



**Fiscal Year Ended March 2010  
(138th Business Year)**

# **Financial Analyst Meeting**

**May 26, 2010**



Proven Products for Better Dentistry  
**SHOFU INC.**



## Contents of Today's Presentation

- ➔ **Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2010**
- ➔ **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011**
- ➔ **Future Business Environment and Medium- and Long-term Business Strategies**

**Director/President Noriyuki Negoro**



## Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2010

Forecast of Consolidated Business Performance  
for Fiscal Year Ending March 31, 2011

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

# Summary of Business Performance (1)

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2010



Positive factors Negative factors

P/L

- <Dental business> Domestic sales **fell 1.6%** as lower revenue from the company's flagship artificial teeth segment and abrasives business offset increases in chemical product sales stemming from the effects of new product launches. Sales of new products: 1,278 million yen, or 10.1% of non-consolidated sales
- <Nail care business> Domestic sales reached 1,664 million yen, **a decrease of 2.0% compared to the previous period.**
- Combined **domestic sales** in the dental, nail care, and other businesses **decreased by 1.8%.**
- ■ Despite a robust expansion in the company's business in China, lower sales in Asia (South Korea and Taiwan) combined with the negative effect of foreign exchange fluctuations in North America, South and Central America, and Europe (-91 million yen) to drag down overseas sales **by 6.6%** (dental business overseas sales ratio: 24.9%).
- **Total sales decreased by 2.9% to 16,040 million yen.**
- Despite a reduction in advertising and other costs, operating profits fell to 1,056 million yen (down 25.3%) due to factors including lower sales, an increase in the sales cost ratio, and increases in costs such as retirement benefits expenses and ERP system depreciation expenses. A deterioration in net interest expenses and other factors pushed ordinary profits down to 951 million yen (down 27.6%).
- Factors including losses on the valuation of securities (50 million yen) and a legal settlement (89 million yen) combined to push down current term net profit 34.3% to 521 million yen.

# Summary of Business Performance (2)

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2010



■ Positive factors ■ Negative factors

B/S

C/F

■ ■ Despite losses on the valuation of securities totaling **50 million yen**, the value of company-owned securities rose **354 million yen**, reflecting increases in market value of the underlying issues. The valuation difference of securities as included in net worth increased **223 million yen**.

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As part of a business and capital partnership with Mitsui Chemicals, Inc., and Sun Medical Co., Ltd., 1.8 million shares of treasury stock owned by the company were transferred to Mitsui Chemicals, Inc., as a third-party allotment. The price per share was 730 yen (reflecting the closing price as of May 19, 2009) for a total value of 1,314 million yen.

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Capital expenditures: 558 million yen  
(Key expenditures)

- Osaka Sales Office buildings, associated facilities, and structures 189 million yen
  - Artificial teeth moulding machines and other equipment 107 million yen (Production subsidiary)
-

# Summary of Business Performance for the Current Fiscal Year

Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010



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

Units: millions of yen, %

	Fiscal March 2009 (Results) (% of sales)	Fiscal March 2010 (Forecast) (% of sales)	Fiscal March 2010 (Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	16,526 (100.0)	16,687 (100.0)	16,040 (100.0)	-486 (-2.9)	-647 (-3.9)
(Domestic sales)	12,674 (76.7)	13,076 (78.4)	12,440 (77.6)	-233 (-1.8)	-635 (-4.9)
(Overseas sales)	3,852 (23.3)	3,611 (21.6)	3,599 (22.4)	-253 (-6.6)	-11 (-0.3)
Operating profit	1,414 (8.6)	1,121 (6.7)	1,056 (6.6)	-357 (-25.3)	-64 (-5.8)
Ordinary profit	1,313 (7.9)	1,041 (6.2)	951 (5.9)	-362 (-27.6)	-90 (-8.7)
Net profit	793 (4.8)	677 (4.1)	521 (3.2)	-272 (-34.3)	-156 (-23.1)
Net profit per share	55.57 yen	42.18 yen	33.28 yen		
Return on equity	4.72%	3.90%	2.98%		

\* Forecasts for the fiscal year ending March 31, 2010, included in this document reflect initial forecasts as announced on May 14, 2009, and later revised on March 24, 2010 (the same applies to subsequent pages).

\* The net profit per share and return on equity forecasts for the fiscal year ending March 31, 2010, have been calculated based on figures for the number of shares and shareholders' equity that reflect the planned disposal of treasury stock through a third-party allocation.

# Sales by Product Category (Comparison with Previous Period)

Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2009 (Results)	Fiscal March 2010 (Results)	Change from Previous Period		
				Domestic	Overseas
Artificial teeth	2,769	2,677	-92 (-3.3)	-33	-59
Abrasives	3,510	3,299	-211 (-6.0)	-70	-141
Metal products	431	393	-38 (-8.8)	-28	-9
Chemical products	2,980	2,997	17 (0.6)	9	7
Cements and others	1,611	1,591	-20 (-1.3)	-38	18
Equipment and others	3,369	3,309	-60 (-1.8)	-16	-43
Dental business total	14,673	14,268	-405 (-2.8)	-177	-227
Nail care business	1,773	1,713	-59 (-3.4)	-33	-26
Other	79	57	-21 (-27.3)	-21	0
Total	16,526	16,040	-486 (-2.9)	-233	-253

**\* Overseas sales decreased by 91 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi).**

# Sales by Product Category (Comparison with Forecast)

Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2010 (Forecast)	Fiscal March 2010 (Results)	Change from Forecast		
				Domestic	Overseas
Artificial teeth	2,706	2,677	-28 (-1.1)	-82	53
Abrasives	3,347	3,299	-48 (-1.5)	-70	21
Metal products	381	393	11 (3.0)	20	-8
Chemical products	3,263	2,997	-265 (-8.1)	-163	-101
Cements and others	1,560	1,591	30 (2.0)	-29	60
Equipment and others	3,306	3,309	2 (0.1)	21	-18
Dental business total	14,566	14,268	-297 (-2.0)	-305	7
Nail care business	2,035	1,713	-321 (-15.8)	-302	-19
Other	85	57	-28 (-32.7)	-28	0
Total	16,687	16,040	-647 (-3.9)	-635	-11

\* Overseas sales increased by 171 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi).



# Domestic Sales

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2010



■ Positive factors ■ Negative factors

## ✧ Dental business

- Sales of chemical products were robust thanks to the effects of new product launches starting during the third quarter of the fiscal year ended March 31, 2009.
- At the same time, revenue in the flagship artificial teeth segment fell 2.0% compared to the previous period, while sales in the abrasives segment fell 3.4%.
- Domestic sales overall in the period saw a year-on-year decrease of 177 million yen (1.6%) to 10,718 million yen.

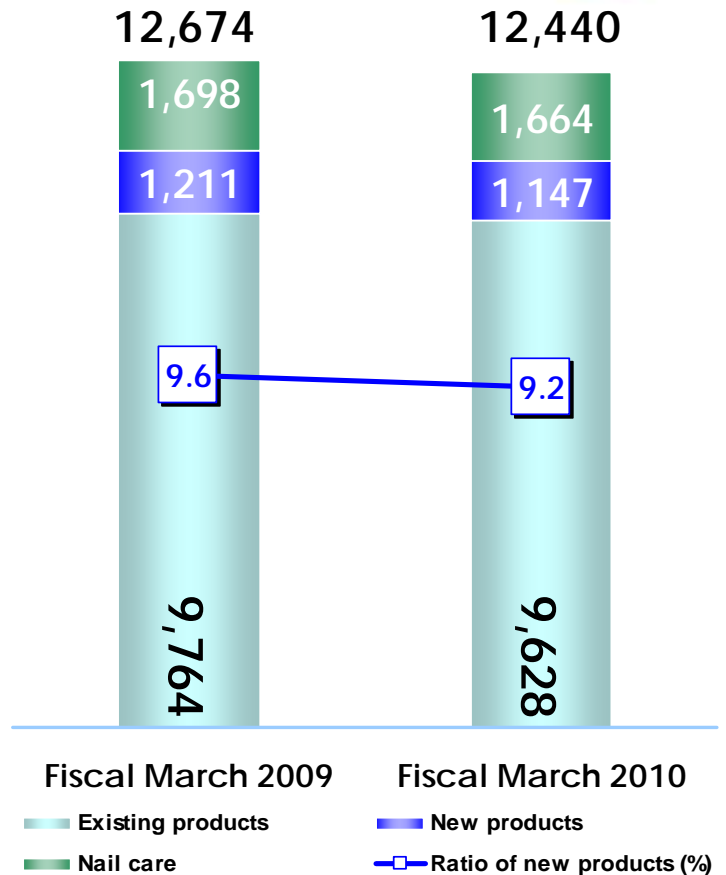
## ✧ Nail care business

- Sales in the nail care business fell 2.0% compared to the previous period to 1,664 million yen as overall market growth slowed due to changing economic conditions.

## ✧ Principal new products introduced in the period

- "Beautiful Flow Plus," a composite resin for tooth fillings (chemical products)
- "Veracia SA," hard resin teeth (artificial teeth)
- "Vintage MP," dental metal ceramic for restoration material (artificial teeth)

Unit: millions of yen



(relative to domestic sales)

# Overseas Sales

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2010



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

Positive factors Negative factors

## North America and Latin America

- A decrease in sales of artificial teeth (porcelain powder) and equipment offset favorable sales of chemical products for a net 0.2% reduction in sales on a local currency basis.

## Europe

- Favorable sales of artificial teeth and cements resulted in a net 2.5% increase on a local currency basis.

## Asia and Oceania

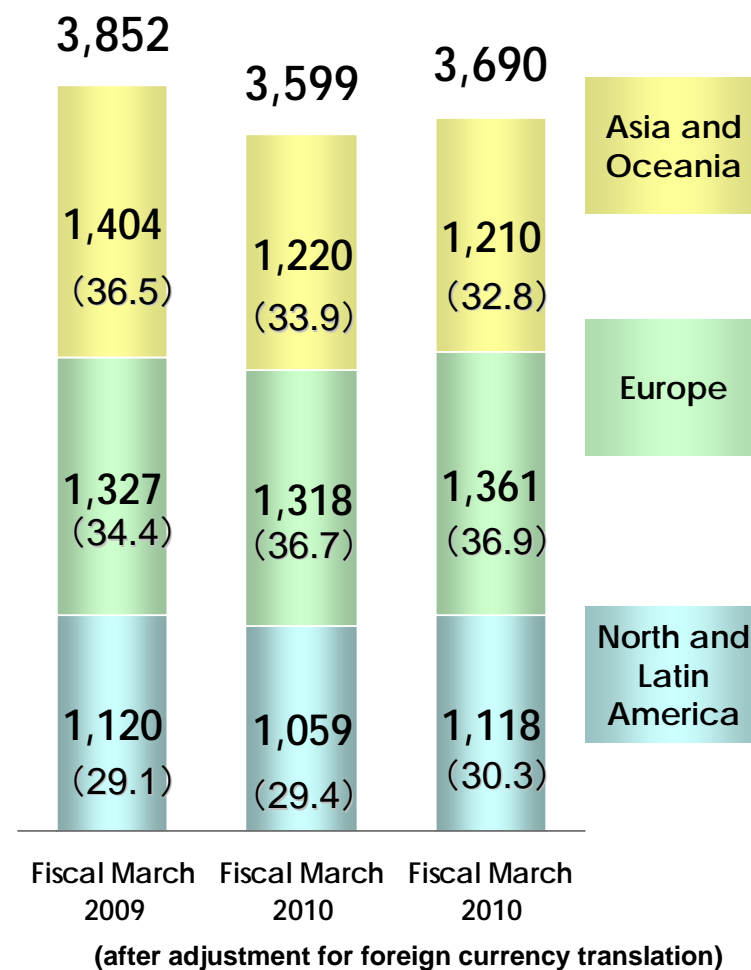
- China: Increase of 70 million yen (19.4%) compared to the previous period (on a local currency basis)
- Elsewhere: Decrease of 264 million yen compared to the previous period

## Foreign exchange rates

- US dollar: 93.04 yen (98.23 yen in the previous period)
- Euro: 124.92 yen (129.84 yen in the previous period)

## (Dental business) Overseas sales ratio

- 24.9% (25.7% in the previous period) (25.4% after adjustment for foreign currency translation)



# Performance by Segment (Sales and Operating Profits)

Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010



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

		Fiscal March 2009	Fiscal March 2010	Fiscal March 2010	Change from Previous Period	Change from Forecast
		(Results)	(Forecast)	(Results)		
		Amount (% of sales)	Amount (% of sales)	Amount (% of sales)		
Dental	Sales	14,673	14,566	14,268	-405	-297
	Operating expenses	13,313	13,575	13,224	-89	-350
	Operating profit (operating profit margin)	1,359 (9.3)	991 (6.8)	1,044 (7.3)	-315	52
Nail care	Sales	1,773	2,035	1,714	-59	-320
	Operating expenses	1,736	1,924	1,710	-25	-213
	Operating profit (operating profit margin)	37 (2.1)	110 (5.4)	3 (0.2)	-33	-107
Other	Sales	79	85	61	-18	-24
	Operating expenses	62	66	50	-12	-16
	Operating profit (operating profit margin)	17 (21.5)	19 (22.6)	10 (17.5)	-6	-8
Total before consolidation adjustment	Sales	16,526	16,687	16,043	-483	-643
	Operating expenses	15,112	15,566	14,985	-126	-580
	Operating profit (operating profit margin)	1,414	1,121	1,058 (6.6)	-356	-63
Consolidated	Sales	16,526	16,687	16,040	-486	-647
	Operating expenses	15,112	15,566	14,983	-129	-582
	Operating profit (operating profit margin)	1,414 (8.6)	1,121 (6.7)	1,056 (6.6)	-357	-64

\* The operating expenses for the nail care business include goodwill amortization of 89 million yen connected with the acquisition of Nail Labo Co., Ltd. (total amount: 712 million yen for eight-year amortization)

# Segment Information by Region (Sales and Operating Profits)

Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010



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

		Fiscal March 2009 (Results)	Fiscal March 2010 (Forecast)	Fiscal March 2010 (Results)	Change from Previous Period	Change from Forecast
		Amount (% of sales)	Amount (% of sales)	Amount (% of sales)		
Japan	Sales	15,214	15,463	14,444	-770	-1,019
	Operating profit (operating profit margin)	1,384 (9.1)	950 (6.1)	830 (5.8)	-553	-119
Americas	Sales	1,092	1,026	1,094	1	67
	Operating profit (operating profit margin)	24 (2.3)	37 (3.6)	38 (3.5)	13	0
Europe	Sales	1,466	1,291	1,454	-11	162
	Operating profit (operating profit margin)	-2 (-0.2)	64 (5.0)	92 (6.4)	95	28
Asia	Sales	524	615	654	130	39
	Operating profit (operating profit margin)	47 (9.1)	65 (10.7)	45 (7.0)	-1	-19
Overseas total	Sales	3,083	2,933	3,203	119	269
	Operating profit (operating profit margin)	69 (2.3)	167 (5.7)	176 (5.5)	106	9
Total before consolidation adjustment	Sales	18,298	18,397	17,647	-650	-749
	Operating profit (operating profit margin)	1,454 (7.9)	1,117 (6.1)	1,007 (5.7)	-446	-110
Consolidated	Sales	16,526	16,687	16,040	-486	-647
	Operating profit (operating profit margin)	1,414 (8.6)	1,121 (6.7)	1,056 (6.6)	-357	-64

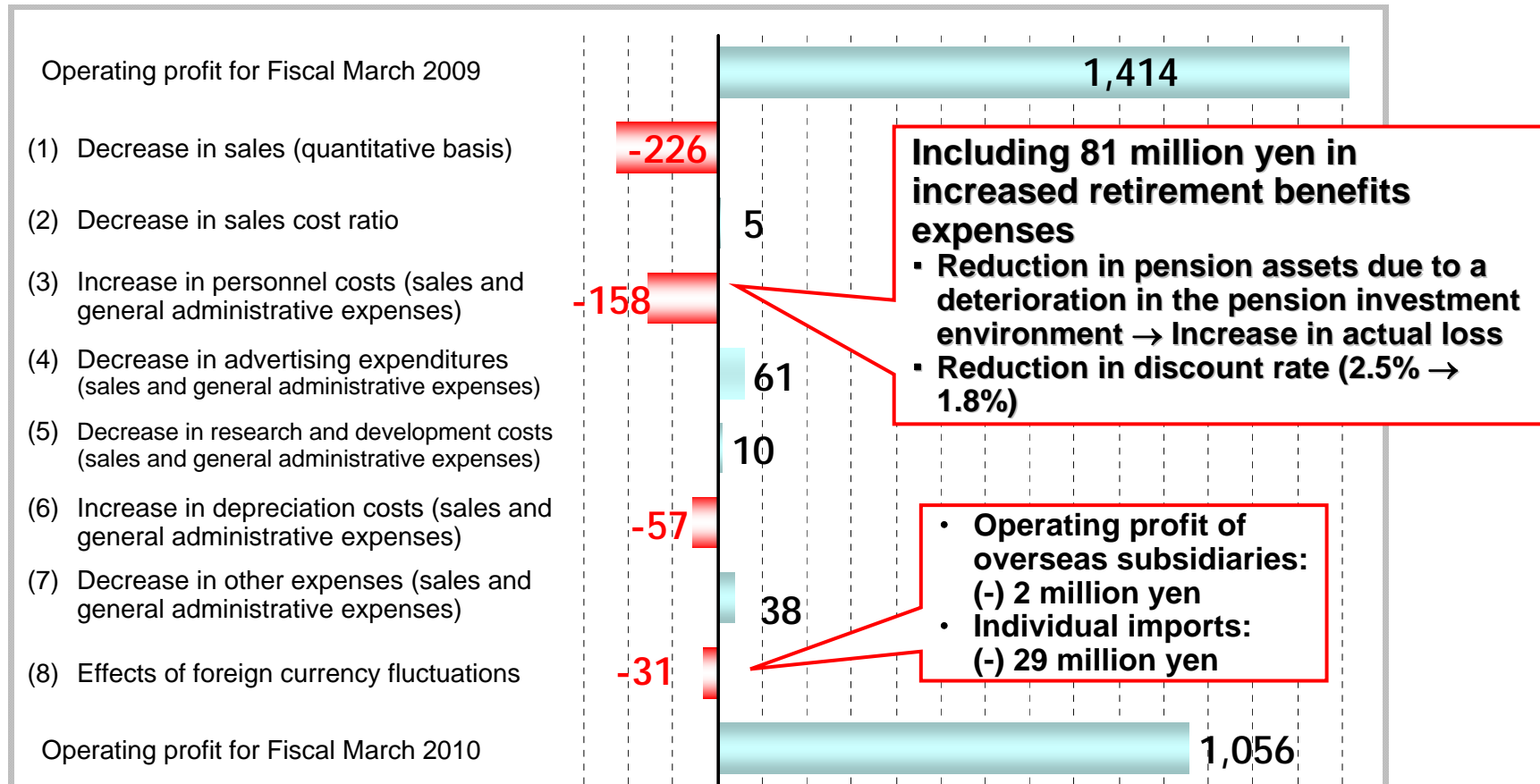
\* The elimination of unrealized profits from internal transactions is the principal consolidated adjustment item impacting operating profits.

# Contributors to Change in Operating Profit (Comparison with Previous Period)

Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010



Unit: millions of yen



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

# Financial Condition: Major Balance Sheet Accounts

Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010



Unit: millions of yen

	Fiscal March 2009	Fiscal March 2010	Change	Major contributors to changes, special notes
Cash and deposits	4,694	6,430	1,735	Disposal of treasury stock: 1,314 million yen  Increase in valuation difference of securities of 354 million yen Depletion of 50 million yen
Notes and bills receivable, trade accounts receivable	2,490	2,444	-46	
Inventory	3,146	3,305	158	
Securities, investment securities	2,843	3,309	466	
Others	7,769	7,033	-735	
<b>Assets</b>	<b>20,944</b>	<b>22,522</b>	<b>1,578</b>	
Long-term and short-term borrowings	1,020	1,020	0	Decreases in accounts payable, corporate taxes payable, etc.
Reserve for retirement benefits and directors' retirement benefits	542	610	67	
Others	2,769	2,582	-186	
<b>Liabilities</b>	<b>4,332</b>	<b>4,212</b>	<b>-119</b>	
<b>Net worth</b>	<b>16,612</b>	<b>18,310</b>	<b>1,697</b>	Disposal of treasury stock: 1,314 million yen Increase in valuation difference of securities of 223 million yen
<b>Total liabilities and net worth</b>	<b>20,944</b>	<b>22,522</b>	<b>1,578</b>	
Capital adequacy ratio	79.3%	81.3%		
Net worth per share	1,164 yen	1,139 yen		

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

Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010



Unit: millions of yen

	Fiscal March 2009 (Results)	Fiscal March 2010 (Forecast)	Fiscal March 2010 (Results)	Change from Previous Period	Change from Forecast
Capital expenditures	1,352	1,418	558	-794	-859
Depreciation costs	635	744	731	95	-13
(of which goodwill amortization)	89	89	89	0	0
R&D expenses	1,041	1,153	1,030	-10	-123
Foreign exchange rates					
US dollar	98.23	90.00	93.04		
Euro	129.84	115.00	124.92		
Pound sterling	140.45	120.00	140.40		
Renminbi	13.20	13.00	13.49		

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



Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010

**Forecast of Consolidated Business Performance  
for Fiscal Year Ending March 31, 2011**

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



# Overview of the Next Fiscal Year (1)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011



■ Positive factors ■ Negative factors

P/L

- <Dental business> The company expects to see an increase of 3.6% in overall sales for the domestic dental business due to a renewed focus on the market penetration of recently introduced new products including artificial teeth and chemical products in accordance with the Medium-term Business Plan as well as the introduction of new equipment products.  
<Sales of new products: 1,429 million yen, or 10.7% of non-consolidated sales>
- <Nail care business> The company expects sales to increase by 309 million yen due to the market penetration of “LED GEL Presto,” a recently introduced product.
- ■ Overseas, the company is planning for an overall increase of 6.0% due to sales growth in Asia, including China, where the economic recovery is more striking than in Europe and the U.S.  
<Effects on overseas sales: **-44 million yen**>
- **Sales are expected to increase by 5.7% to 16,955 million yen.**
- ■ **Operating profit is expected to increase by 2.9% to 1,087 million yen, while ordinary profit is expected to increase by 1.7% to 966 million yen and current term net profit is expected to increase by 14.5% to 596 million yen** as the effects of increased sales and favorable changes in the sales mix offset increased sales, general, and administrative expenses including R&D and personnel costs.

# Overview of the Next Fiscal Year (2)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011



**B/S**

**C/F**

The company will relocate the logistics division in the Tokyo branch (creating an East Japan Logistics Center) as part of an overhaul of its logistics system.  
(Carried over from plans for the fiscal year ended March 31, 2010)

**Capital expenditures: 727 million yen**

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**Total capital expenditures, including the above: 1,196 million yen**

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# Comparison of Major Statistics

Forecast of Consolidated Business Performance  
for Fiscal Year Ending March 31, 2011



⇒ Fiscal March 2011: Increase both in sales and profits

Units: millions of yen, %

	Fiscal March 2010 Results	Fiscal March 2011 Forecast	Change
	Amount (% of sales)	Amount (% of sales)	Amount (% change)
Sales	16,040 (100.0)	16,955 (100.0)	915 (5.7)
(Domestic sales)	12,440 (77.6)	13,138 (77.5)	697 (5.6)
(Overseas sales)	3,599 (22.4)	3,816 (22.5)	217 (6.0)
Operating profit	1,056 (6.6)	1,087 (6.4)	30 (2.9)
Ordinary profit	951 (5.9)	966 (5.7)	15 (1.7)
Net profit	521 (3.2)	596 (3.5)	75 (14.5)
Net profit per share	33.28 yen	37.13 yen	
Return on equity	2.98%	3.24%	

# Sales by Product Category

Forecast of Consolidated Business Performance  
for Fiscal Year Ending March 31, 2011



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2010 Results	Fiscal March 2011 Forecast	Change from current term performance		
				Domestic	Overseas
Artificial teeth	2,677	2,885	208 (7.8)	141	66
Abrasives	3,299	3,229	-69 (-2.1)	33	-102
Metal products	393	406	12 (3.3)	11	1
Chemical products	2,997	3,270	272 (9.1)	101	170
Cements and others	1,591	1,663	71 (4.5)	36	35
Equipment and others	3,309	3,403	93 (2.8)	58	35
Dental business total	14,268	14,857	589 (4.1)	382	206
Nail business	1,713	2,023	310 (18.1)	299	10
Other	57	73	15 (27.5)	15	0
Total	16,040	16,955	915 (5.7)	697	217

**\* Overseas sales are expected to decrease by 44 million yen due to foreign currency fluctuations. (US dollar, euro, pound sterling, renminbi)**

# Domestic Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011



## ✧ Dental business

- The company expects sales to increase by 382 million yen due to a renewed focus on the market penetration of recently introduced new products including artificial teeth and chemical products as well as the introduction of new equipment products.

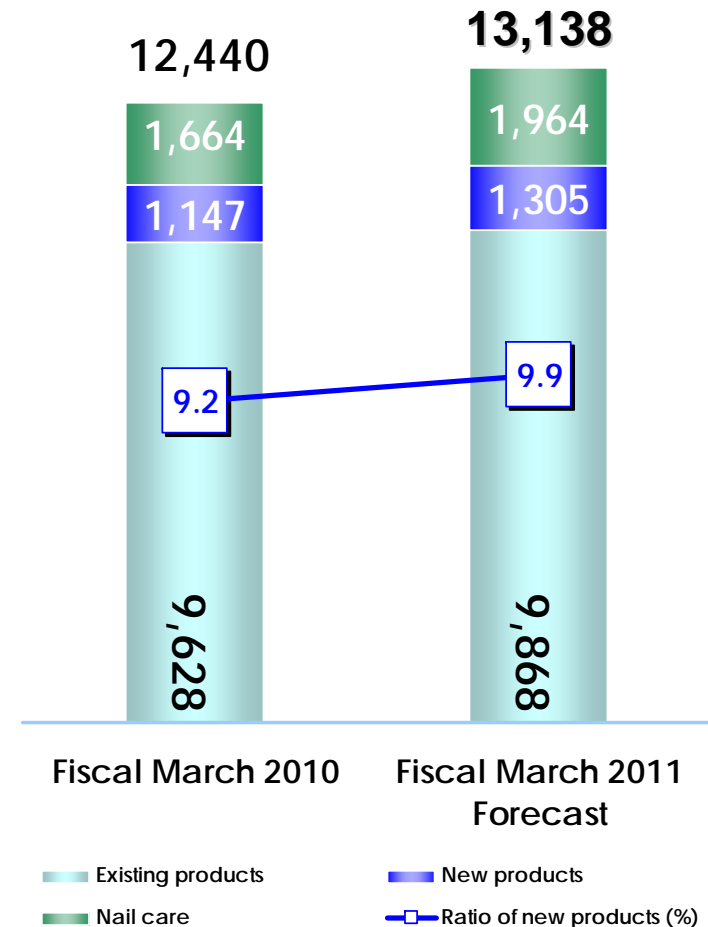
## ✧ Nail care business

- The company expects sales to increase by 299 million yen due to the market penetration of "LED GEL Presto," a recently introduced product.

## ✧ Major products recently introduced

- "Veracia SA," hard resin teeth (artificial teeth)
- "Vintage MP," dental metal ceramic for restoration material (artificial teeth)
- "Beautifil Flow Plus," a composite resin for tooth fillings (chemical products)
- "Beauti Bond," a dentine bonding material (chemical products)
- "MiCD Diamond," a dental diamond abrasive (abrasives)
- MiCD Loupe, a binocular magnifying lens (equipment)

Units: millions of yen



(relative to domestic sales)

# Overseas Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011



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

## Summary

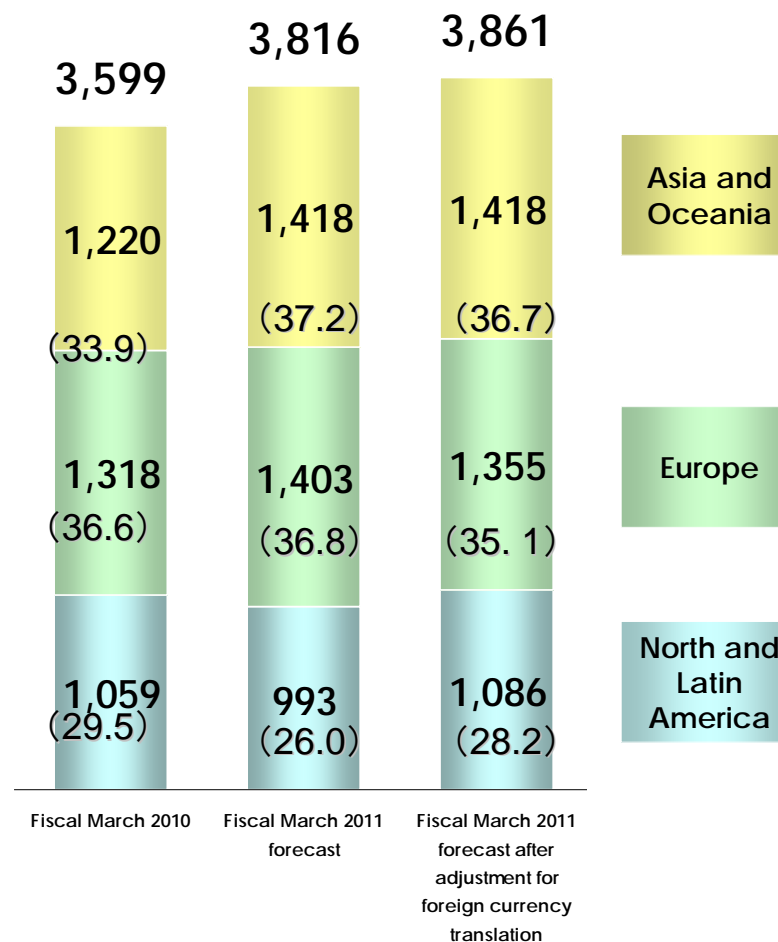
- The company expects to see an increase in sales in Asia and Oceania, including China.
- Growth rate on a local currency basis
  - North and Latin America 2.5%
  - Europe 2.8%
  - China 14.9%
  - Other Asian countries and Oceania 17.0%
- Total overseas sales 7.3%

## Foreign exchange rates

- US dollar: 85 yen  
(93.04 yen in the previous period)  
(Effect: -92 million yen)
- Euro: 130 yen  
(124.92 yen in the previous period)  
(Effect: +48 million yen)

## (Dental business) Overseas sales ratio

- 25.3% (24.9% in the previous period)  
(25.5% after foreign currency translation adjustments)



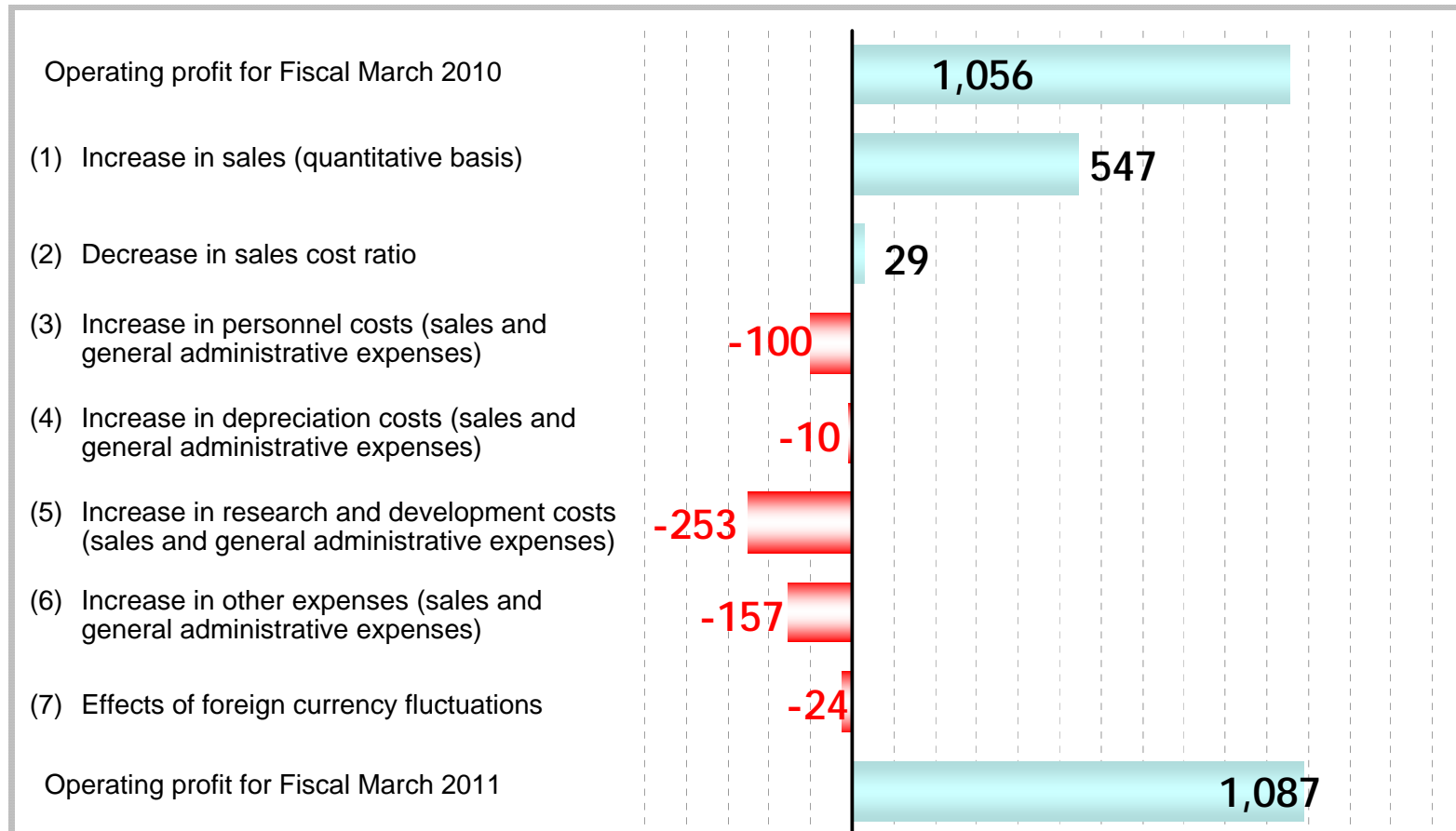
\* The "Fiscal March 2011 forecast after adjustment for foreign currency translation" is calculated based on the same foreign exchange rates used for the Fiscal March 2010 results.

# Contributors to Change in Operating Profit

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011



Unit: Millions of yen



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

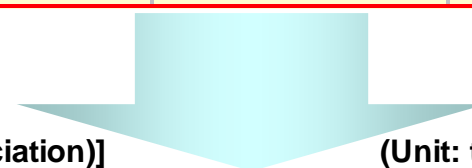
# Impact of Foreign Exchange Fluctuations (US Dollar, Euro)

Forecast of Consolidated Business Performance  
for Fiscal Year Ending March 31, 2011



[Foreign Currency-denominated Transactions (Fiscal March 2011)] (Units: thousands of US dollars, thousands of euros)

	US Dollar	Euro	Total
<b>Sales</b> (Overseas subsidiaries' sales to outside customers)	11,297	9,540	
<b>Sales costs</b> (non-consolidated/imports)	1,744	2,441	
<b>Operating expenses</b> (overseas subsidiaries)	10,717	9,173	
<b>Operating expenses</b>	12,462	11,614	
<b>Non-consolidated exports</b>	4,481	4,293	
<b>Operating profits</b>	3,315	2,219	



[Impact of Foreign Currency Fluctuations (one-yen appreciation)] (Unit: thousands of yen)

<b>Sales</b>	-11,297	-9,540	-20,837
<b>Operating profits</b>	-3,315	-2,219	-5,535



# Financial Condition: Major Balance Sheet Accounts

Forecast of Consolidated Business Performance  
for Fiscal Year Ending March 31, 2011



Unit: millions of yen

	Fiscal March 2010	Fiscal March 2011	Change	Major contributors to changes, special notes
<b>Cash and deposits</b>	6,430	5,797	-632	Capital expenditures
Notes and bills receivable, trade accounts receivable	2,444	2,683	238	
<b>Inventory</b>	3,305	3,378	73	
<b>Securities, investment securities</b>	3,309	3,144	-165	
<b>Others</b>	7,033	7,739	706	Capital expenditures
<b>Assets</b>	<b>22,522</b>	<b>22,743</b>	<b>220</b>	
<b>Long-term and short-term borrowings</b>	1,020	1,020	0	
Reserve for retirement benefits and directors' retirement benefits	610	664	54	
<b>Others</b>	2,582	2,490	-91	
<b>Liabilities</b>	<b>4,212</b>	<b>4,175</b>	<b>-37</b>	
<b>Net worth</b>	<b>18,310</b>	<b>18,567</b>	<b>257</b>	Increase in retained earnings, decrease in capital due to adjustments made at Chinese subsidiaries
<b>Total liabilities and net worth</b>	<b>22,522</b>	<b>22,743</b>	<b>220</b>	
<b>Capital adequacy ratio</b>	<b>81.3%</b>	<b>81.6%</b>		
<b>Net worth per share</b>	<b>1,139 yen</b>	<b>1,155 yen</b>		

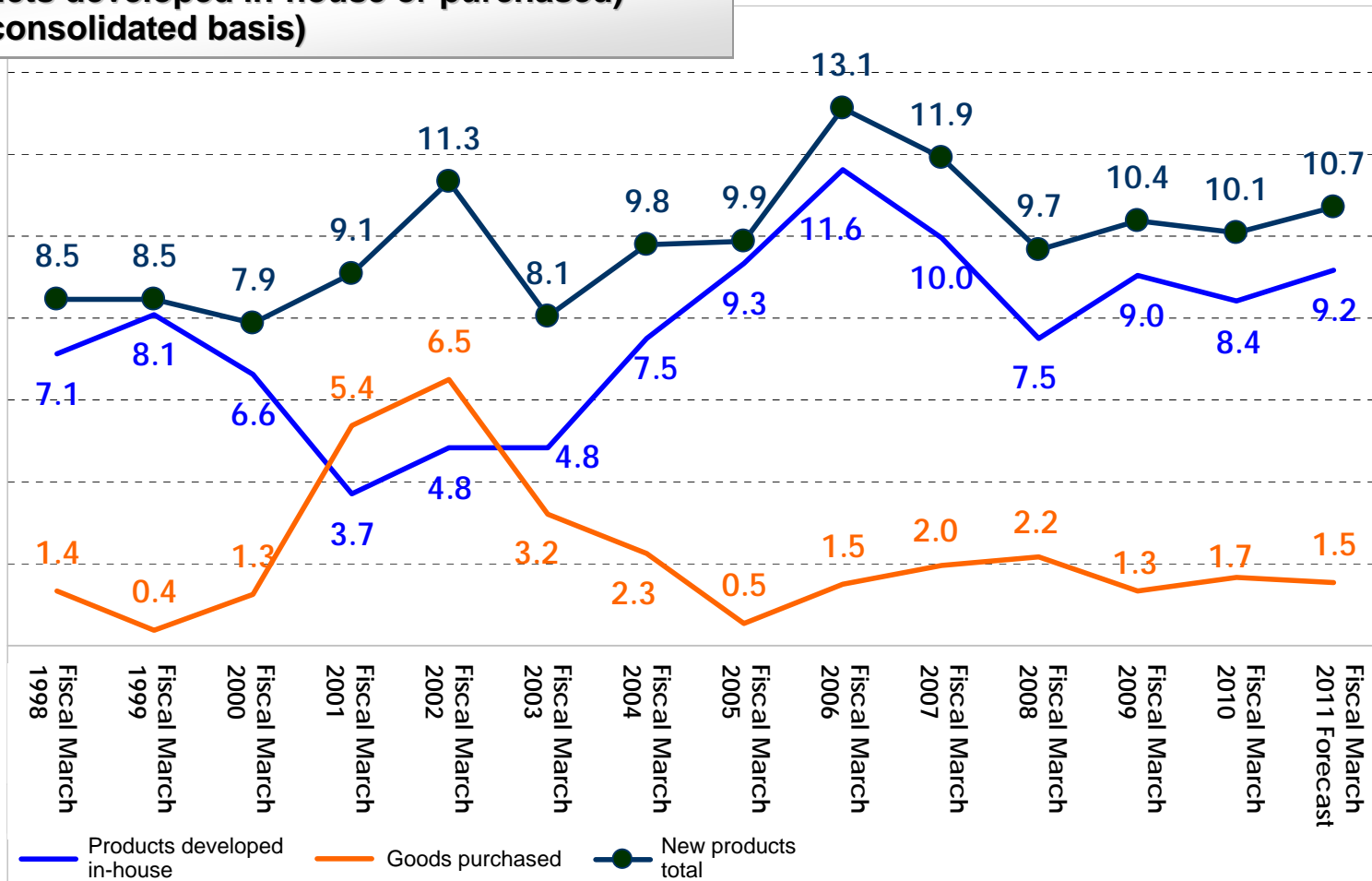
# Sales Trends for New Products

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011



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

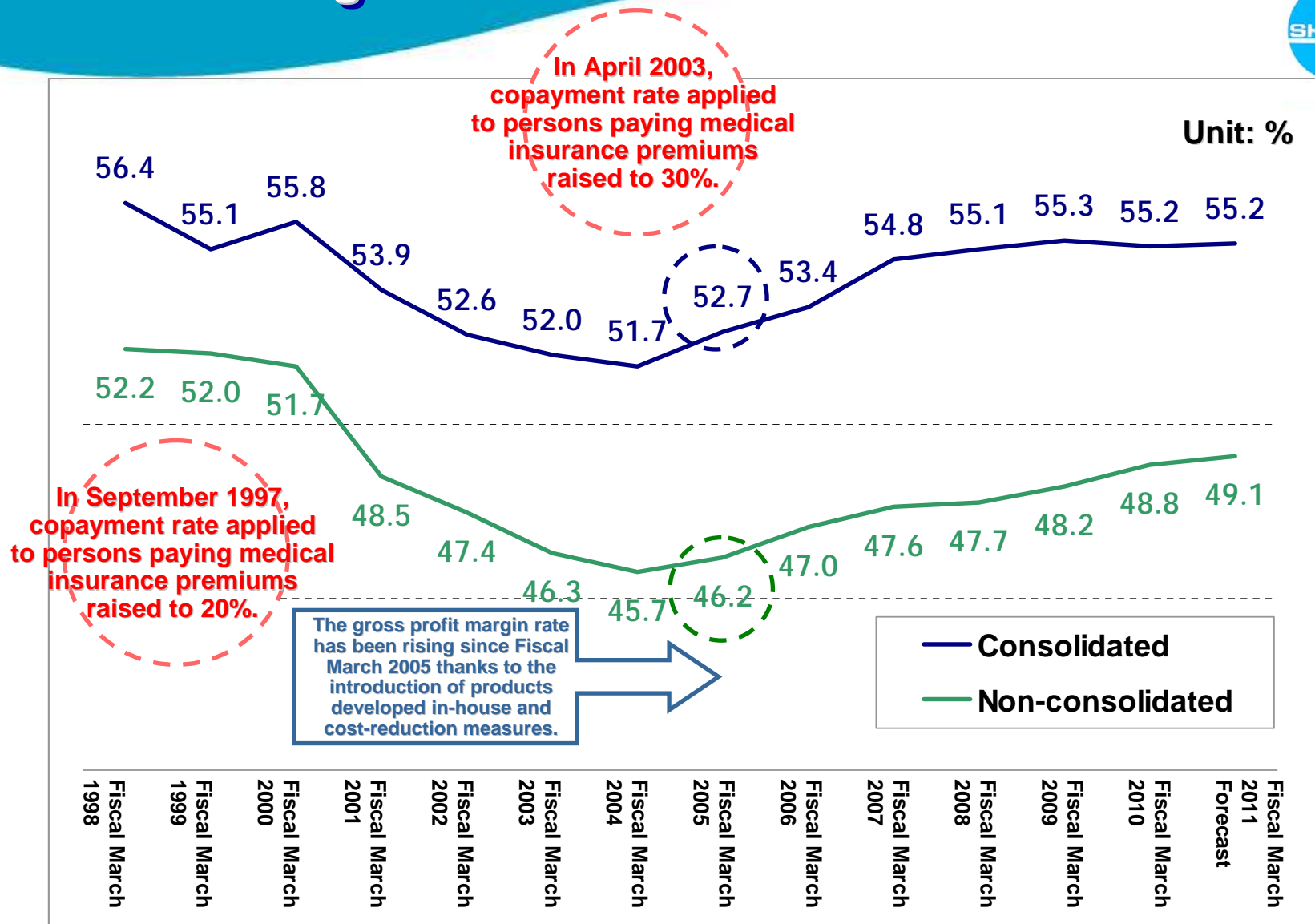
Unit: %



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

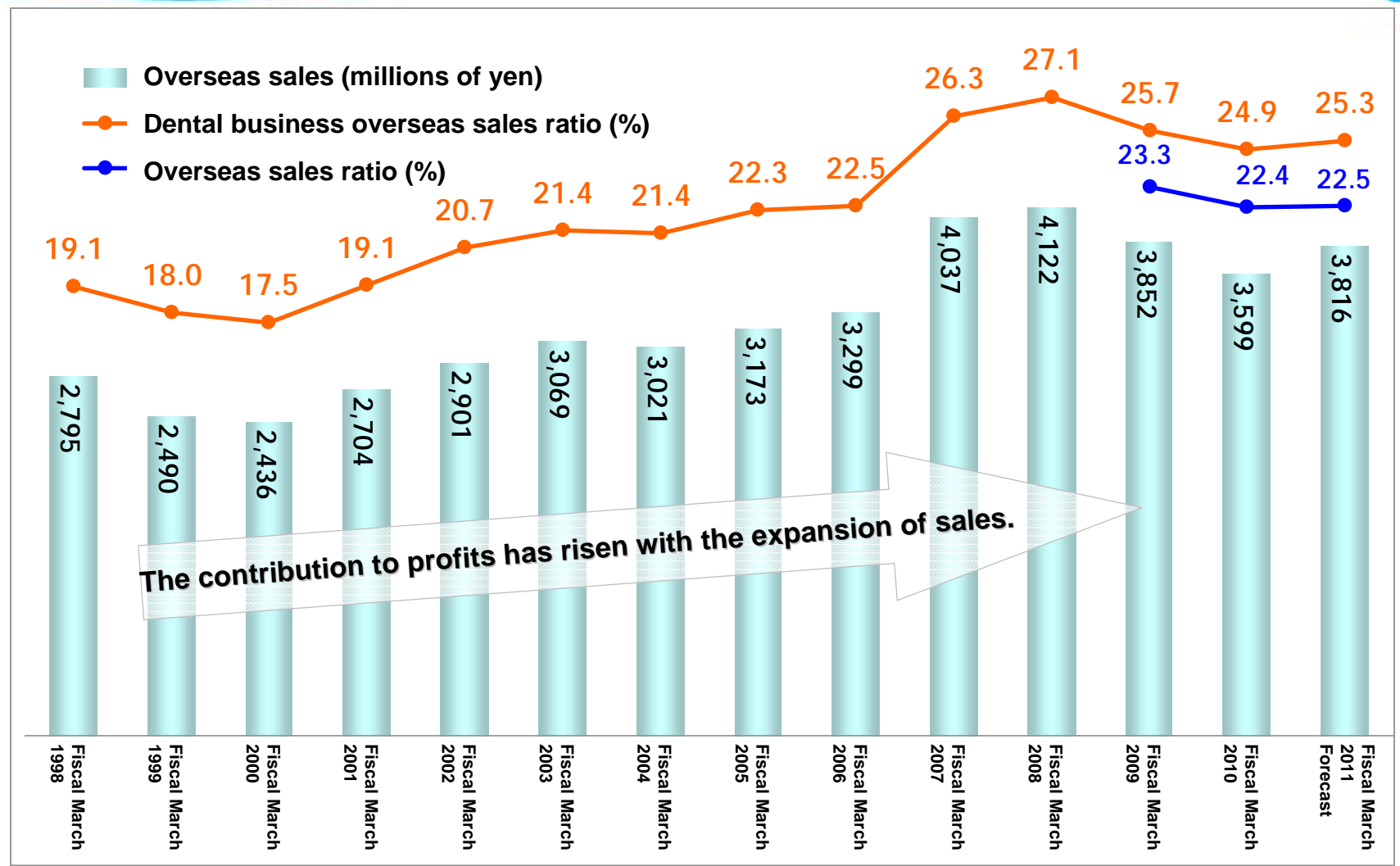
# Gross Profit Margin Rates

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011



# Overseas Sales and Overseas Sales Ratios

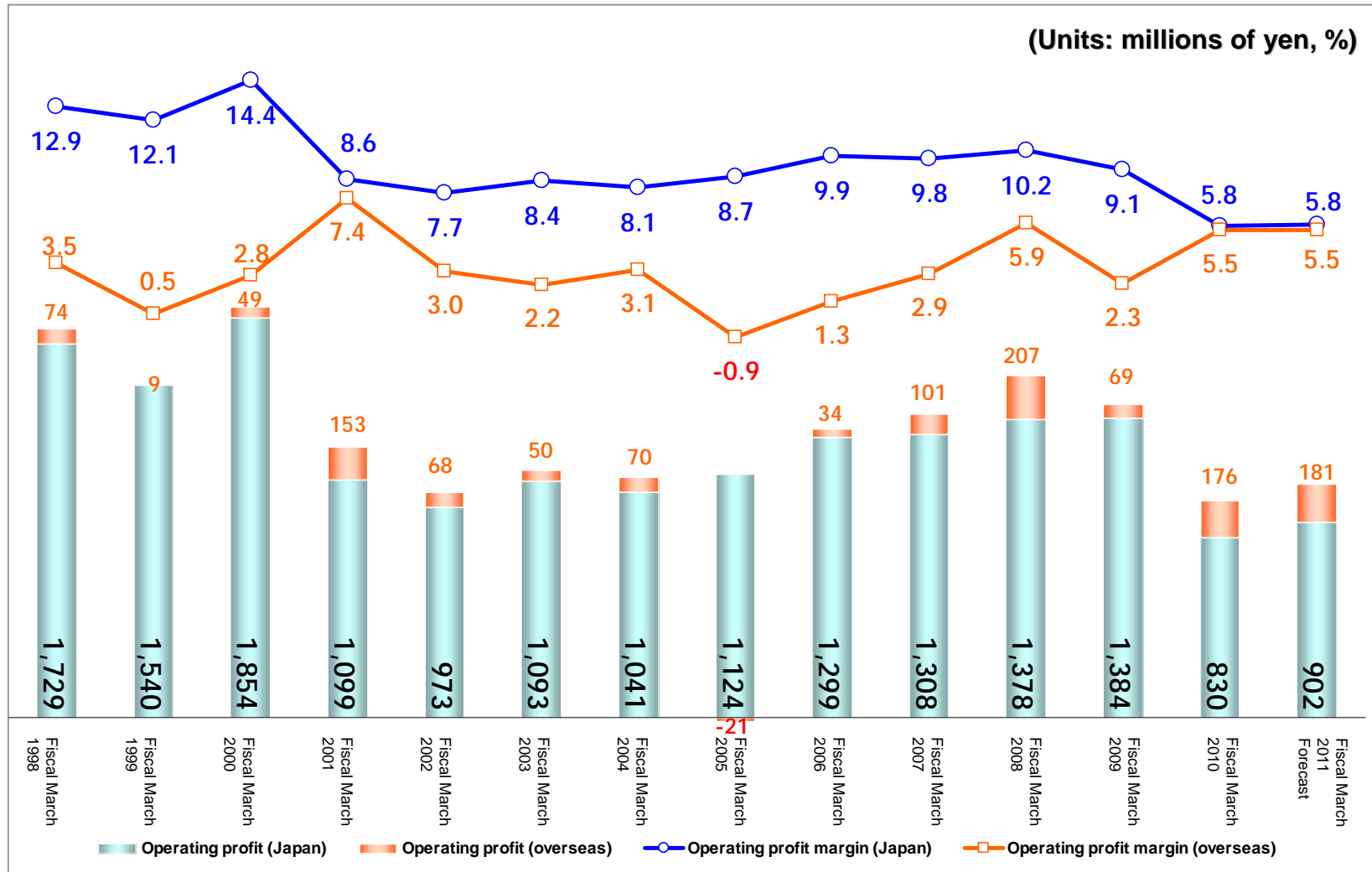
Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011



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

# Operating Profit by Geographic Segment

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2011





Summary of Consolidated Business Performance  
for Fiscal Year Ended March 31, 2010

Forecast of Consolidated Business Performance  
for Fiscal Year Ending March 31, 2011

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

# Matters to Be Addressed by the Company

Business Environment, Medium- and Long-term Business Strategies



## ⇒ Functions that need strengthening

■ Quality competitiveness ■ Marketing power ■ Price competitiveness

## ⇒ Company-wide goals and numerical Targets

◆ Strengthening global marketing functions as well as creating demand and increasing market share through new products and technologies

[Target: New product sales ratio of 15%] ⇒ Fiscal March 2010 business performance: 10.1%

◆ Restoring sales of artificial teeth through new products and expanding market share in the composite resin/bonding segment

[Target: Rank in top 3 in terms of market share.] ⇒ Fiscal March 2010 business performance: Introduction of large new products

◆ Expanding overseas businesses

[Target: Dental business overseas sales ratio of 30%] ⇒ Fiscal March 2010 business performance: 24.9%

◆ Accommodating increasing demand and relocating production bases to cut costs

[Cost-cutting target: Cut the cost of in-house products by 20% compared to the fiscal year ending March 31, 2003.] ⇒ Fiscal March 2010 business performance: 7.1%

**Restoring consolidated operating profit margin to 10%**

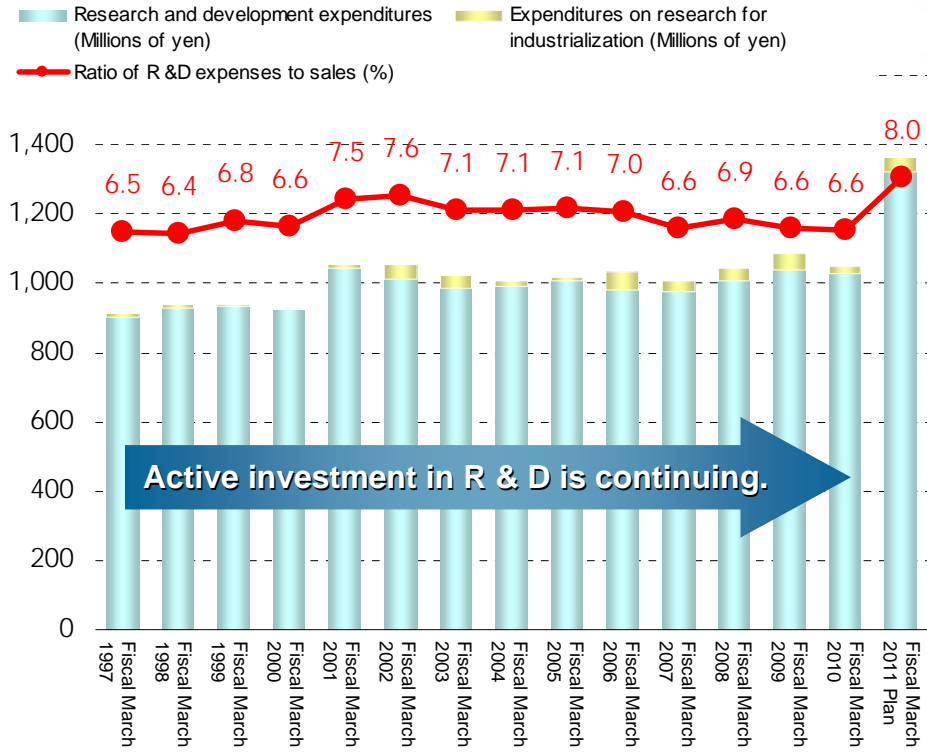
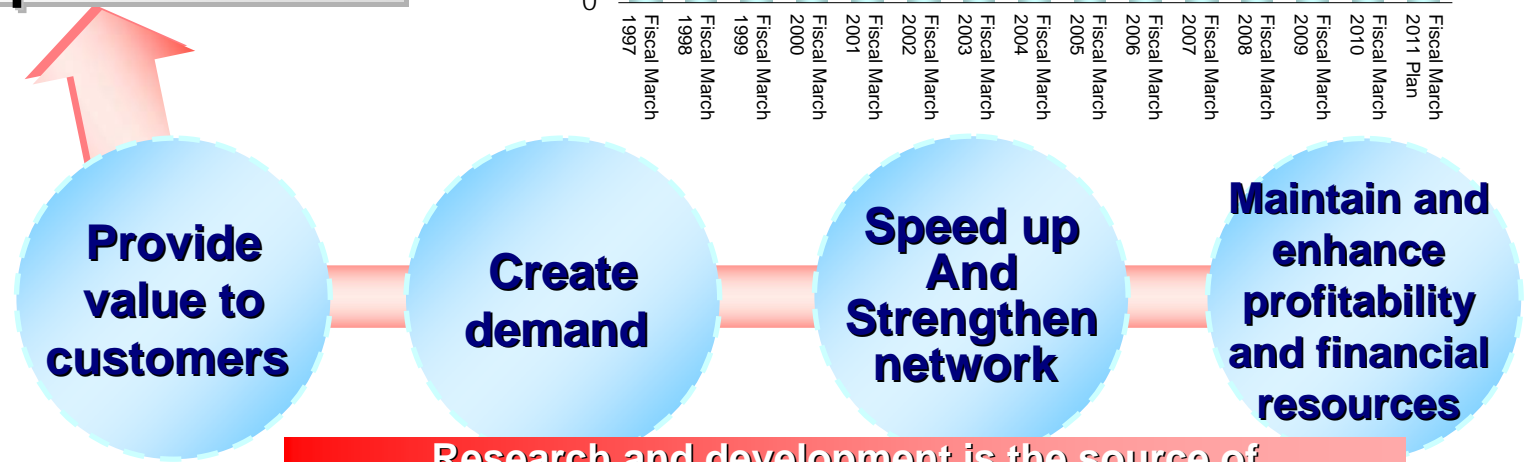
**Aiming to achieve a 15% consolidated operating profit margin over the long term**

# Specific Efforts – Research and Development

Business Environment, Medium- and Long-term Business Strategies



- ⇒ Quality competitiveness
- ⇒ Marketing power
- ⇒ Price competitiveness



Active investment in R & D is continuing.

Research and development is the source of competitiveness for manufacturers.



# Specific Efforts – Production

Business Environment, Medium- and Long-term Business Strategies



## ⇒ Succession and continuous improvement of production technology

- Pass on technologies to the next generation and work out labor-saving measures in order to cope with an increasing number of employees reaching retirement age.

## ⇒ Enhancement of efficiency in production and logistics and improvement of customer service

- Enhance efficiency in production and logistics through the introduction of new production systems
- Establish a system to ensure traceability in compliance with the Revised Pharmaceutical Affairs Law

## ⇒ Accommodation of increasing demand and relocation of production bases to cut costs

- Promote a cost-reduction project in each workplace

Effect of cost-rate reduction initiatives (actual reduction achieved in Fiscal March 2003 through Fiscal March 2010)  
In-house production cost rate lowered by 7.1% or 517 million yen

**Strengthening quality competitiveness**

**Strengthening price competitiveness**

**Cost reduction**  
Cutting the cost of in-house production by 20%

# Specific Efforts – Domestic Business

Business Environment, Medium- and Long-term Business Strategies



## Expansion of market share in existing product categories

- Artificial teeth
- Abrasives
- Filling and restorative dental materials
- Hard resin for crowns
- Luting and bonding materials

Key objective

Restoration of sales of artificial teeth through new products and expansion of market share in the composite resin/bonding segment (filling and restorative materials)

## Market creation in new fields

- Aesthetic dentistry: (example) Tooth whitening, orthodontic dentistry
- Preventive dentistry, oral hygiene: (example) PMTC
- Regenerative medicine: (example) Commercialization of bone repairing materials
- Periodontal disease-related fields: (example) Diagnostic kit for periodontal disease
- Commitment to implant business

Raise awareness of customer orientation

Enhance marketing power

Implement flexible and efficient sales tactics

Conduct simultaneous sales promotions worldwide for the MiCD product line through the MiCD Project.

# Specific Efforts – Overseas Business

Business Environment, Medium- and Long-term Business Strategies



## Americas

- Develop a new market for exports—Brazil and Mexico
- Enhance efforts to work with dental equipment evaluation organizations.

## Europe

- Enter the artificial teeth (resin teeth) market
- Develop a new market in Eastern Europe

## Asia

- Efforts to expand market share in China
  - ◆ Production: Commence export of artificial teeth and abrasives
    - Increase the number of production items
  - ◆ Sales: Increase the number of items for sale
- Commence efforts to open up a market in India and Vietnam

Enhance marketing functions

Conduct strategic activities with the aim of rolling out new products

### [Key products]

- Porcelain powder
- Hard resin for crowns
- Filling and restorative dental materials

***Conduct simultaneous sales promotions worldwide for the MiCD product line through the MiCD Project.***

# Specific Efforts – MiCD Project

Business Environment, Medium- and Long-term Business Strategies



## MiCD Project

### (Minimally Invasive Cosmetic Dentistry)

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

**Increase sales of filling and restorative products**

**Improve cost effectiveness**

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

### Specific activities

- ◆ Establish study groups consisting of dental professionals around the world
- ◆ Provide trainings for the dental professionals who chairs study groups worldwide
- ◆ Developing products based on MiCD concept
- ◆ Appeal as a dental manufacturer that satisfies patient's cosmetic desire and oral hygiene

# Specific Efforts – Nail Care Business

Business Environment, Medium- and Long-term Business Strategies



⇒ Acquisition of market share in the LED gel market with Presto

⇒ Expansion of market share in overseas markets – U.S., Europe, South Korea, China



⇒ Development of new materials and associated equipment and acquisition of market share

⇒ Sales plan

2.0 billion yen in the fiscal year ending March 31, 2010 → 2.3 billion yen in the fiscal year ending March 31, 2011 → 2.6 billion yen in the fiscal year ending March 31, 2012

(1.7 billion yen [business performance for the fiscal year ended March 31, 2010] ⇒ 2.0 billion yen [forecast for the fiscal year ending March 31, 2011])

- Shares of Nail Labo Co., Ltd., the No. 3 trading company in the nail care industry, were acquired to make the company a Shofu subsidiary in February 2008 (total investment: approx. 1.1 billion yen).
- Establish an integrated system extending from development (Shofu) to production (Promech) and sales (Nail Labo).

**Work to expand the nail business by taking advantage of Shofu's R&D capabilities and production technologies in dental materials.**



# Business Partnership with Mitsui Chemicals and Sunmedial

Business Environment, Medium- and Long-term Business Strategies



Concluded October 1, 2009  
**Low-polymer contractible composite resin joint development agreement**



Exploratory Committee



- Business partnership details**
- (1) Development of new products utilizing the partners' material development capabilities
  - (2) Synergetic effects of overseas sales networks
  - (3) Complementation and sharing of production technologies

**Strengthening Shofu's business in the dental materials segment**

# Fiscal 2009 to 2011 Medium-term Business Plan: Company-wide Goals

Business Environment, Medium- and  
Long-term Business Strategies



Goals to fulfill  
by the fiscal  
year ending  
March 31, 2012

## Reach 18.0 billion yen in global sales.

- Strengthening global marketing functions as well as creating demand and increasing market share through new products and technologies  
[Target: New product sales ratio of 15%]
- Restoring sales of artificial teeth through new products and expanding market share in the composite resin/bonding segment  
[Target: Rank in top 3 in terms of market share.]
- Expanding overseas businesses  
[Target: Dental business overseas sales ratio of 30%]
- Accommodating increasing demand and relocating production bases to cut costs  
[Cost-cutting target: Cut the cost of in-house products by 20% compared to the fiscal year ending March 31, 2003.]

# Medium-term Business Plan – Principle Targets

Business Environment, Medium- and Long-term Business Strategies



★... Record

Unit: Millions of yen, %

	Fiscal March 2009 (Results)	Fiscal March 2010	Fiscal March 2011	Fiscal March 2012	Reference: Fiscal March 2010 Results	Reference: Fiscal March 2011 Forecast
<b>Sales</b>	★ 16,526	★ 16,687	★ 17,357	★ 18,174	16,040	★ 16,955
(Compared to previous fiscal year)	(8.6%)	(1.0%)	(4.0%)	(4.7%)	(-2.9%)	(5.7%)
<b>Domestic sales</b>	★ 12,674	★ 13,076	★ 13,411	★ 13,915	12,440	★ 13,138
(Compared to previous fiscal year)	(14.3%)	(3.2%)	(2.6%)	(3.8%)	(-1.8%)	(5.6%)
<b>Overseas sales</b>	3,852	3,611	3,945	★ 4,258	3,599	3,816
(Compared to previous fiscal year)	(-6.5%)	(-6.3%)	(9.3%)	(7.9%)	(-6.6%)	(6.0%)
<b>Operating profit</b>	1,414	1,121	1,371	1,749	1,056	1,087
(Percentage of sales)	(8.6%)	(6.7%)	(7.9%)	(9.6%)	(6.6%)	(6.4%)
<b>Ordinary profit</b>	1,313	1,041	1,295	1,671	951	966
(Percentage of sales)	(7.9%)	(6.2%)	(7.5%)	(9.2%)	(5.9%)	(5.7%)
<b>Net profit</b>	793	677	798	★ 1,044	521	596
(Percentage of sales)	(4.8%)	(4.1%)	(4.6%)	(5.7%)	(3.2%)	(3.5%)
<b>Net profit per share</b>	55.57 yen	42.18 yen	49.70 yen	64.99 yen	33.28 yen	37.13 yen
<b>Return on equity</b>	4.7%	3.9%	4.3%	5.5%	3.0%	3.2%
(Dental business) Overseas sales ratio	25.7%	24.3%	25.7%	26.5%	24.9%	25.3%



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

Business Environment, Medium- and Long-term Business Strategies



Unit: Millions of yen, %

	Fiscal March 2009 (Results)		Fiscal March 2010		Fiscal March 2011		Fiscal March 2012	
	Amout	%	Amout	%	Amout	%	Amout	%
Dental business	14,673	88.8	14,566	87.3	14,959	86.2	15,479	85.2
Nail care business	1,773	10.7	2,035	12.2	2,308	13.3	2,602	14.3
Other businesses	79	0.5	85	0.5	90	0.5	92	0.5
<b>Sales</b>	<b>16,526</b>	<b>100.0</b>	<b>16,687</b>	<b>100.0</b>	<b>17,357</b>	<b>100.0</b>	<b>18,174</b>	<b>100.0</b>

Reference: Fiscal March 2010 Results		Reference: Fiscal March 2011 Forecast	
Amout	%	Amout	%
14,268	87.3	14,857	86.2
1,714	12.2	2,023	13.3
61	0.5	73	0.5
<b>16,040</b>	<b>100.0</b>	<b>16,955</b>	<b>100.0</b>

Dental business	1,359	9.3	991	6.8	1,171	7.8	1,478	9.5
Nail care business	37	2.1	110	5.4	178	7.8	249	9.6
Other businesses	17	21.5	19	22.6	20	23.1	21	23.3
<b>Operating profit</b>	<b>1,414</b>	<b>8.6</b>	<b>1,121</b>	<b>6.7</b>	<b>1,371</b>	<b>7.9</b>	<b>1,749</b>	<b>9.6</b>

1,044	7.3	998	6.7
3	0.2	74	3.7
10	17.5	15	20.6
<b>1,058</b>	<b>6.6</b>	<b>1,087</b>	<b>6.4</b>

# Medium-term Business Plan by Region (Sales and Operating Profits)

Business Environment, Medium- and Long-term Business Strategies



Unit: Millions of yen, %

		Fiscal March 2009 (Results)	Fiscal March 2010	Fiscal March 2011	Fiscal March 2012	Reference: Fiscal March 2010 Results	Reference: Fiscal March 2011 Forecast
Japan	<b>Sales</b>	15,214	15,463	16,089	16,805	14,444	15,445
	Operating profit (Percentage of sales)	1,384 (9.1%)	950 (6.1%)	1,108 (6.9%)	1,394 (8.3%)	830 (5.8%)	902 (5.8%)
Americas	<b>Sales</b>	1,092	1,026	1,115	1,205	1,094	1,024
	Operating profit (Percentage of sales)	24 (2.3%)	37 (3.6%)	84 (7.6%)	127 (10.6%)	38 (3.5%)	49 (4.9%)
Europe	<b>Sales</b>	1,466	1,291	1,320	1,351	1,454	1,521
	Operating profit (Percentage of sales)	-2 (-0.2%)	64 (5.0%)	74 (5.7%)	82 (6.1%)	92 (6.4%)	60 (4.0%)
Asia	<b>Sales</b>	524	615	781	942	654	766
	Operating profit (Percentage of sales)	47 (9.1%)	65 (10.7%)	99 (12.7%)	140 (14.9%)	45 (7.0%)	71 (9.3%)
Overseas total	<b>Sales</b>	3,083	2,933	3,217	3,499	3,203	3,311
	Operating profit (Percentage of sales)	69 (2.3%)	167 (5.7%)	259 (8.1%)	350 (10.0%)	176 (5.5%)	181 (5.5%)
Total before consolidation adjustment	<b>Sales</b>	18,298	18,397	19,307	20,305	17,647	18,756
	Operating profit (Percentage of sales)	1,454 (7.9%)	1,117 (6.1%)	1,367 (7.1%)	1,745 (8.6%)	1,007 (5.7%)	1,083 (5.8%)

# Medium-term Business Plan

## Capital Expenditures, Depreciation Costs, R&D Expenses

Business Environment, Medium- and Long-term Business Strategies



Unit: Millions of yen

	Fiscal March 2009 (Results)	Fiscal March 2010	Fiscal March 2011	Fiscal March 2012	Reference: Fiscal March 2010 Results	Reference: Fiscal March 2011 Forecast
Capital expenditures	1,352	1,418	593	618	558	1,196
Depreciation costs	635	744	768	794	731	759
(of which goodwill amortization)	89	89	89	89	89	89
R&D expenses	1,041	1,153	1,139	1,182	1,030	1,323

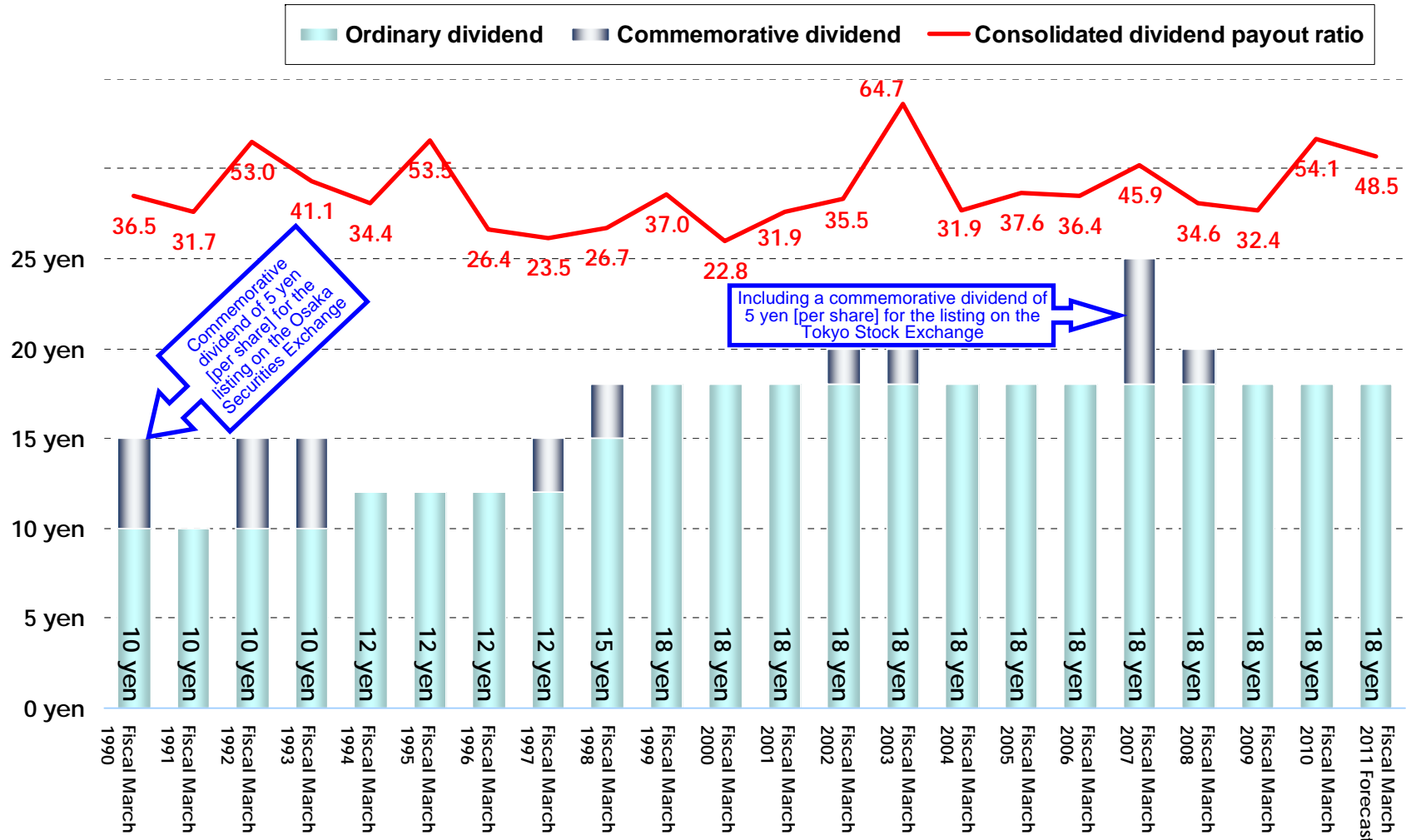
### ✧ Projects not included in the Medium-term Business Plan (issues for future consideration):

- West Japan Logistics Center
- Expansion and relocation of production bases, including the Head Office Plant as well as domestic and overseas manufacturing subsidiaries
- Group main system
- Nail care business

# Dividend Policy

- Target dividend payout ratio: More than 30%
- Average consolidated dividend payout ratio since listing: 35.4%  
(Weighted average from Fiscal March 1990 to March 2010)

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





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

**SHOFU INC.**

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E-mail: [ir@shofu.co.jp](mailto:ir@shofu.co.jp)

Contact: Corporate Planning Department





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

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

# Company Profile

➔ Company and Business Profiles



(As of March 31, 2010)

■ 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	Second Section of Tokyo Stock Exchange (date listed: February 15, 2007)
■ Number of employees	442 (entire group: 801, including 232 in overseas subsidiaries)
■ Business	Manufacture and sale of dental materials and equipment
■ Main customers	Dental institutions (via sales agencies)
■ Number of group companies	12 (four in Japan, eight overseas) Dental companies: 10 (three in Japan, seven overseas) Nail care companies: 2 (one in Japan, one overseas)



# Main Products



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

## Artificial teeth



Artificial tooth and implant materials

- Porcelain teeth, porcelain powder, resin teeth

## 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



Materials for removing diseased areas and polishing crowns

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

## Cements



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

## Equipment and appliances



Equipment and appliances for dental treatment and procedures

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

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

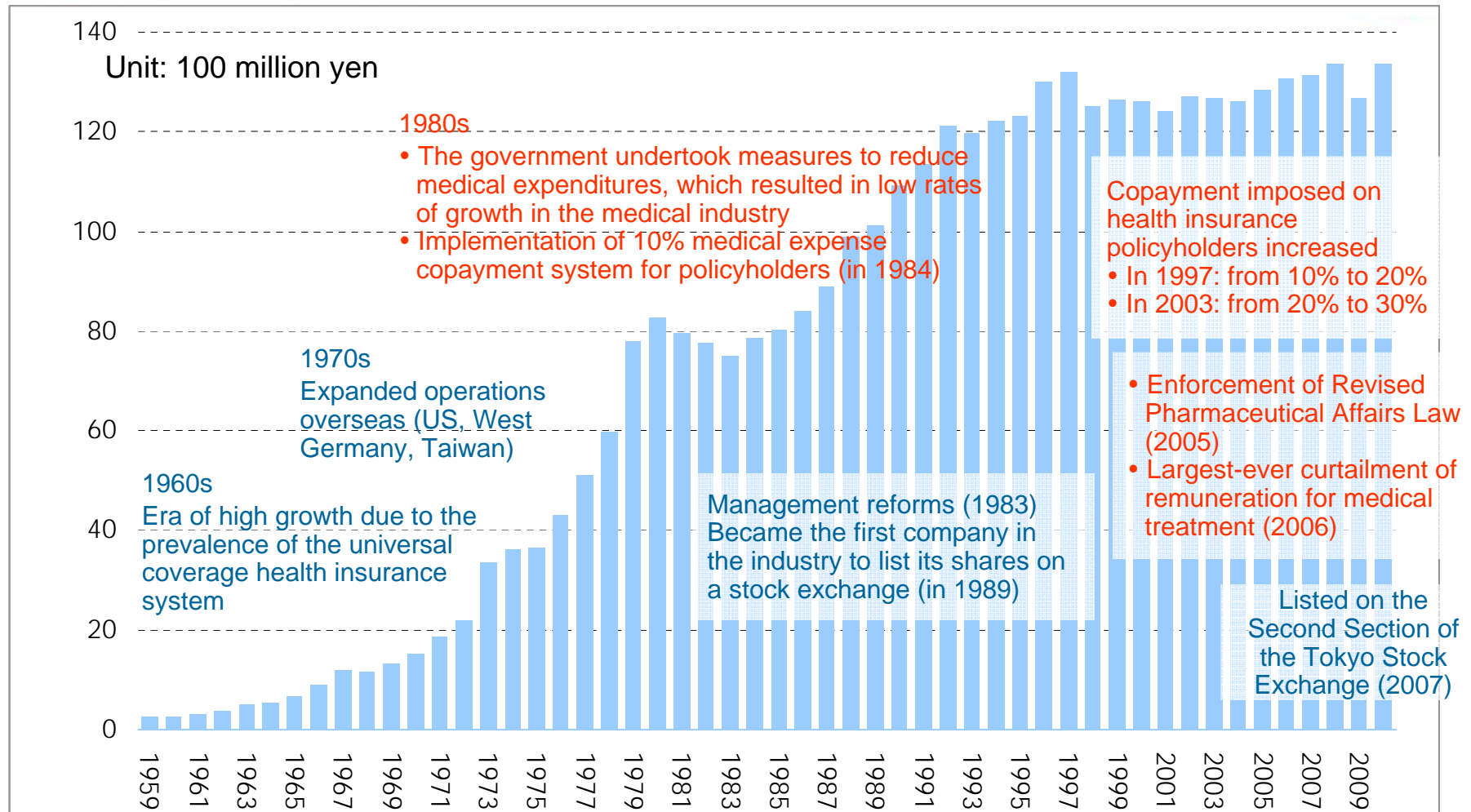
The company's products are designed for use in dental care and treatment.

# Corporate History



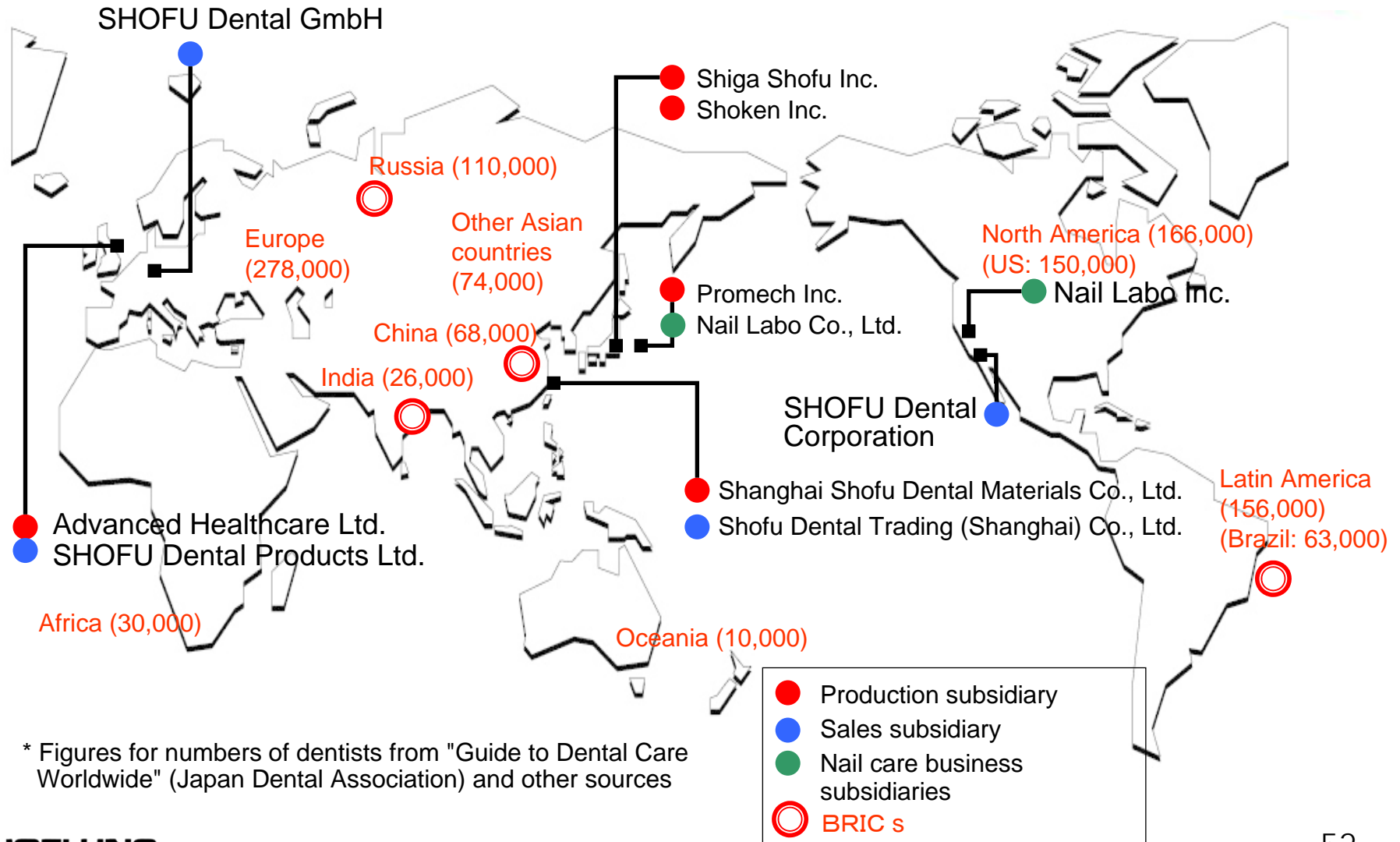
• 1922	Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
• 1963	Shofu shares listed on the over-the-counter market.
• 1971~1978	Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). Established Shiga Shofu Inc. as a manufacturing facility for resin teeth.
• 1983	Changed the company name to SHOFU Inc. Commenced management reforms.
• 1989	Shofu's shares listed on the Second Section of the Osaka Securities Exchange (in November).
• 1990~1997	Purchased a British research & development and manufacturing company. Founded a sales subsidiary in the U.K. Obtained the UK GMP (Good Manufacturing Practice) Certificate. Acquired a CE marking certificate.
• 1996	Founded Promech Inc. Established Liaison Office in Shanghai, China.
• 1997	Established the industry's largest research facility as a part of a project to commemorate Shofu's 75th anniversary.
• 2002~2003	Celebrated the company's 80th anniversary (in May 2002). Established Liaison Office in Beijing, China. Obtained ISO 14001 (Environmental Management System) certification (both for the headquarters and all group companies). Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China.
• 2005	Acquired Shoken Inc. as a wholly owned subsidiary through a share exchange. Established Shofu Dental Supplies (Shanghai) Co., Ltd., a sales facility in China.
• 2006	Training Center designed to promote customers service completed (in August).
• 2007	Celebrated the company's 85th anniversary. Shofu's shares listed on the Second Section of the Tokyo Stock Exchange (in February).
• 2008	Acquired and turned Nail Labo Co., Ltd. into a subsidiary. Acquired 1.6 million of the company's own shares in accordance with the purchase of the company's own shares scheme in the J-NET market of the Osaka Securities Exchange.
• 2009	Reached basic agreement concerning business and capital partnership with Mitsui Chemicals, Inc., and Sunmedical Co., Ltd. Transferred 1.8 million shares of treasury stock to Mitsui Chemicals, Inc., through a third-party allocation. Delisted from the Osaka Securities Exchange.

# Corporate History - Sales



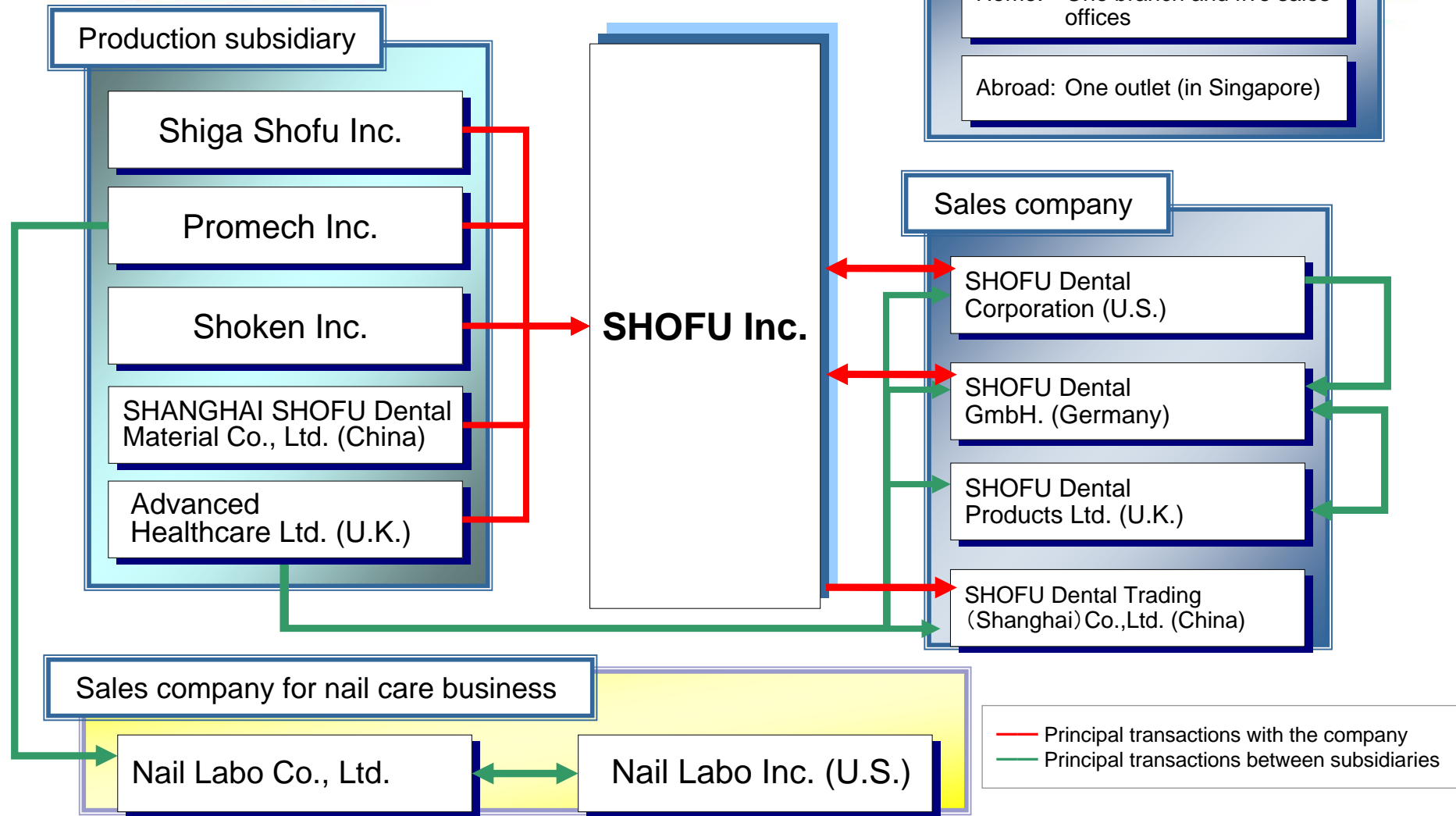
(Note) Figures shown in the graph are non-consolidated sales.

# Group Profile and Number of Dentists Worldwide

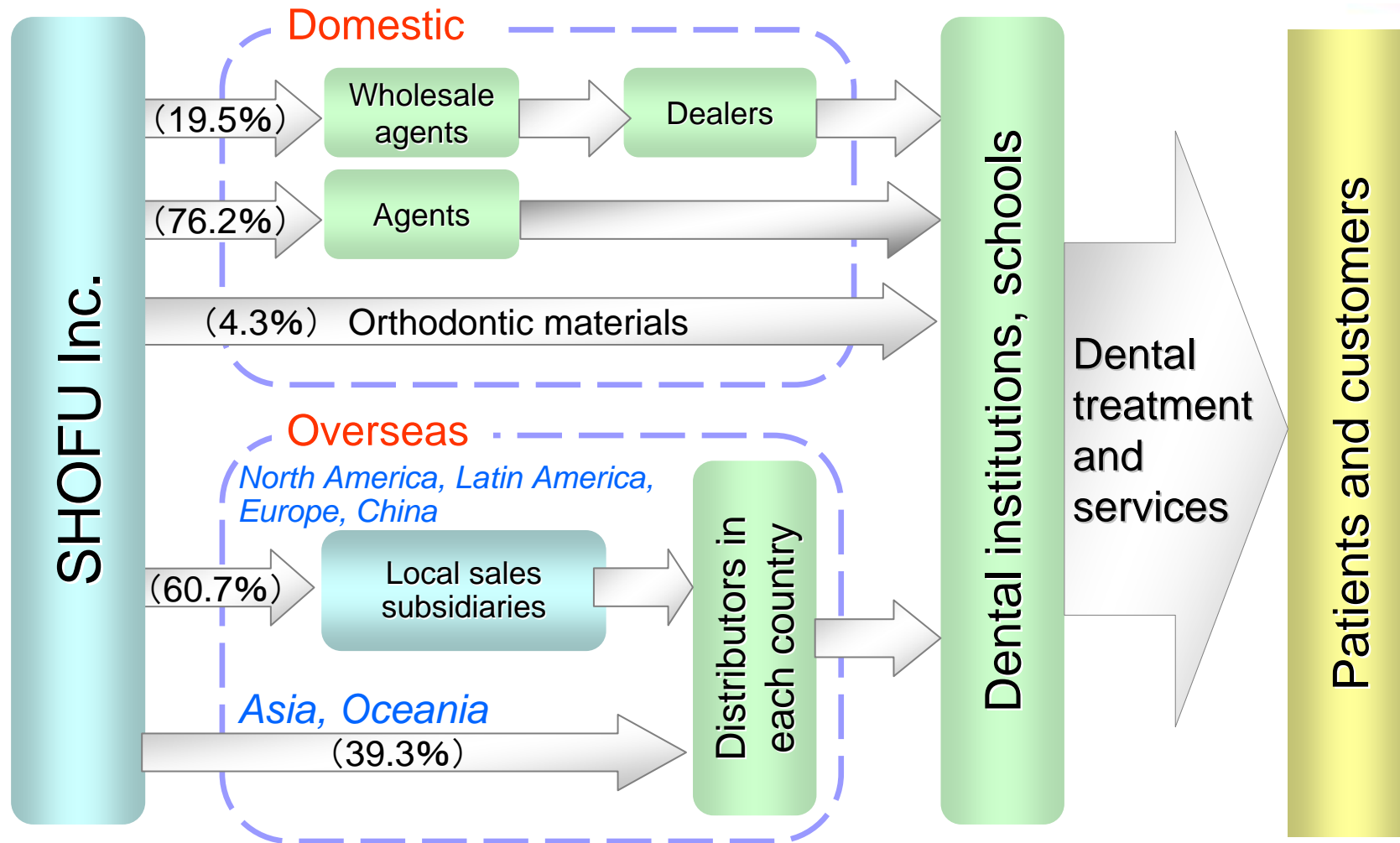


\* Figures for numbers of dentists from "Guide to Dental Care Worldwide" (Japan Dental Association) and other sources

# Group Profile

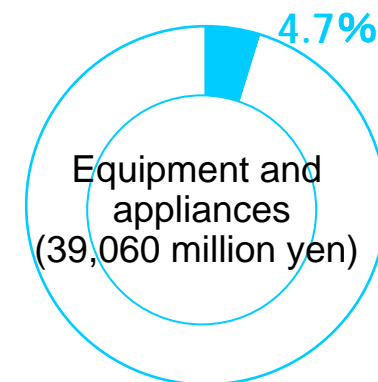
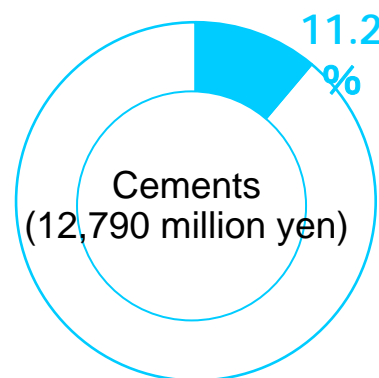
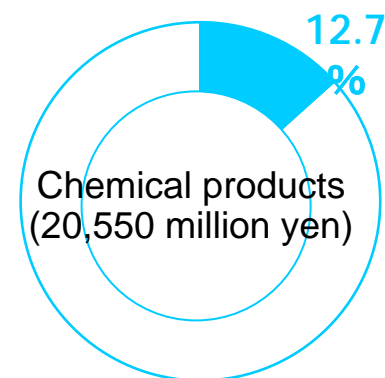
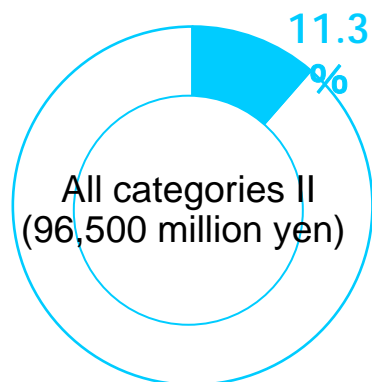
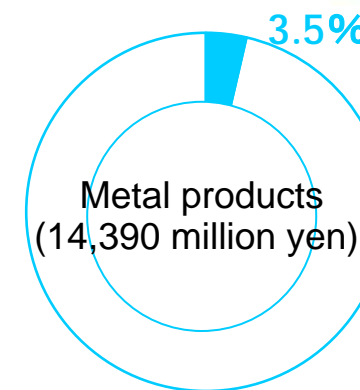
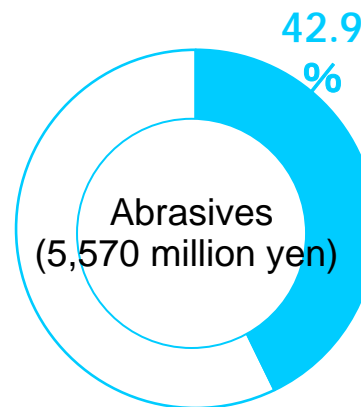
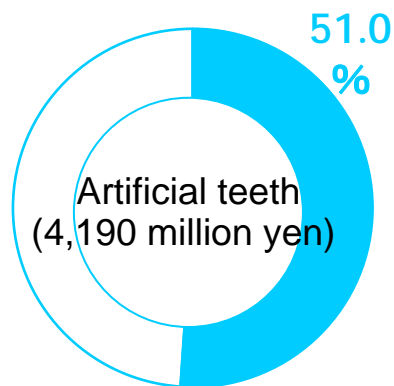
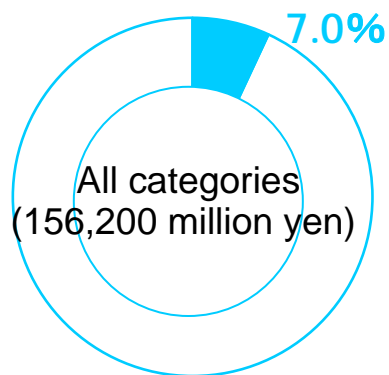


# Sales Channels



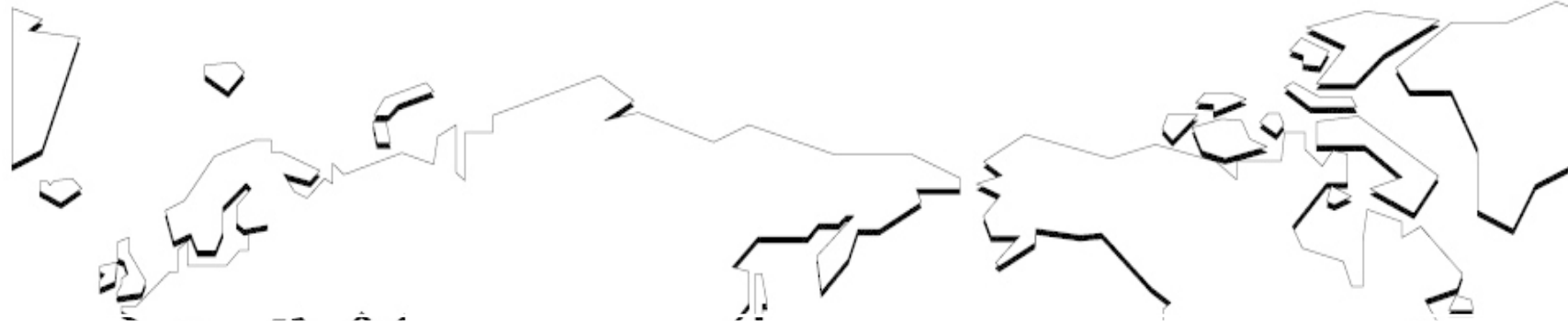
Figures in parentheses represent each sales channel as percentage of total sales (Non-consolidated figures as of Fiscal March 2010).

# 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 2007)  
 Figures in parentheses represent market size. (Figures rounded down to the nearest ten million yen)



**Reference <Dentistry Data>**



# New Vision for Medical Equipment/Technology Industry

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

Ministry of Health, Labour and Welfare  
September 19, 2008



Providing innovative medical equipment developed in Japan to help improve health and medical care standards for patients worldwide

Creating an attractive environment for the development of medical equipment

Bolstering international competitiveness

## Changes in the Business Environment

- Increasing sophistication and diversification of medical engineering technology and its application in cutting-edge medical care
- Progressing globalization and increasingly fierce competition
- Need for medical care safety measures
- Insured medical care
  - Increased medical care expenses
  - Domestic-overseas price differentials
  - Due diligence for innovative technologies
- Changes in public needs

## Action Plan



- Support for research and development
  - Support for venture companies
  - Clinical trials and other clinical research
  - Collaboration with Asia
  - Improvements to pharmaceutical jurisprudence
  - Due diligence for medical equipment and technology in medical insurance
  - After-sale provision of appropriate information and services
  - Greater efficiency and sophistication in distribution functions
  - Computerization of medical care
  - Public-private sector dialogue
  - Other
- Public education activities, support for overseas expansion  
Qualitative improvement and utilization of clinical engineers  
Upgrading of systems, to include establishment of specialist organizations to promote the medical equipment industry

Many key ideas also applicable to dentistry

# Perception of Business Environment: Demand, Policy, and Markets

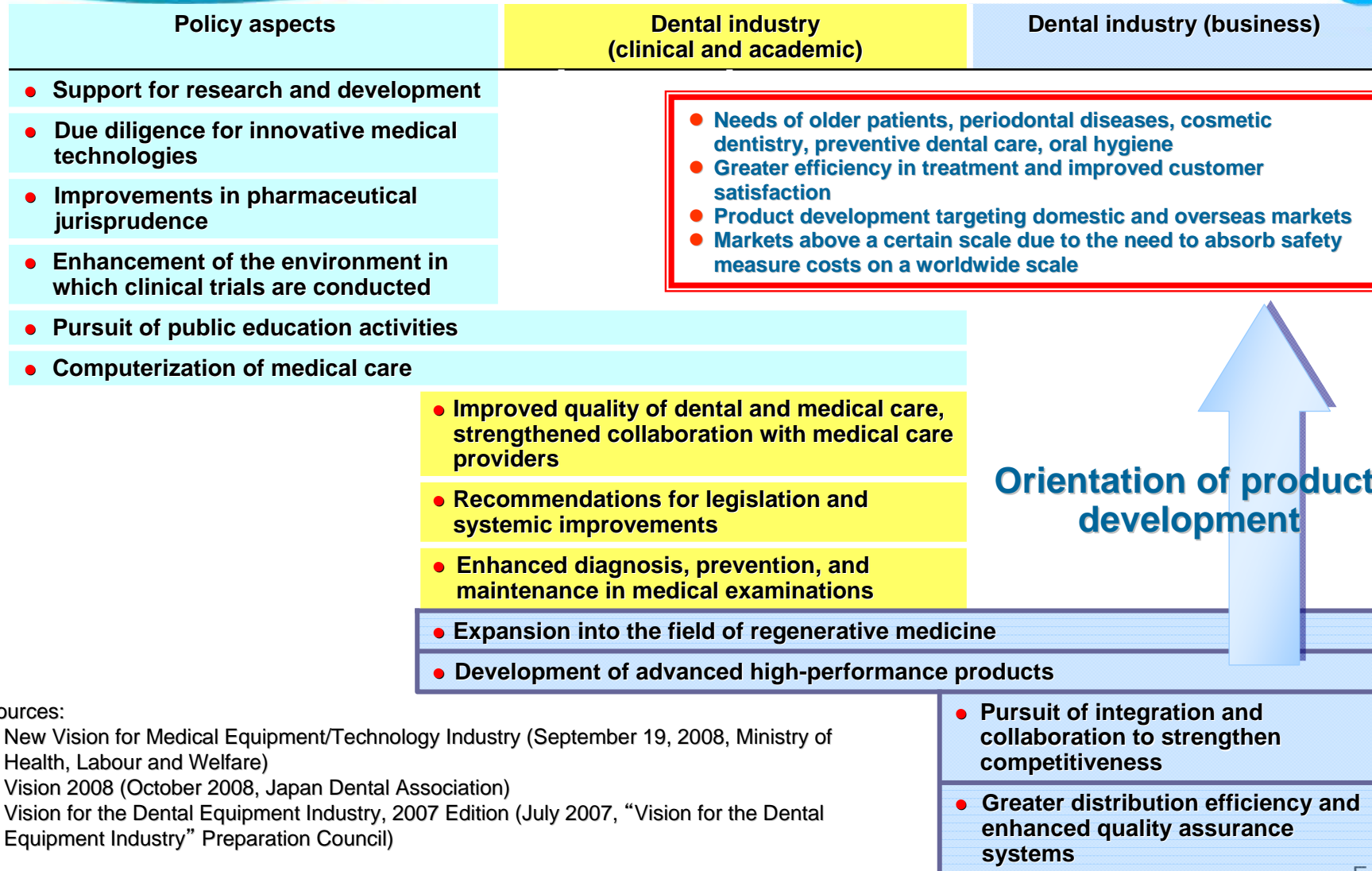
Business Environment, Medium- and Long-term Business Strategies



		 <b>Positive factors</b>	 <b>Negative factors</b>
<b>Demand</b>	Aging population/ declining birthrate	<ul style="list-style-type: none"> <li>● Increase in potential number of older patients</li> </ul>	<ul style="list-style-type: none"> <li>● Shrinking total population</li> </ul>
	Changes in dental disease	<ul style="list-style-type: none"> <li>● Increase in remaining teeth due to greater preventive efforts and increased opportunities for treatment and examinations</li> <li>● Expanded demand from the perspective of preventing systematic illnesses</li> <li>● Growing awareness and greater demand for cosmetic dentistry, preventive dental care, and oral hygiene</li> <li>● Expansion of markets outside the scope of health care insurance (enhancement of fairness and individuality)</li> </ul>	<ul style="list-style-type: none"> <li>● Reduced treatment of tooth decay, resulting in lower consumption of associated materials</li> </ul>
<b>Policy</b>	Measures to curb medical expenditures	<ul style="list-style-type: none"> <li>● Potential for growth in products and services that help rein in medical expenditures</li> </ul>	<ul style="list-style-type: none"> <li>● Decrease in examinations due to higher out-of-pocket expenses</li> </ul>
	Tighter safety regulations	<ul style="list-style-type: none"> <li>● Weeding out of competitors through exposure of relative quality assurance levels</li> </ul>	<ul style="list-style-type: none"> <li>● Cost increases</li> </ul>
<b>Markets</b>	Structural oversupply throughout industry		<ul style="list-style-type: none"> <li>● Excessive competition stemming from oversupply of manufacturers, distributors, dental clinics, and dental technicians</li> <li>● Greater demand for lower prices from hospital management</li> </ul>
	Globalization	<ul style="list-style-type: none"> <li>● Improvements to research and development and product development capabilities via quality-driven competition with overseas manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>● Increased intellectual property risk</li> </ul>

# Response to the Business Environment: Issues for the Dental Industry

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



Sources:

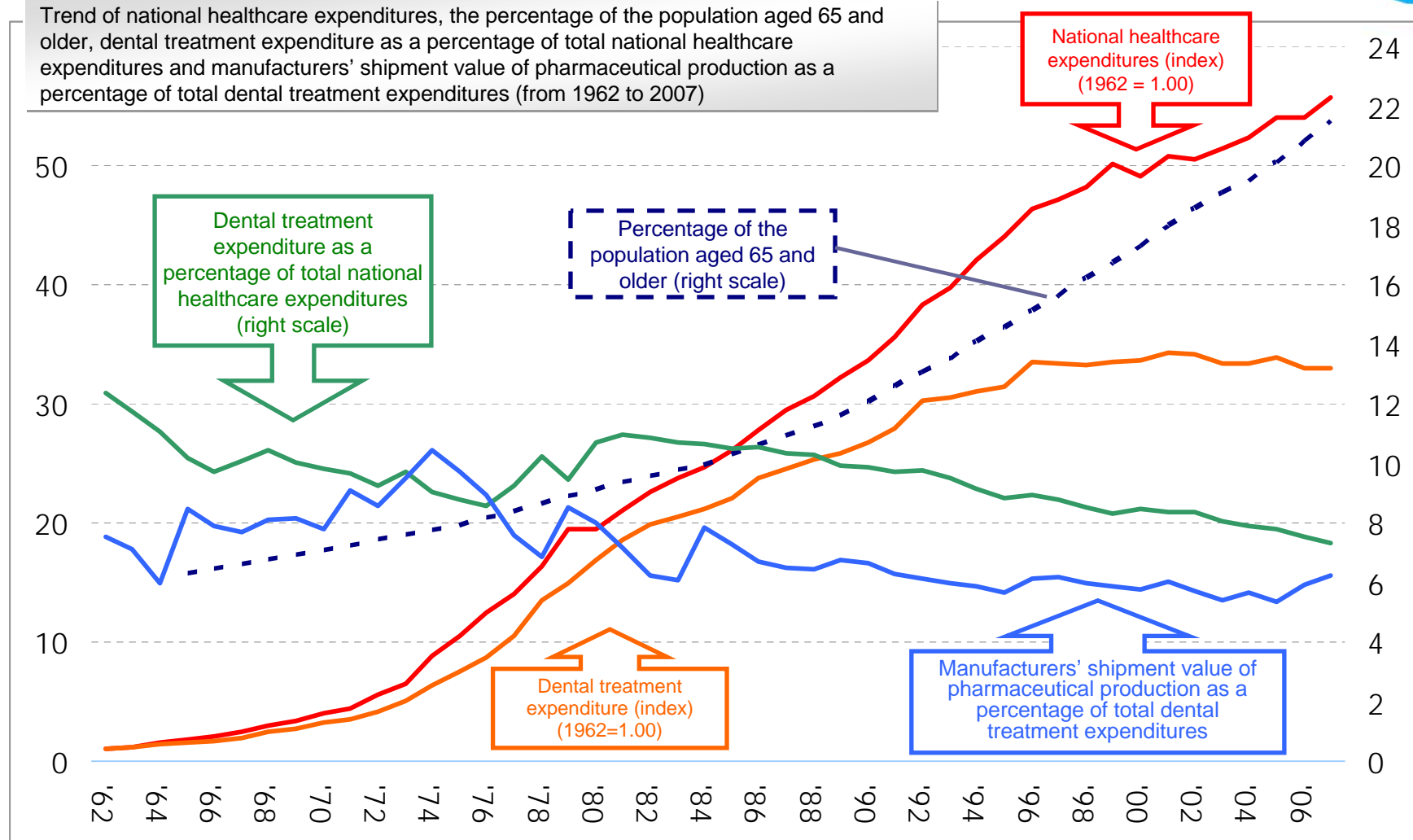
- New Vision for Medical Equipment/Technology Industry (September 19, 2008, Ministry of Health, Labour and Welfare)
- Vision 2008 (October 2008, Japan Dental Association)
- Vision for the Dental Equipment Industry, 2007 Edition (July 2007, “Vision for the Dental Equipment Industry” Preparation Council)

# Long-term Trend of Dentistry-Related Statistics

Reference <Dentistry Data>



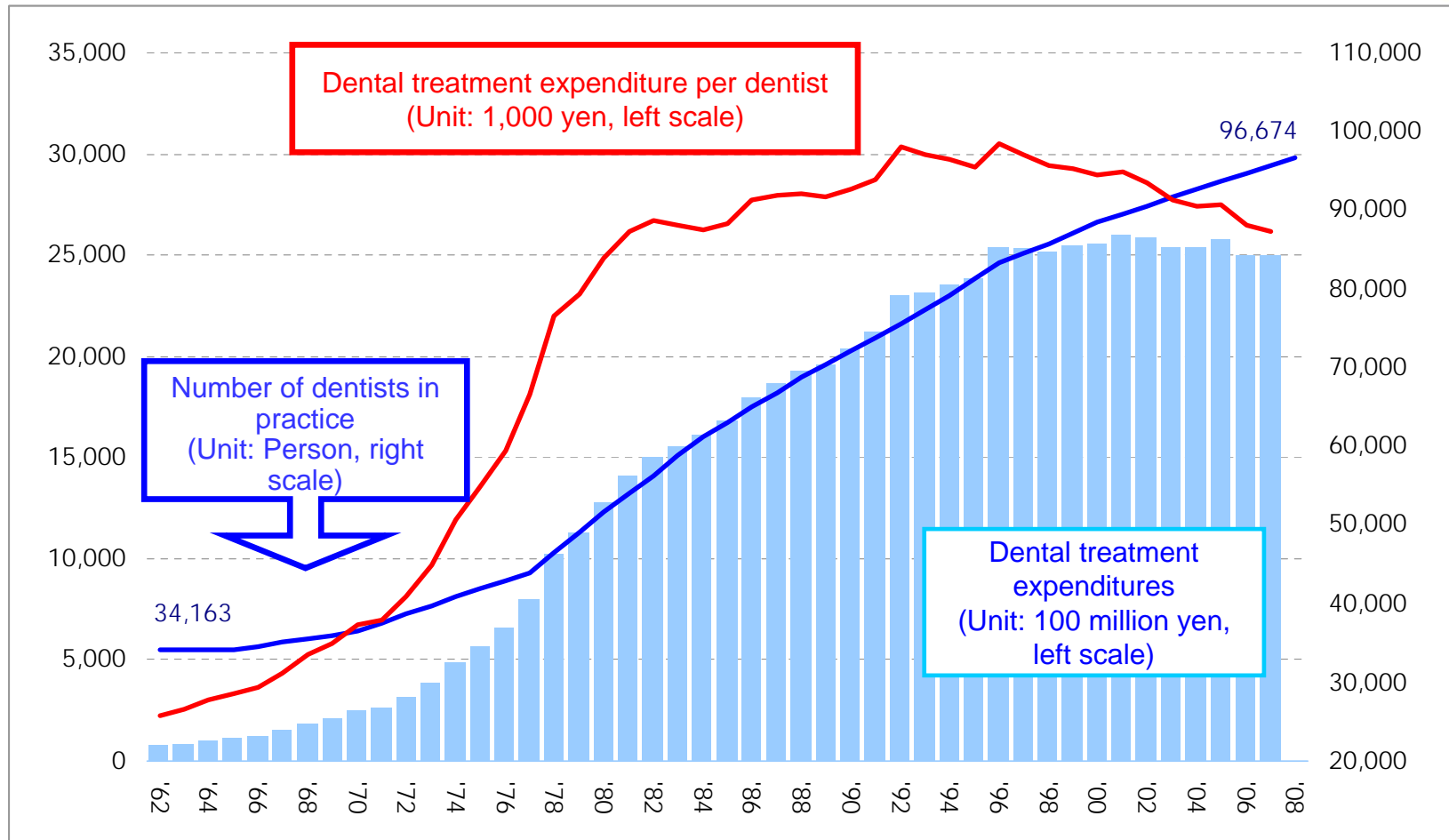
Trend of national healthcare expenditures, the percentage of the population aged 65 and older, dental treatment expenditure as a percentage of total national healthcare expenditures and manufacturers' shipment value of pharmaceutical production as a percentage of total dental treatment expenditures (from 1962 to 2007)



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

# 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)

# Healthcare Expenditures by Age Group (Component Ratio)

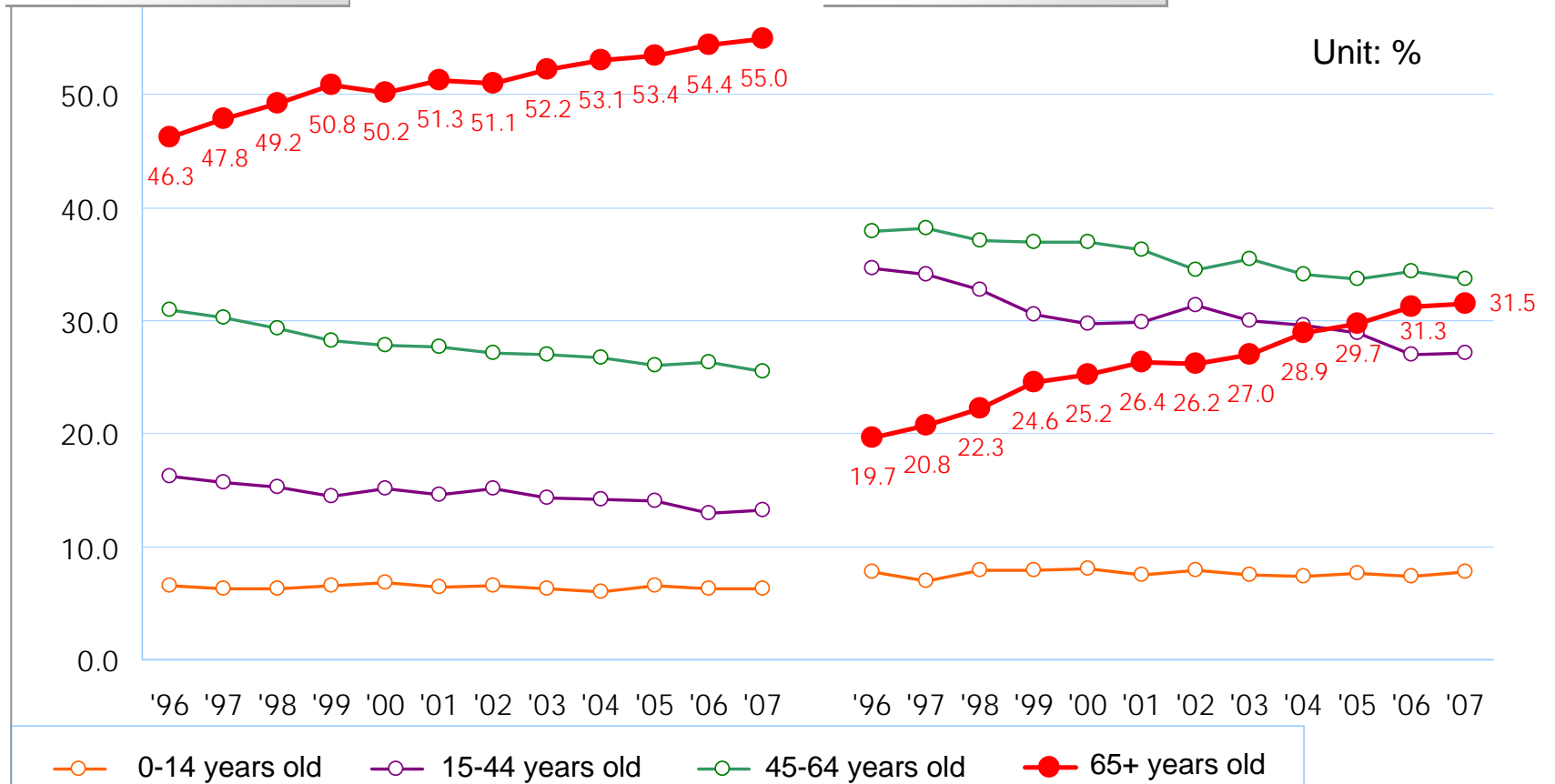
Reference <Dentistry Data>

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



General treatment

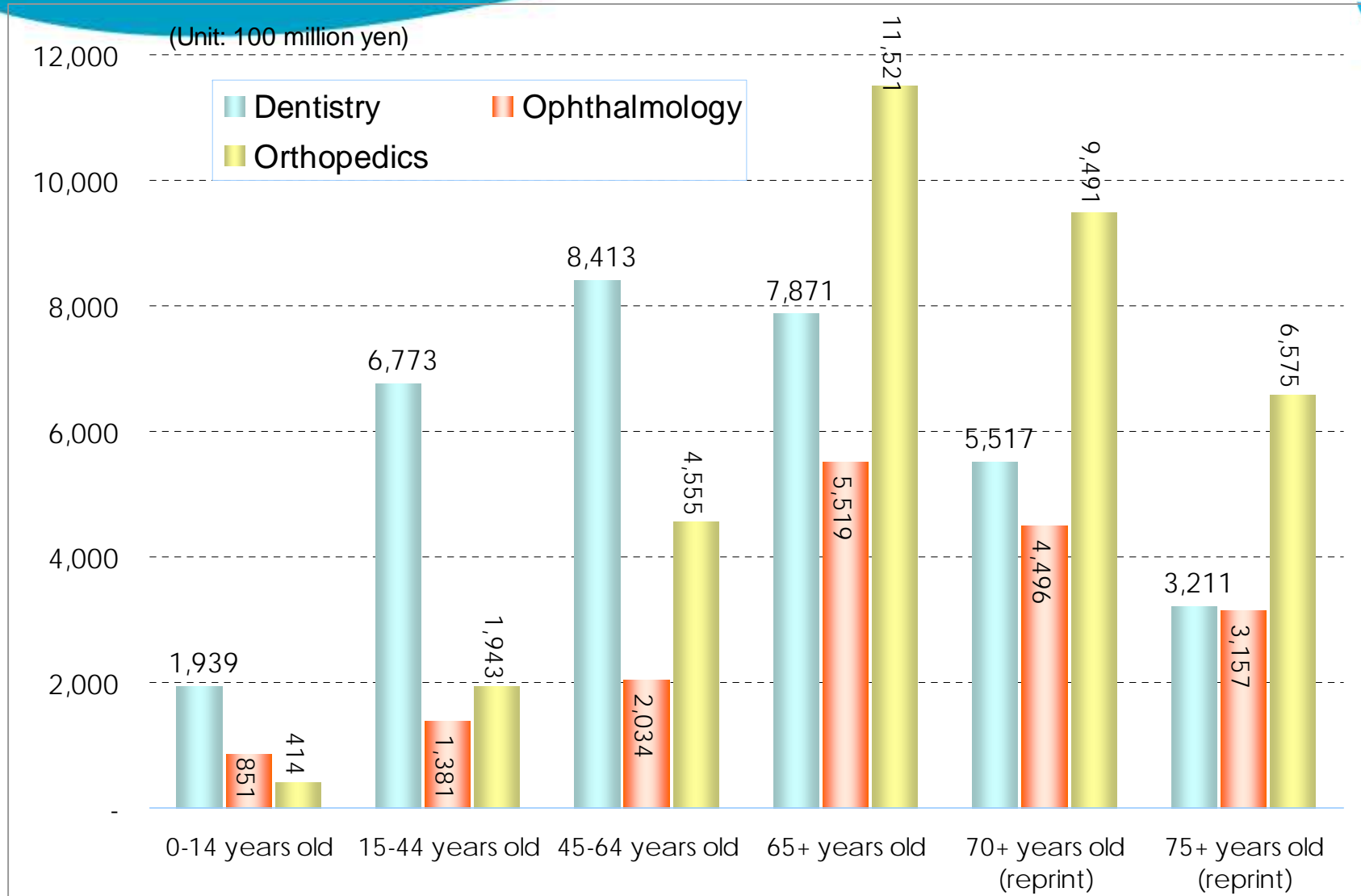
Dental treatment



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>

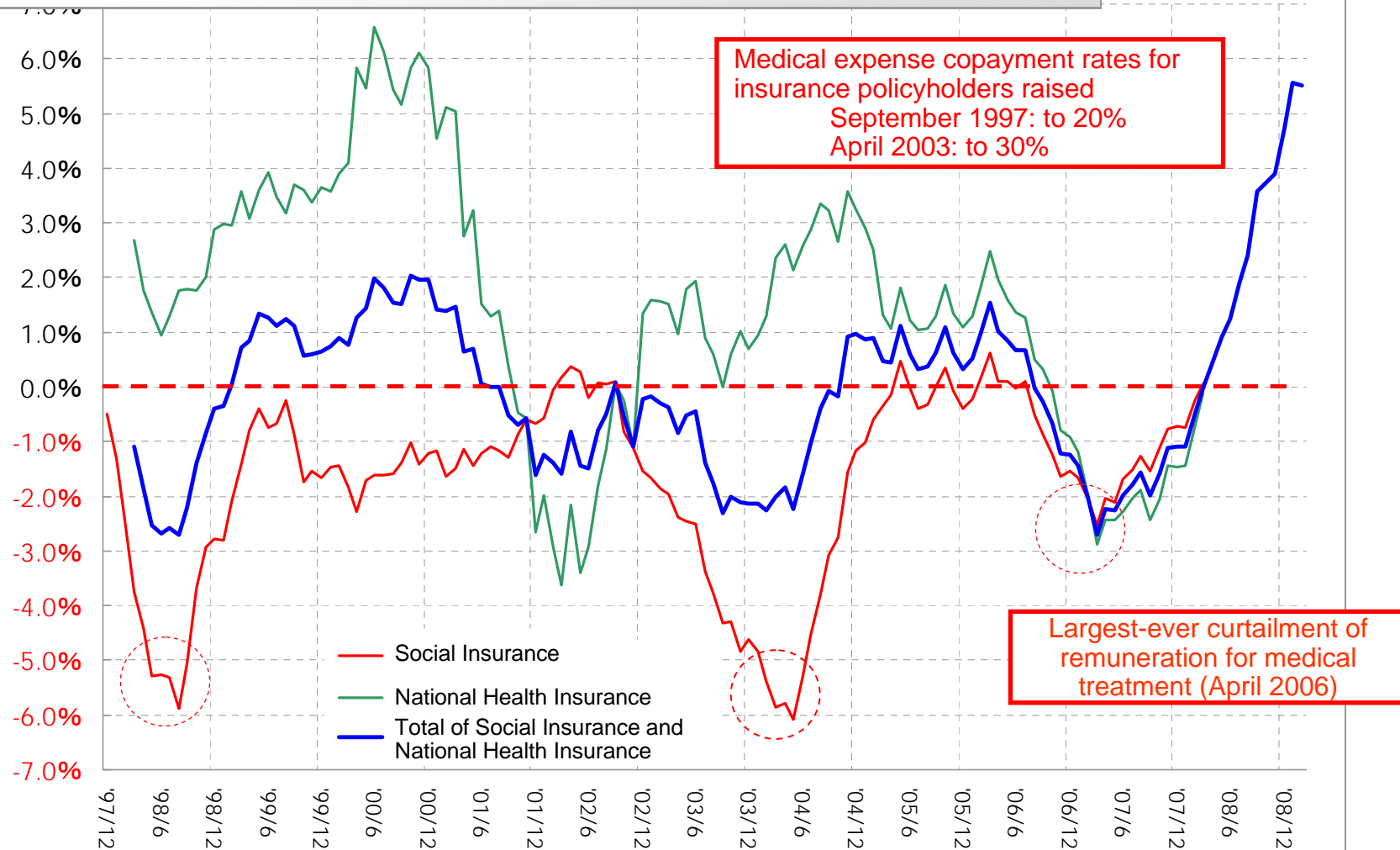


# Dental Treatment Expenditures (2)

Reference <Dentistry Data>



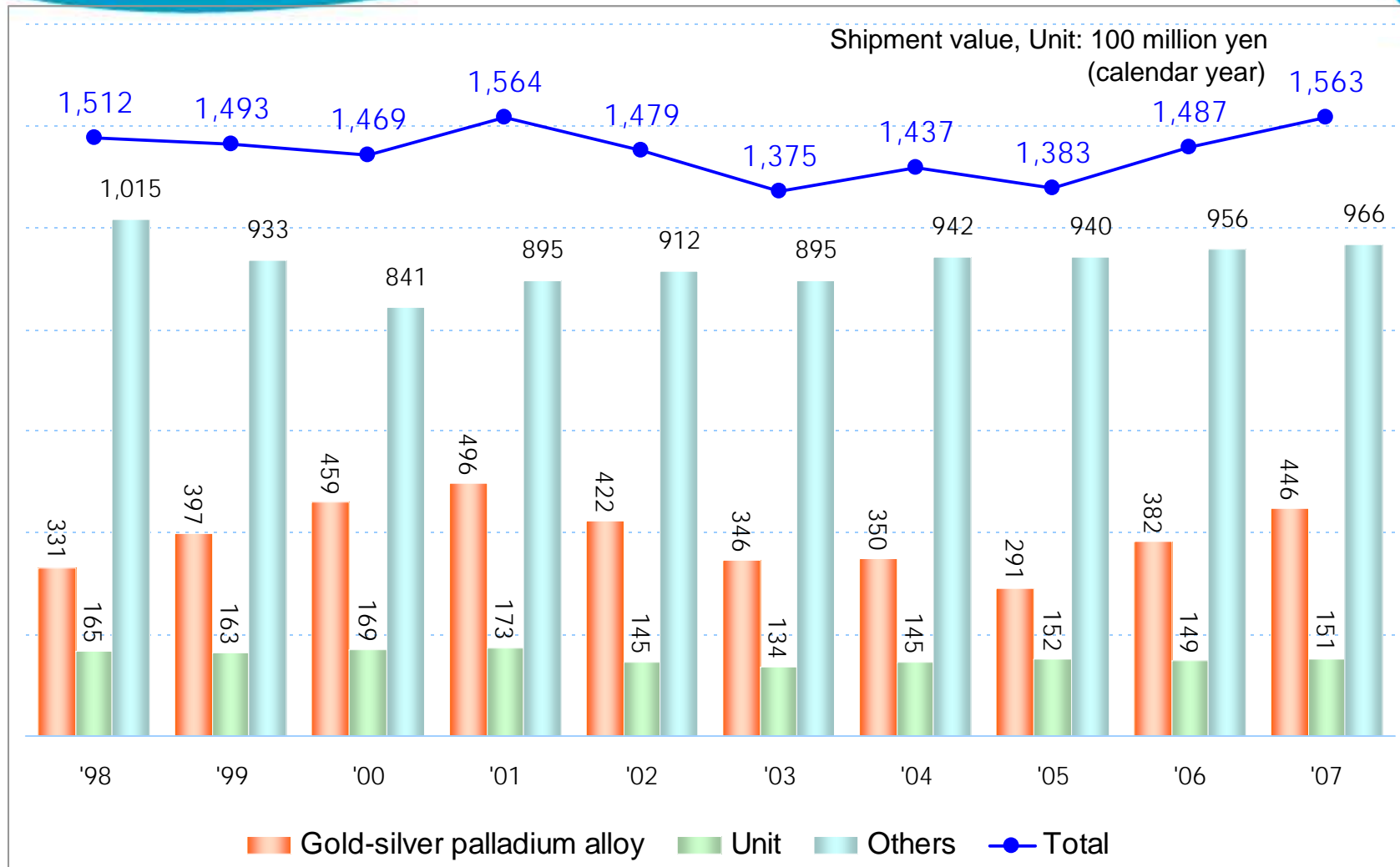
Year-on-year comparison of amount paid by dental health insurance (deviation from 12-month moving average) from December 1997 to February 2009





# Trend of Shipment Value of Pharmaceutical Industry Production

Reference <Dentistry Data>



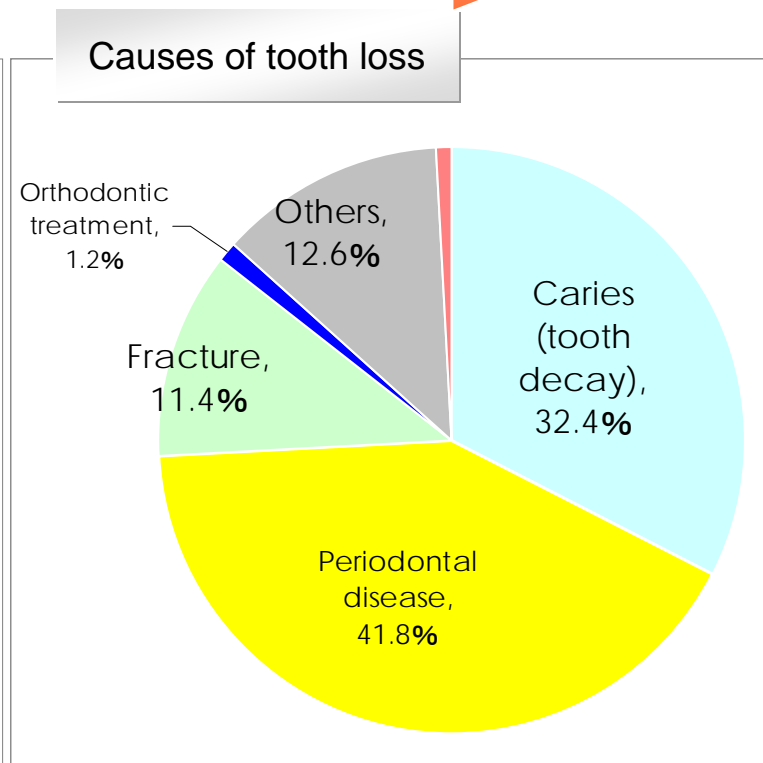
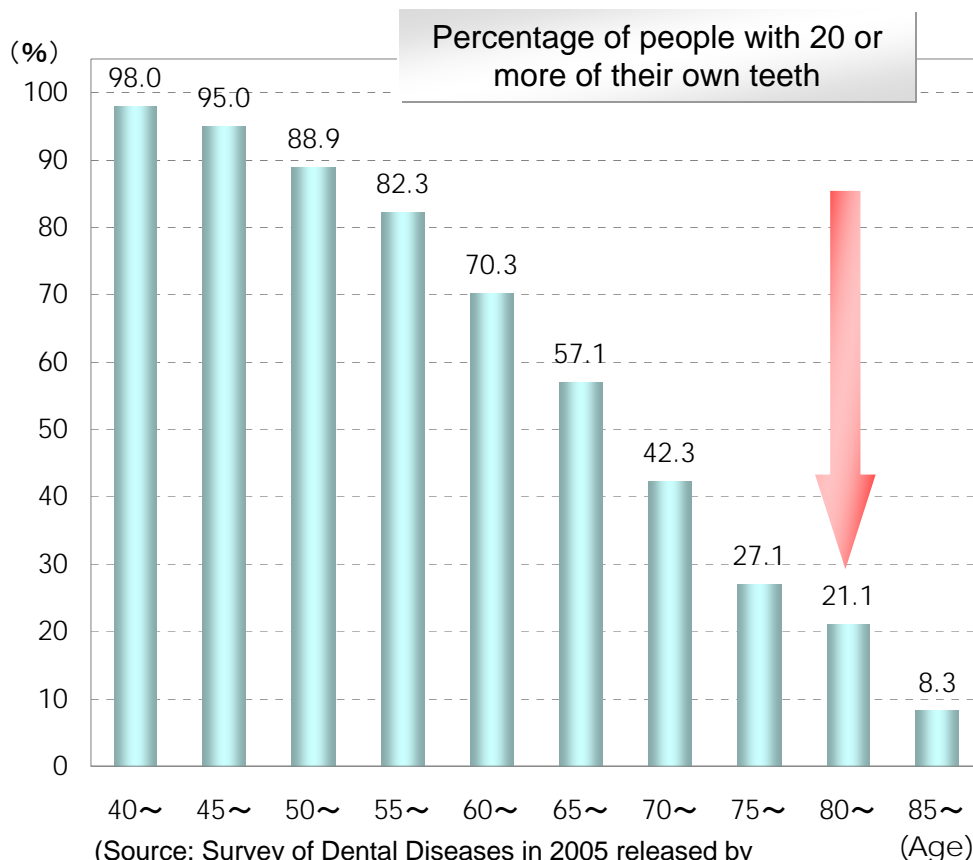
Prepared using data from Production Statistics issued by the Pharmaceutical Industry (Manufacturers' shipment values), (Year Book for each year), released by the Ministry of Health, Labour and Welfare

# 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)

(Source: Survey of Dental Diseases in 2005 released by the Ministry of Health, Labour and Welfare)

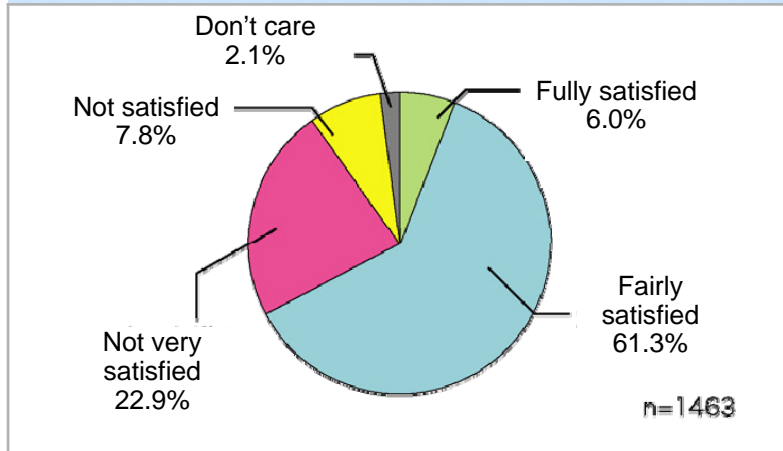
# Perception of Dental and Oral Health

Reference <Dentistry Data>

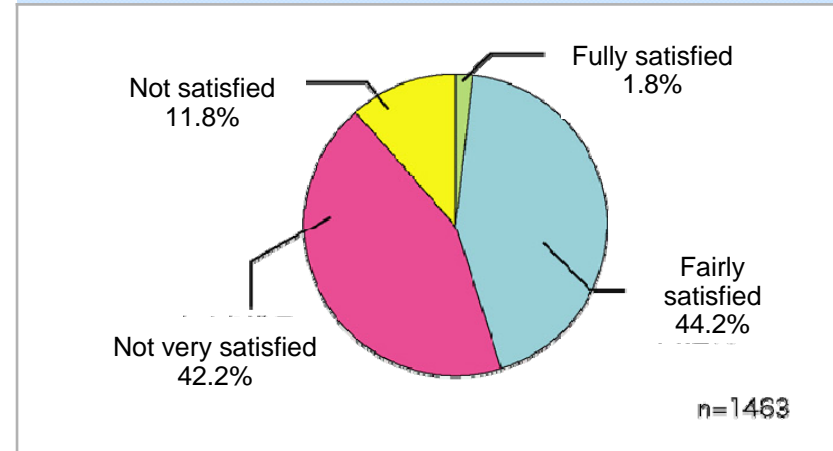


Source: Fiscal 2007's Dental Equipment Industry Vision (References)

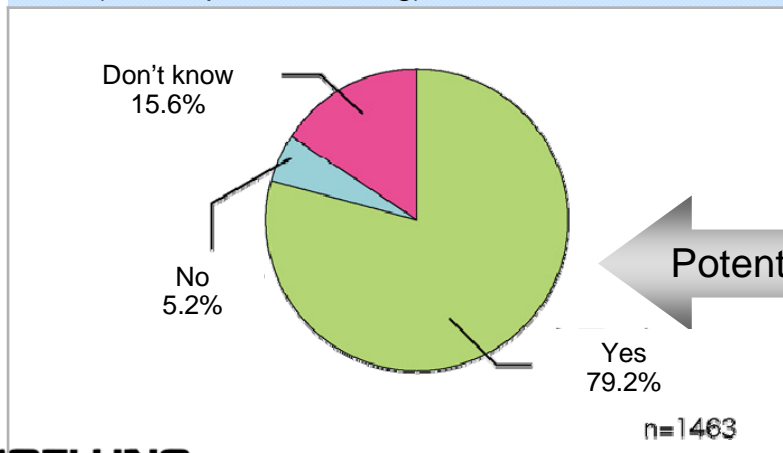
Are you satisfied with your physical health?



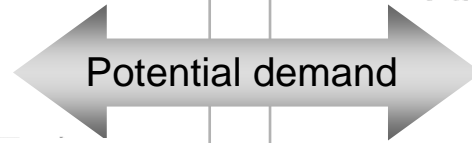
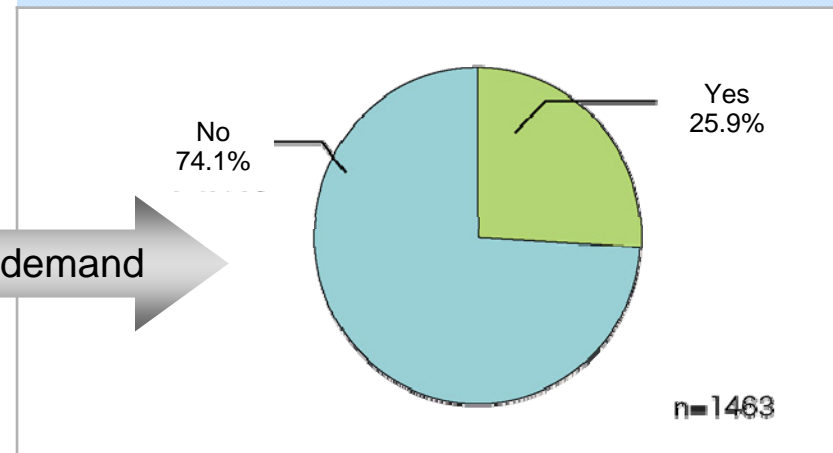
Are you satisfied with your oral health?



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

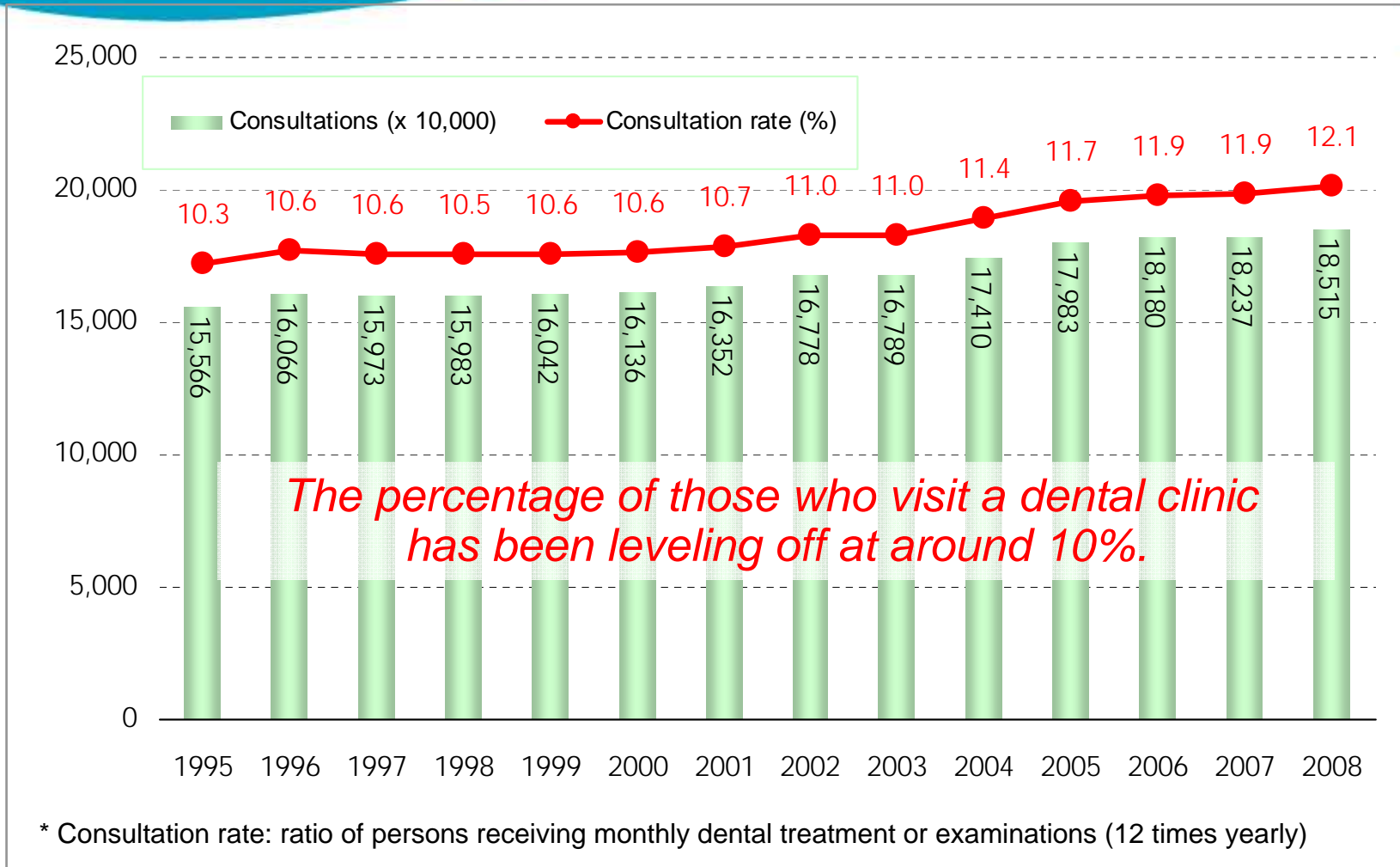


Do you actually receive regular dental care?



# Dental Clinic Consultation Rates

Reference <Dentistry Data>



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.

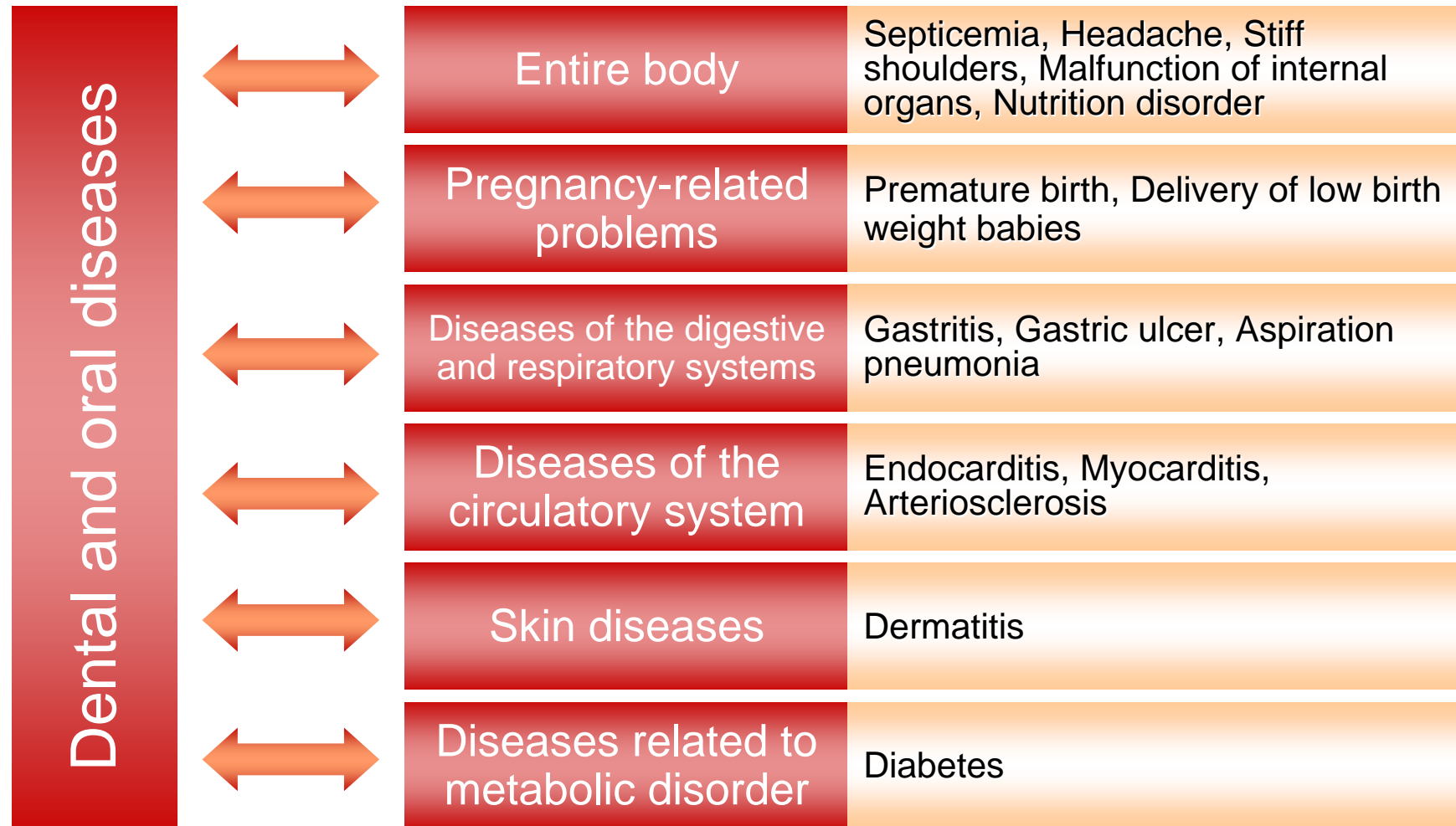
Source:

\* 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 University School of Life Dentistry)

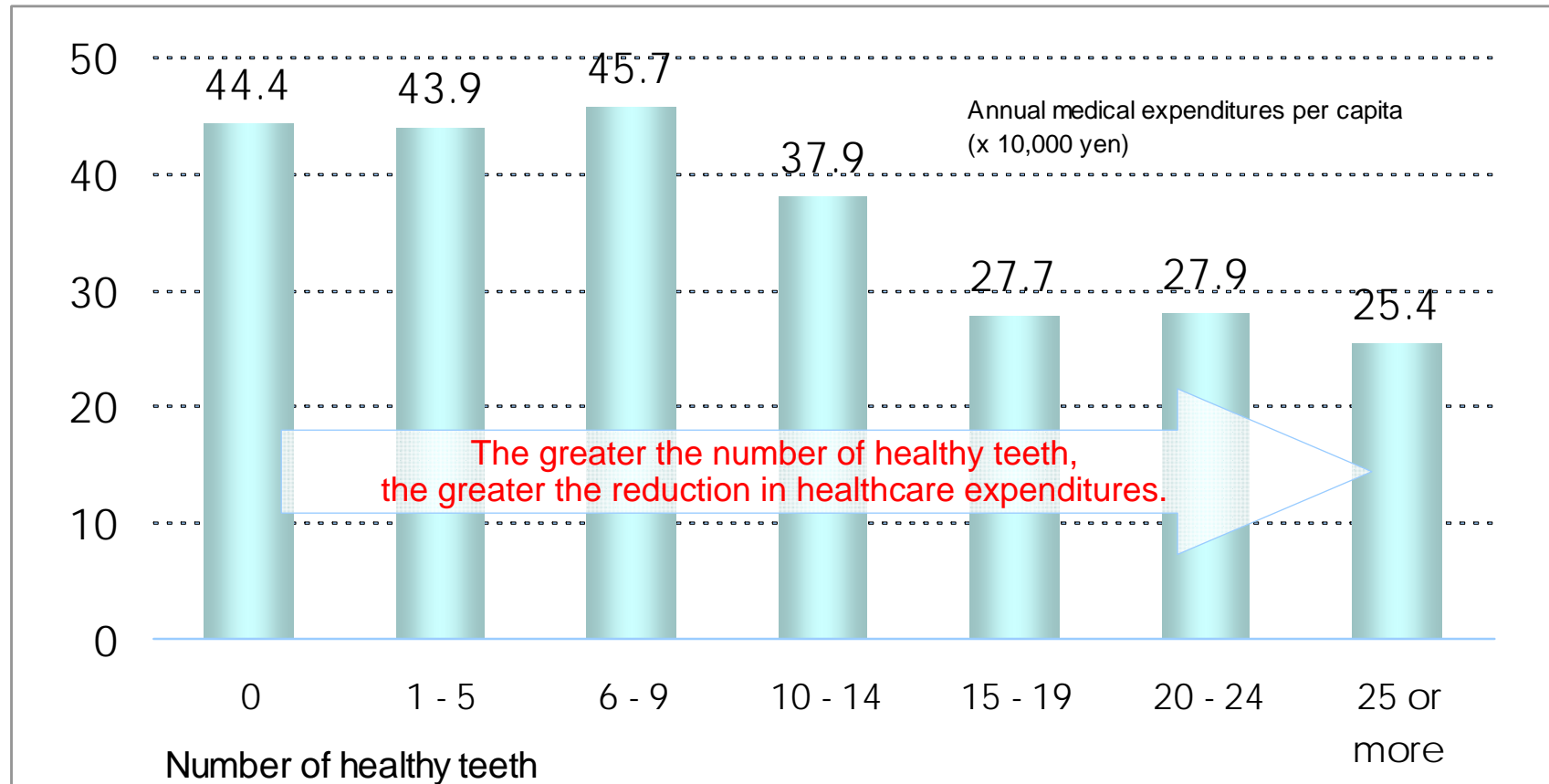
# Systemic Diseases Caused by Caries and Periodontal Disease

Reference <Dentistry Data>



# Correlation between Number of Healthy Teeth and Healthcare Expenditures

Reference <Dentistry Data>



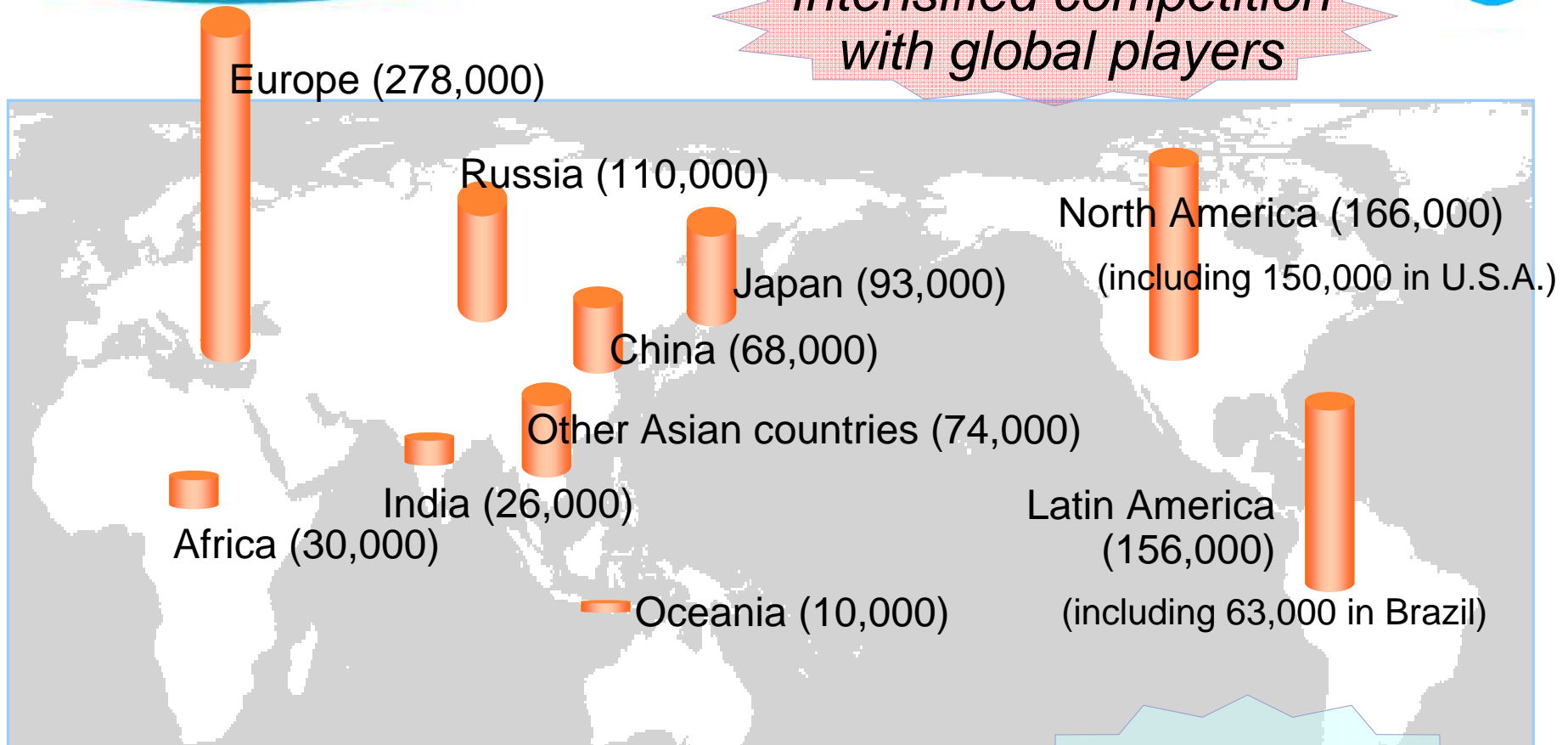
Prepared on the basis of "Correlation between Oral Hygiene Status of Elderly Persons and Healthcare Expenditures," a paper published in 2003 by Kazumune Arikawa, a full-time instructor at the Nihon University School of Dentistry at Matsudo  
Subjects surveyed: 954 persons aged 80 living independently (392 men, 562 women)

# Number of Dentists in the World

Reference <Dentistry Data>



*Intensified competition with global players*



◆ Source:  
 Number of dentists – “Guide to Dental Health Care in the World: How to Provide and Receive Dental Care in Other Countries” (Japan Dental Association)  
 Estimated market size – “Dental Equipment Industry Vision in Fiscal 2007” (Council for Compiling Dental Equipment Industry Vision)

Number of dentists in the world:  
 Approx. 1 (one) million  
 Estimated market size:  
 Approx. 2 (two) trillion yen