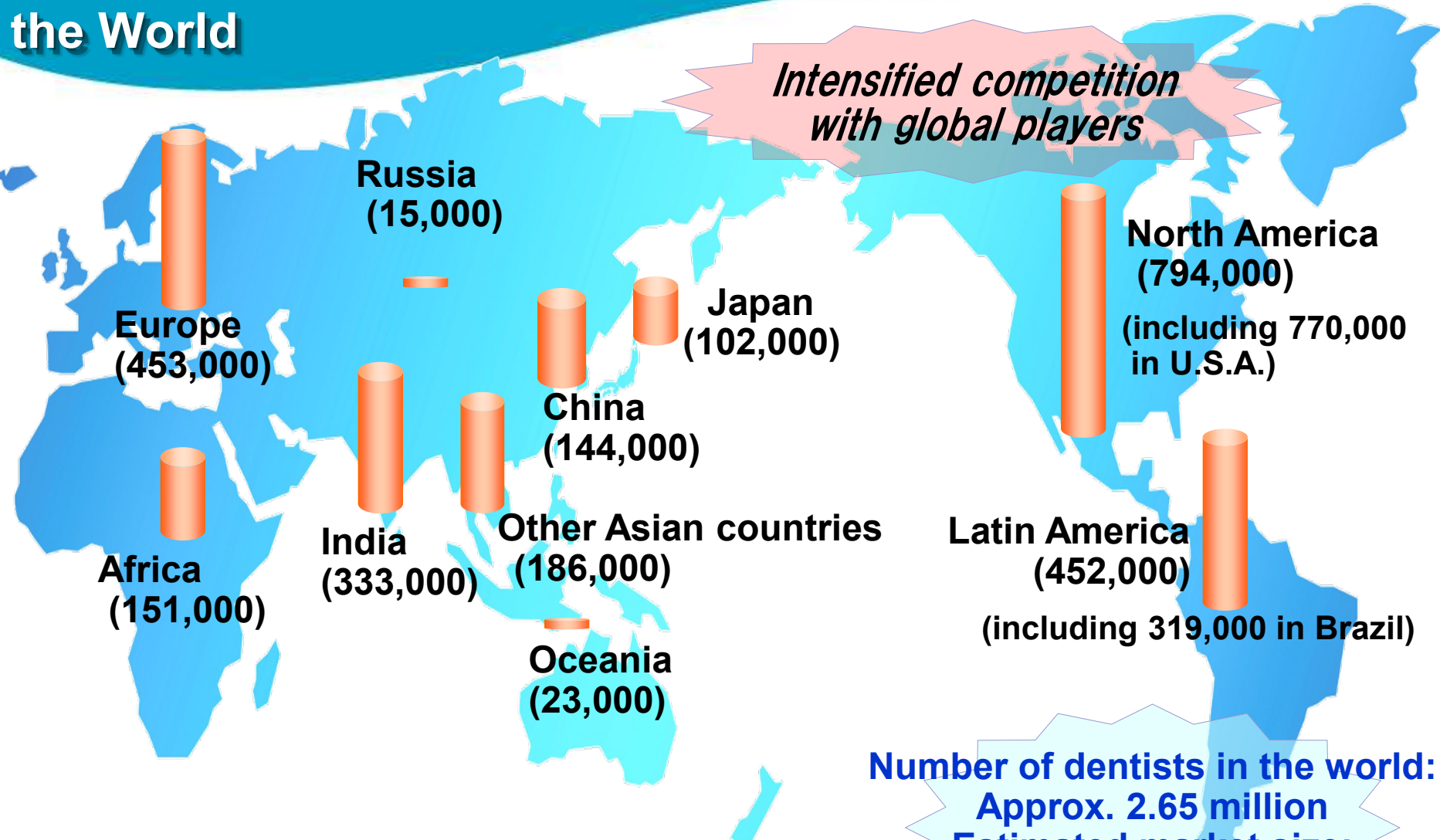


* 1. The official web site of the Hokkaido kodomo-no ha-o mamoru kai (Save the Children's Tooth Hokkaido) was used as reference

* 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>



**Number of dentists in the world:
Approx. 2.65 million
Estimated market size:
Approx. 3.0 trillion yen**

◆ Source:
Number of dentists & Estimated market size
—“The World Medical Markets Factbook 2019 ” (BMIResearch)



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 72)
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 72)
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	A handheld device to which small instruments for removing tooth decay, plaque, and tartar are attached. → Plaque (page 72)



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.
PMTTC	PMTTC stands for Professional Mechanical Tooth Cleaning. In PMTTC, 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 71)
Resin	Synthetic high polymer. Resins are popularly used for dental restoratives.