



Fiscal Year Ended March 2013
(141th Business Year)

Financial Analyst Meeting

May 23, 2013



Proven Products for Better Dentistry

SHOFU INC.



Contents of Today's Presentation

- ➔ **Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2013**
- ➔ **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2014**
- ➔ **Future Business Environment and Medium- and Long-term Business Strategies**

Director/President Noriyuki Negoro

The background features a stylized world map with line art buildings overlaid on it. The buildings are represented by simple geometric shapes and lines, creating a modern, architectural look. The map is centered on the Atlantic Ocean, with North and South America on the left and Europe and Africa on the right.

**Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2013**

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

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

Summary of Business Performance

Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2013



■ Positive factors ■ Negative factors

P/L

⇒ Sales totaled 16,385 million yen (an increase of 2.5%).

Domestic sales totaled 12,100 million yen (a decrease of 0.7%).

- Sales in the dental business fell 1.1% as product groups other than equipment faced challenging conditions, offsetting aggressive introductions of new products and direct promotional activities targeting dental professionals.
- Sales in the nail care business rose 1.8% as a result of updates to major products and a series of nationwide sales initiatives.

Overseas sales totaled 4,284 million yen (an increase of 12.8%).

- Robust sales in China, North America, and Latin America combined with the positive impact of foreign exchange fluctuations (which totaled 384 million yen) as overall sales rose 12.8%.

⇒ Operating profits totaled 872 million yen.

- Sales, general, and administrative expenses increased (471 million yen) due to aggressive investments in future growth, causing operating profits to fell 12.5%.

⇒ Ordinary profits totaled 749 million yen, while current term net profit totaled 30 million yen.

- Ordinary profits fell 22.1% due to a worsening of non-operating losses stemming from a decrease in reversal of allowance for doubtful accounts and other factors.
- Current term net profits fell 94.1% due to losses on valuation of investment securities and a total write-off of goodwill that had been booked when shares in Nail Labo Co., Ltd., were acquired.

Summary of Business Performance for the Current Fiscal Year

Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2013



Sales increased as profits decreased compared to both the previous period and the forecast.

Units: millions of yen, %

	Fiscal March 2012 (Results) (% of sales)	Fiscal March 2013 (Forecast) (% of sales)	Fiscal March 2013 (Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	15,985 (100.0)	16,058 (100.0)	16,385 (100.0)	399 (2.5)	326 (2.0)
(Domestic sales)	12,188 (76.2)	12,369 (77.0)	12,100 (73.8)	-88 (-0.7)	-269 (-2.2)
(Overseas sales)	3,797 (23.8)	3,688 (23.0)	4,284 (26.2)	487 (12.8)	595 (16.2)
Operating profit	997 (6.2)	791 (4.9)	872 (5.3)	-124 (-12.5)	81 (10.3)
Ordinary profit	962 (6.0)	690 (4.3)	749 (4.6)	-212 (-22.1)	58 (8.5)
Net profit	510 (3.2)	195 (1.2)	30 (0.2)	-480 (-94.1)	-165 (-84.7)
Net profit per share	31.77yen	12.19yen	1.87yen	-29.89yen	-10.32yen
Return on equity	2.8%	1.1%	0.2%	-2.62P	-0.91P

*Forecasts for fiscal March 2013 reflect anticipated revisions to the initial forecast announced on October 25, 2012.

*Diluted earnings per shares for fiscal March 2013 results is 1.87 yen.

Sales by Product Category (Comparison with Previous Period)

Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2013



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2012 (Results)	Fiscal March 2013 (Results)	Change from previous period		
				Domestic	Overseas
Artificial teeth	2,550	2,535	-14 (-0.6)	-58	43
Abrasives	3,306	3,410	104 (3.2)	-79	184
Metal products	386	334	-52 (-13.6)	-52	0
Chemical products	3,144	3,279	135 (4.3)	-58	194
Cements and others	1,603	1,593	-10 (-0.6)	-31	21
Equipment and others	3,337	3,515	178 (5.3)	169	8
Dental business total	14,329	14,670	340 (2.4)	-112	452
Nail care business	1,575	1,636	61 (3.9)	26	34
Other	80	78	-2 (-3.2)	-2	0
Total	15,985	16,385	399 (2.5)	-88	487

* Overseas sales increased by 384 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, 2013



Positive factors Negative factors

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

Dental business:

Year-on-year decrease of 112 million yen (-1.1%)

Overall sales of product groups other than equipment fell.

- Revenue in the artificial teeth, abrasives, and chemical products segments fell 3.7%, 4.1%, and 2.4%, respectively, while sales in the equipment segment rose 5.3%.

Nail care business:

Year-on-year increase of 26 million yen (1.8%)

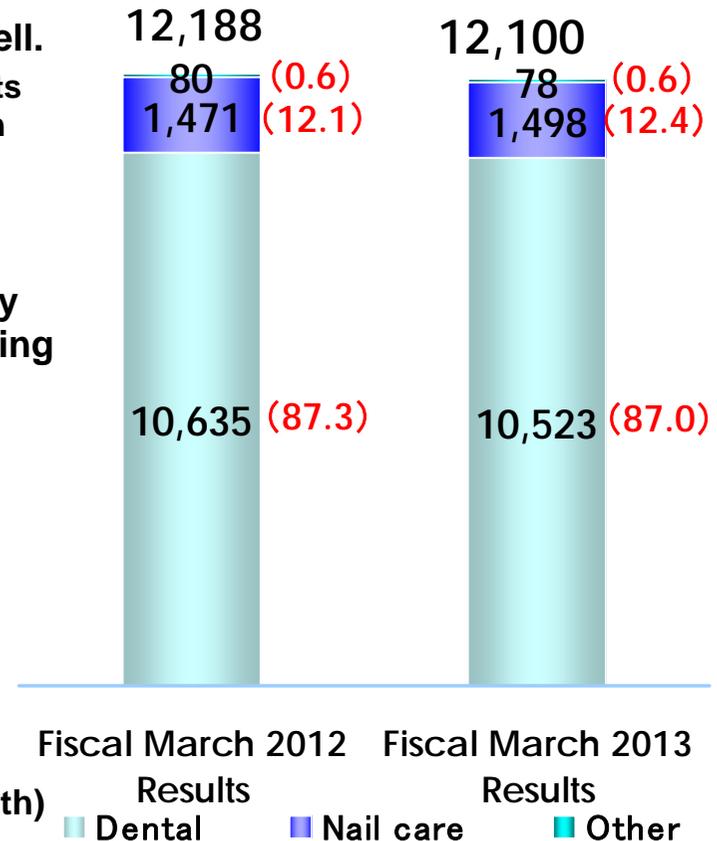
The company strengthened its business performance by updating its major LED Gel Presto product and developing an integrated framework extending from planning to development and sales.

Other businesses:

Year-on-year decrease of 2 million yen (-3.2%)

Principal new products launched this period (dental business)

- BeutiCore Kit**, a dental core build-up material (chemical products)
- Veracia SA Porcelain**, a type of porcelain teeth (artificial teeth)
- Air Flow Master**, a dental prophylaxis unit (equipment)
- Argon Caster i**, a dental high-frequency casting machine (equipment)



Overseas Sales

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2013



■ Positive factors ■ Negative factors

■ North America and Latin America: Year-on-year increase of 275 million yen (26.1%)

- Sales of abrasives and chemical products increased dramatically as the company's efforts to strengthen sales structures bore fruit.
- Sales grew 109 million yen (10.4%) compared to the previous period on a local currency basis.

■ Europe: Year-on-year increase of 168 million yen (13.6%)

- Sales of abrasives and chemical products were robust.
- Sales grew 42 million yen (3.5%) compared to the previous period on a local currency basis.

■ Asia and Oceania: Year-on-year increase of 44 million yen (2.9%)

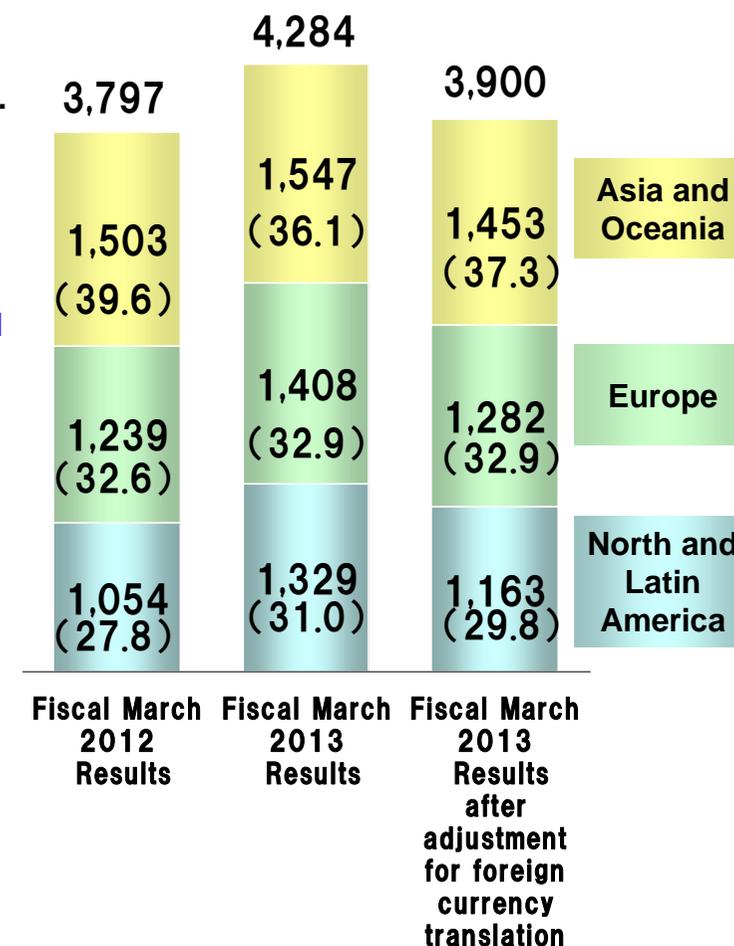
- China: Year-on-year increase of 141 million yen (27.0%) due to robust sales of cements, artificial teeth, and chemical products
- Local currency basis:
Year-on-year increase of 65 million yen (12.4%)

- Elsewhere in Asia:
Year-on-year decrease of 97 million yen (-10.0%)
- Local currency basis:
Year-on-year decrease of 114 million yen (-11.7%)

■ (Dental business) Overseas sales ratio

- 28.3% (25.8% in the same period last year)
(26.4% after adjustment for foreign currency fluctuations)

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



Performance by Segment (Sales and Operating Profits)

⇒ Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2013



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

		Fiscal March 2012 (Results) Amount (% of sales)	Fiscal March 2013 (Results) Amount (% of sales)	Change from Previous Period
Dental	Sales	14,329	14,670	340
	Operating expenses	13,296	13,772	475
	Operating profit (operating profit margin)	1,032 (7.2)	897 (6.1)	-135
Nail care	Sales	1,575	1,636	61
	Operating expenses	1,638	1,689	51
	Operating profit (operating profit margin)	-63 (-4.0)	-53 (-3.2)	9
Other	Sales	85	83	-1
	Operating expenses	60	61	0
	Operating profit (operating profit margin)	24 (28.9)	21 (26.2)	-2
Total before consolidation adjustment	Sales	15,990	16,390	399
	Operating expenses	14,996	15,523	527
	Operating profit (operating profit margin)	994 (6.2)	866 (5.3)	-127
Consolidated	Sales	15,985	16,385	399
	Operating expenses	14,987	15,512	524
	Operating profit (operating profit margin)	997 (6.2)	872 (5.3)	-124

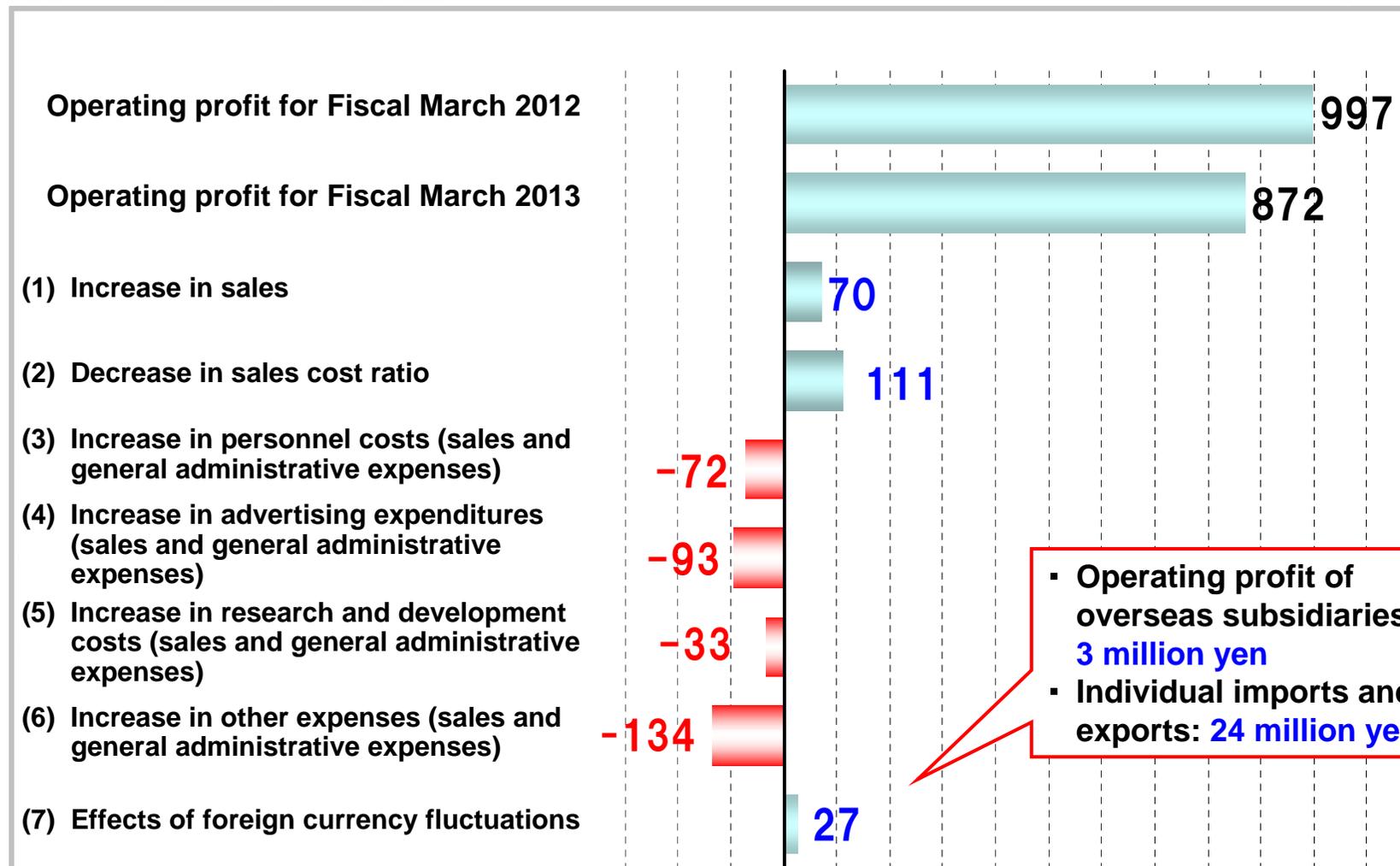
* The operating expenses for the nail care business include goodwill amortization of 89 million yen connected with the acquisition of Nail Labo Co., Ltd. (total amount: 712 million yen for eight-year amortization)

Contributors to Change in Operating Profit

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2013



Unit: millions of yen



- Operating profit of overseas subsidiaries: 3 million yen
- Individual imports and exports: 24 million yen

* The figures in items (1) to (6) 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, 2013



Unit: millions of yen

	Fiscal March 2012	Fiscal March 2013	Change	Major contributors to changes, special notes
Cash and deposits	7,286	5,511	-1,775	Acquisition of land for a production base and purchases of treasury stock
Notes and bills receivable, trade accounts receivable	2,526	2,649	123	
Inventory	3,327	3,694	366	
Securities, investment securities	3,102	3,528	425	Increase in market value of investment securities
Others	6,551	7,433	881	Land for a production base
Assets	22,795	22,817	21	
Long-term and short-term borrowings	990	980	-10	
Reserve for retirement benefits and directors' retirement benefits	113	120	6	
Others	3,252	3,054	-197	Decrease in income taxes payable
Liabilities	4,355	4,154	-201	
Net worth	18,439	18,662	223	Increase in marketable securities valuation difference, decrease in retained earnings
Total liabilities and net worth	22,795	22,817	21	
Capital adequacy ratio	80.8%	81.6%	0.8P	
Net worth per share	1,146yen	1,169yen	23yen	

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

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2013



Unit: millions of yen

	Fiscal March 2012 (Results)	Fiscal March 2013 (Forecast)	Fiscal March 2013 (Results)	Change from Previous Period	Change from Forecast
Capital expenditures	280	731	1,213	933	482
Depreciation costs	712	649	667	△45	18
(of which goodwill amortization)	89	89	89	0	0
R&D expenses	1,185	1,378	1,219	34	△159
Foreign exchange rates					
US dollar	82.19	77.60	94.05	11.86	16.45
Euro	109.80	100.24	120.73	10.93	20.49
Pound sterling	131.34	125.98	143.16	11.82	17.18
Renminbi	12.31	12.76	13.91	1.60	1.15

* 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, 2013**

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

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

Overview of the Next Fiscal Year

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



■ Positive factors ■ Negative factors

P/L

⇒ Sales totaled 17,168 million yen (an increase of 4.8%).

■ Domestic sales totaled 12,707 million yen (an increase of 5.0%)

- The company expects dental business sales to **grow by 5.1%** due to efforts to enhance direct promotional activities targeting dental professionals and an expansion in the number of large new products in the chemical products and equipment segments.

<New product sales: 1,918 million yen, or 14.3% of non-consolidated sales>

- The company expects nail care business sales to **grow by 4.6%** as its framework integrating operations extending from product development to sales begins operating smoothly, boosting competitiveness.

■ Overseas sales totaled 4,461 million yen (an increase of 4.1%)

- Despite an expected negative impact (**289 million yen**) from foreign exchange fluctuations, the company expects overseas sales to **grow overall by 4.1%** due to activity in China and Asia, where it has moved to establish local subsidiaries and sales bases.

⇒ Operating profits totaled 715 million yen (a decrease of 18.1%).
Ordinary profits totaled 570 million yen (a decrease of 23.9%).
Current term net profit totaled 340 million yen (an increase of 1034.2%).

- The company expects operating profits to **fall 18.1%** due to increases in sales, general, and administrative expenses due to prior investment in new business development.
- The company expects current term net **profit to increase 1,034.2%** as the impact of accumulated impairment losses involving goodwill is eliminated.

Comparison of Major Statistics

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



⇒ Sales and profits increase compared to fiscal March 2013

Units: millions of yen, %

	Fiscal March 2013 Business performance (% of sales)	Fiscal March 2014 Forecast (% of sales)	Change From Previous Period (% change)
Sales	16,385 (100.0)	17,168 (100.0)	783 (4.8)
(Domestic sales)	12,100 (73.8)	12,707 (74.0)	607 (5.0)
(Overseas sales)	4,284 (26.2)	4,461 (26.0)	176 (4.1)
Operating profit	872 (5.3)	715 (4.2)	-157 (-18.1)
Ordinary profit	749 (4.6)	570 (3.3)	-179 (-23.9)
Net profit	30 (0.2)	340 (2.0)	310 (1034.2)
Net profit per share	1.87yen	21.39yen	19.52yen
Return on equity	0.2%	1.8%	1.6P

Sales by Product Category

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



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2013 (Results)	Fiscal March 2014 (Forecast)	Change from previous period		
				Domestic	Overseas
Artificial teeth	2,535	2,610	74 (2.9)	12	62
Abrasives	3,410	3,315	-95 (-2.8)	18	-114
Metal products	334	321	-12 (-3.8)	-12	0
Chemical products	3,279	3,501	221 (6.7)	178	42
Cements and others	1,593	1,812	218 (13.7)	82	136
Equipment and others	3,515	3,805	289 (8.2)	253	35
Dental business total	14,670	15,365	695 (4.7)	533	162
Nail care business	1,636	1,719	82 (5.1)	68	14
Other	78	83	5 (6.6)	5	0
Total	16,385	17,168	783 (4.8)	607	176

* Overseas sales are expected to decrease by 289 million yen due to foreign currency fluctuations. (US dollar, euro, pound sterling, renminbi, S dollar)

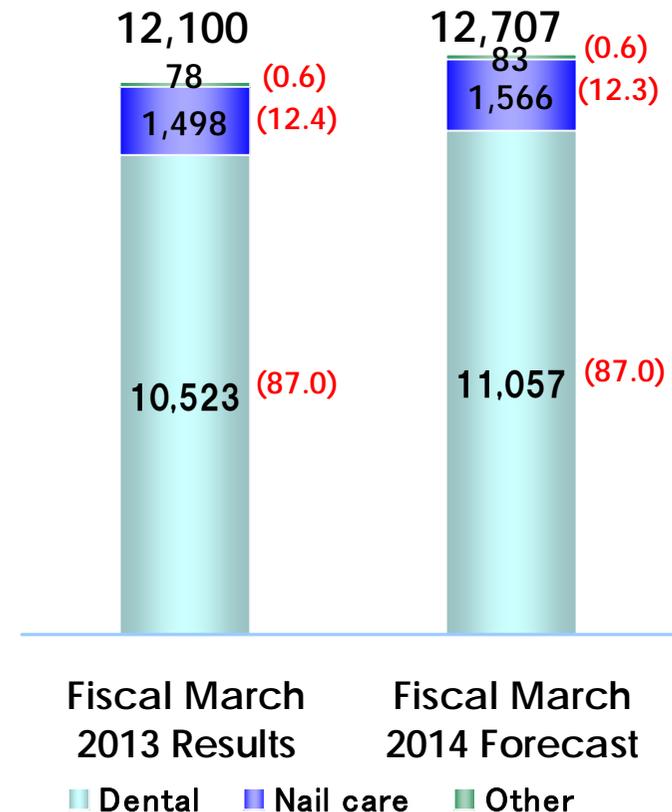
Domestic Sales

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



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

- ✧ **Dental business:**
Year-on-year increase of 533 million yen (5.1%)
 - The company expects sales to **increase by 5.1%** as a result of efforts to enhance direct promotional activities targeting dental professionals and aggressive promotion of large new products in the chemical products and equipment segments.
- ✧ **Nail care business:**
Year-on-year increase of 68 million yen (4.6%)
 - The company expects sales to **increase by 4.6%** as its framework integrating operations extending from planning to manufacturing and sales begins operating smoothly, boosting competitiveness.
- ✧ **Other businesses:**
Year-on-year increase of 5 million yen (6.6%)
- ✧ **Major products that will be introduced during the current term, fiscal March 2014**
 - **BeutiCem SA**, a dental adhesive resin cement (cements)
 - **ByoSanitiser**, a disinfectant spray (other)
 - A material for crowns and bridges (chemical products)
 - A dental imaging system (equipment)



Overseas Sales

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



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

Summary

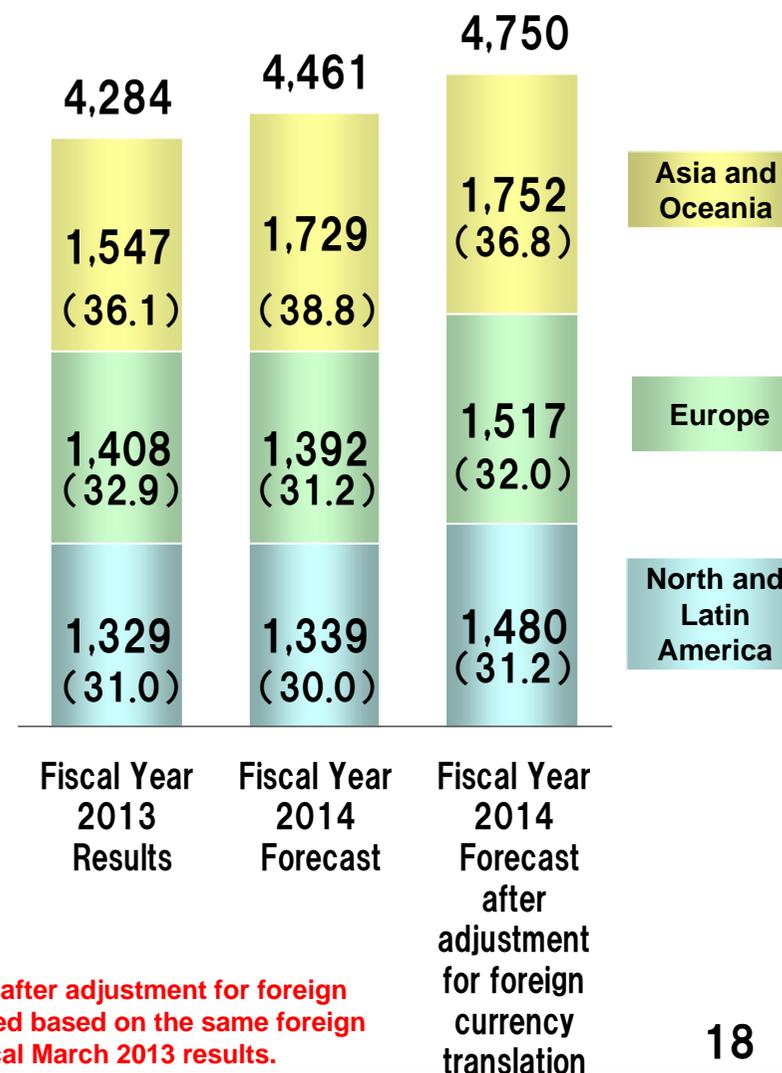
- The company is planning for expansion in Asia and Oceania.
- Growth rate *Figures in parentheses: local currency basis
 - North and Latin America: 0.8% (11.3%)
 - Europe: -1.1% (7.8%)
 - China: 11.7% (15.1%)
 - Other Asian countries: 11.9% (11.9%)
 - Total overseas sales: 4.1% (10.9%)

Foreign exchange rates

- U.S. dollar: 85 yen (94.05 yen in the previous period) (Effect: **-140 million yen**)
- Euro: 110 yen (120.73 yen in the previous period) (Effect: **-125 million yen**)
- Yuan: 13.5 yen (13.91 yen in the previous period) (Effect: **-22 million yen**)

(Dental business) Overseas sales ratio

- 28.0%** (28.3% in the previous period) (29.4% after foreign currency translation adjustments)



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

Performance by Segment (Sales and Operating Profits)

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



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

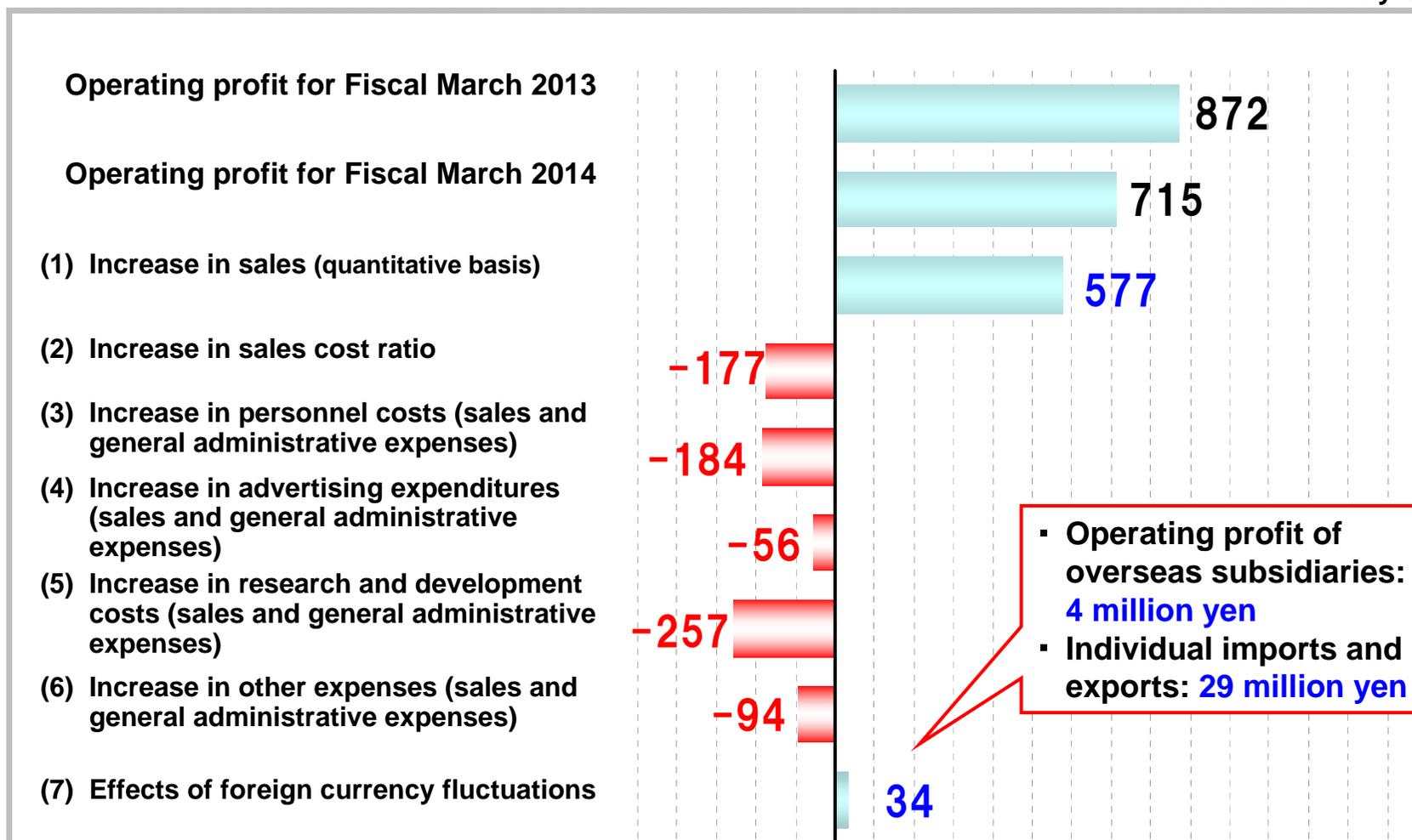
		Fiscal March 2013 (Results) Amount (% of sales)	Fiscal March 2014 (Forecast) Amount (% of sales)	Change from Previous Period
Dental	Sales	14,670	15,365	695
	Operating expenses	13,772	14,780	1,008
	Operating profit (operating profit margin)	897 (6.1)	585 (3.8)	-312
Nail care	Sales	1,636	1,719	82
	Operating expenses	1,689	1,615	-74
	Operating profit (operating profit margin)	-53 (-3.2)	103 (6.0)	156
Other	Sales	83	83	0
	Operating expenses	61	57	-4
	Operating profit (operating profit margin)	21 (26.2)	26 (31.6)	4
Total before consolidation adjustment	Sales	16,390	17,168	778
	Operating expenses	15,523	16,453	929
	Operating profit (operating profit margin)	866 (5.3)	715 (4.2)	-151
Consolidated	Sales	16,385	17,168	783
	Operating expenses	15,512	16,453	941
	Operating profit (operating profit margin)	872 (5.3)	715 (4.2)	-157

Contributors to Change in Operating Profit

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



Unit: millions of yen



- Operating profit of overseas subsidiaries: 4 million yen
- Individual imports and exports: 29 million yen

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

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

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



Unit: millions of yen

	Fiscal March 2013 (Results)	Fiscal March 2014 (Forecast)	Change from Previous Period
Capital expenditures	1,213	1,328	114
Depreciation costs	667	747	80
(of which goodwill amortization)	89	0	-89
R&D expenses	1,219	1,477	257
Foreign exchange rates			
US dollar	94.05	85.00	-9.05
Euro	120.73	110.00	-10.73
Pound sterling	143.16	135.00	-8.16
Renminbi	13.91	13.50	-0.41

* 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.

Impact of Foreign Exchange Fluctuations (US Dollar, Euro)

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



Forecast for Fiscal March 2014

(Unit: millions of yen)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen strength	
	Fiscal March 2013 actual	Fiscal March 2014 estimate	Sales	Operating profits	Sales	Operating profits
US Dollar	94.05	85.00	-137	16	-15	-4
Euro	120.73	110.00	-108	18	-10	-3

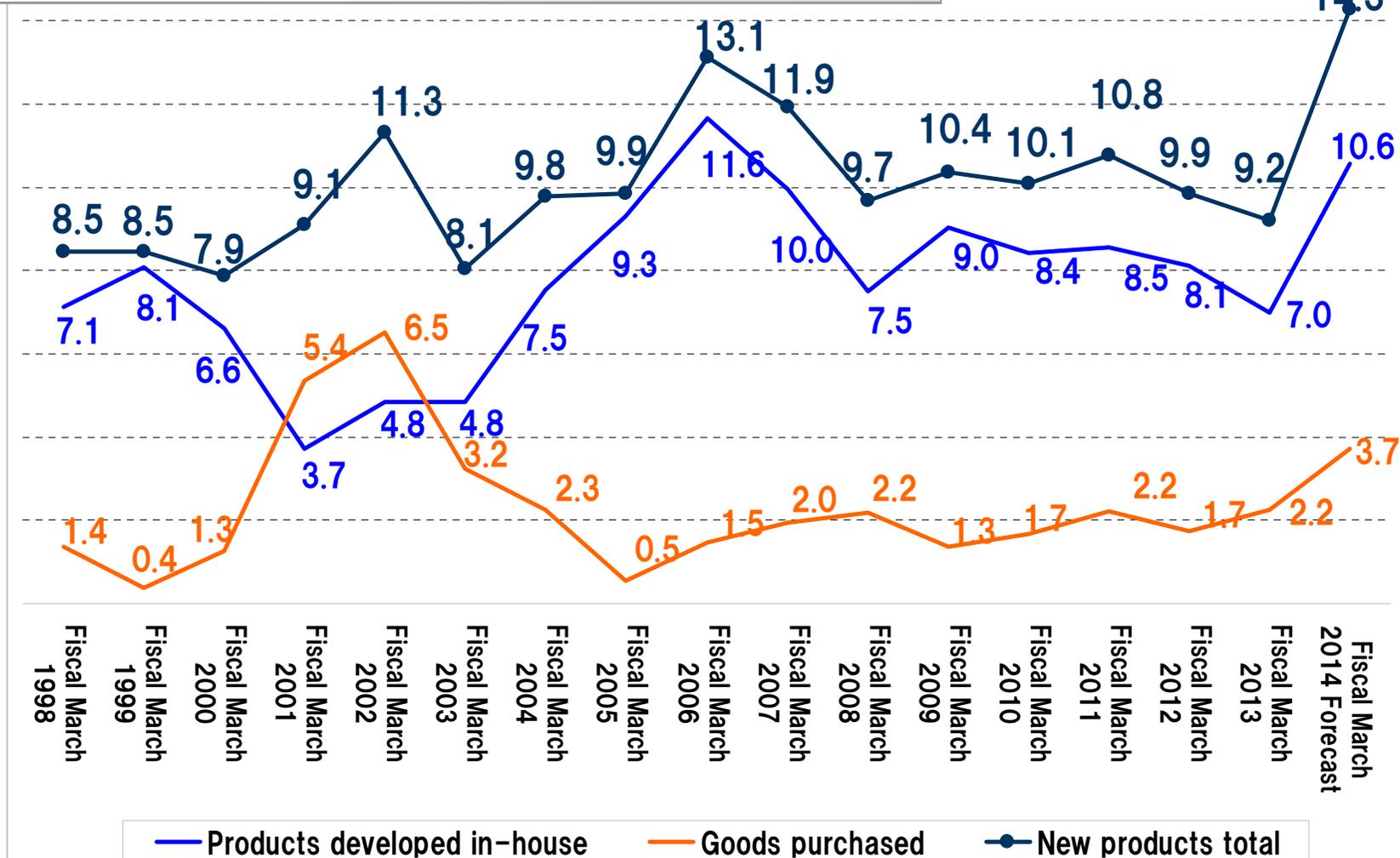
Sales Trends for New Products

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



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

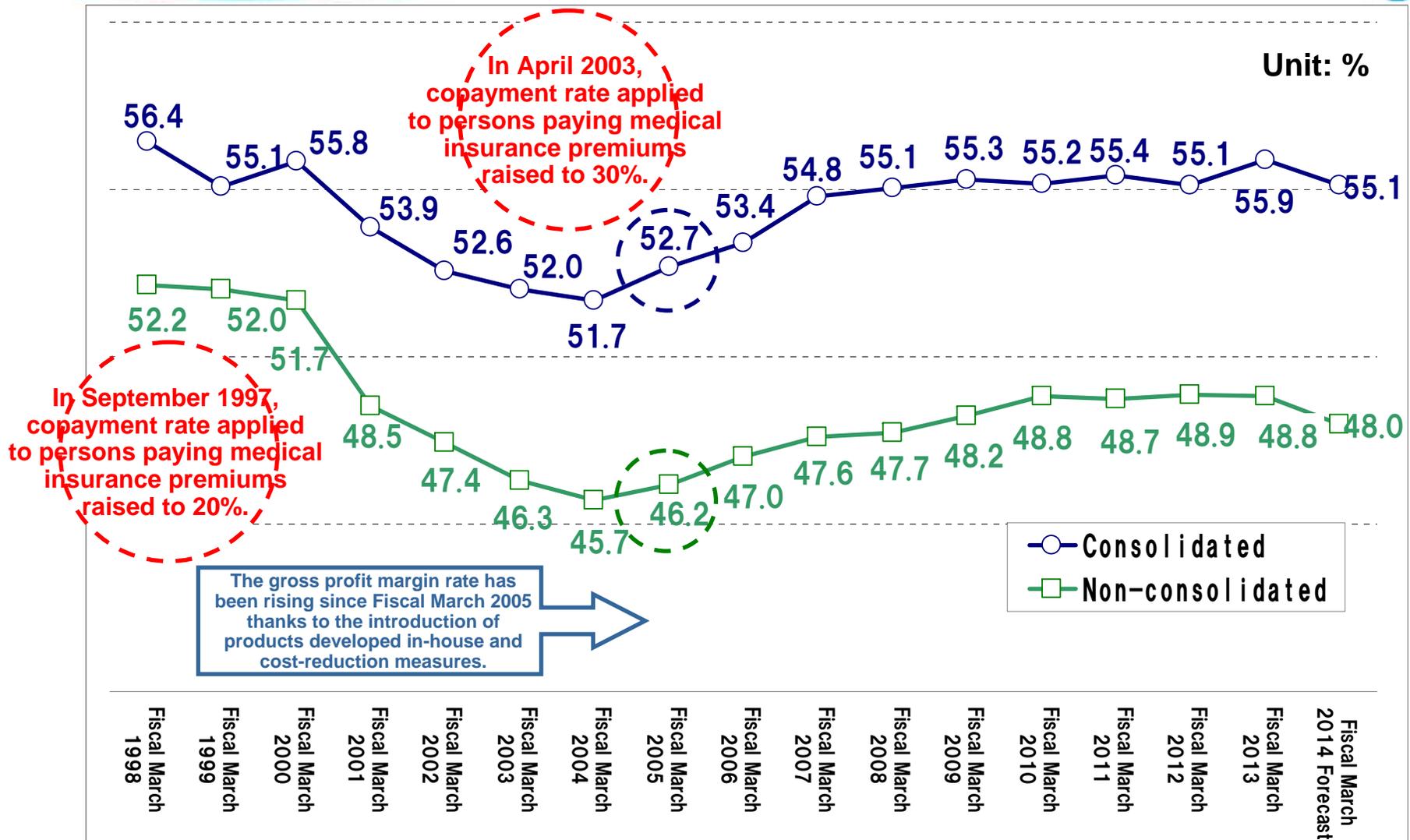
Unit: %



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

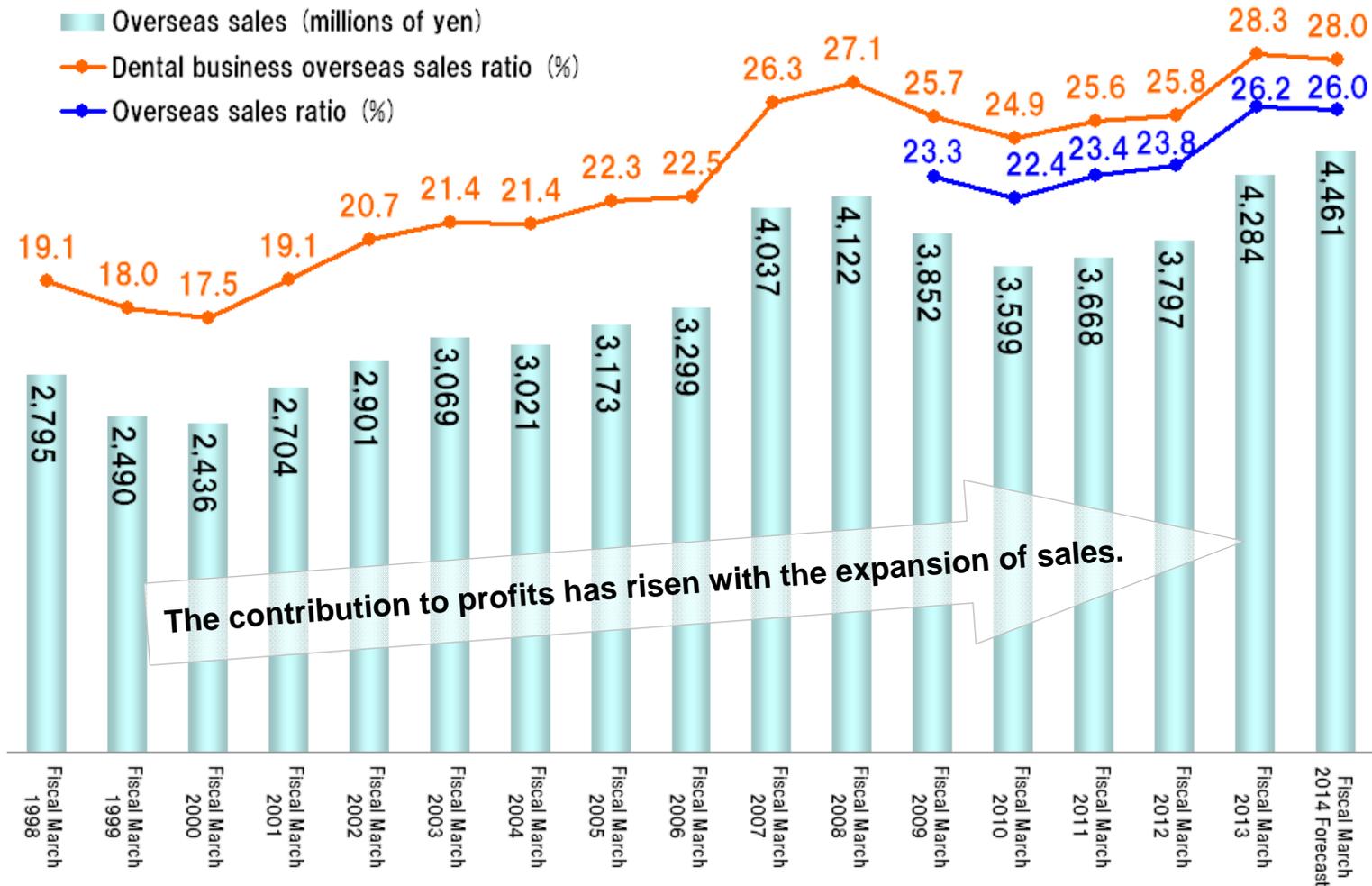
Gross Profit Margin Rates

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



Overseas Sales and Overseas Sales Ratios

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



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



**Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2013**

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

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



Domestic dental market

Although a certain market scale will be maintained, falling total population and declines in the incidence of cavities make significant growth unlikely.

Overseas dental market

In addition to the existence of an enormous market centered on developed nations, demand for dental care will increase dramatically due to economic growth and the rising standard of living in regions worldwide, particularly developing nations.



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

Company-wide targets for fiscal March 2022

- **Group sales: 50 billion yen**
<Domestic sales: 17 billion yen; overseas sales: 33 billion yen>
- **Group operating profits: 7.5 billion yen**
(Operating profit margin: 15%)

Pursue globalization in every department, function (R&D, production, and sales), personnel, and by extension the company's overall management.

Key issues in order to achieve goals

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



【Research and Development】

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

【Production】

- ◇ Relocation of production base and expansion of offshore production

【Sales】

- ◇ Improvement of our sales network
- ◇ Realignment of sales offices
- ◇ Establishment of domestic and international academic networks

【Human resources】

- ◇ Development of human resources and securing the skilled employees

Specific Efforts – Research and Development

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



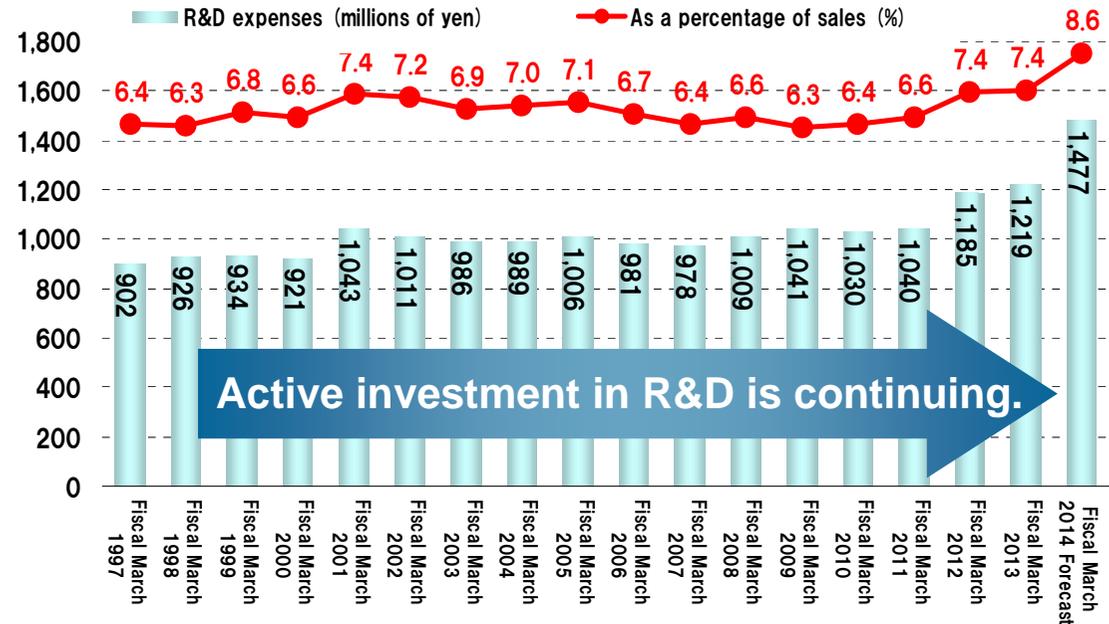
Development and introduction of new products that match the local demands

Developing products with a worldwide vision

Developing new products for regions' middle-class and high-volume segments

Developing products with the goal of creating markets in new fields

Trend in R&D investment



Specific Efforts – Production

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



✧ Relocation of production base and expansion of offshore production

Further expand the market share of our time-honored specialties such as artificial teeth and abrasives by enhancing price competitiveness and reducing costs.

⇒ Effectively utilizing existing domestic factories

Domestic manufacturing Group companies



Shiga Shofu (Shiga) Shoken (Kyoto) Shoken (Saitama)

⇒ Expanding overseas production

Overseas manufacturing Group companies



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



Advanced Healthcare Ltd. (UK)

Specific Efforts – Sales

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



◆ Improvement of our sales network

- Develop a network of overseas distributors.

◆ Realignment of sales offices

- Enhance the functions of the Singapore branch.
- 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 (bases)



Shofu Dental Corporation (U.S.A.)



Shofu Dental GMBH (Germany)



Shofu UK (Sales Office) (UK)



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



Shofu Dental Asia-Pacific PTE (Singapore)

Specific Efforts – MiCD Project

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



Official partner



Minimally Invasive Cosmetic Dentistry

MiCD Project

(Minimally Invasive Cosmetic Dentistry)

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

Increasing sales of filling and restorative dental materials

Improved cost effectiveness

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

● Providing training programs

● Holding study groups

● Developing and supplying MiCD products

● Promoting products and services to patients

Specific Efforts – Nail Care Business



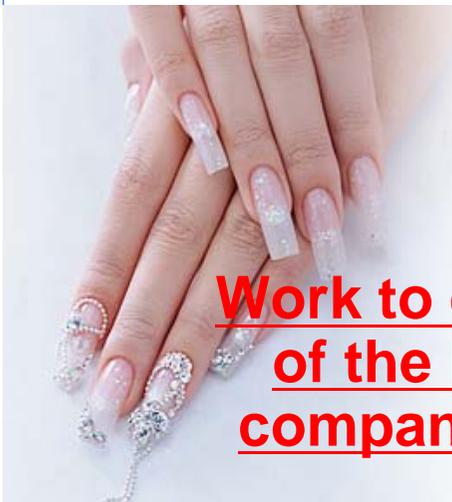
SHOFU GROUP

⇒ Capturing share in the LED gel market with improved Presto

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

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

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



⇒ Profit Plan

Fiscal March 2013 results: Sales of 1.6 billion yen and decrease of 50 million yen in operating profits

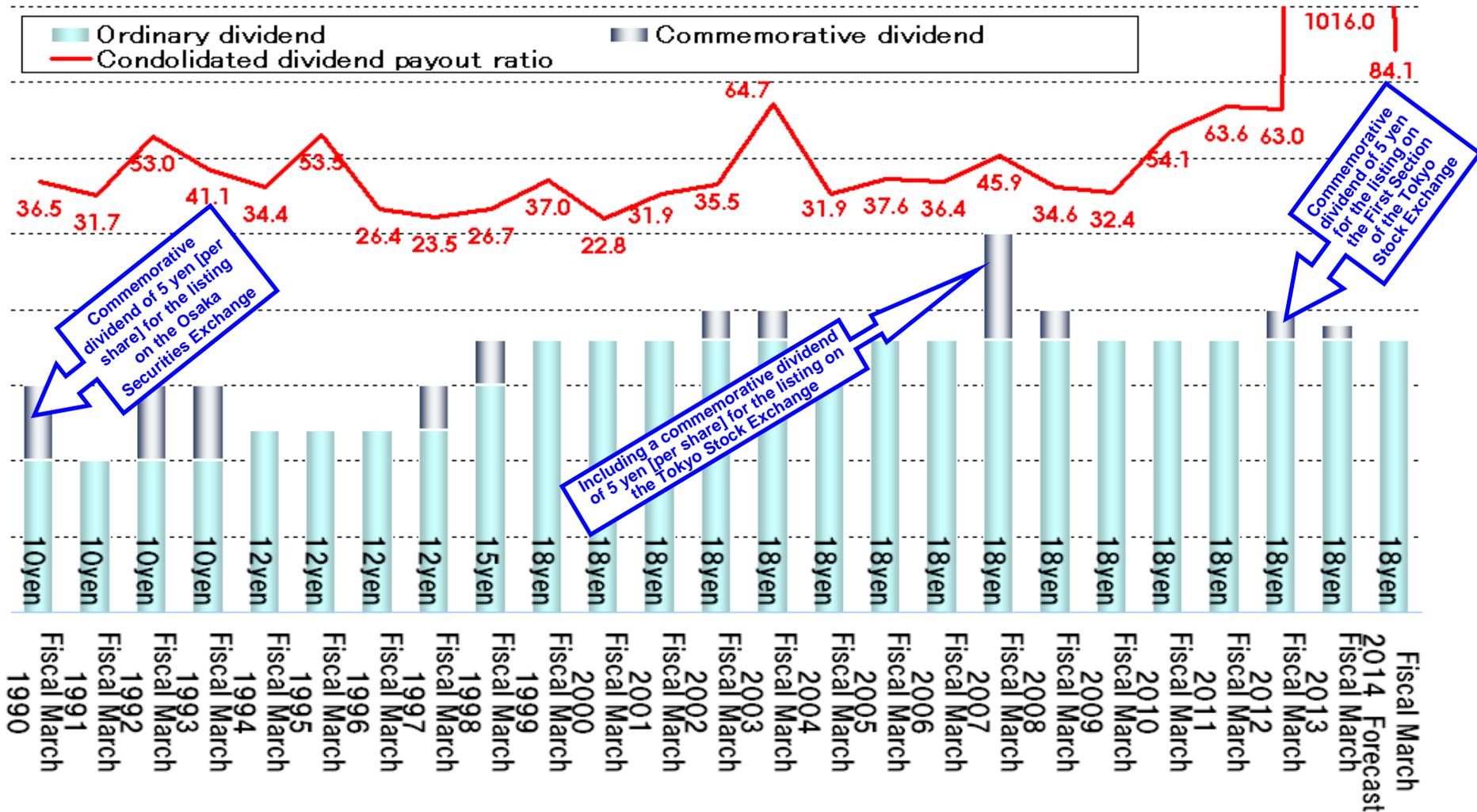
⇒ Fiscal March 2014 forecast: Sales of 1.7 billion yen and increase of 100 million yen in operating profits

Work to expand the nail care business by taking advantage of the R&D and production engineering capabilities the company has developed in the dental materials business.

Dividend Policy

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

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





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.

**11 Kamitakamatsu-cho, Fukuine,
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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 Profile

⇒ Company and Business Profiles



(As of September 30, 2013)

■ Company name	SHOFU Inc.
■ Representative	Noriyuki Negoro, President and CEO
■ Address	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan
■ Date of establishment	May 15, 1922
■ Capital	4,474,646,614 yen
■ Listed exchanges	First Section of Tokyo Stock Exchange (date listed: March 29, 2012)
■ Number of employees	436 (entire group: 829, including 270 in overseas subsidiaries)
■ Business	Manufacture and sale of dental materials and equipment
■ Main customers	Dental institutions (via sales agencies)
■ Number of group companies	10 (three in Japan, seven overseas) Dental companies: 8 (two in Japan, six overseas) Nail care companies: 2 (one in Japan, one overseas)

Main Products



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

Artificial teeth



Artificial tooth and implant materials

- Porcelain teeth, porcelain powder, resin teeth

Abrasives



Materials for removing diseased areas and polishing crowns

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

Metal products



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

- Alloys for casting, silver alloys
- Other metals

Chemical products



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

- Synthetic resins
- Impression materials
- Waxes

Cements



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

- Dental cements
- Dental stones and investments

Equipment and appliances



Equipment and appliances for dental treatment and procedures

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

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

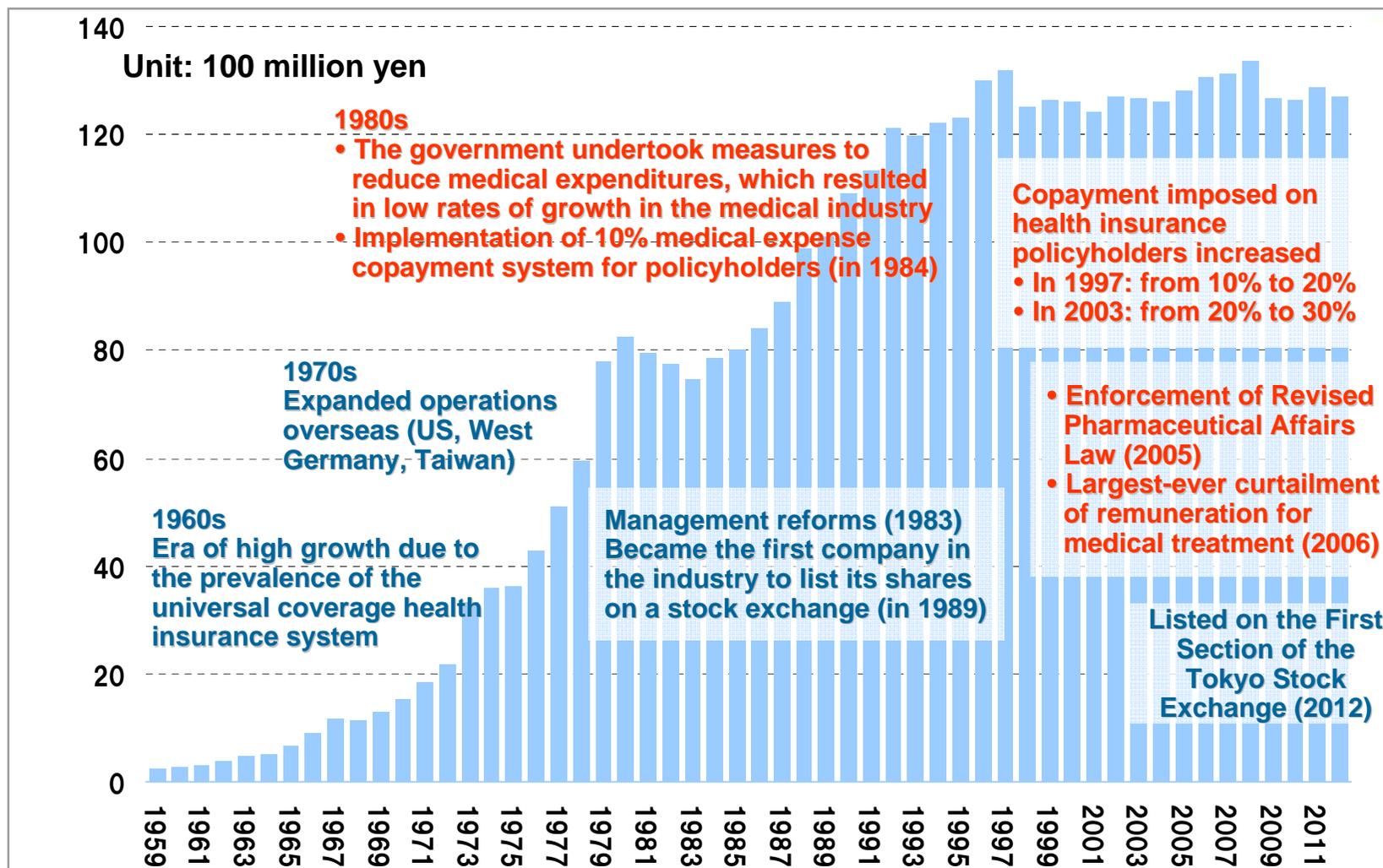
The company's products are designed for use in dental care and treatment.

Corporate History

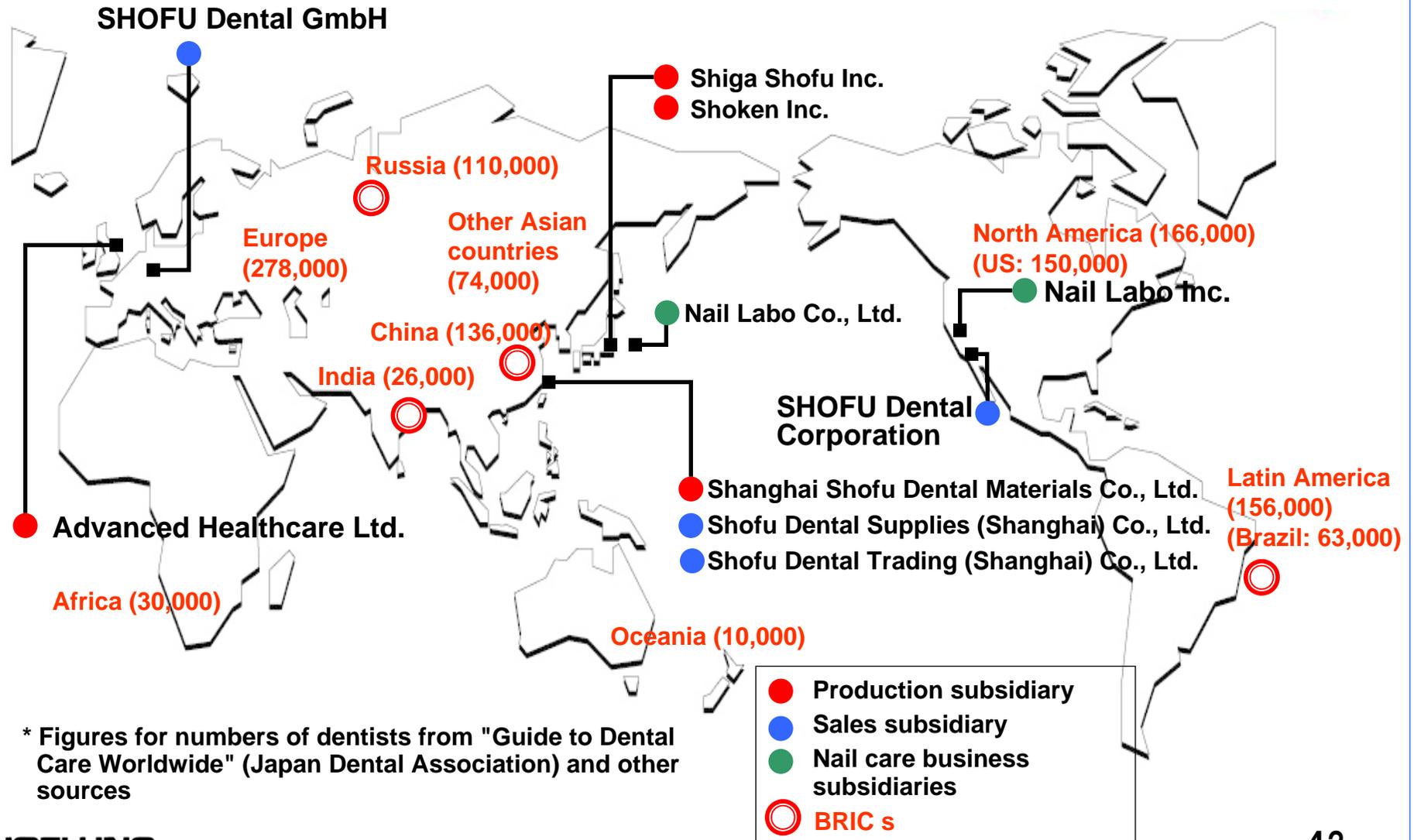


• 1922	Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
• 1963	Shofu shares listed on the over-the-counter market.
• 1971~1978	Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). Established Shiga Shofu Inc. as a manufacturing facility for resin teeth.
• 1983	Changed the company name to SHOFU Inc. Commenced management reforms.
• 1989	Shofu's shares listed on the Second Section of the Osaka Securities Exchange (in November).
• 1990~1997	Purchased a British research & development and manufacturing company. Founded a sales subsidiary in the U.K. Obtained the UK GMP (Good Manufacturing Practice) Certificate. Acquired a CE marking certificate.
• 1996	Founded Promech Inc. Established Liaison Office in Shanghai, China.
• 1997	Established the industry's largest research facility as a part of a project to commemorate Shofu's 75th anniversary.
• 2002~2003	Celebrated the company's 80th anniversary (in May 2002). Established Liaison Office in Beijing, China. Obtained ISO 14001 (Environmental Management System) certification (both for the headquarters and all group companies). Established Shanghai Shofu Dental Materials Co., Ltd., a production facility in China.
• 2005	Acquired Shoken Inc. as a wholly owned subsidiary through a share exchange. Established Shofu Dental Supplies (Shanghai) Co., Ltd., a sales facility in China.
• 2006	Training Center designed to promote customers service completed (in August).
• 2007	Celebrated the company's 85th anniversary. Shofu's shares listed on the Second Section of the Tokyo Stock Exchange (in February).
• 2008	Acquired and turned Nail Labo Co., Ltd. into a subsidiary. Acquired 1.6 million of the company's own shares in accordance with the purchase of the company's own shares scheme in the J-NET market of the Osaka Securities Exchange.
• 2009	Reached basic agreement concerning business and capital partnership with Mitsui Chemicals, Inc., and Sunmedical Co., Ltd. Transferred 1.8 million shares of treasury stock to Mitsui Chemicals, Inc., through a third-party allocation.
• 2012	Celebrated the 90th anniversary of its founding. Listed on the First Section of the Tokyo Stock Exchange.

Corporate History - Sales

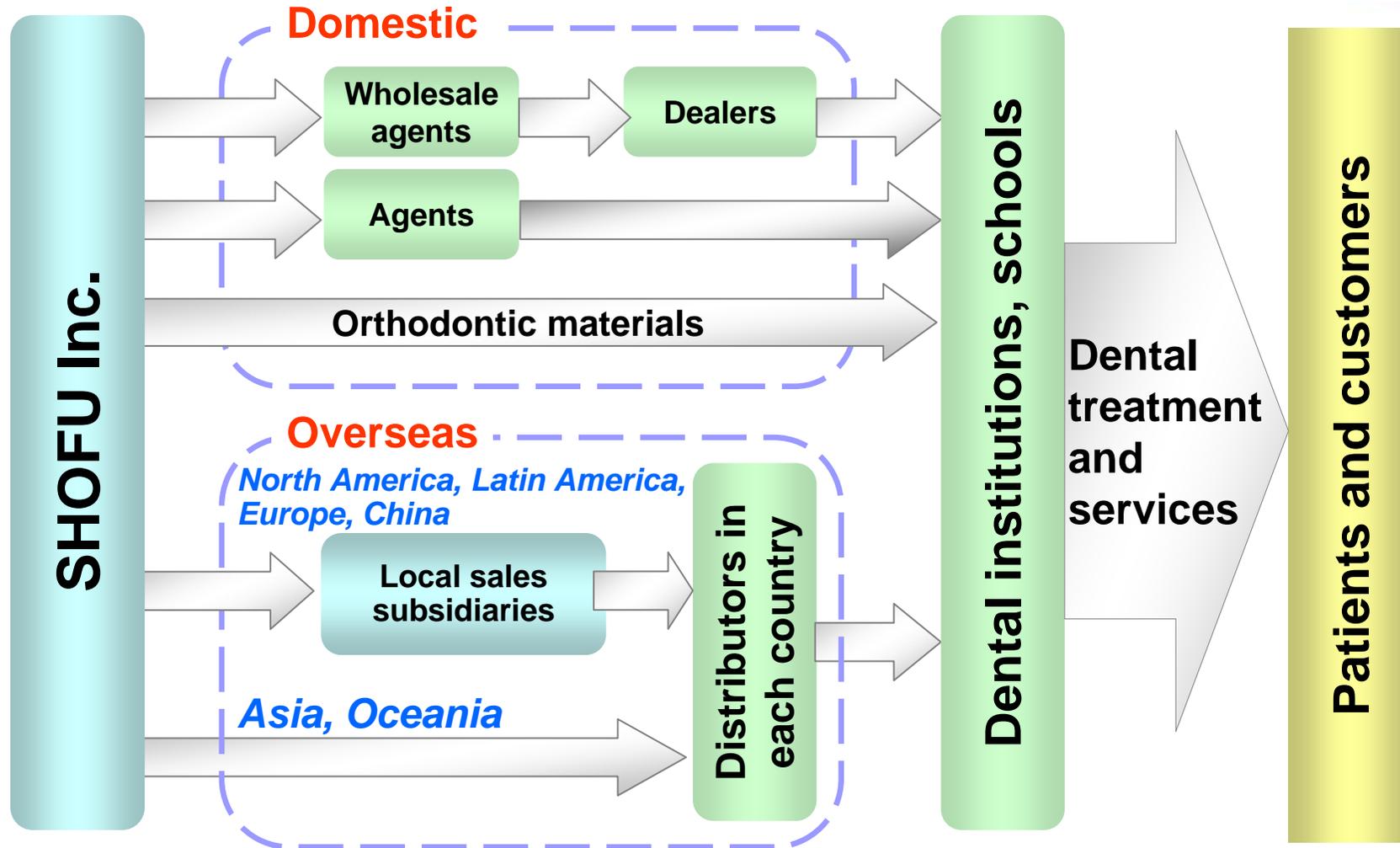


Group Profile and Number of Dentists Worldwide



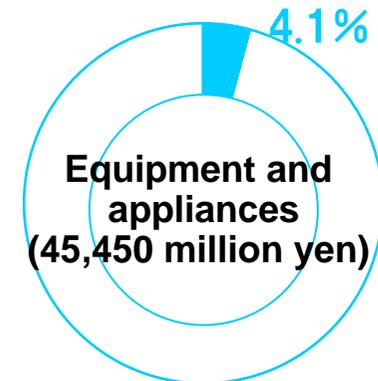
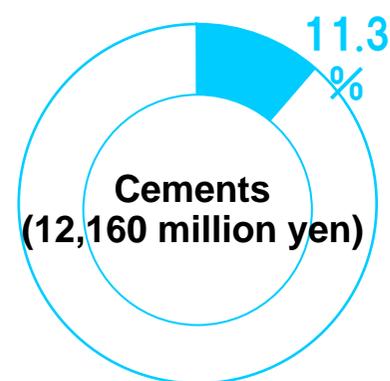
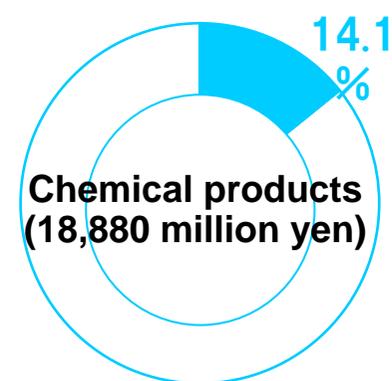
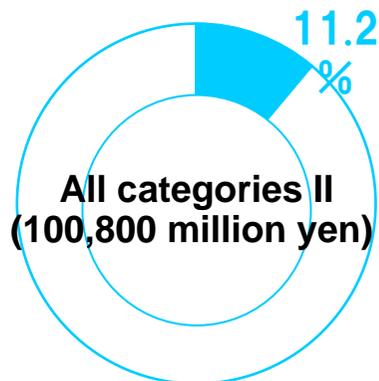
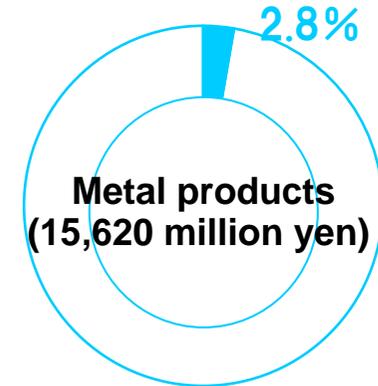
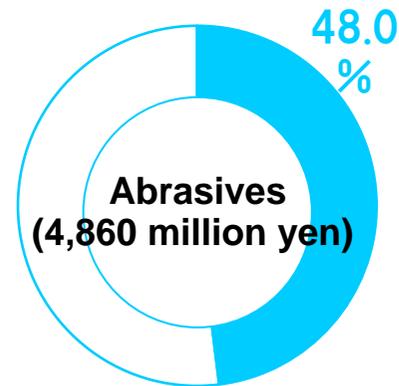
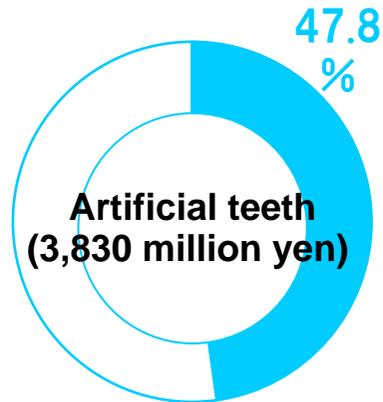
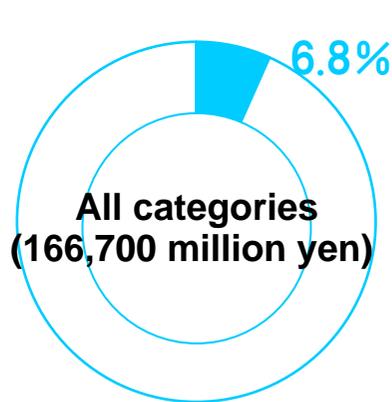
* Figures for numbers of dentists from "Guide to Dental Care Worldwide" (Japan Dental Association) and other sources

Sales Channels



Market share by product category

Company and Business Profiles



“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 2010)
Figures in parentheses represent market size. (Figures rounded down to the nearest ten million yen)



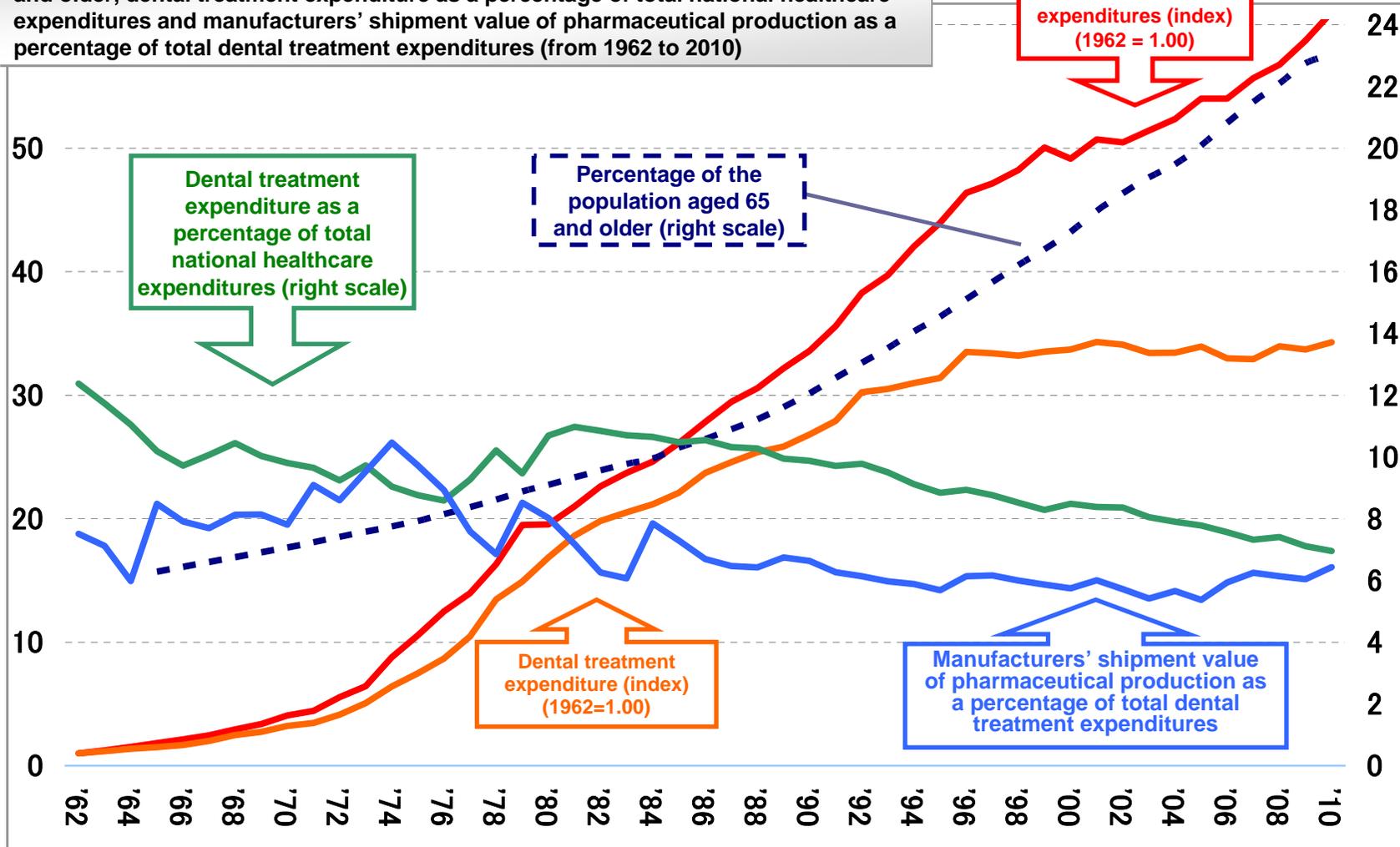
Reference <Dentistry Data>

Long-term Trend of Dentistry-Related Statistics

☉ Reference <Dentistry Data>



Trend of national healthcare expenditures, the percentage of the population aged 65 and older, dental treatment expenditure as a percentage of total national healthcare expenditures and manufacturers' shipment value of pharmaceutical production as a percentage of total dental treatment expenditures (from 1962 to 2010)

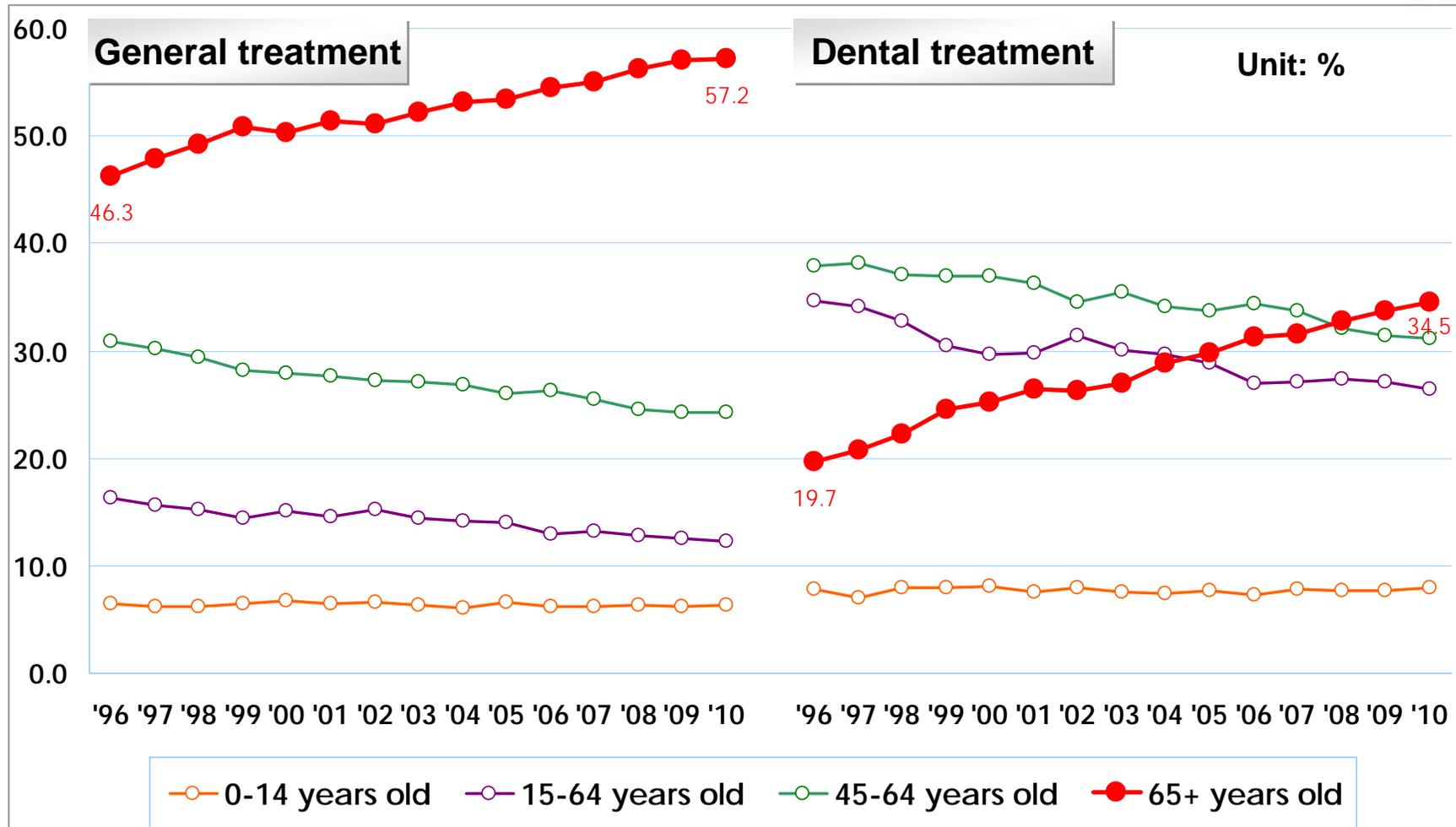


Healthcare Expenditures by Age Group (Component Ratio)

Reference <Dentistry Data>



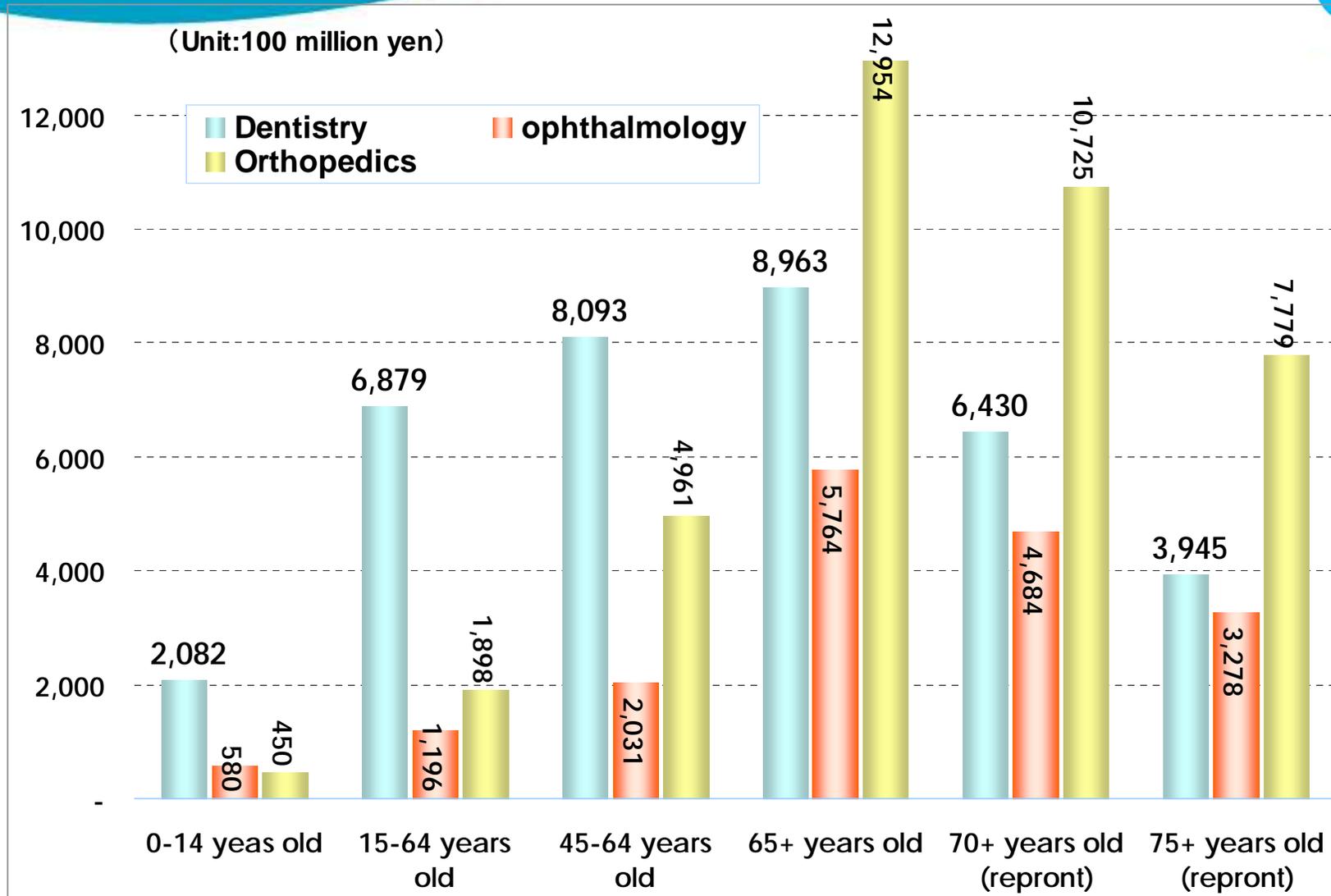
People aged 65 years and older tend to place less importance on dental treatment than general medical treatment.



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

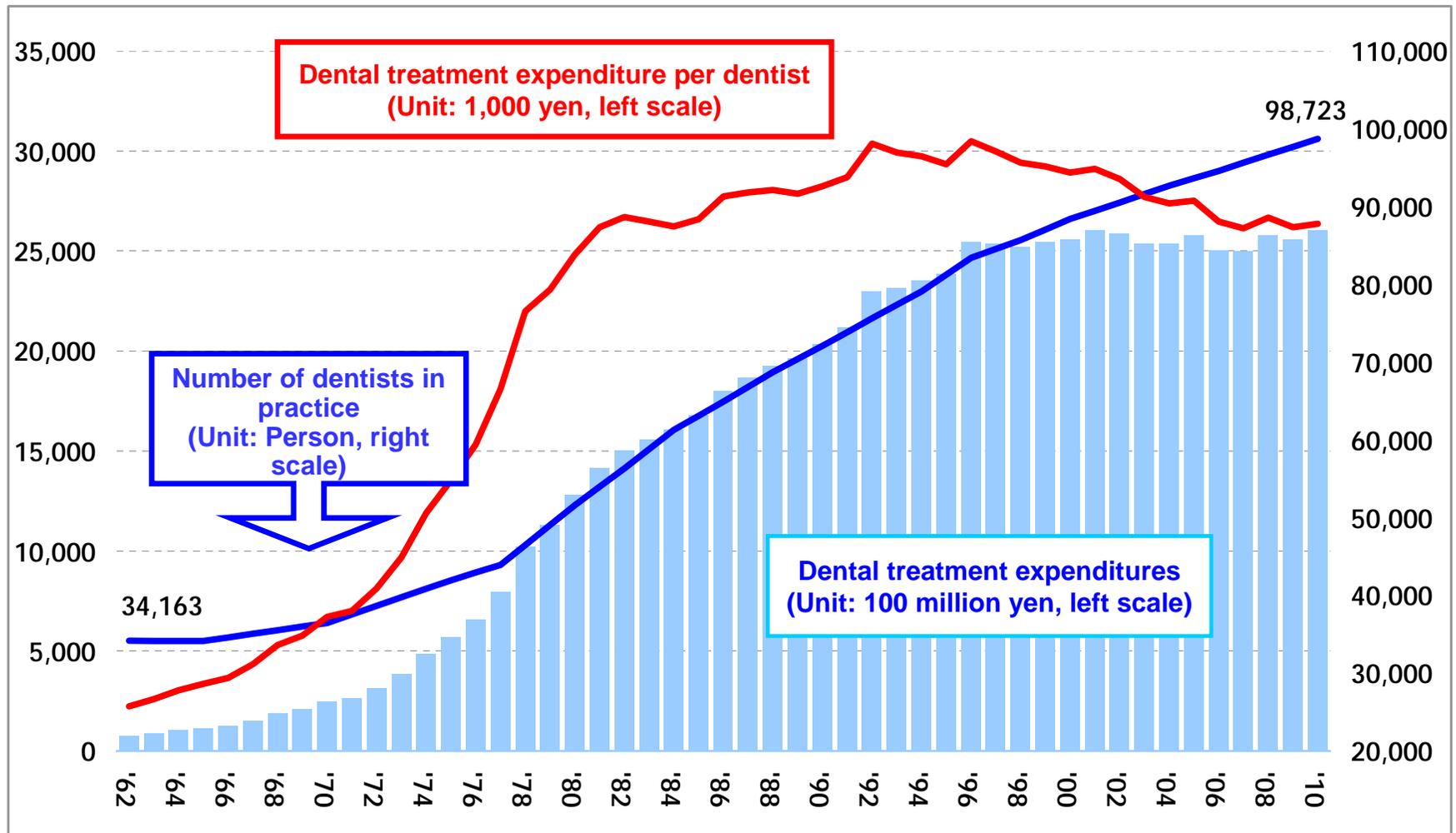
Comparison of Healthcare Expenditures by Age Group - Dentistry, Ophthalmology and Orthopedics

☞ Reference <Dentistry Data>



Trend of the Number of Dentists and Dental Treatment Expenditure

Reference <Dentistry Data>



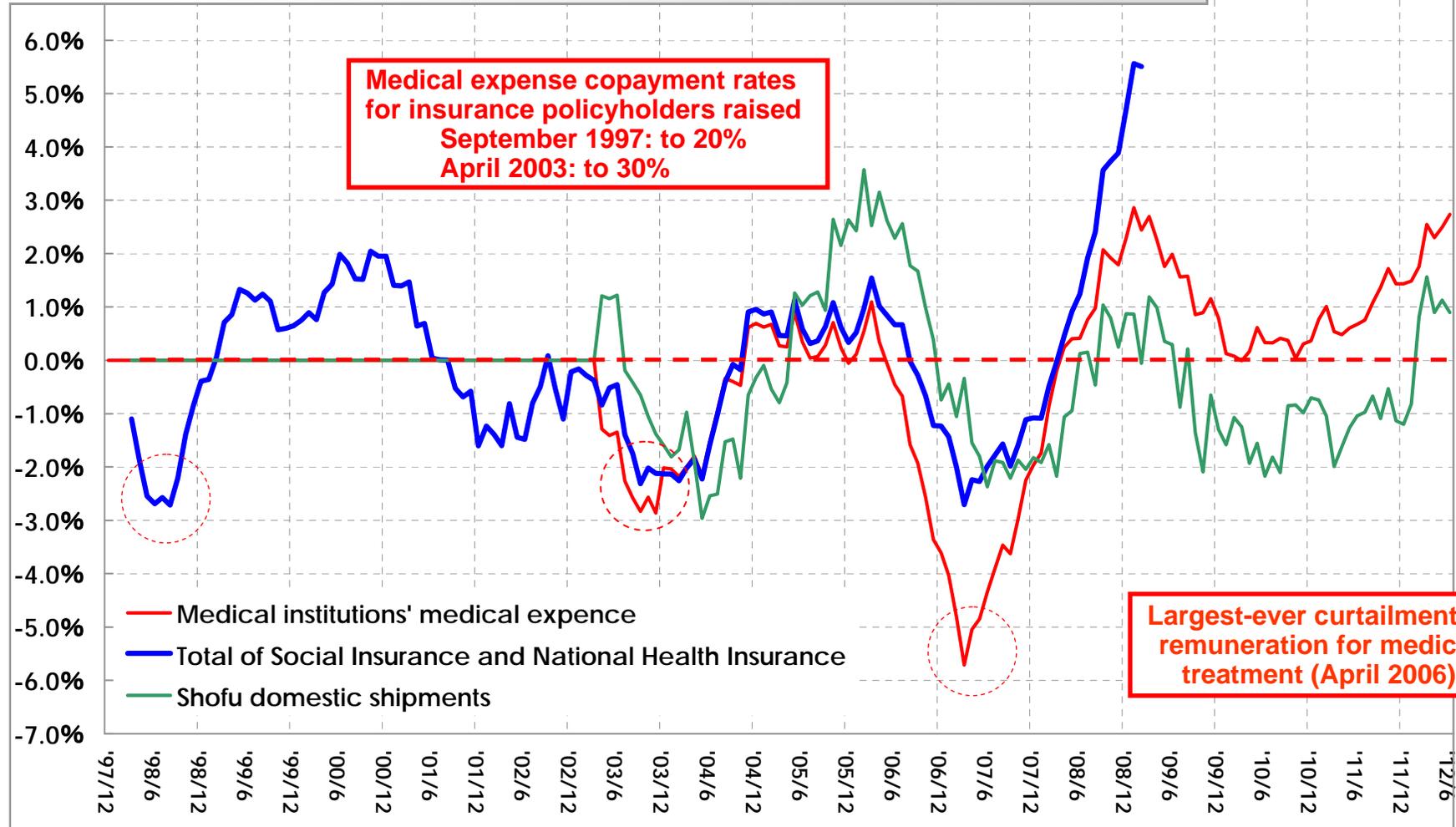
Prepared using yearly data from Summary of National Healthcare Expenditures, Survey on Doctors, Dentists and Pharmacists (Ministry of Health, Labour and Welfare)

Dental Treatment Expenditures

Reference <Dentistry Data>



Year-on-year comparison of amount paid by dental health insurance (deviation from 12-month moving average) from December 1997 to May 2012

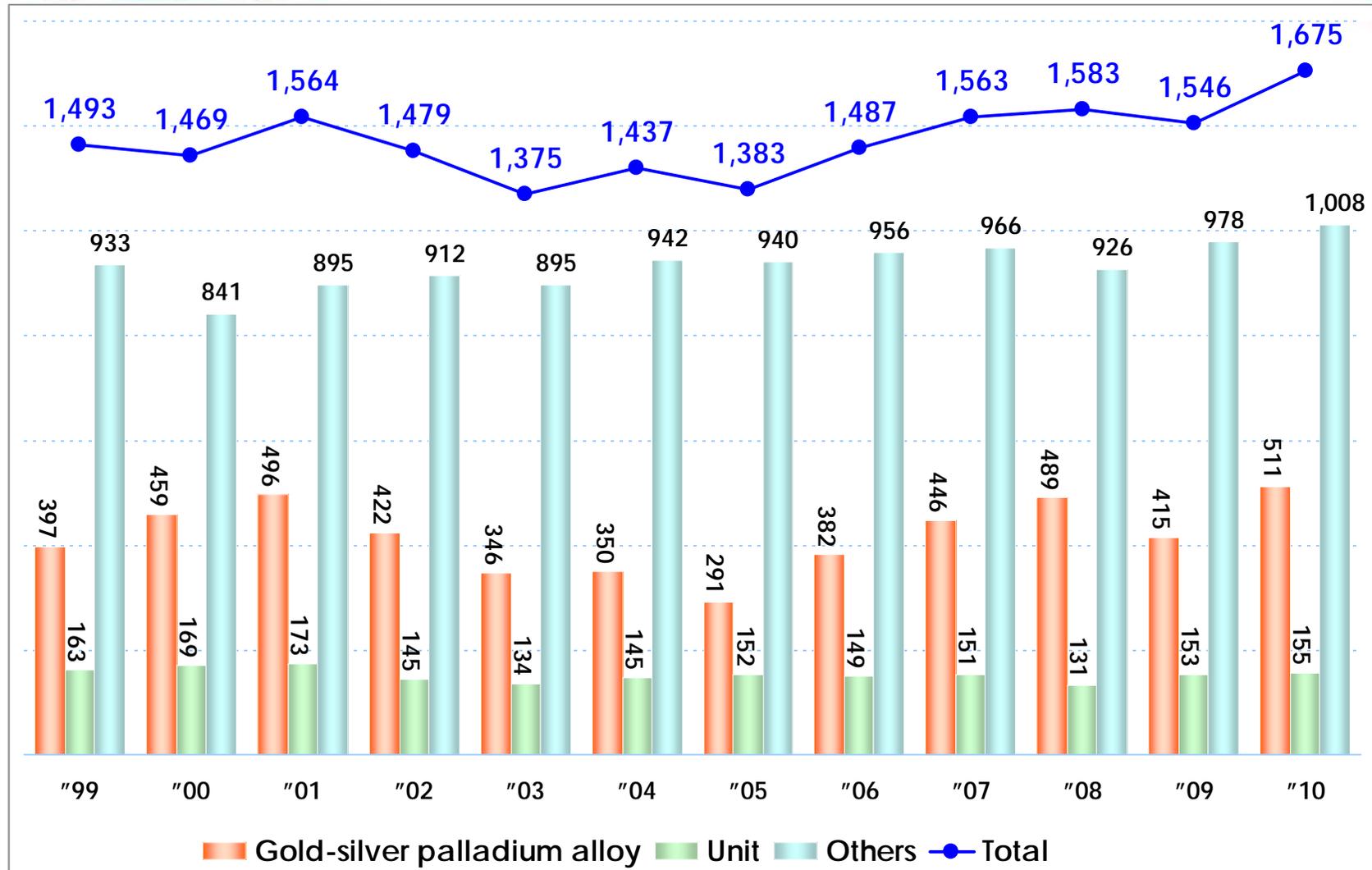


Trend of Shipment Value of Pharmaceutical Industry Production

☞ Reference <Dentistry Data>

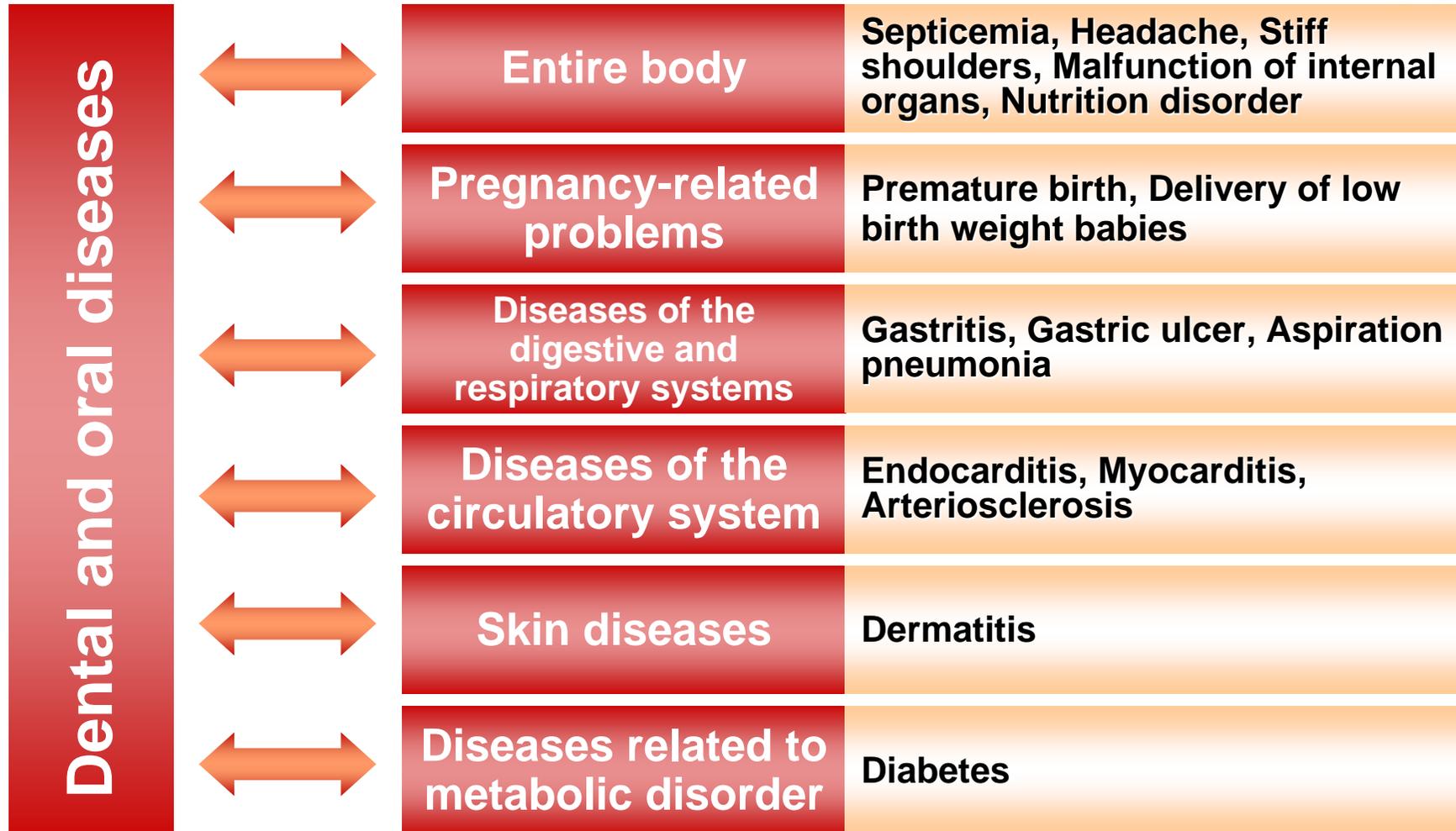


Shipment value, Unit: 100 million yen



Systemic Diseases Caused by Caries and Periodontal Disease

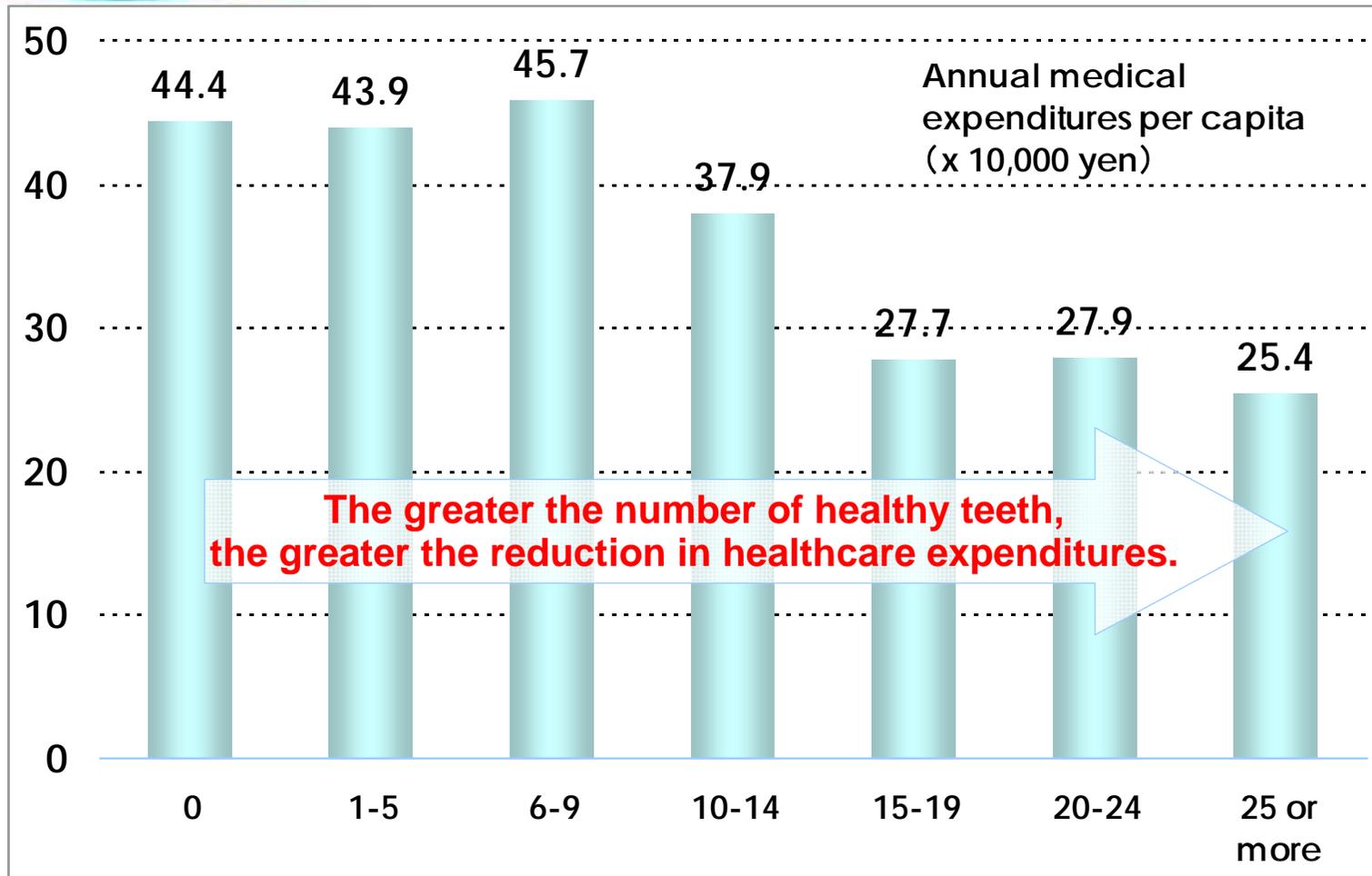
Reference <Dentistry Data>



(Reprinted from the "Archive of the 8020 and Enjoy Healthy Life" issued by Social Insurance Research Institute)

Correlation between Number of Healthy Teeth and Healthcare Expenditures

Reference <Dentistry Data>



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

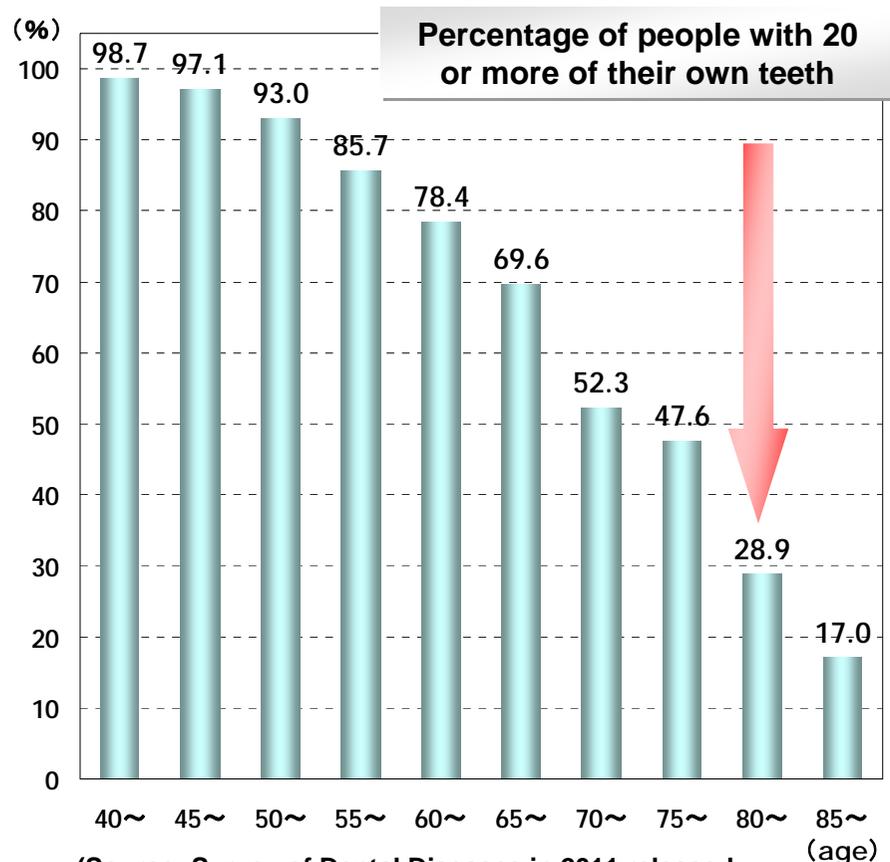
SHOFU INC. Subjects surveyed: 954 persons aged 80 living independently (392 men, 562 women)

The 8020 Movement and Changes in Dental Diseases

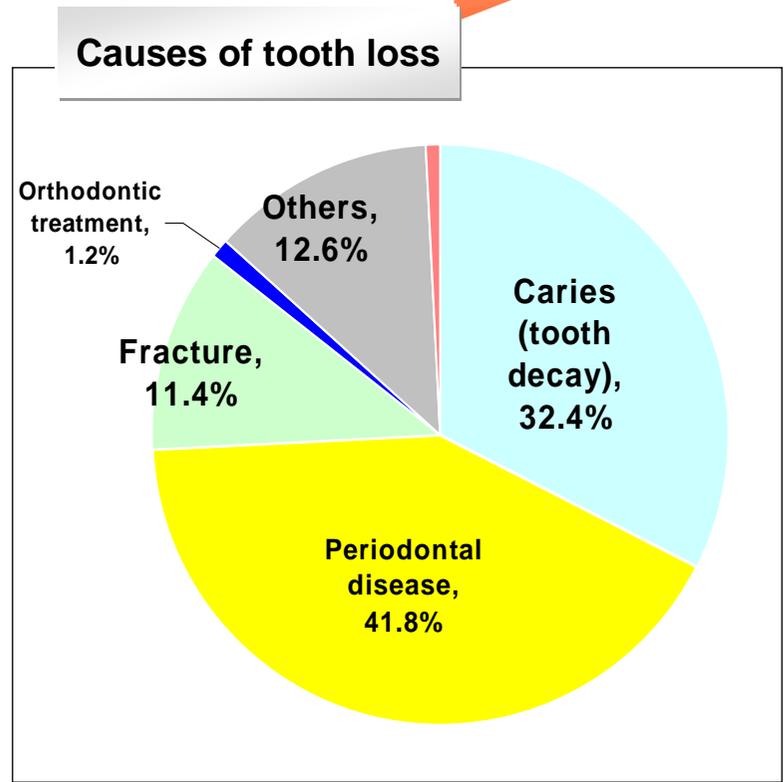
☞ Reference <Dentistry Data>



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



(Source: Survey of Dental Diseases in 2011 released by the Ministry of Health, Labour and Welfare)



(Survey by the 8020 Promotion Foundation in 2005)

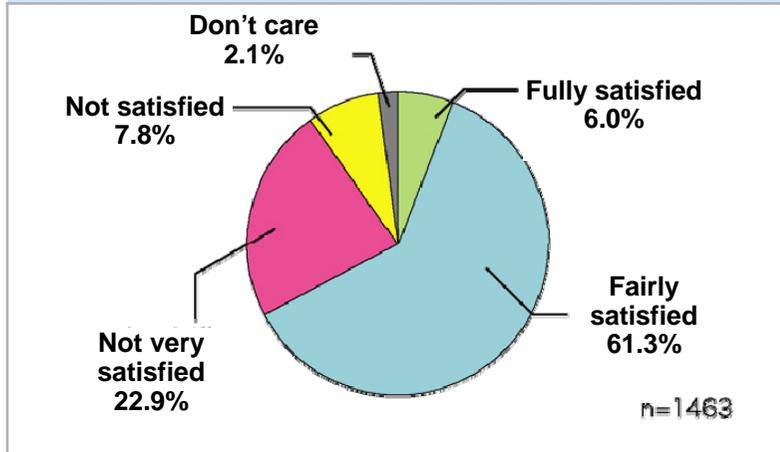
Perception of Dental and Oral Health

☞ Reference <Dentistry Data>

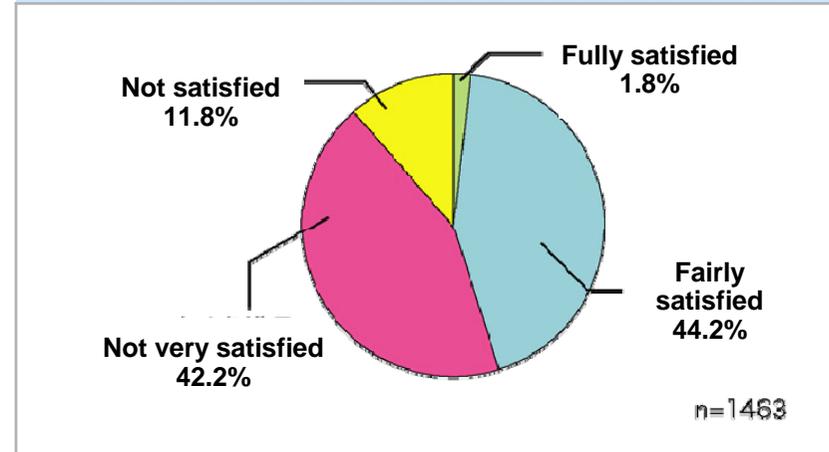


Source: Fiscal 2007's Dental Equipment Industry Vision (References)

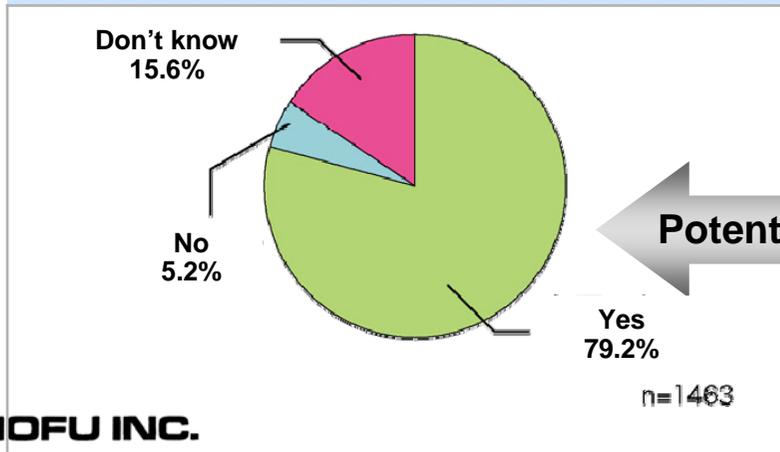
Are you satisfied with your physical health?



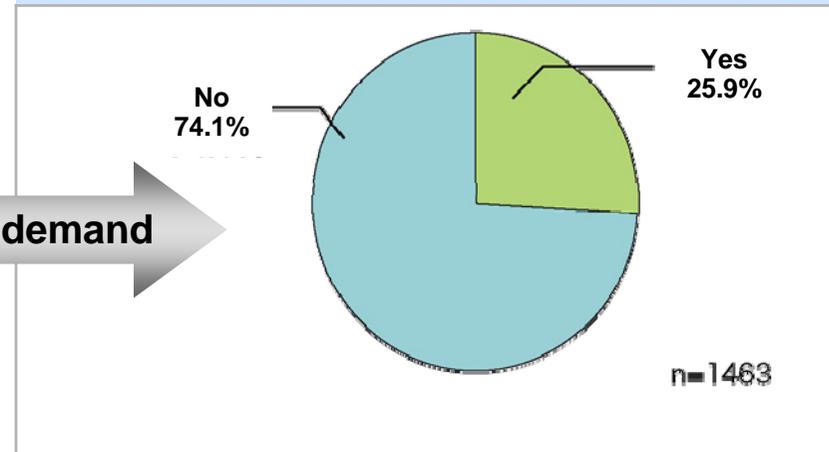
Are you satisfied with your oral health?



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

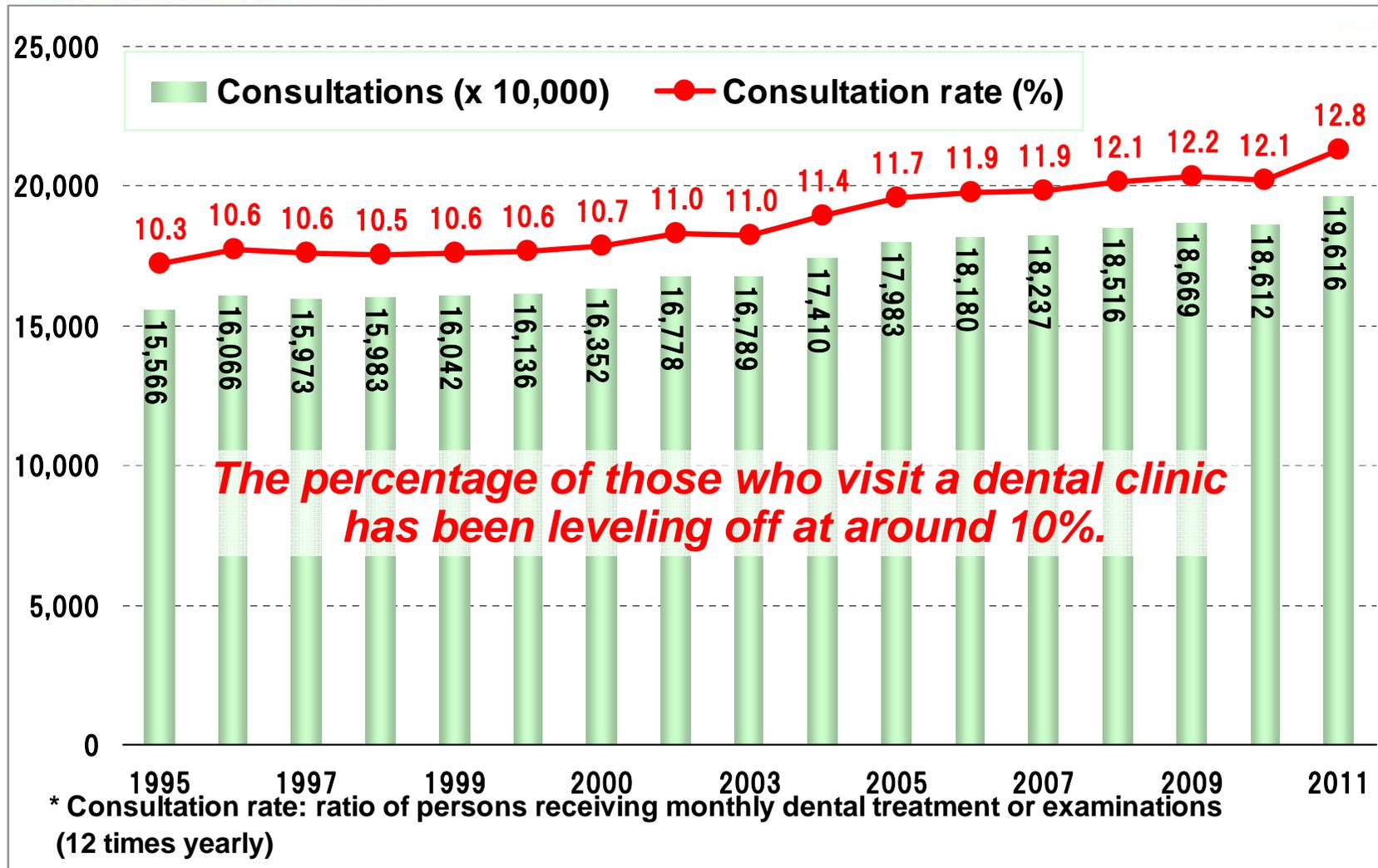


Do you actually receive regular dental care?



Dental Clinic Consultation Rates

☞ Reference <Dentistry Data>



Trend in the North American Market

Reference <Dentistry Data>



The public developed the habit of paying regular visits to dental clinics. → Shortage of dentists

Increase in regular visits to dental clinics → Solution to the problem of oversupply of dentists

	North America	Japan
Percentage of those who make regular visits to dental clinics	54%	16%
Number of dentists (per 1,000 persons)	0.6 person	0.7 person
Population (per dentist)	1,670 person	1,430 person

WHO says that one dentist per 2,000 persons is the appropriate ratio.

Source:

* Health and Welfare Survey in 1999 conducted by the Ministry of Health, Labour and Welfare and a survey conducted by Colgate-Palmolive Company

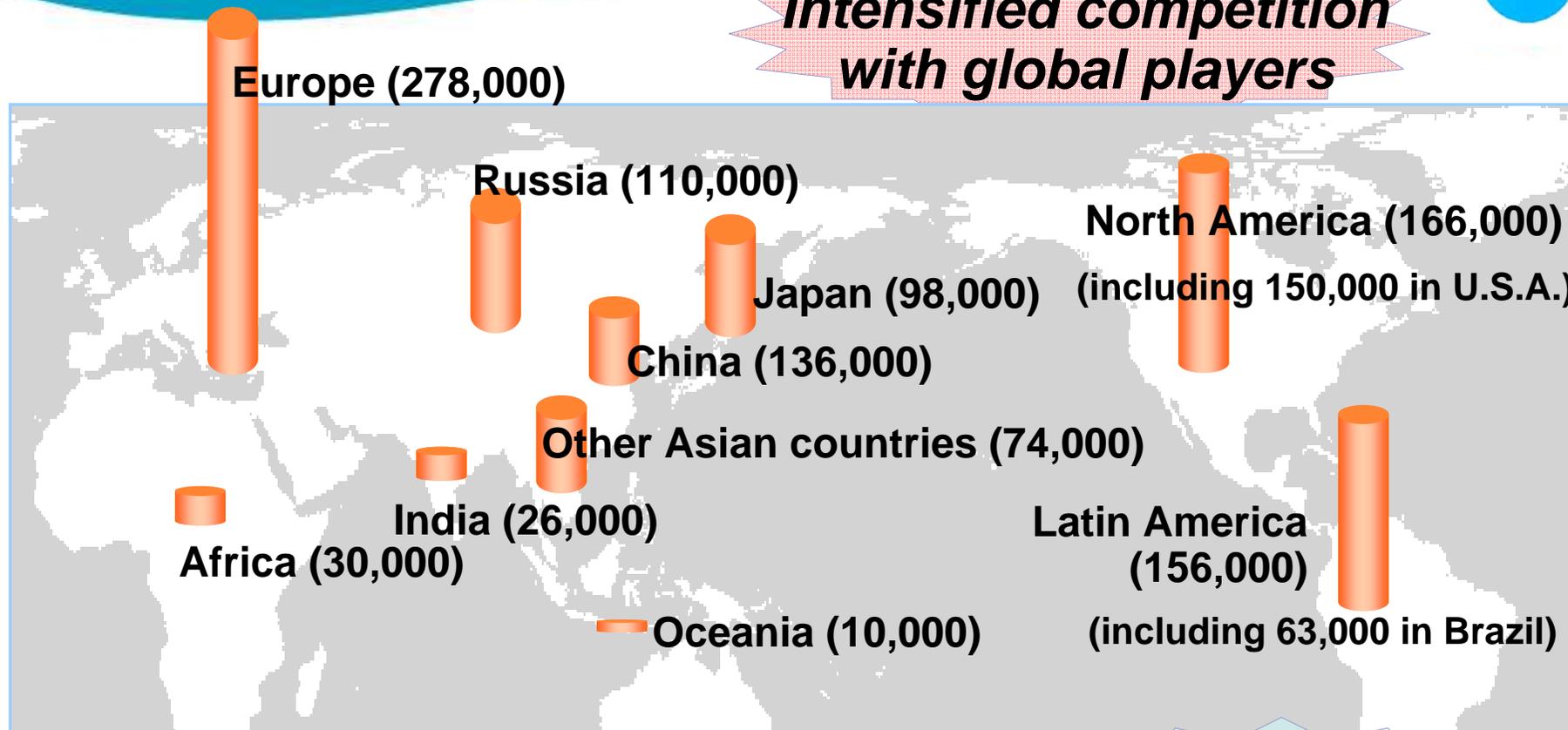
* Consulted an article titled "Reasons for the Success of the Canadian Dental Community" (DH Style, September 2007) by Ken Yaegaki DDS Ph.D., Professor and head of the Department of Oral Health, Nippon Dental

Number of Dentists in the World

Reference <Dentistry Data>



Intensified competition with global players



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

**Number of dentists in the world:
 Approx. 1 million
 Estimated market size:
 Approx. 2 trillion yen**

Glossary (1)



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 61)
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 61)
Filling	To fill resin or cement after removing a decay to restore the affected area.
Aesthetic dentistry	A variety of treatment to enhance patient's esthetic appearance, including orthodontics and whitening.
Scaler	An instrument used to remove plaque and tartar accumulated on the tooth surface.
Dental floss	A thread used to remove plaque from the spaces between teeth.
Handpiece SHOFU INC.	A handheld device to which small instruments for removing tooth decay, plaque, and tartar are attached. → Plaque (page 61)

Glossary (2)

☞ Reference <Dentistry Data>



Term	Meaning
Nail care	Care for fingernails and the surrounding area, including attachment of artificial nails. Nail care is widely considered an important part of personal grooming in many parts of the world, and it is also growingly popular among young women in Japan, which leads to a rapid growth of the market.
PMTC	PMTC stands for Professional Mechanical Tooth Cleaning. In PMTC, a dentist or hygienist uses machines and instruments to remove plaque, tartar (calcified plaque), and other dental deposits (caused by smoking, etc).
Fluoride	A substance that accelerates re-calcification of the tooth surface and strengthens tooth structure (especially for enamel).
Plaque	Calculus deposits. Bacteria living in plaque create acids and toxins, which cause decay and periodontal disease. Thus, removing plaque helps prevent dental disease and enhance oral health.
Dental prosthetic	An artificial replacement of defective area. It includes fillings and crowns that restore patient's oral function and esthetic appearance.
Bonding (material)	A material to bond composites to natural tooth (enamel and dentin). → Composite resin (page 60)
Resin	Synthetic high polymer. Resins are popularly used for dental restoratives.