



**Fiscal Year Ended March 2014
(142th Business Year)**

Financial Analyst Meeting

May 20, 2014





Contents of Today's Presentation

- ➔ **Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2014**
- ➔ **Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015**
- ➔ **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 feel. 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, 2014

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015

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

Summary of Business Performance (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2014



■ Positive factors ■ Negative factors

P/L

⇒ Sales totaled 18,258 million yen (an increase of 13.9%)

Domestic sales totaled 13,066 million yen (an increase of 8.0%)

- New products in the *cements and others and equipment and other segments* introduced during current and previous fiscal years contributed to sales in the dental business, which **rose 9.0%**.
- The company created a Nail Care Division at the Shofu Head Office to deal with price and quality competition in the nail care business in a more rapid manner. Thanks to increased collaboration in operations ranging from product development to manufacturing and distribution, sales **rose 0.4%**.

Overseas sales totaled 5,191 million yen (an increase of 32.2%)

- Overseas sales in the dental business **surged 29.3%** due to brisk activity in every region and the favorable impact of exchange-rate fluctuations. Overseas sales in the nail care business **soared 114.3%** on exceptional performance, particularly in Asia.

⇒ Operating profits totaled 987 million yen

- Despite an increase in sales, general, and administrative expenses (up 923 million yen) due to aggressive up-front investments in sales activities and other areas, operating profits **rose 36.1%** on higher revenue.

⇒ Ordinary profits totaled 978 million yen, and current term net profit totaled 506 million yen

- Thanks to improvement in non-operating profits due to in part to the favorable impact of exchange-rate fluctuations, ordinary profits **rose 33.6%**.
- Current net profit **rose 2,602.4%**.

SHOFU INC.

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during that year. (Previously, the rate on the final day of the fiscal year was applied.)

Summary of Business Performance for the Current Fiscal Year

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2014



Sales and profits increased compared to the previous period and the forecast.

Units: millions
of yen, %

	Fiscal March 2013 (Results) (% of sales)	Fiscal March 2014 (Forecast) (% of sales)	Fiscal March 2014 (Results) (% of sales)	Change from Previous Period (% change)	Change from Forecast (% change)
Sales	16,028 (100.0)	17,694 (100.0)	18,258 (100.0)	2,230 (13.9)	564 (3.2)
(Domestic sales)	12,100 (75.5)	12,710 (71.8)	13,066 (71.6)	966 (8.0)	356 (2.8)
(Overseas sales)	3,928 (24.5)	4,983 (28.2)	5,191 (28.4)	1,263 (32.2)	207 (4.2)
Operating profit	725 (4.5)	725 (4.1)	987 (5.4)	261 (36.1)	262 (36.1)
Ordinary profit	732 (4.6)	661 (3.7)	978 (5.4)	246 (33.6)	317 (48.0)
Net profit	18 (0.1)	383 (2.2)	506 (2.8)	487 (2602.4)	122 (32.0)
Net profit per share	1.17yen	24.08yen	31.77yen	30.60yen	7.69yen
Return on equity	0.1%	2.1%	2.6%	2.5P	0.6P

* Forecasts for fiscal March 2014 reflect anticipated revisions to the initial forecast announced on October 28, 2013.

* Diluted earnings per shares for fiscal March 2014 results is 31.61 yen.

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Sales by Product Category (Comparison with Previous Period)

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2014



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2013 (Results)	Fiscal March 2014 (Results)	Change from previous period		
				Domestic	Overseas
Artificial teeth	2,471	2,641	169 (6.9)	-26	196
Abrasives	3,261	3,707	445 (13.7)	61	384
Metal products	334	331	-3 (-0.9)	-2	0
Chemical products	3,192	3,492	299 (9.4)	-20	320
Cements and others	1,552	1,915	363 (23.4)	166	196
Equipment and others	3,504	4,291	786 (22.4)	774	12
Dental business total	14,317	16,379	2,061 (14.4)	952	1,109
Nail care business	1,632	1,792	159 (9.8)	5	153
Other	78	87	8 (11.1)	8	0
Total	16,028	18,258	2,230 (13.9)	966	1,263

* Overseas sales increased by 821 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi).

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Domestic Sales

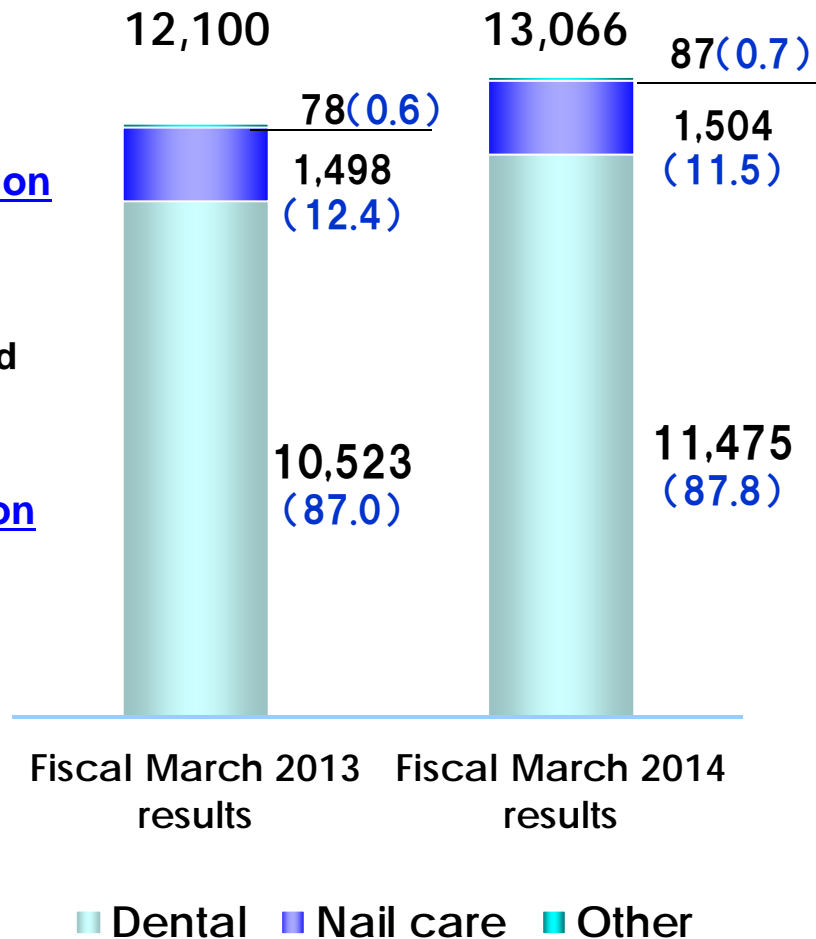
Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2014



■ Positive factors ■ Negative factors

- **Dental business: Year-on-year increase of 952 million yen (9.0%)**
 - Sales grew on strong demand in the flagship abrasives segment as well as in the *cements and others* and *equipment and others* segments.
- **Nail care business: Year-on-year increase of 5 million yen (0.4%)**
 - Price and quality competition intensified.
 - Online sales rose.
 - A Nail Care Division was created at the Shofu Head Office as part of an effort to build an integrated system extending from product development to sales.
- **Other businesses: Year-on-year increase of 8 million yen (11.1%)**
- **Principal new products launched this quarter (dental business)**
 - **SOLIDEX HARDURA**, a light-curing crown and bridge composite (chemical products)
 - **BeautiCem SA**, a fluoride-releasing self-adhesive resin cement (cements)
 - **Eyespecial C-II**, a smart digital camera designed specifically for dentistry (equipment)

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



Overseas Sales

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2014



■ Positive factors ■ Negative factors

■ **North America and Latin America: Year-on-year increase of 395 million yen (33.5%)**

■ In addition to the flagship abrasives segment, sales in the chemical products segment showed robust growth.

Local currency basis: **Year-on-year increase of 136 million yen (11.5%)**

■ **Europe: Year-on-year increase of 337 million yen (26.8%)**

■ Revenue surged as the favorable impact of exchange-rate fluctuations augmented increased sales in the chemical products segment.

Local currency basis: **Year-on-year increase of 28 million yen (2.2%)**

■ **Asia and Oceania: Year-on-year increase of 530 million yen (35.6%)**

■ Strong sales in the artificial teeth segment in China combined with robust performance in the cements and others segment in other Asian markets as well as the favorable impact of exchange-rate fluctuations to drive a significant increase in revenue.

Local currency basis: **Year-on-year increase of 278 million yen (18.7%)**

China: **Year-on-year increase of 261 million yen (43.0%)**

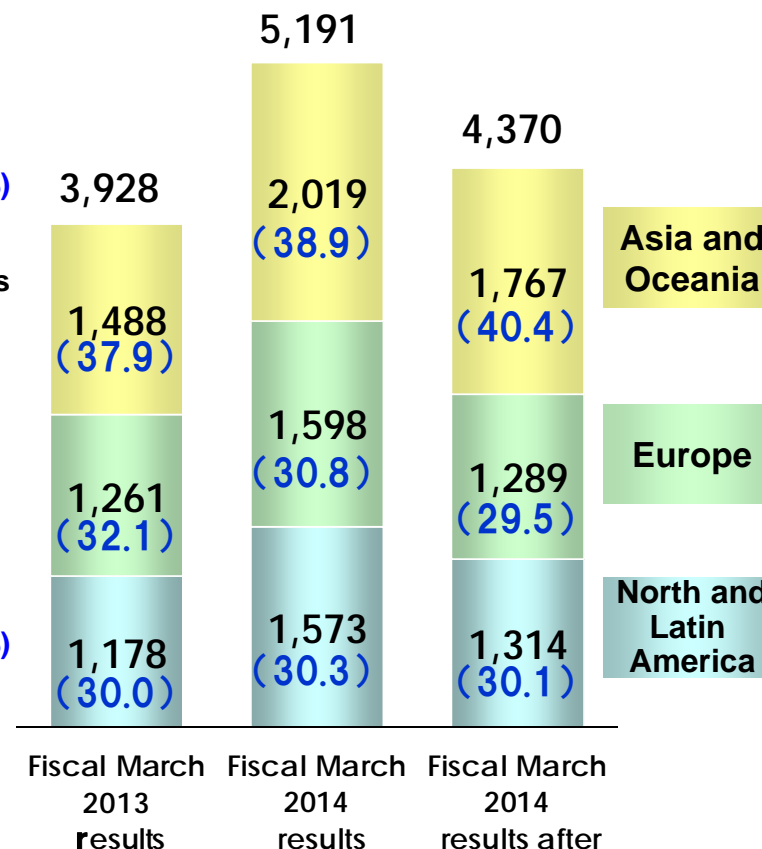
Asia (Other): **Year-on-year increase of 269 million yen (30.6%)**

■ **(Dental business) Overseas sales ratio of 29.9%**

(26.5% in the same quarter of the previous fiscal year)

(26.3% after adjustment for foreign currency translation)

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



* The Fiscal March 2014 results after adjustment for foreign currency translation have been calculated based on the same foreign exchange rates used for fiscal March 2013 results.

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during that year. (Previously, the rate on the final day of the fiscal year was applied.)

Performance by Segment (Sales and Operating Profits)

Summary of Consolidated Business Performance for
Fiscal Year Ended 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 (Results) Amount (% of sales)	Change from Previous Period
Dental	Sales	14,317	16,379	2,061
	Operating expenses	13,567	15,453	1,886
	Operating profit (operating profit margin)	750 (5.2)	925 (5.7)	175
Nail care	Sales	1,633	1,793	159
	Operating expenses	1,686	1,768	82
	Operating profit (operating profit margin)	-52 (-3.2)	24 (1.4)	77
Other	Sales	83	91	8
	Operating expenses	61	62	0
	Operating profit (operating profit margin)	21 (26.2)	29 (31.9)	7
Total before consolidation adjustment	Sales	16,033	18,263	2,230
	Operating expenses	15,314	17,284	1,969
	Operating profit (operating profit margin)	718 (4.5)	979 (5.4)	260
Consolidated	Sales	16,028	18,258	2,230
	Operating expenses	15,302	17,271	1,968
	Operating profit (operating profit margin)	725 (4.5)	987 (5.4)	261

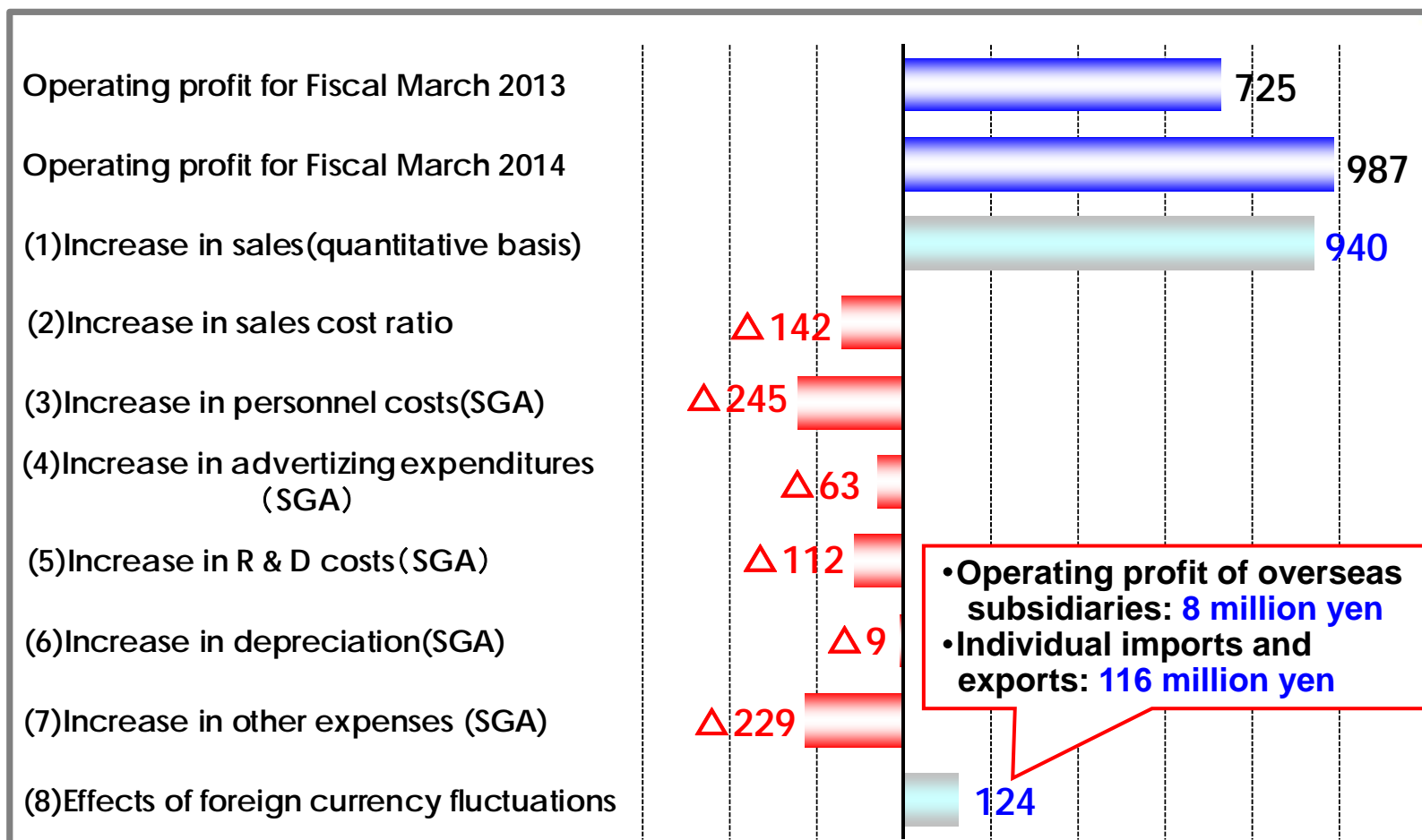
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Contributors to Change in Operating Profit

Summary of Consolidated Business Performance for Fiscal Year Ended March 31, 2014



Unit: millions of yen



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

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Financial Condition: Major Balance Sheet Accounts

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2014



Unit: millions of yen

	Fiscal March 2013	Fiscal March 2014	Change	Major contributors to changes, special notes
Cash and deposits	5,511	5,266	-244	
Notes and bills receivable, trade accounts receivable	2,649	2,910	260	
Inventory	3,694	4,168	474	Increase in merchandise and finished goods
Securities, investment securities	3,528	3,740	211	
Others	7,433	7,953	519	Increase in buildings and structures, machinery and equipment, and construction in progress
Assets	22,817	24,039	1,222	
Long-term and short-term borrowings	980	0	-980	Decrease in short-term borrowings
Reserve for retirement benefits and directors' retirement benefits	120	114	-5	
Others	3,054	4,177	1,122	Increase in notes payable facilities and deferred tax liabilities
Liabilities	4,154	4,291	137	
Net worth	18,662	19,747	1,085	Increase in valuation difference on available for sale securities and foreign currency translation adjustment
Total liabilities and net worth	22,817	24,039	1,222	
Capital adequacy ratio	81.6%	81.9%	0.3P	
Net worth per share	1,169yen	1,235yen	66yen	

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

Summary of Consolidated Business Performance for
Fiscal Year Ended March 31, 2014



Unit: millions of yen

	Fiscal March 2013 (Results)	Fiscal March 2014 (Forecast)	Fiscal March 2014 (Results)	Change from Previous Period	Change from Forecast
Capital expenditures	1,209	1,456	1,282	73	-174
Depreciation costs (of which goodwill amortization)	660 89	691 0	656 0	-4 -89	-35 0
R&D expenses	1,219	1,500	1,332	113	-168
Foreign exchange rates					
US dollar	83.23	97.99	100.00	16.77	2.01
Euro	107.57	128.79	134.01	26.44	5.22
Pound sterling	131.36	151.33	159.20	27.84	7.87
Renminbi	12.69	15.29	15.80	3.11	0.51

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**Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2014**

**Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2015**

**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, 2015



■ Positive factors ■ Negative factors

P/L

⇒ Sales will total 18,838 million yen (an increase of 3.2%)

■ Domestic sales will total 13,182 million yen (an increase of 0.9%)

- In the dental business, we expect revenue to **rise 0.6%** due to efforts to strengthen direct sales activities targeting dental professionals and develop new business segments such as sales of dental procedure products designed using CAD/CAM.

<New product sales: 2,706 million yen, or 18.7% of non-consolidated net sales>

- In the nail care business, we expect revenue to **rise 2.6%** as we redouble efforts to promote products, for example by actively introducing nail care products featuring characters that are popular in Japan and overseas.

■ Overseas sales will total 5,655 million yen (an increase of 8.9%)

- We expect overall revenue to **rise 8.9%** as increased sales in all regions, including North and Latin America, Europe, and Asia/Oceania, offset the negative impact of exchange-rate fluctuations (**-163 million yen**).

⇒ Operating profits will total 1,048 million yen (an increase of 6.2%).

Ordinary profits will total 925 million yen (a decrease of 5.5%).

Net profit will total 565 million yen (an increase of 11.6%).

- We expect operating profits to **rise 6.2%** due to factors including higher sales and improvements in the sales cost ratio.

- We expect ordinary profits to **fall 5.5%** due to factors including a decrease in foreign exchange profit.

Comparison of Major Statistics

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2015



Sales and profits increased compared to fiscal March 2014

Units: millions of yen, %

	Fiscal March 2014 Business Performance (% of sales)	Fiscal March 2015 Forecast (% of sales)	Change From Previous Period (% change)
Sales	18,258 (100.0)	18,838 (100.0)	579 (3.2)
(Domestic sales)	13,066 (71.6)	13,182 (70.0)	115 (0.9)
(Overseas sales)	5,191 (28.4)	5,655 (30.0)	463 (8.9)
Operating profit	987 (5.4)	1,048 (5.6)	60 (6.2)
Ordinary profit	978 (5.4)	925 (4.9)	-53 (-5.5)
Net profit	506 (2.8)	565 (3.0)	58 (11.6)
Net profit per share	31.77yen	35.46yen	3.68yen
Return on equity	2.6%	2.9%	0.2P

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Sales by Product Category

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015



Unit: millions of yen

Figures in parentheses represent percentage changes; unit: %

	Fiscal March 2014 (Results)	Fiscal March 2015 (Forecast)	Change from previous period		
				Domestic	Overseas
Artificial teeth	2,641	2,871	230 (8.7)	7	222
Abrasives	3,707	3,606	-101 (-2.7)	-35	-65
Metal products	331	311	-19 (-6.0)	-19	0
Chemical products	3,492	3,672	179 (5.2)	98	81
Cements and others	1,915	2,044	128 (6.7)	21	107
Equipment and others	4,291	4,435	144 (3.4)	-4	148
Dental business total	16,379	16,941	562 (3.4)	67	494
Nail care business	1,792	1,800	8 (0.5)	38	-30
Other	87	95	8 (10.1)	8	0
Total	18,258	18,838	579 (3.2)	115	463

* Overseas sales decreased by 163 million yen due to the effect of foreign currency fluctuations (US dollar, euro, pound sterling, renminbi).

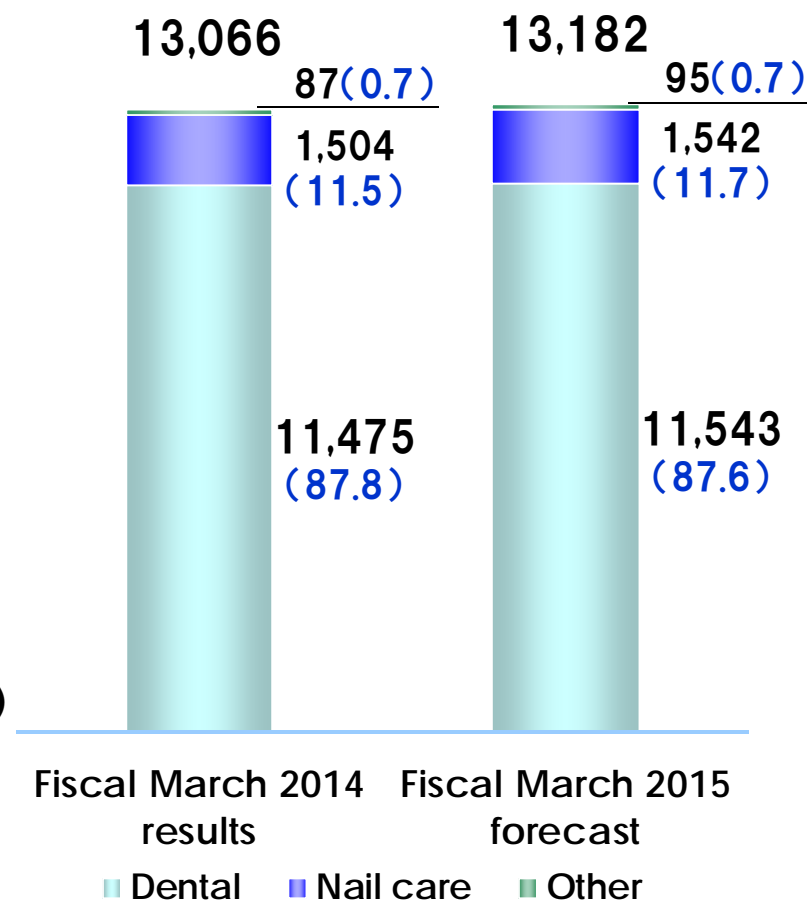
Domestic Net Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015



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

- ◇ **Dental business:**
Year-on-year increase of 67 million yen (0.6%)
 - We expect sales to rise 0.6% as a result of efforts to strengthen direct sales activities targeting dental professionals and develop new business segments using CAD/CAM.
- ◇ **Nail care business:**
Year-on-year increase of 38 million yen (2.6%)
 - We expect sales to rise 2.6% as a result of efforts to promote nail care products featuring characters that are popular in Japan and overseas .
- ◇ **Other businesses:**
Year-on-year increase of 8 million yen (10.1%)
- ◇ **Major products that will be introduced during the current term (fiscal March 2015)**
 - New dental porcelain products (artificial teeth)
 - New type of dental polymerization lamp (equipment)
 - New type of dental prophylaxis unit (equipment)
 - CAD/CAM materials (equipment and others)



Overseas Net Sales

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015



Summary

- We expect overseas sales to **rise 8.9%** as robust sales in all regions offset the anticipated negative impact of exchange-rate fluctuations (**-163 million yen**).
- Growth rates by region *Figures in parentheses indicate the growth rate on a local currency basis.

North and Latin America	+ 5.1%(+10.5%)
Europe	+ 6.7%(+10.6%)
China	+16.4%(+15.0%)
Asia (Other)	+11.6%(+14.2%)

Foreign exchange rates

- USD1=JPY95.00
(JPY100.00 in the previous fiscal year)
(Effect: **-114 million yen**)
- EUR1=JPY130.00
(JPY134.01 in the previous fiscal year)
(Effect: **-62 million yen**)
- CNY1=JPY16.00
(JPY15.80 in the previous fiscal year)
(Effect: **-12 million yen**)

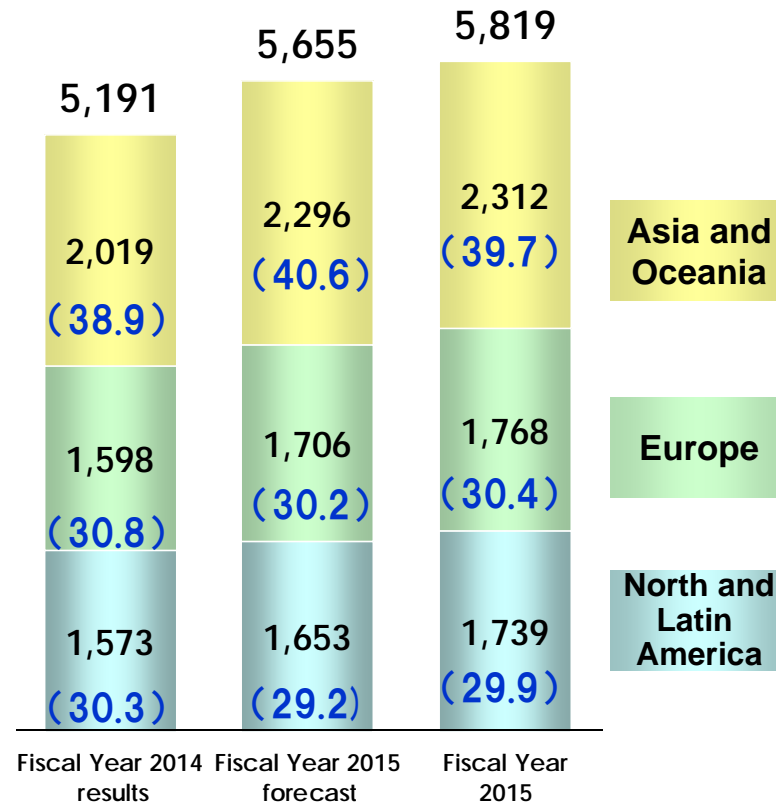
(Dental business) Overseas sales ratio

- 31.9%** (29.9% in the previous fiscal year)
(32.5% after foreign currency translation adjustment)

* The fiscal March 2015 forecast after adjustment for foreign currency translation has been calculated based on the same foreign exchange rates used for the fiscal March 2014 results.

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during that year. (Previously, the rate on the final day of the fiscal year was applied.)

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



Performance by Segment (Sales and Operating Profits)

Forecast of Consolidated Business Performance for
Fiscal Year Ending March 31, 2015



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

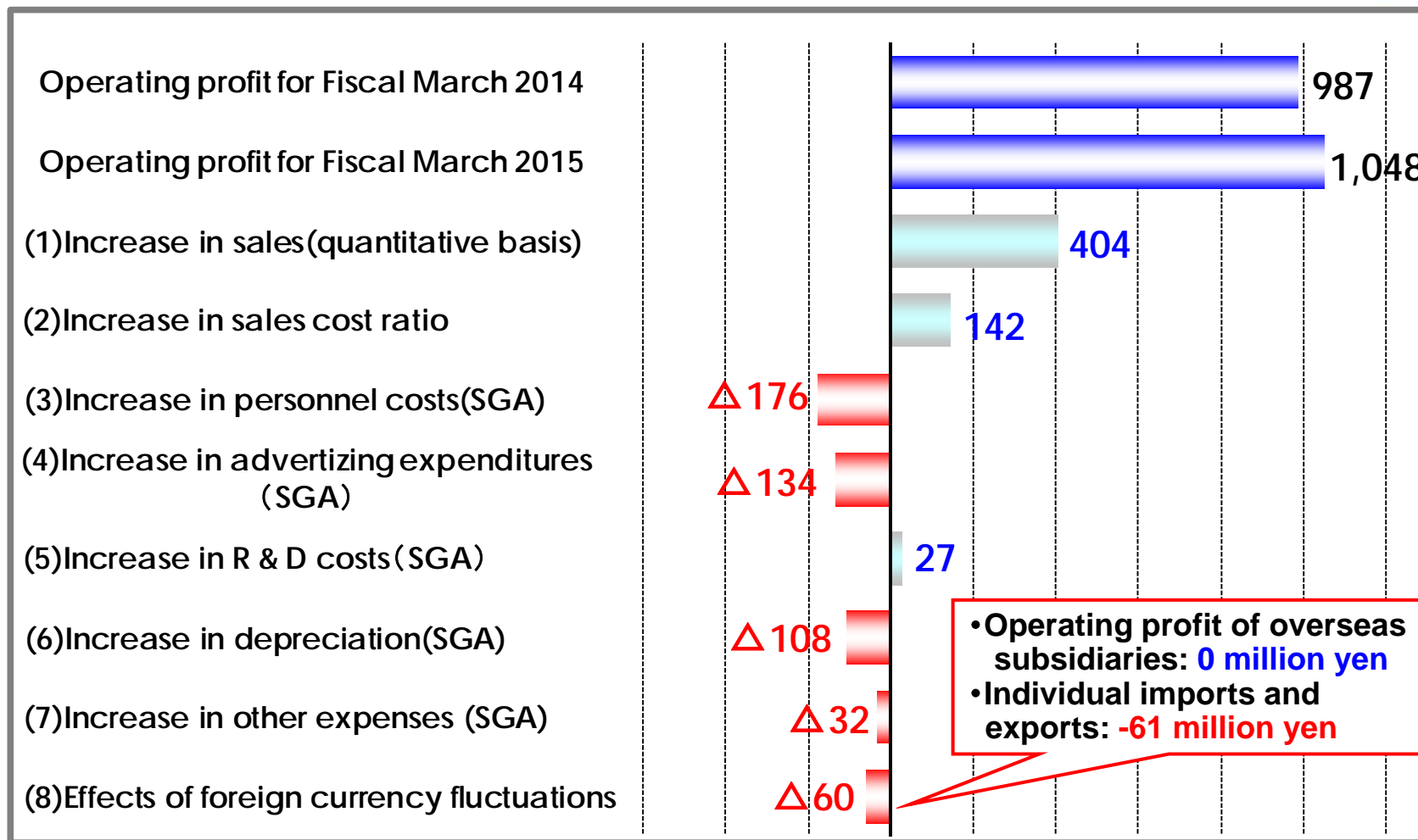
		Fiscal March 2014 (Results) Amount (% of sales)	Fiscal March 2015 (Forecast) Amount (% of sales)	Change from Previous Period
Dental	Sales	16,379	16,941	562
	Operating expenses	15,453	15,954	501
	Operating profit (operating profit margin)	925 (5.7)	986 (5.8)	61
Nail care	Sales	1,793	1,800	7
	Operating expenses	1,768	1,749	-18
	Operating profit (operating profit margin)	24 (1.4)	50 (2.8)	26
Other	Sales	91	95	4
	Operating expenses	62	85	22
	Operating profit (operating profit margin)	29 (31.9)	10 (10.9)	-18
Total before consolidation adjustment	Sales	18,263	18,838	574
	Operating expenses	17,284	17,790	506
	Operating profit (operating profit margin)	979 (5.4)	1,048 (5.6)	68
Consolidated	Sales	18,258	18,838	579
	Operating expenses	17,271	17,790	518
	Operating profit (operating profit margin)	987 (5.4)	1,048 (5.6)	60

Contributors to Change in Operating Profit

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015



Unit: millions of yen



• Operating profit of overseas subsidiaries: 0 million yen
 • Individual imports and exports: -61 million yen

* The figures in items (1) to (7) 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, 2015



Unit: millions of yen

	Fiscal March 2014 (Results)	Fiscal March 2015 (Forecast)	Change from Previous Period
Capital expenditures	1,282	1,580	298
Depreciation costs	656	799	143
(of which goodwill amortization)	0	0	0
R&D expenses	1,332	1,440	108
Foreign exchange rates			
US dollar	100.00	95.00	-5.00
Euro	134.01	130.00	-4.01
Pound sterling	159.20	150.00	-9.20
Renminbi	15.80	16.00	0.20

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

Impact of Foreign Exchange Fluctuations (US Dollar, Euro)

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015



Forecast for Fiscal March 2015

(Unit: millions of yen)

	Foreign exchange rate		Impact on consolidated business performance		Per yen of yen strength	
	Fiscal March 2014 actual	Fiscal March 2015 estimate	Sales	Operating profits	Sales	Operating profits
US Dollar	100.00	95.00	-111	-46	-22	-10
Euro	134.01	130.00	-43	-14	-10	-3

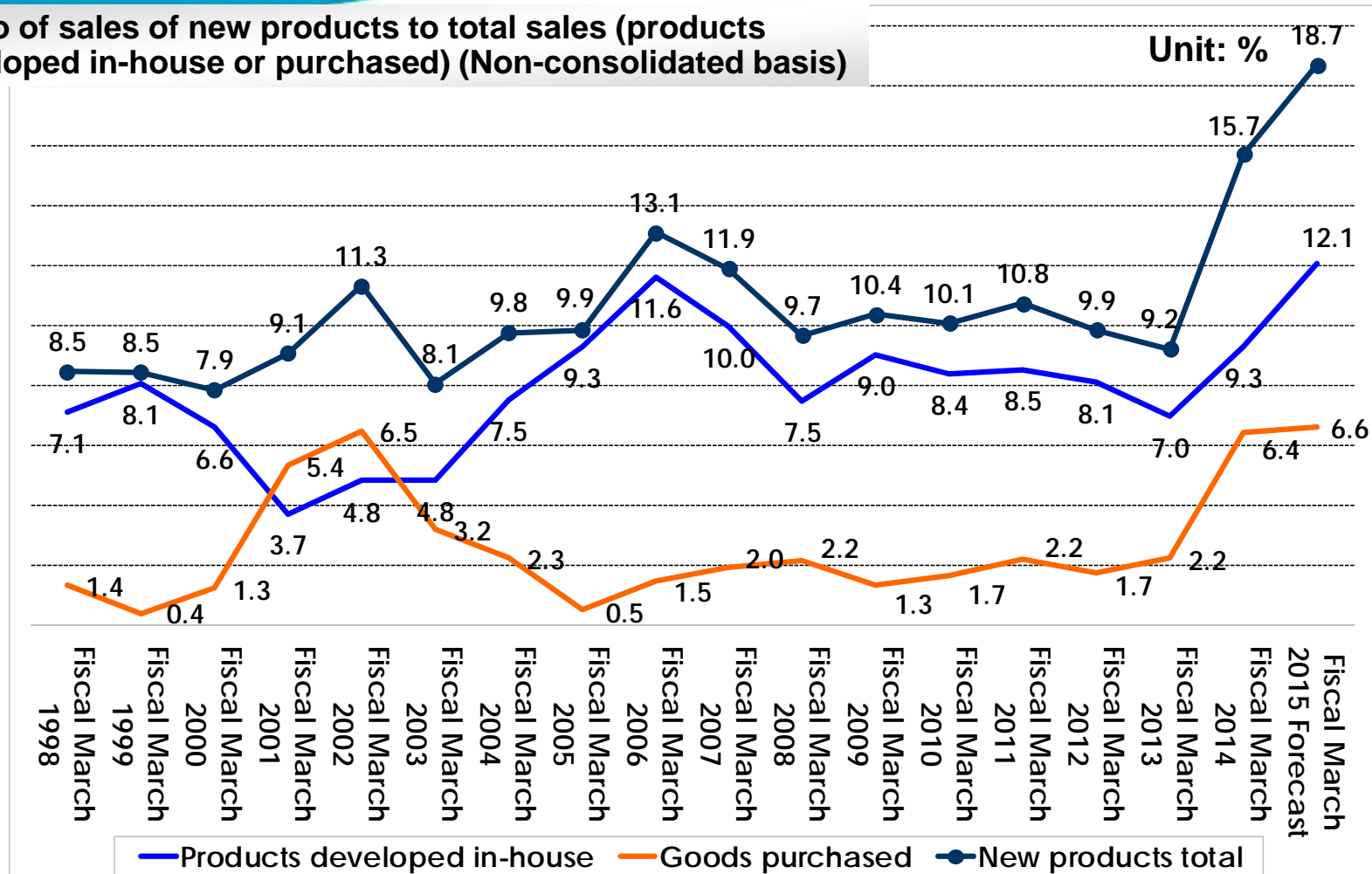
* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question

Sales Trends for New Products

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015



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

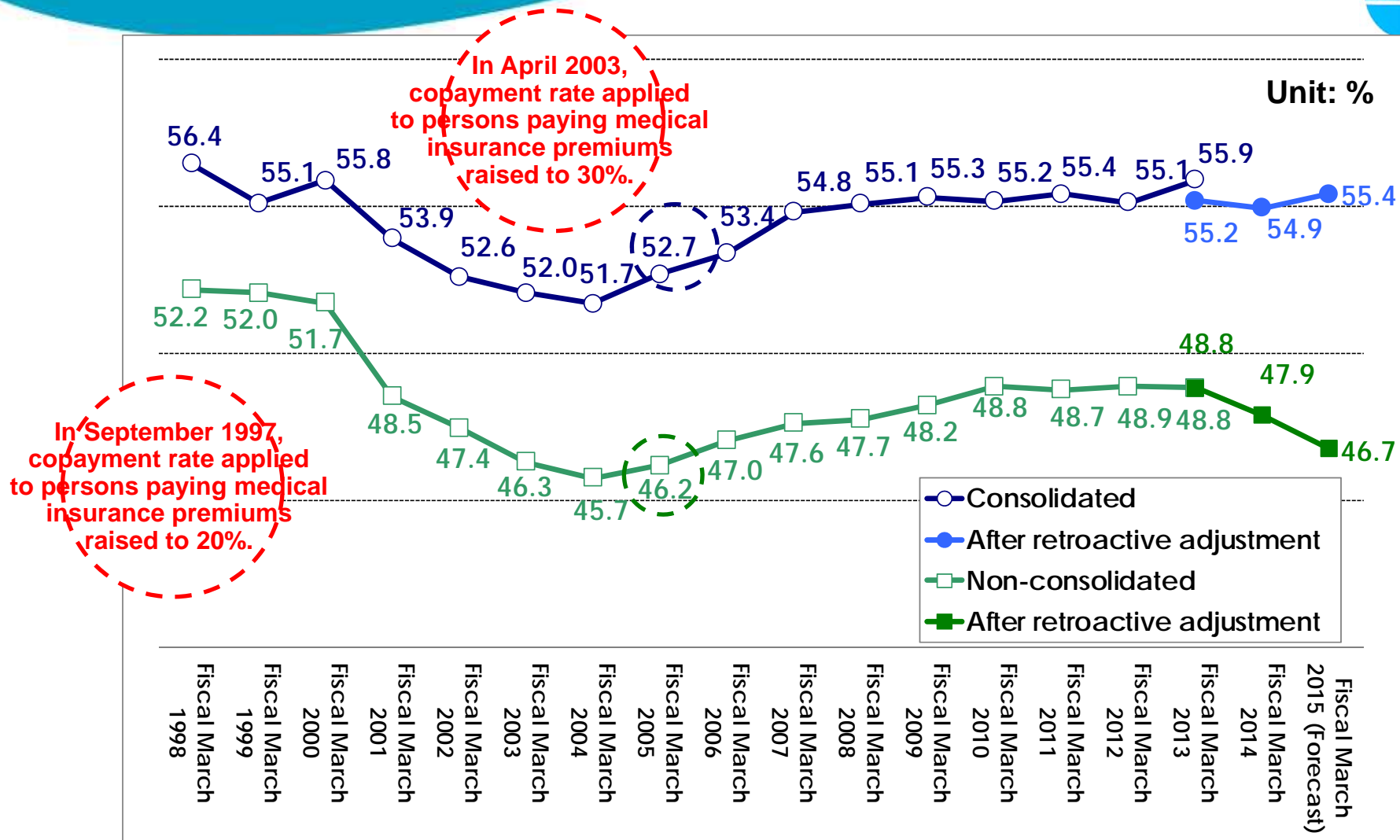


* Major goods purchased: Johnson & Johnson products, EMS ultrasonic scalers and root canal treatment equipment (reamers/files)

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Gross Profit Margin Rates

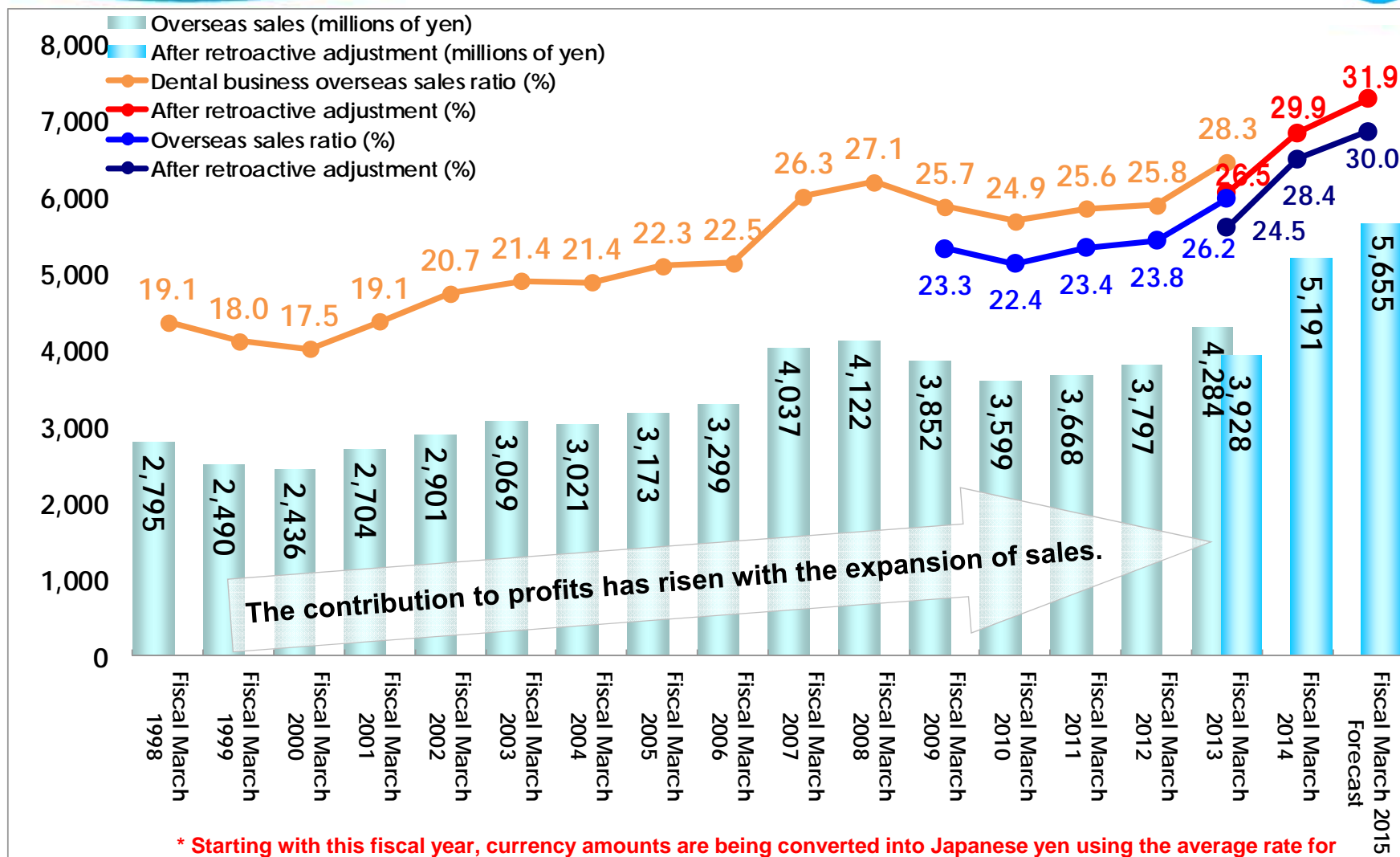
Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015



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Overseas Sales and Overseas Sales Ratios

Forecast of Consolidated Business Performance for Fiscal Year Ending March 31, 2015



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

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**Summary of Consolidated Business Performance
for Fiscal Year Ended March 31, 2014**

**Forecast of Consolidated Business Performance
for Fiscal Year Ending March 31, 2015**

**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.

10 years vision: Fundamental Principles

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



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

Company-wide targets 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



【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



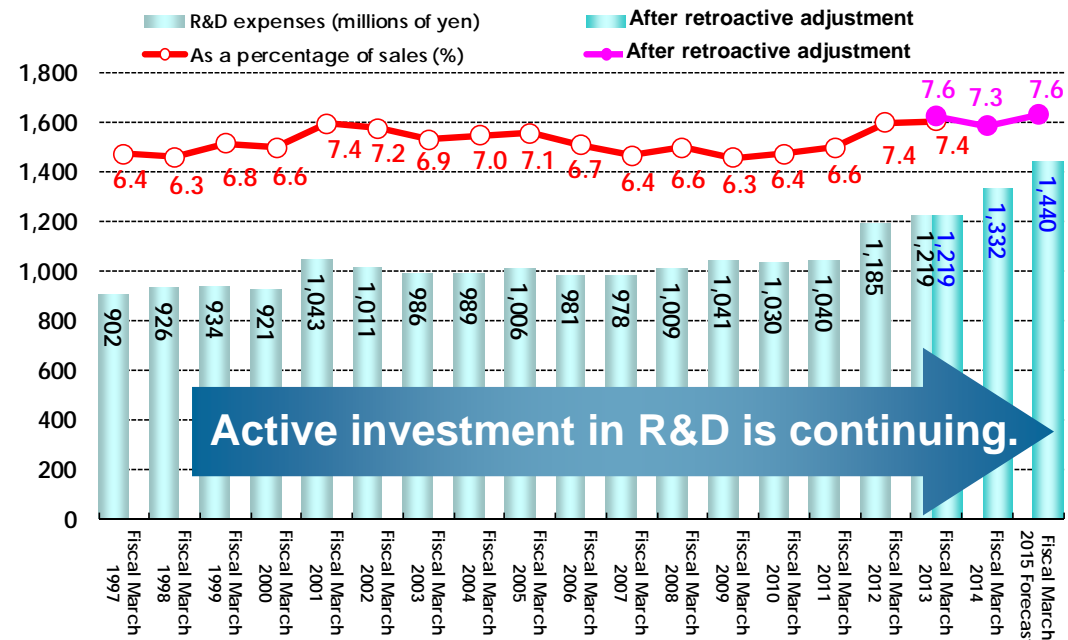
✧ Development and introduction of new products that match the local demands

➡ 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



Active investment in R&D is continuing.

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

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)

Principal issues and purpose of repositioning of production

- 1) limited productions capacity of SHOFU Headquarters
- 2) high production costs in Japan
- 3) currency fluctuations
- 4) high shipping costs for hazardous and heavy goods
- 5) better delivery service to users
- 6) high tariff

⇒ Expanding overseas production

Overseas manufacturing Group companies



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



Advanced Healthcare Ltd. (UK)

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 subsidiary.
- Establish new overseas sales bases.

✧ Establishment of domestic and international academic networks

- Build an organization that can advertise the company's products and services directly to users.
- Enhance and expand MDR* activities. *Medical dental representative

Overseas sales Group companies (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)

➤ Improve our customer service

➤ Enhance academic activities

➤ Speed up the product registration work

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

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



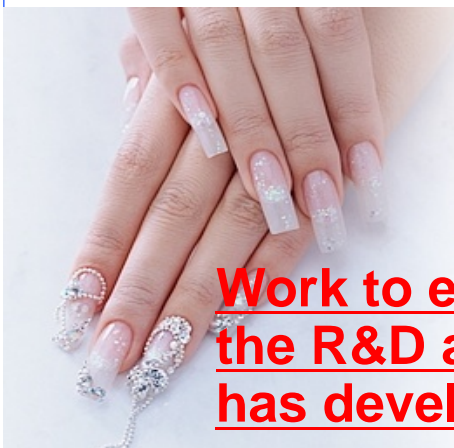
- ✦ Capturing share in the LED gel market with improved Presto
- ✦ Improving competitiveness and profitability by integrating operations from product planning and manufacture to sales



- ⇒ **March 2013: Acquisition of Promech Inc. by Nail Labo Co., Ltd.**
- ⇒ **June 2013: Establishment of Nail Care Division at the Head Office**



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



Profit Plan

- Fiscal March 2014 results: Sales of 1.7 billion yen and increase of 20 million yen in operating profits
- ⇒ Fiscal March 2015 forecast: Sales of 1.8 billion yen and increase of 50 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.

Medium-term Management Plan – Principle Targets

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



★...Record Unit: Millions of yen, %

	Fiscal March 2012 (Results)	Mid-term Management Plan			Fiscal March 2013 (Results)	Fiscal March 2014 (Results)	Fiscal March 2015 (Forecast)
		Fiscal March 2013	Fiscal March 2014	Fiscal March 2015			
Sales	15,985	★ 16,677	★ 18,153	★ 19,548	16,028	★ 18,258	★ 18,838
(Change from Previous Period)	(1.7%)	(4.3%)	(8.8%)	(7.7%)	(0.3%)	(13.9%)	(3.2%)
(Domestic sales)	12,188	★ 12,724	★ 13,649	★ 14,257	12,100	★ 13,066	★ 13,182
(Change from Previous Period)	(1.2%)	(4.4%)	(7.3%)	(4.4%)	(-0.7%)	(8.0%)	(0.9%)
(Overseas sales)	3,797	3,953	★ 4,503	★ 5,291	3,928	★ 5,191	★ 5,655
(Change from Previous Period)	(3.5%)	(4.1%)	(13.9%)	(17.5%)	(3.4%)	(32.2%)	(8.9%)
Operating profit	997	949	1,468	1,856	725	987	1,048
(Percentage of sales)	(6.2%)	(5.7%)	(8.1%)	(9.5%)	(4.5%)	(5.4%)	(5.6%)
Ordinary profit	962	825	1,323	1,703	732	978	925
(Percentage of sales)	(6.0%)	(4.9%)	(7.3%)	(8.7%)	(4.6%)	(5.4%)	(4.9%)
Net profit	510	511	840	★ 1,104	18	506	565
(Percentage of sales)	(3.2%)	(3.1%)	(4.6%)	(5.6%)	(0.1%)	(2.8%)	(3.0%)

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

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

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



Unit: Millions of yen, %

	Fiscal March 2012 (Results)		Mid-Term Management Plan						Fiscal March 2013 (Results)		Fiscal March 2014 (Results)		Fiscal March 2015 (Forecast)	
			Fiscal March 2013		Fiscal March 2014		Fiscal March 2015							
	Amout	%	Amout	%	Amout	%	Amout	%	Amout	%	Amout	%	Amout	%
Dental business	14,329	89.6	14,932	89.5	16,343	90.0	17,673	90.4	14,317	89.3	16,379	89.7	16,941	89.9
Nail care business	1,575	9.9	1,661	10.0	1,710	9.4	1,755	9.0	1,633	10.2	1,793	9.8	1,800	9.6
Other businesses	85	0.5	83	0.5	100	0.6	120	0.6	83	0.5	91	0.5	95	0.5
Sales	15,990	100.0	16,677	100.0	18,153	100.0	19,548	100.0	16,033	100.0	18,263	100.0	18,838	100.0
Dental business	1,032	7.2	935	6.3	1,441	8.8	1,811	10.3	750	5.2	925	5.7	986	5.8
Nail care business	-63	-4.0	-9	-0.6	3	0.2	13	0.8	-52	-3.2	24	1.4	50	2.8
Other businesses	24	28.9	22	27.1	23	24.0	31	26.3	21	26.2	29	31.9	10	10.9
Operating profit	994	6.2	949	5.7	1,468	8.1	1,856	9.5	718	4.5	979	5.4	1,048	5.6

* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)

Medium-term Management Plan

Capital Expenditures, Depreciation Costs, R&D Expenses

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



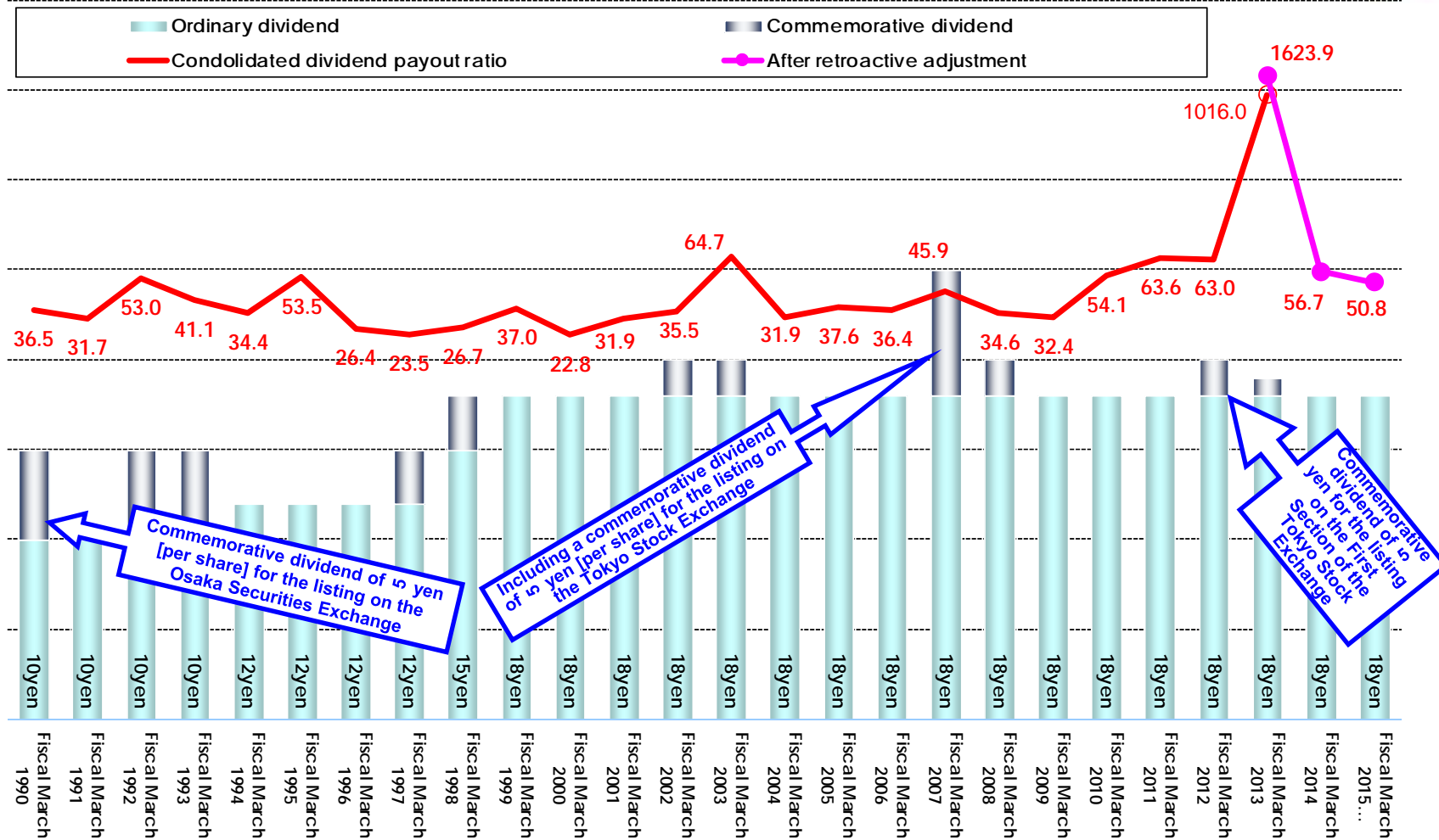
Unit: Millions of yen

	Fiscal March 2012 (Results)	Mid-Term Management Plan			Fiscal March 2013 (Results)	Fiscal March 2014 (Results)	Fiscal March 2015 (Results)
		Fiscal March 2013	Fiscal March 2014	Fiscal March 2015			
Capital expenditures	280	894	570	701	1,209	1,282	1,580
Depreciation costs	712	660	652	665	660	656	799
(of which goodwill amortization)	89	89	89	89	89	0	0
R&D expenses	1,185	1,391	1,487	1,615	1,219	1,332	1,440

Dividend Policy

- Target dividend payout ratio: More than 30%
- Average consolidated dividend payout ratio since listing: 40.5%
(Weighted average from Fiscal March 1990 to March 2014)

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



* Starting with this fiscal year, currency amounts are being converted into Japanese yen using the average rate for the fiscal year in question. As part of this change, results for the previous fiscal year have been restated based on the average rate during the year. (Previously, the rate on the final day of the fiscal year was applied.)



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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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 March 31, 2014)

■ Company name	SHOFU Inc.
■ Representative	Noriyuki Negoro, President and CEO
■ Address	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan
■ Date of establishment	May 15, 1922
■ Capital	4,474,646,614 yen
■ Listed exchanges	First Section of Tokyo Stock Exchange
■ Number of employees	433 (entire group: 834, including 269 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.

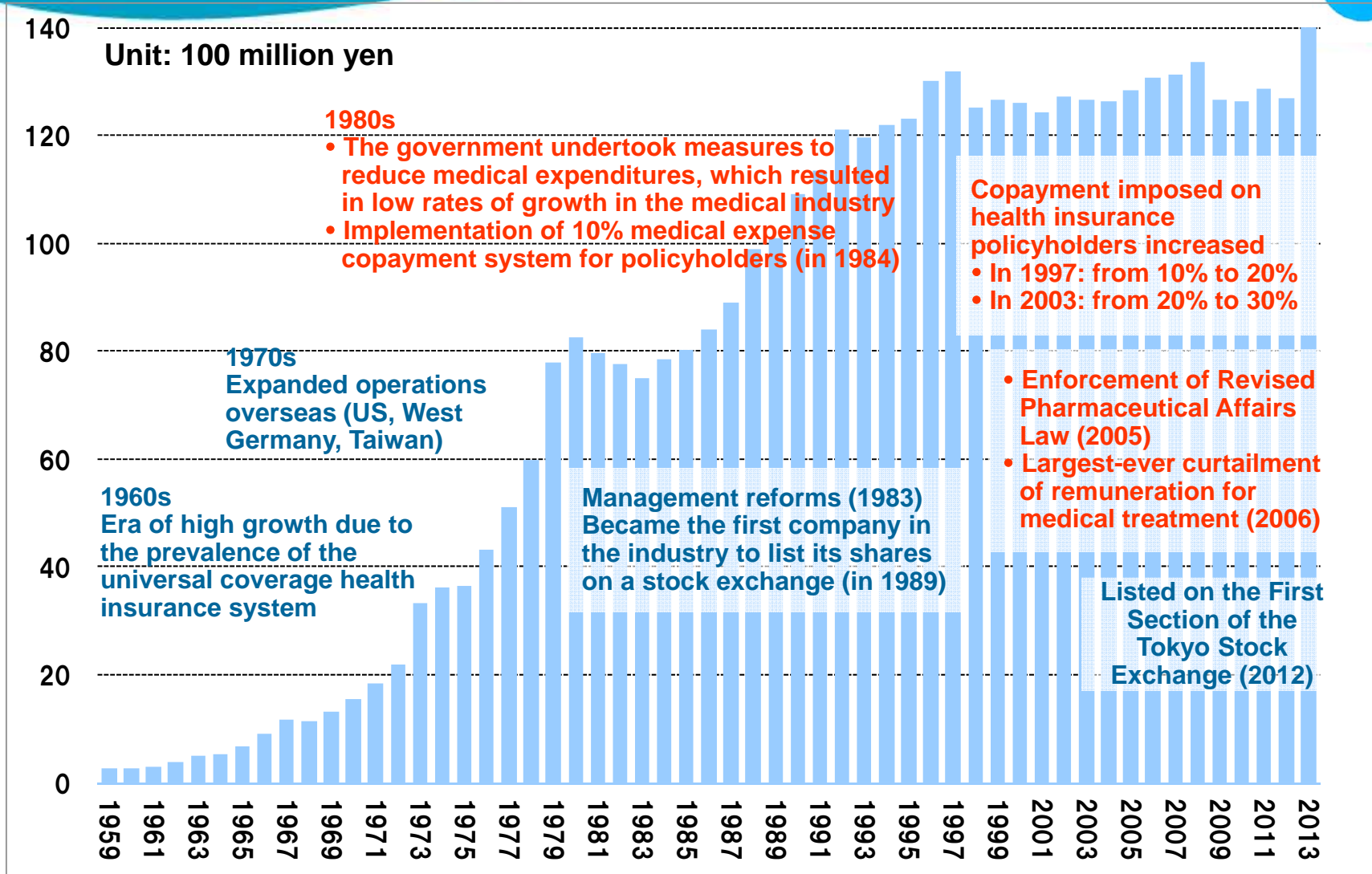
The company's products are designed for use in dental care and treatment.

Corporate History

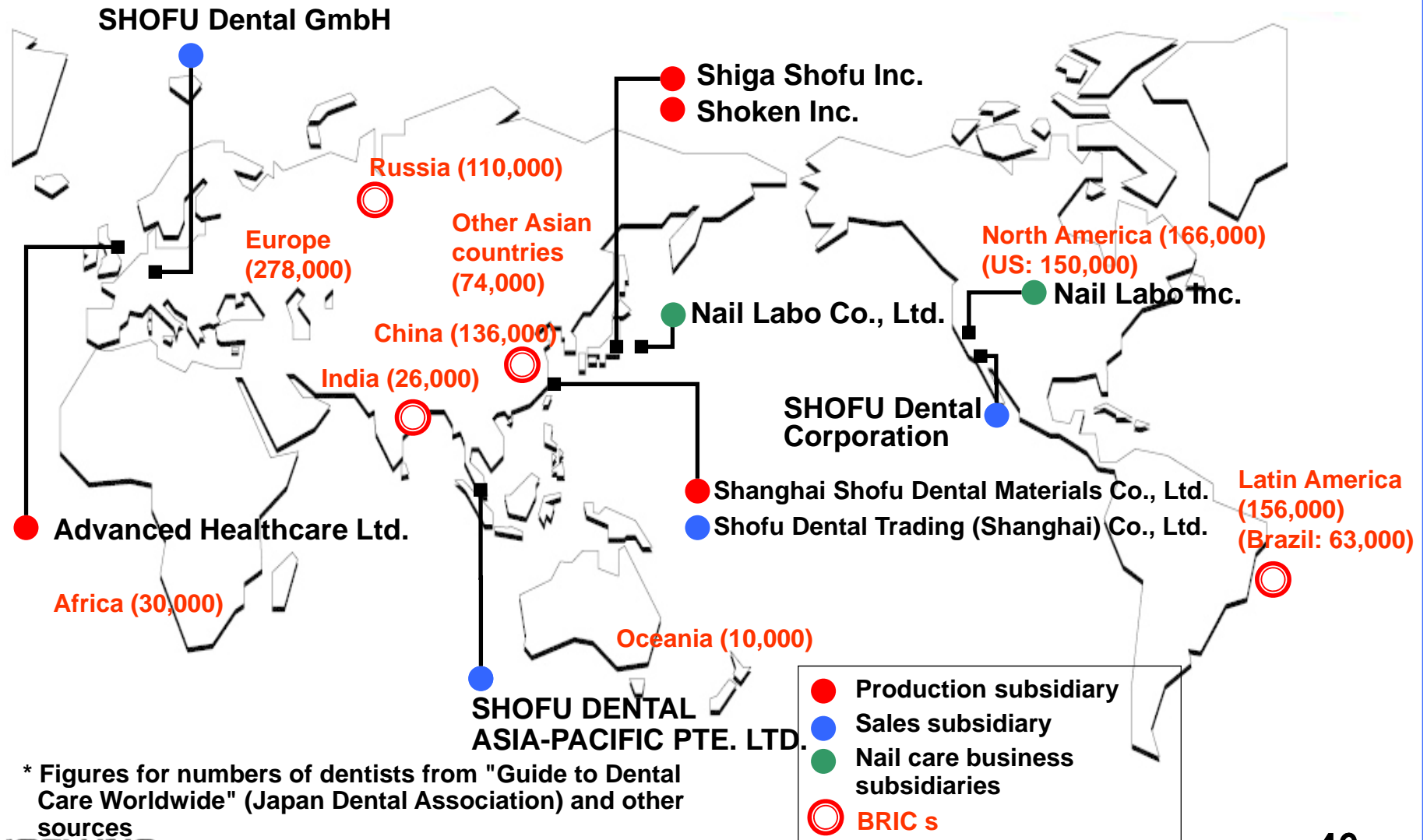


• 1922	Shofu Dental Manufacturing Co., Ltd. founded and commenced the manufacture and sale of Japan's first artificial teeth.
• 1963	Shofu shares listed on the over-the-counter market.
• 1971~1978	Established sales subsidiaries in the U.S. and West Germany. Started overseas production (in Taiwan). Established 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.
• 2010	Shofu Dental Trading (Shanghai) Co., Ltd., is established in China.
• 2012	Celebrated the 90th anniversary of its founding. Listed on the First Section of the Tokyo Stock Exchange.
• 2013	Promech Inc. is split up, with Shoken Inc. taking over its dental businesses and Nail Labo Co., Ltd., absorbing the company and its remaining operations. The Singapore Sales Office is incorporated as the local corporation SHOFU Dental ASIA-Pacific Pte.Ltd.

Corporate History - Sales

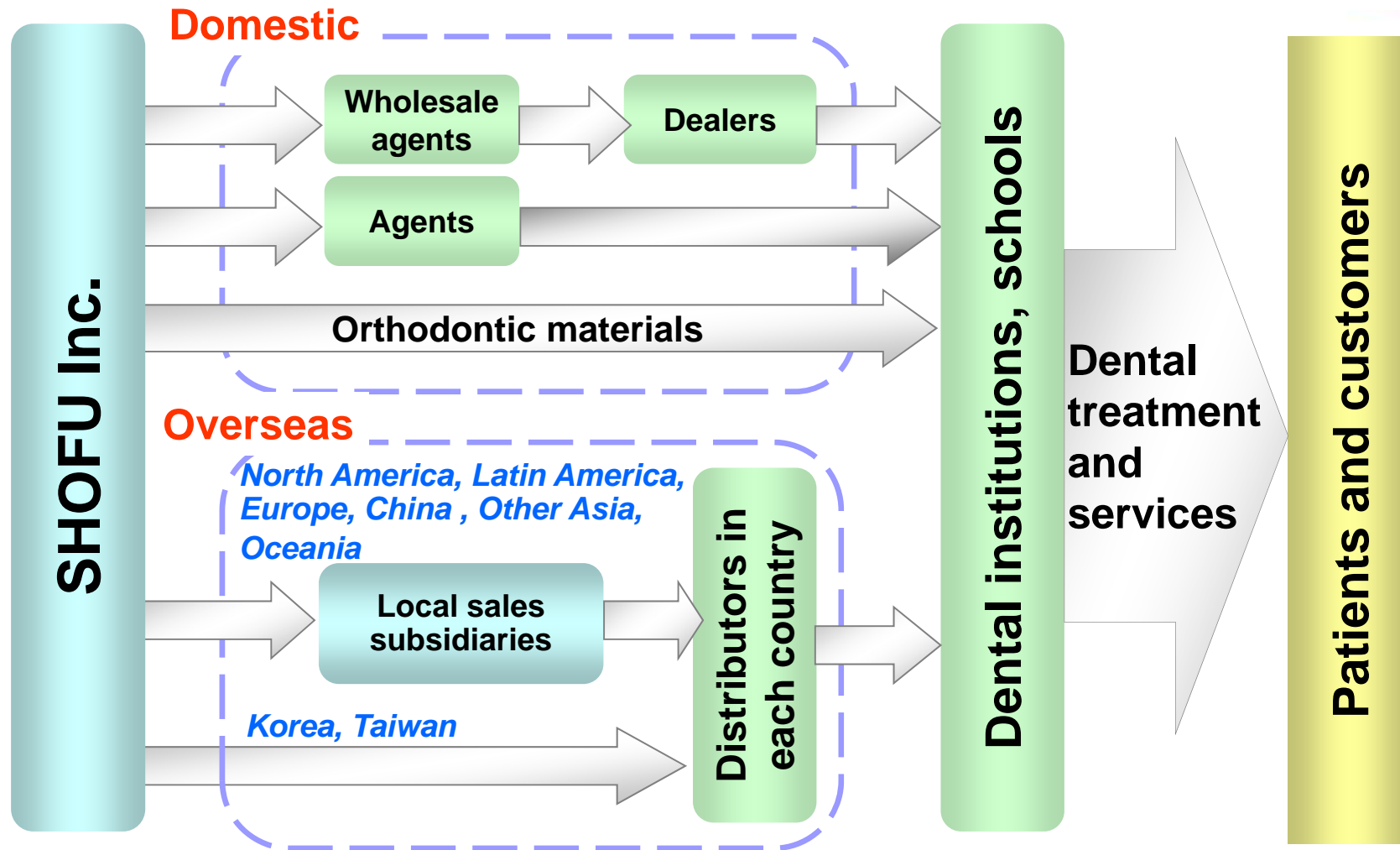


Group Profile and Number of Dentists Worldwide

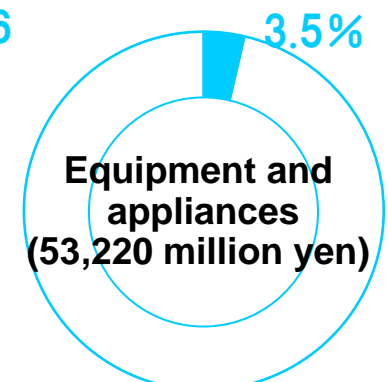
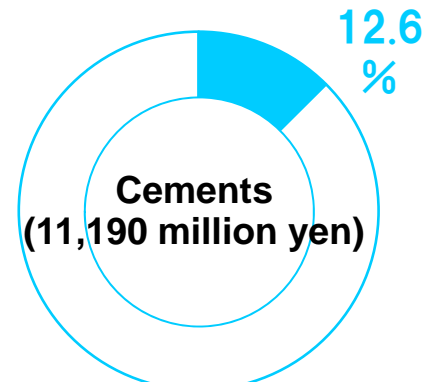
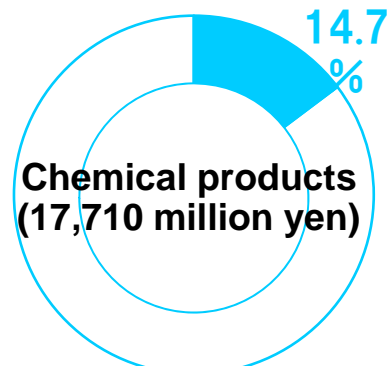
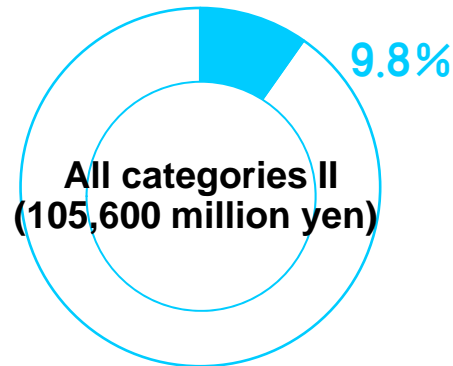
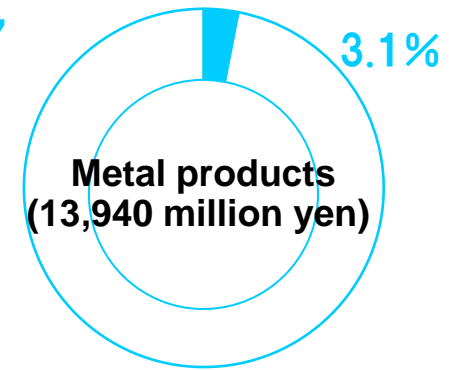
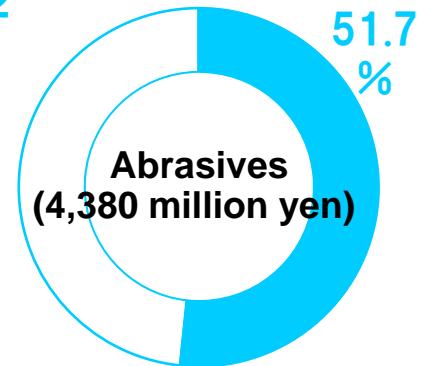
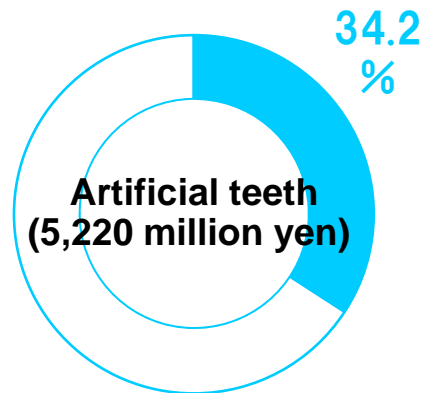
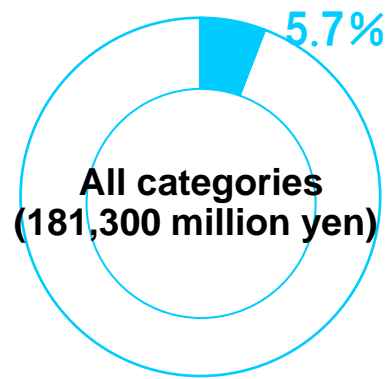


* Figures for numbers of dentists from "Guide to Dental Care Worldwide" (Japan Dental Association) and other sources

Sales Channels



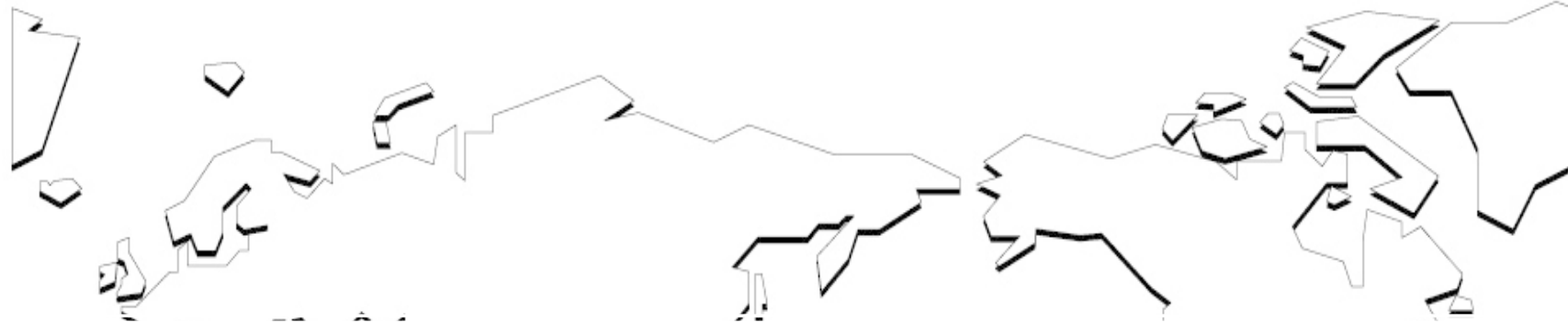
Market share by product category



“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 2011)

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



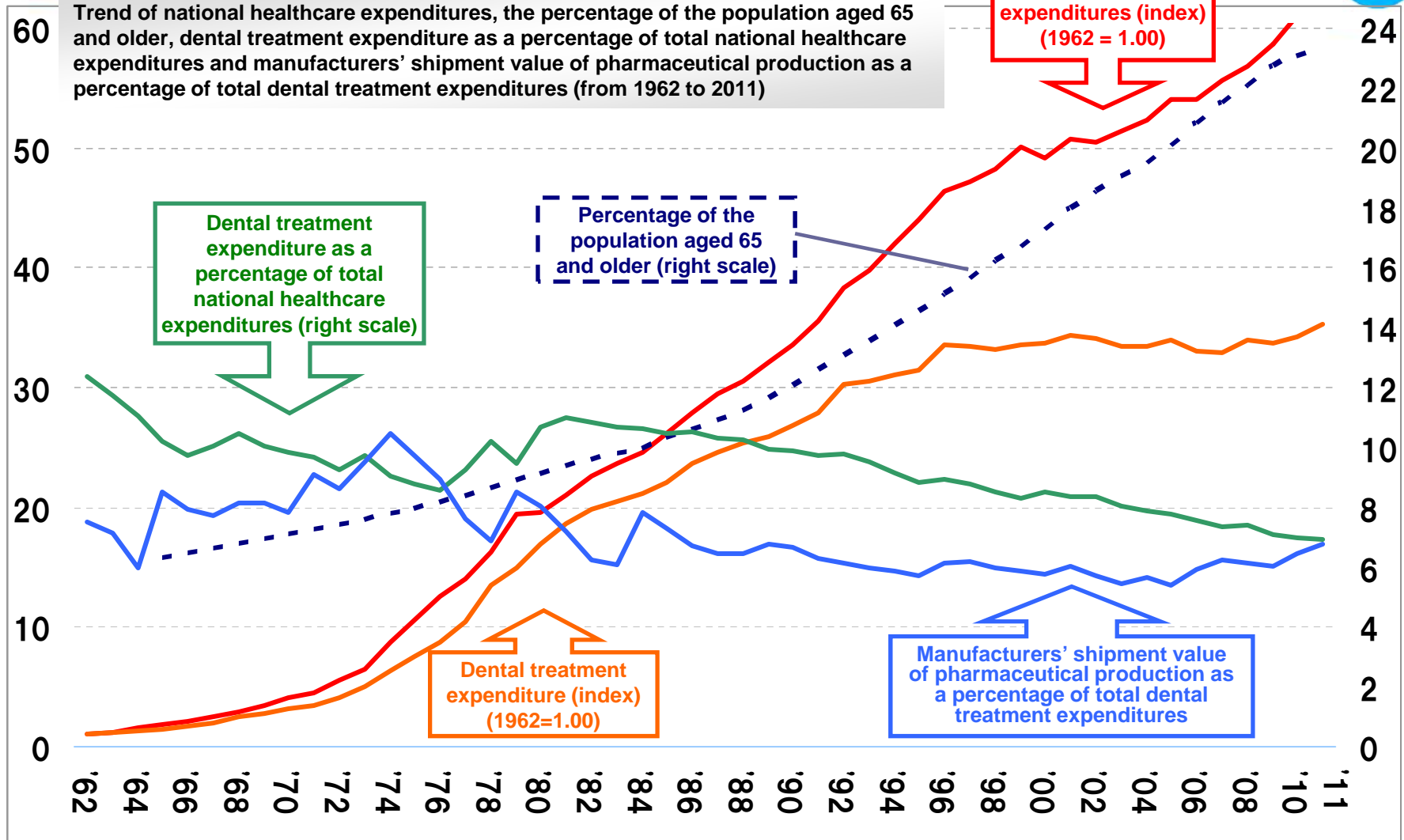
Reference <Dentistry Data>

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 2011)

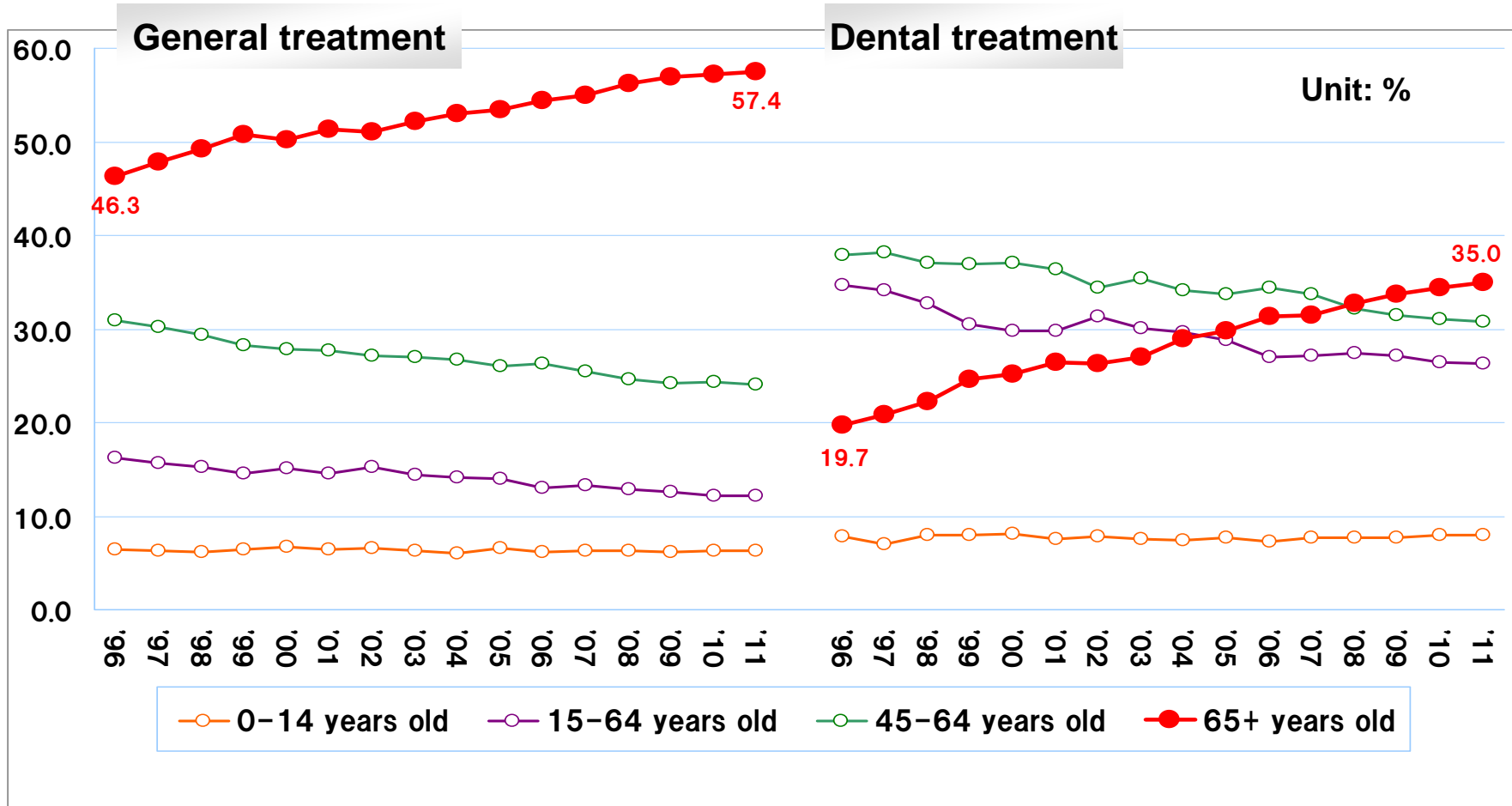


Healthcare Expenditures by Age Group (Component Ratio)

Reference <Dentistry Data>



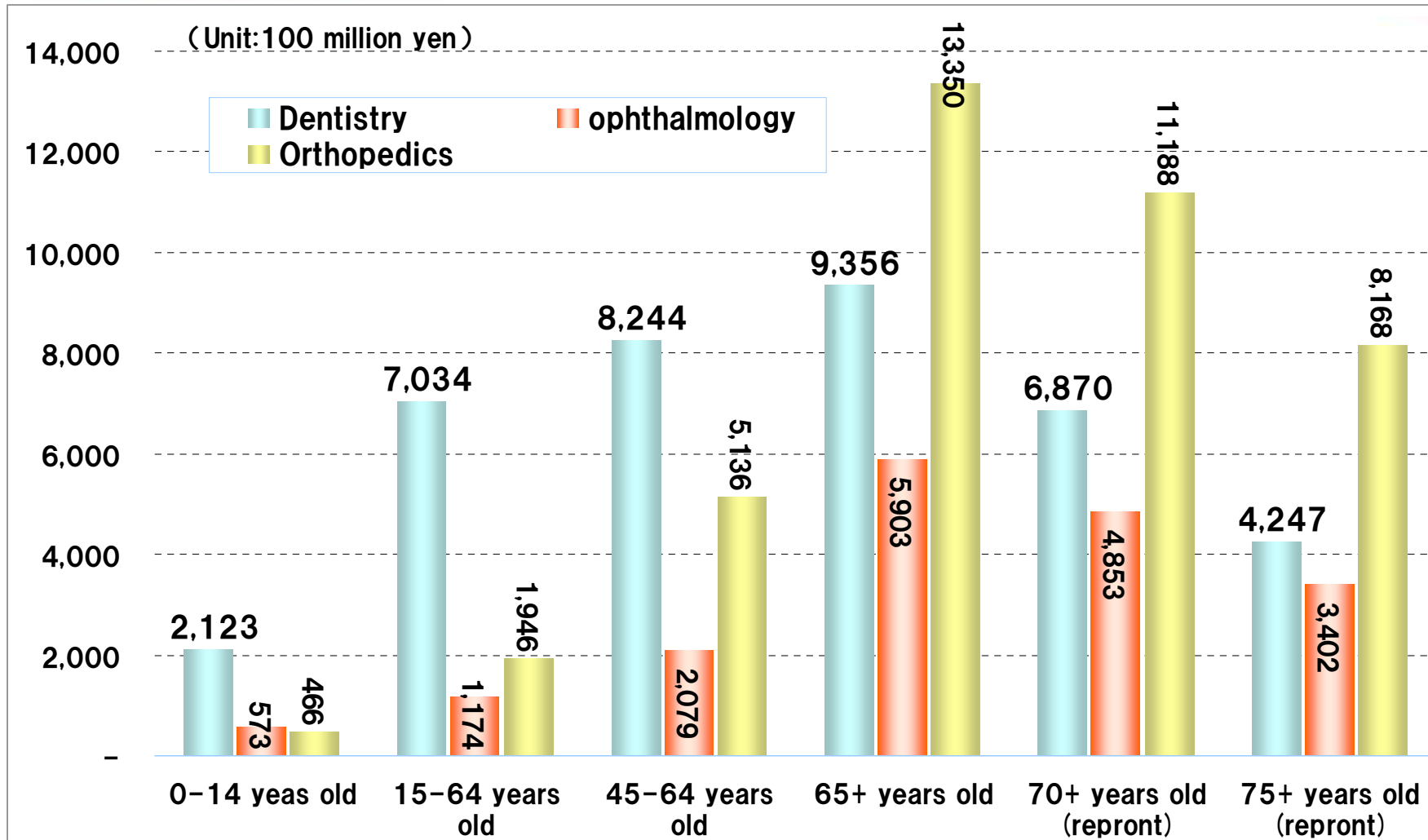
People aged 65 years and older tend to place less importance on dental treatment than general medical treatment.



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

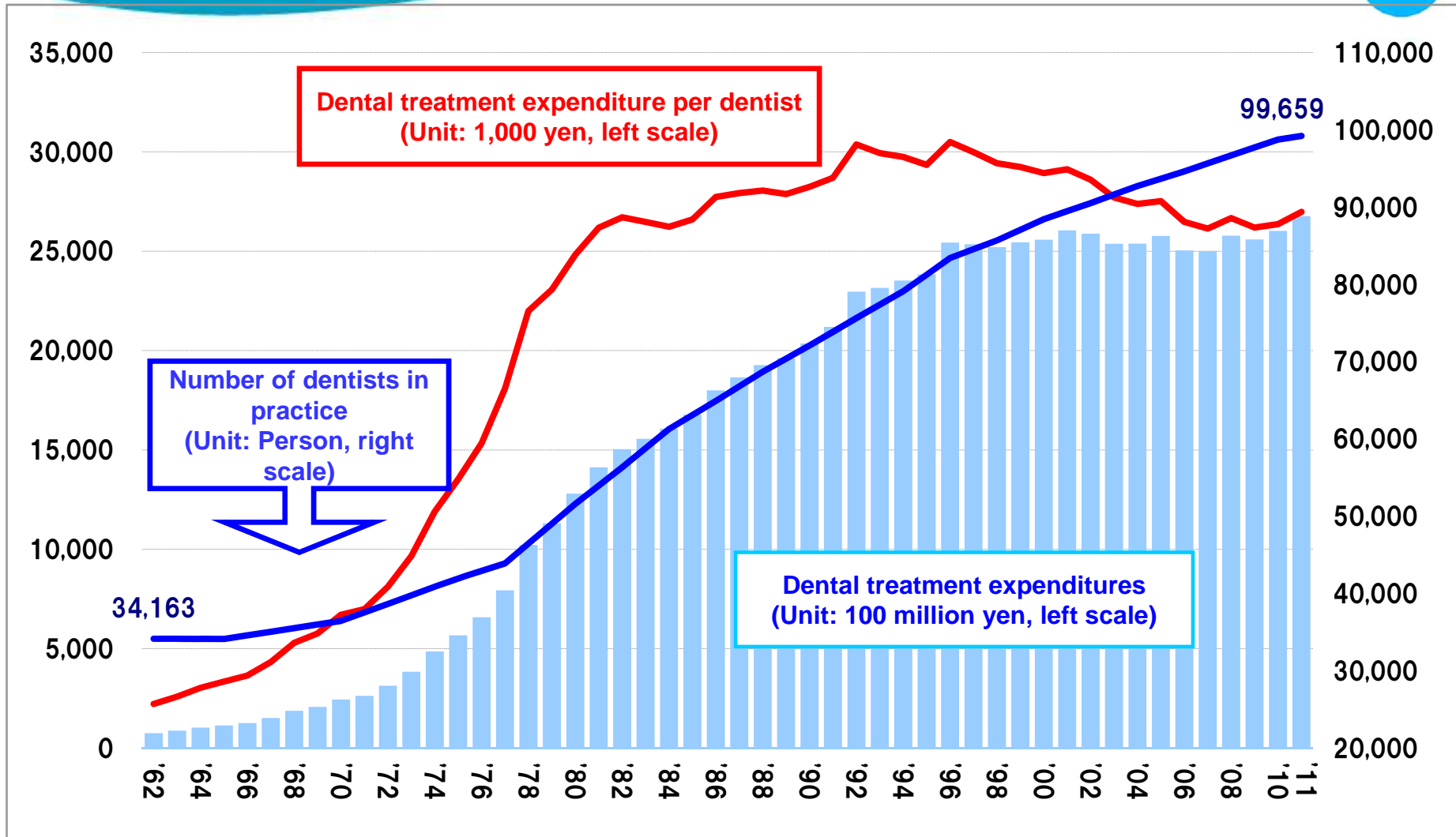
Comparison of Healthcare Expenditures by Age Group - Dentistry, Ophthalmology and Orthopedics

Reference <Dentistry Data>



Trend of the Number of Dentists and Dental Treatment Expenditure

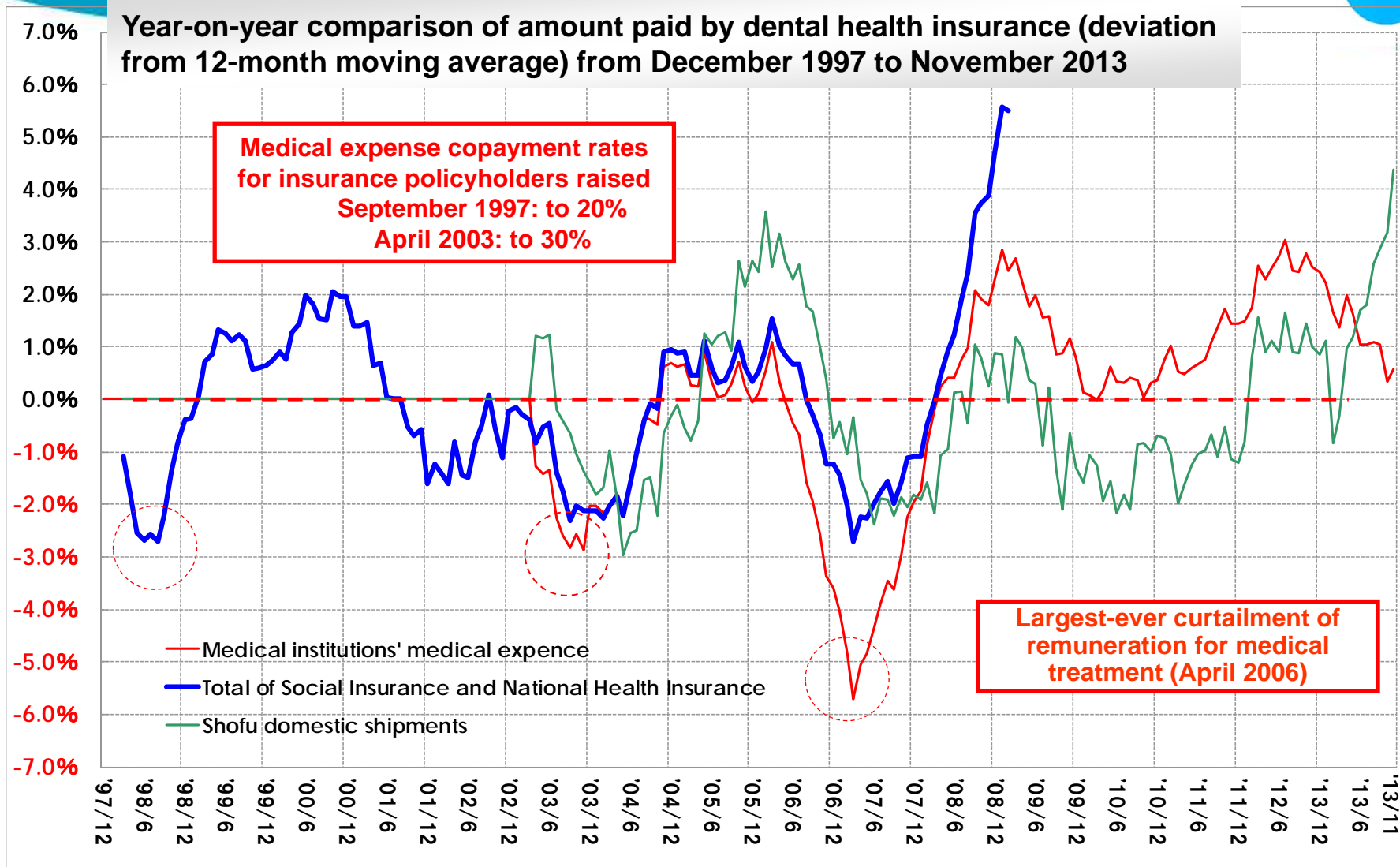
Reference <Dentistry Data>



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

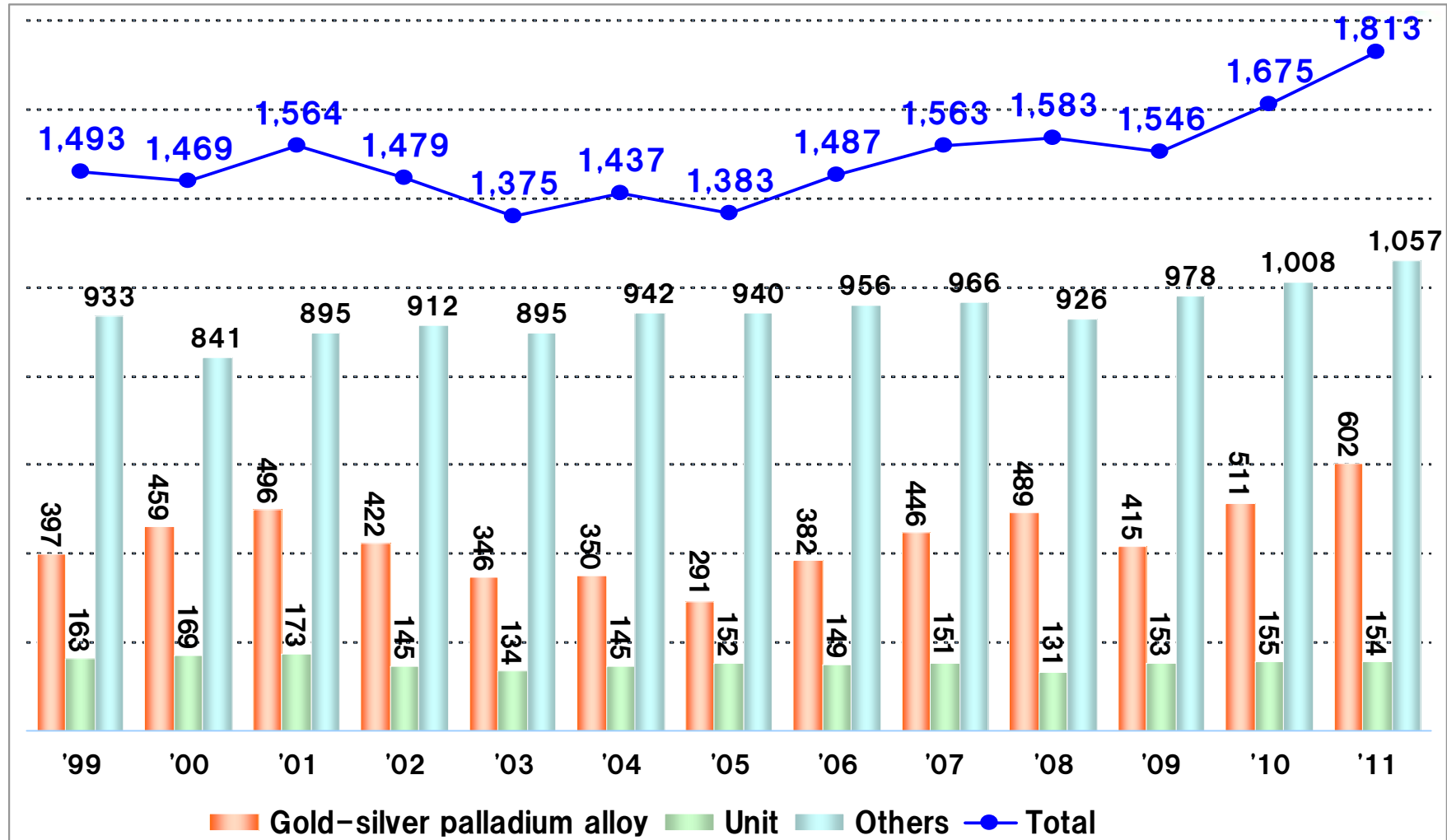
Dental Treatment Expenditures

Reference <Dentistry Data>



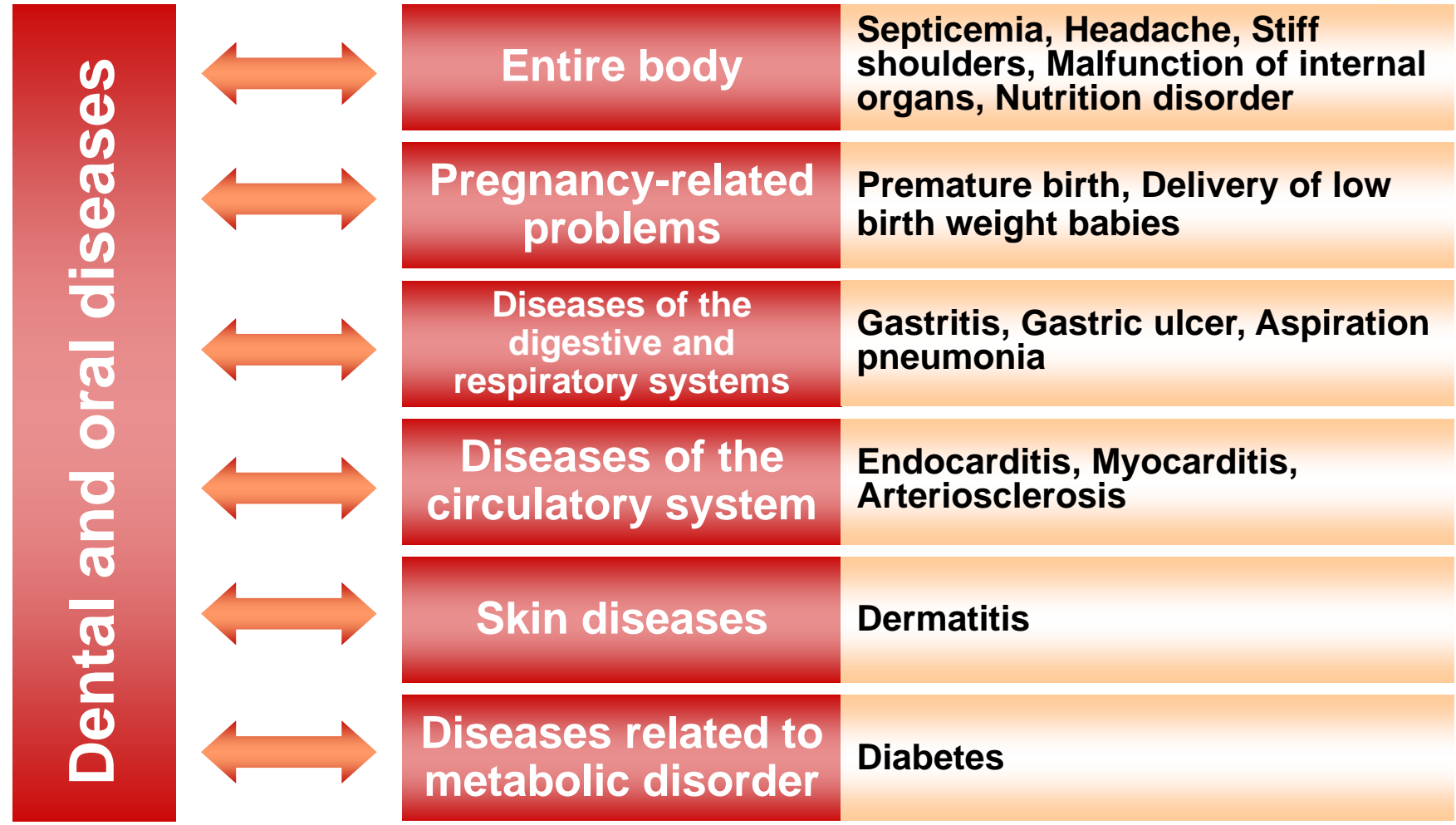
Trend of Shipment Value of Pharmaceutical Industry Production

Reference <Dentistry Data>



Systemic Diseases Caused by Caries and Periodontal Disease

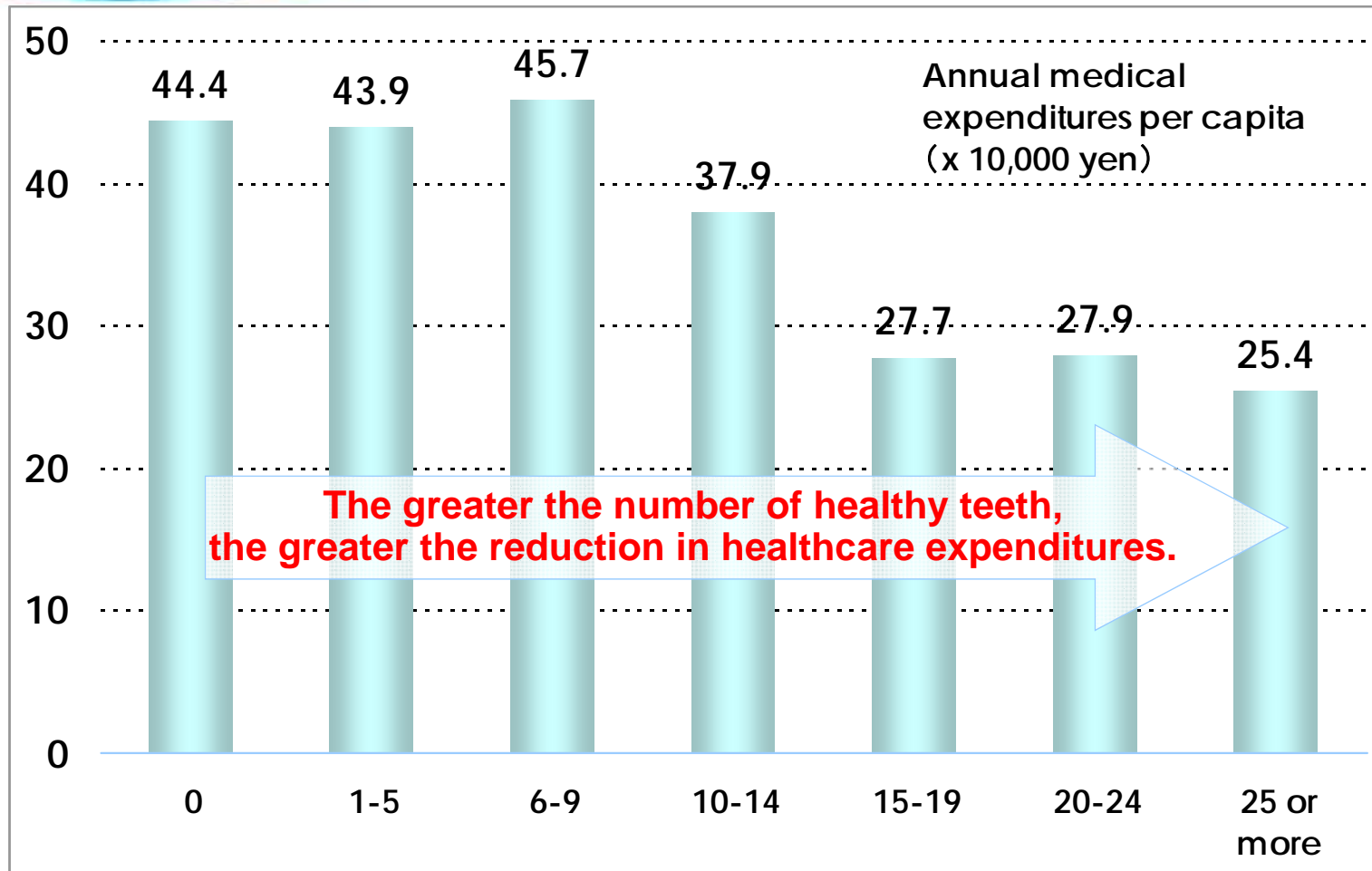
Reference <Dentistry Data>



(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>



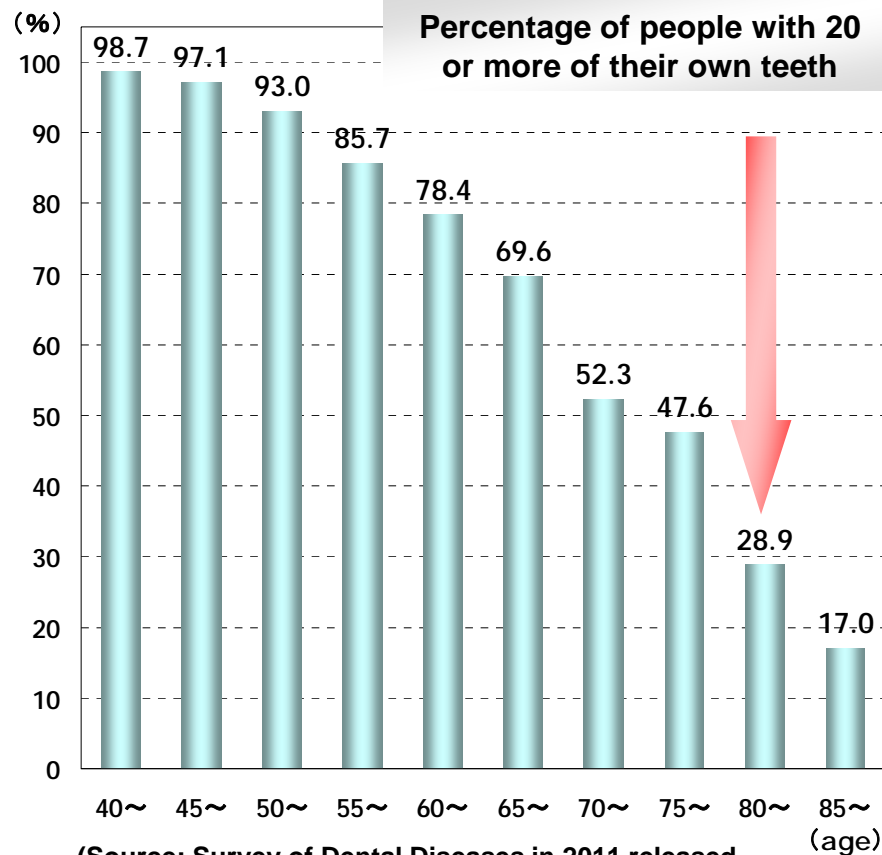
Prepared on the basis of "Correlation between Oral Hygiene Status of Elderly Persons and Healthcare Expenditures," a paper published in 2003 by Kazumune Arikawa, a full-time instructor at the Nihon University School of Dentistry at Matsudo

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

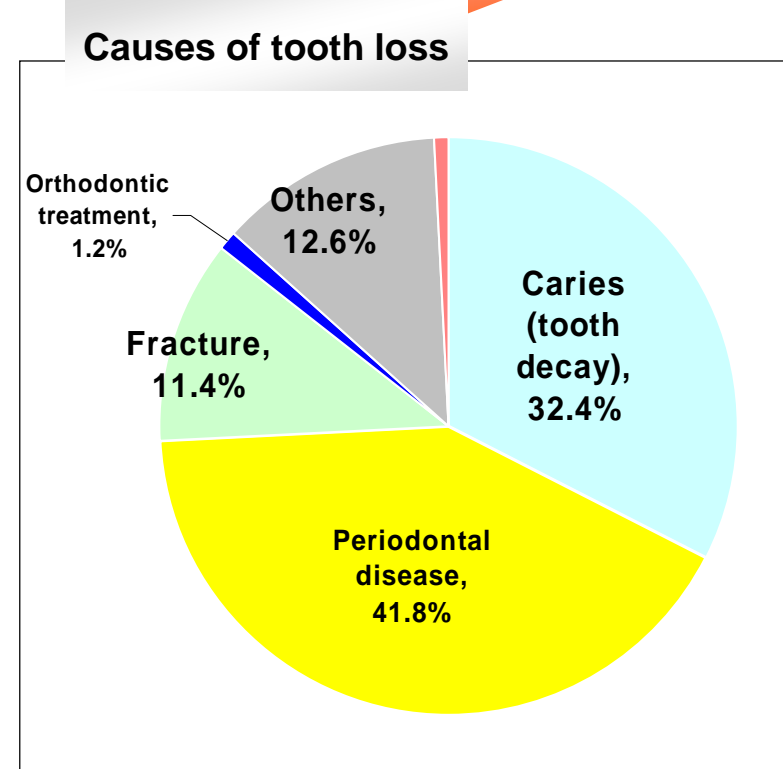
The 8020 Movement and Changes in Dental Diseases



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



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



(Survey by the 8020 Promotion Foundation in 2005)

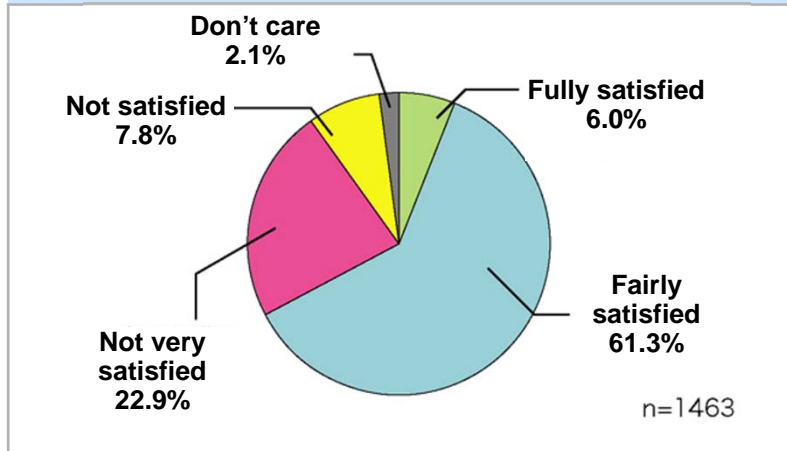
Perception of Dental and Oral Health

Reference <Dentistry Data>

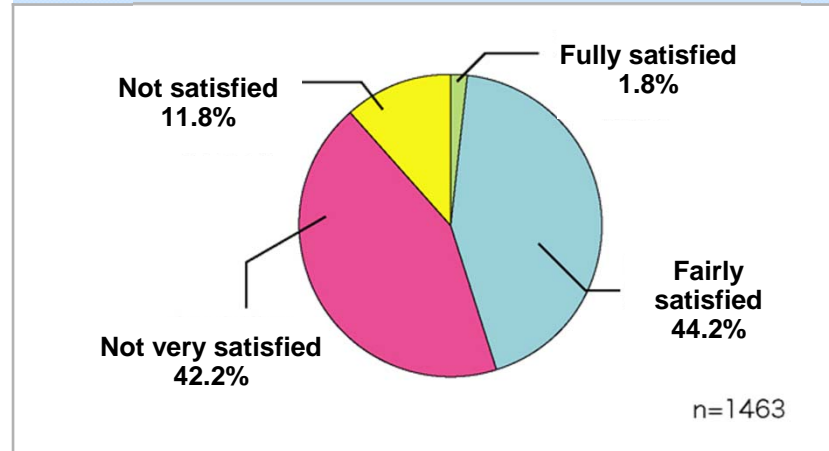


Source: Fiscal 2007's Dental Equipment Industry Vision (References)

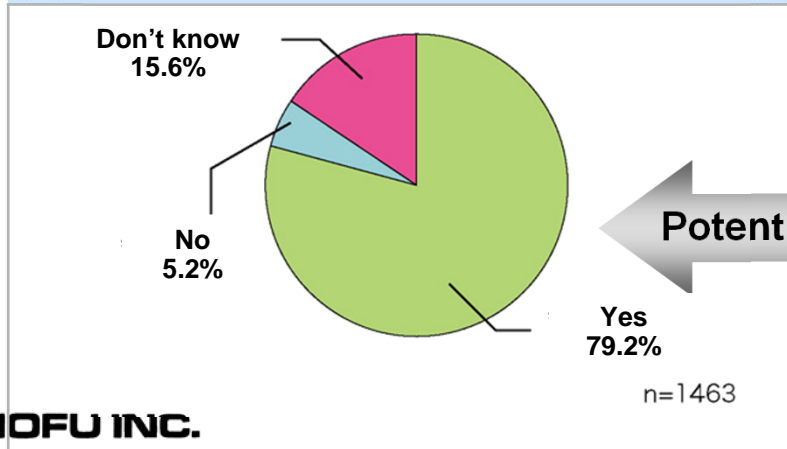
Are you satisfied with your physical health?



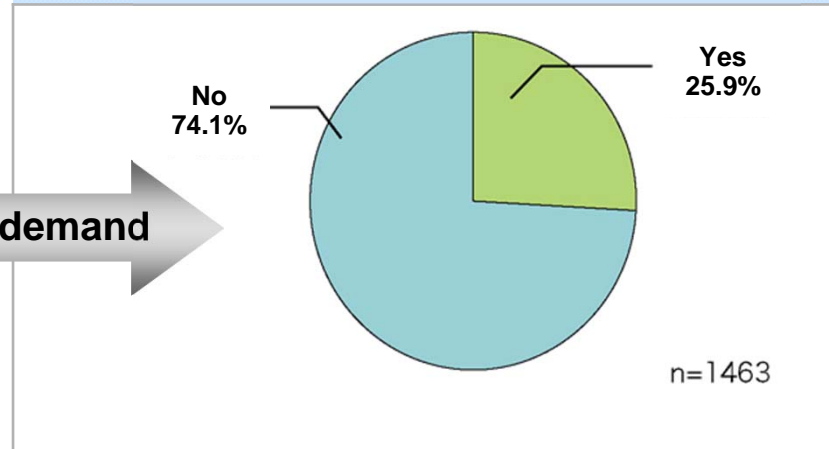
Are you satisfied with your oral health?



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

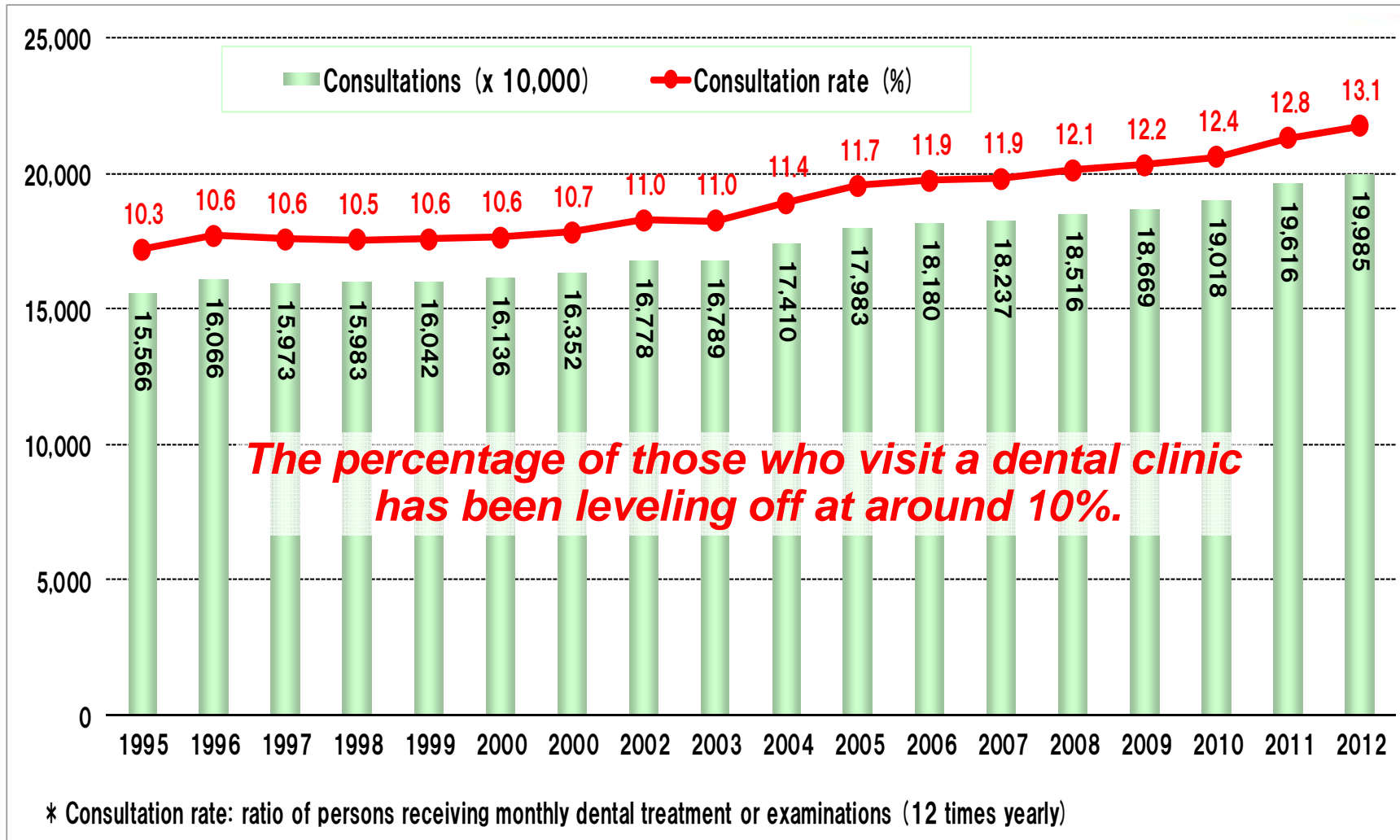


Do you actually receive regular dental care?



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.

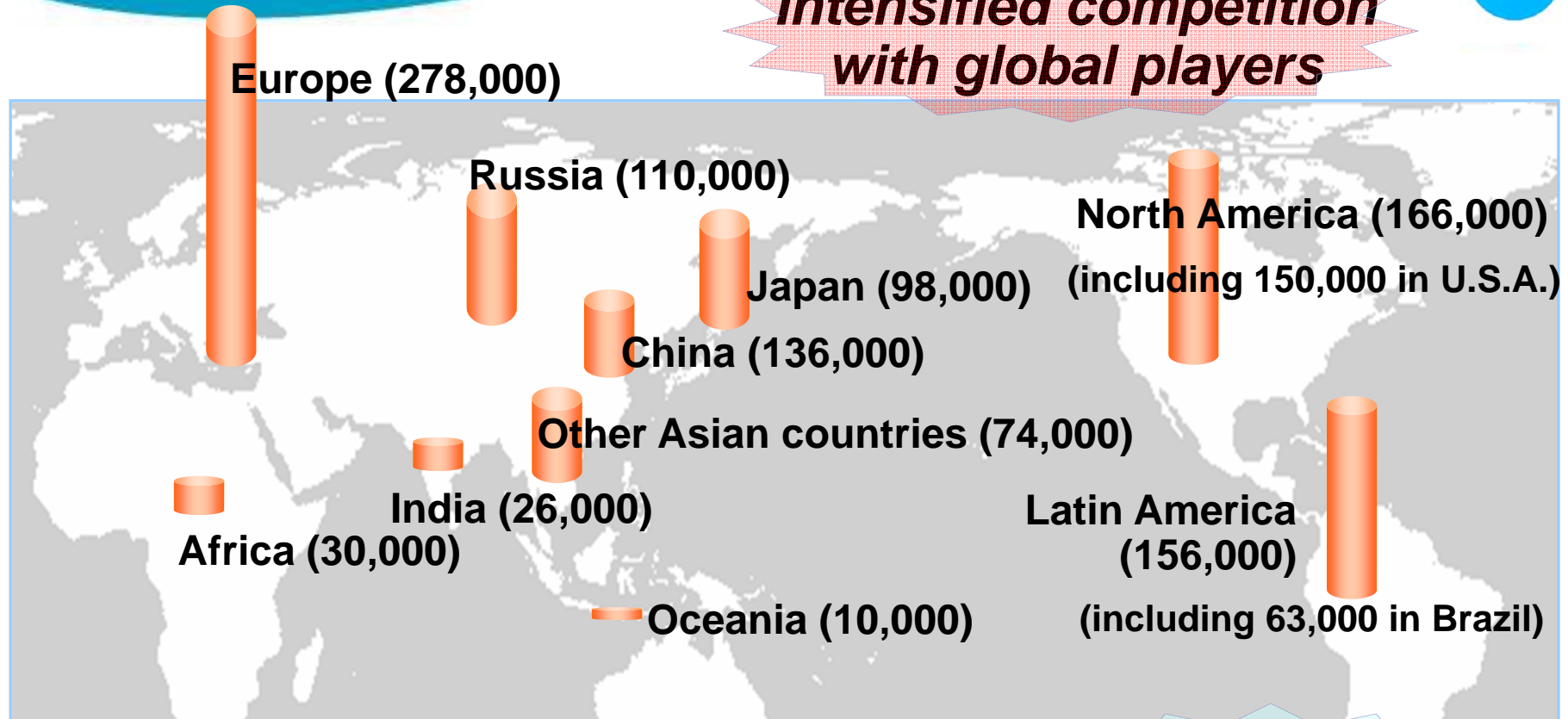
Source:
 * Health and Welfare Survey in 1999 conducted by the Ministry of Health, Labour and Welfare and a survey conducted by Colgate-Palmolive Company
 * Consulted an article titled "Reasons for the Success of the Canadian Dental Community" (DH Style, September 2007) by Ken Yaegaki DDS Ph.D., Professor and head of the Department of Oral Health, Nippon Dental University School of Life Dentistry)

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)

☞ Reference <Dentistry Data>



Term	Meaning
Impression	An imprint of teeth and other intraoral areas, created with impression material. Based on the impression mould, plaster model can be produced, onto which prosthesis is fabricated. → Dental prosthetic (page 64)
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 64)
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 64)

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 63)
Resin	Synthetic high polymer. Resins are popularly used for dental restoratives.