

SHOFU INC.

Integrated
Report

2023

Creating
Brighter
Smiles for
Healthier
Lives



Taking the founder's vision into the next 100 years

Shofu's history began about a hundred years ago. In the era of valuing imported goods when dental care depended on imported goods from Europe and the United States, Kajo Shofu III, the founder, established SHOFU DENTAL Mfg. Co., Ltd. after he succeeded in the development of high-quality porcelain teeth that are suited to Japanese mouths. He held in his heart a strong aspiration to improve the quality of products made in Japan. Having inherited those high ambitions and the passion to achieve them, the Company has employed the research and development capabilities and technological strengths that we have cultivated as a comprehensive manufacturer of dental materials and equipment to bring high value-added products to market. In doing so, we have contributed to the good health and smiles of people all over the world.

As we have in the past, so shall we continue over the next 100 years to challenge ourselves to contribute to dentistry throughout the world.



Kajo Shofu III, the founder

CORPORATE MESSAGE

Creating Brighter Smiles for Healthier Lives

On the occasion of our 100th anniversary, we canvassed the opinions of our employees about the kind of corporate image that Shofu should project. Their feedback provided the basis for the creation of this Corporate Message.

It conveys our strong intent to deliver all over the world products that embody Shofu's advanced technologies and excellent quality and to support people's well-being.

Ayumi Terrace, Shofu's new corporate building, completed in March 2023



Ayumi Terrace showroom



Examples of products handled by the Shofu Group



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Editorial policy

We prepared this integrated report in the hope that our shareholders, investors, and other stakeholders will deepen their understanding of our social and economic value creation through reporting on our management strategies, business activities, and ESG activities, among others. We will continue to use this integrated report as a communication tool with our stakeholders.

In editing this report, we have referred primarily to the "Guidance for Collaborative Value Creation" by the Ministry of Economy, Trade and Industry of Japan.

Period covered by the report

The fiscal year ended March 31, 2023 (April 1, 2022 through March 31, 2023) is the primary period covered by this report.

*The report also includes information for periods before or after the period above.

Scope covered by the report

SHOFU INC. and its consolidated subsidiaries (Some activities are relevant to SHOFU INC. alone.)

Forward-looking statements

Forward-looking information in this report including earnings forecasts is based on projections and forecasts in light of information currently available to us and is subject to potential risks and uncertainties, among other factors. As a result, actual results may differ materially from those we currently anticipate due to changes in various factors.

Shofu's History

Since its establishment in 1922, the founder's high ambitions and passion to achieve them have been handed down as Shofu's DNA. With such background, we have been leading the dental industry by developing many products that were the first of their kind either in Japan or in the world. Going forward, we will continue to take on new challenges to cater for ever-changing needs of society.

- 1922** Developed and began selling Japan's first high-quality porcelain teeth S.A.P Anatom Form. The first president, Kajo Shofu III, established SHOFU DENTAL Mfg. Co., Ltd.
- 1928** Developed and began selling dental cements, which were one of the three major categories of dental supplies at the time, other two of which were porcelain teeth and rubber for denture bases.
- 1939** Opened the SHOFU Showroom at Ginza 1-chome, Tokyo.
- 1945** Developed and began selling Japan's first resin teeth
- 1952** Developed and began selling Japan's first diamond abrasives and vacuum fired porcelain teeth.
- 1957** Opened TOKYO SALES OFFICE in Yushima, Bunkyo-ku, Tokyo.
- 1963** Registered shares as over-the-counter stock to Osaka Prefecture Association of Japan Securities Dealers Association.
- 1965** Began selling the world's first dental spherical amalgam, SHOFU Spherical Amalgam.
- 1971** Established a sales subsidiary, SHOFU DENTAL CORPORATION in California, the U.S.
- 1972** Established SHIGA SHOFU INC. in Shigaraki-cho, Koga-gun, Shiga (currently, Shigaraki-cho, Koga-shi, Shiga).
- 1976** Established the Shofu Dental Club.
- 1983** Changed the Company's name to SHOFU INC. and conducted management reforms.
- 1986** Developed and began selling hybrid resin teeth, Endura—new generation artificial teeth.
- 1989** Listed on the Second Section of the Osaka Securities Exchange and on the Kyoto Stock Exchange.
- 1997** Completed a research center equipped with the most advanced facilities in the dental industry. Obtained CE Marking certification.
- 2007** Listed on the Second Section of the Tokyo Stock Exchange.
- 2008** Purchased NAIL LABO CORPORATION and made it a subsidiary, which imports and sells nail care materials and equipment for professional nail care specialists.
- 2009** Concluded a business and capital tie-up with Mitsui Chemicals, Inc. and Sun Medical Co., Ltd.
- 2012** Listed on the First Section of the Tokyo Stock Exchange.
- 2020** Enhanced the business and capital tie-up with Mitsui Chemicals, Inc. and Sun Medical Co., Ltd.
- 2022** Celebrated the 100th-year anniversary of the establishment of the Company. Transitioned to the Prime Market of the Tokyo Stock Exchange.

Development of Japan's first high-quality porcelain teeth

It was a time when Japan relied on import from Europe and the United States for high-quality porcelain teeth. Fired with enthusiasm for domestic production of them, our founder, Kajo Shofu III, commissioned Mr. Norio Araki, who was the deputy factory manager of a dental laboratory in the United States, to research porcelain teeth. He then hired Mr. Araki, who came back to Japan, established Shofu Research Center on Porcelain Teeth, and started full-scale research on manufacture of porcelain teeth. In 1921, he succeeded in developing Japan's first high-quality porcelain teeth SHOFU Anatom Form, which suit Japanese people. In the next year, 1922, SHOFU DENTAL Mfg. Co., Ltd. was established; the Company was born.



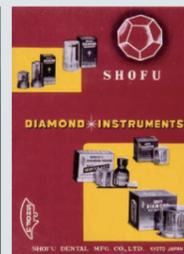
Photo of the Company at the time of establishment

Growth supported by unique products

Though we struggled with the high-quality porcelain teeth we developed at the time of establishment, we later developed dental materials essential for clinical practice, such as porcelain teeth with alloy Clad pins, dental cements, and rubber for denture bases, and put our business on track. In addition, Kenji Shofu, our second president, kept the aspirations of the founder in his heart and devoted himself to establishing standards for and improving the quality of dental materials. He contributed to the advancement of the dental materials industry in the postwar Japan. After the chaos of the postwar period, the introduction of unique new products to the market proved successful, and the management base of Shofu became solid.



SHOFU Showroom opened in Ginza, Tokyo as a service station



New products that supported our postwar growth

Entering the global market with our proprietary products

During Japan's high economic growth period, we made a concerted effort to create products that would meet global standards and be competitive globally. As a result, we succeeded to launch dental spherical amalgam ahead of the rest of the world. We established SHOFU DENTAL CORPORATION (SDC) in the United States, which became our first overseas sales office, and took our first step toward becoming a global company. After that, we established overseas sales offices in Germany (1978) and Singapore (1980) as well. Our sales area thus spread all over the world.



SHOFU DENTAL CORPORATION (at the time of establishment) [California, the U.S.]

Bold management reforms led to the third establishment

In the 1980s, we, who had been mass-market-oriented, were hit hard by government policies to curb medical expenses. In 1983, we aimed to make a shift from quantity to quality under the slogan of "Challenge of changes" and worked to make a drastic improvement in the management structure. We also changed the name of the Company to SHOFU INC. to make a dramatic leap in the development of the business. Japan's first hybrid resin teeth Endura, which we developed after the management reforms, was highly rated and adopted by the health insurance by its brand name.

In 1989, we became the first company in the dental industry to go public.



First listed company in the dental industry

As a company targeting the world

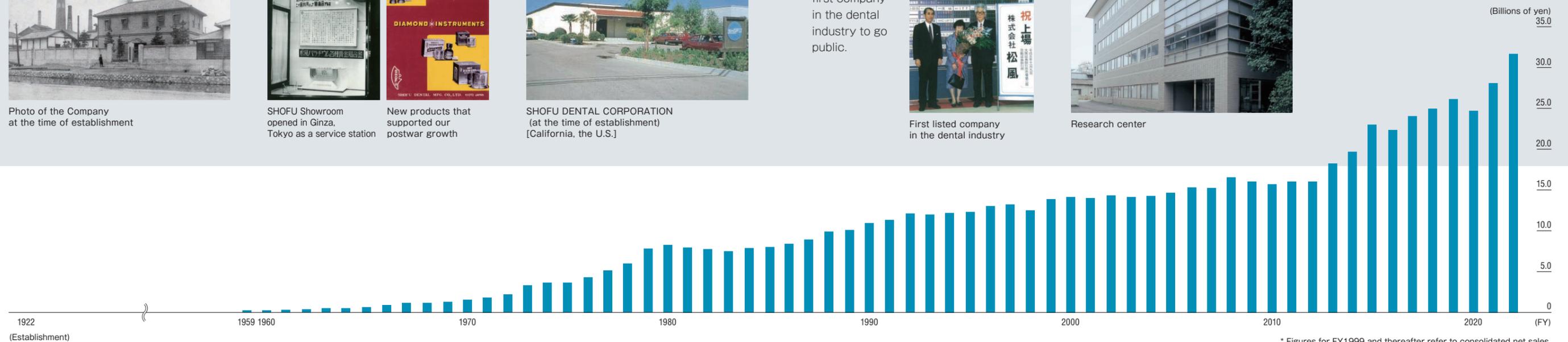
Since the beginning of Japan's Heisei era (1989-2019), we focused on developing and expanding our overseas site network in order to grow overseas markets. In addition, aiming to become a global company that focuses on new product development, we completed the construction of one of the largest research centers in the dental industry and concluded a business and capital tie-up with Mitsui Chemicals, Inc. and Sun Medical Co., Ltd. Meanwhile, we performed various activities to contribute to the development of dentistry, such as establishment of a training center at our headquarters in Kyoto as a base for disseminating information, promotion of MiCD (Minimally Invasive Cosmetic Dentistry), a concept of dental treatment that has aesthetic effects, and active launch of new products.



Research center

Toward the achievement of the 50-billion-yen vision

With the conviction that our future does not lie in the extension of what we have done in the past, we have expressed our "50-billion-yen vision" to realize our corporate philosophy. We are striving to achieve Group net sales of 50.0 billion yen and Group operating income of 7.5 billion yen (ratio of operating income to net sales of 15%). In order to achieve these goals, we are actively working to develop manufacturing bases and expand sales networks in Japan and overseas. We are also developing products suited to digital dentistry. We celebrated our 100th anniversary in 2022 and completed the construction of Ayumi Terrace, Shofu's new corporate headquarters building in the city of Kyoto. In the next 100 years, we are going to continue taking on challenges to contribute even more to the dentistry throughout the world as a comprehensive manufacturer of dental materials and equipment.

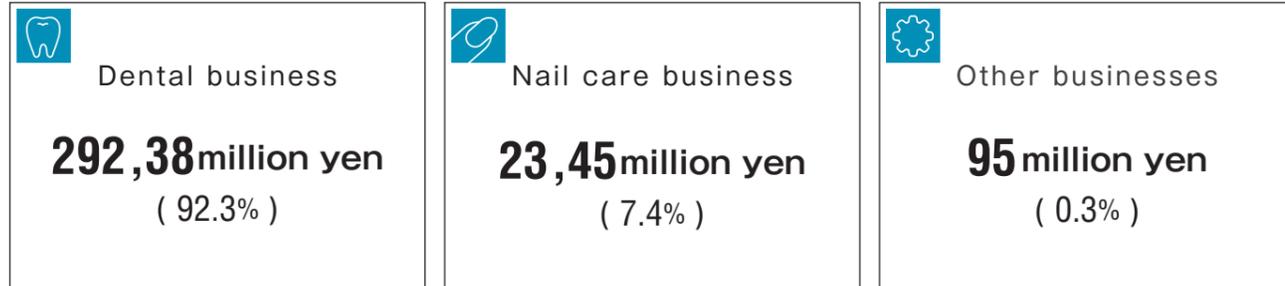


* Figures for FY1999 and thereafter refer to consolidated net sales.

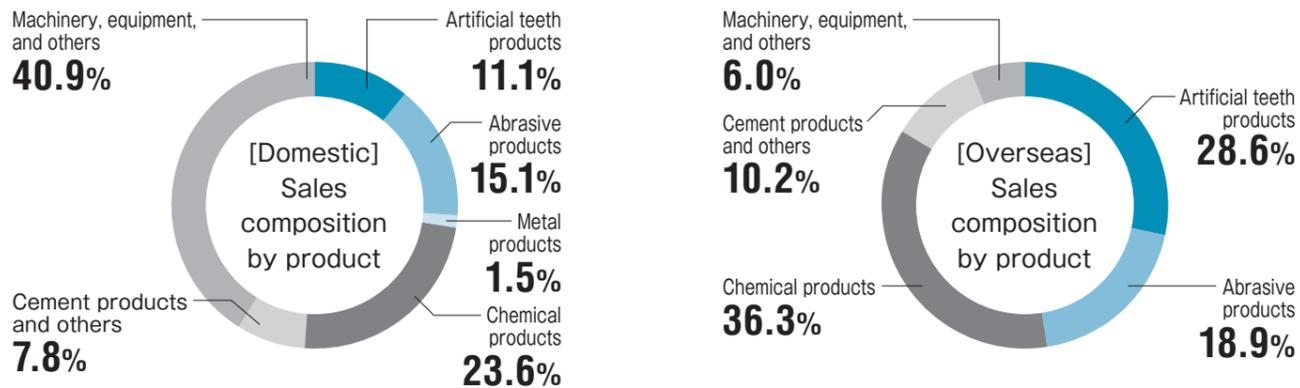
Shofu's Products

The business of the Shofu Group consists of the following three businesses: Dental business, Nail care business, and Other businesses (industrial polishing materials). While the dental business is at the core of our business, we are also actively expanding into fields, such as the nail care market and the industrial polishing materials market, where we can use the technologies and networks that we have cultivated in the dental business.

Sales composition by segment



Dental business sales composition



Dental Business



Artificial teeth products

We boast the top share in the domestic market for major dental materials used in denture and implant.

- Porcelain teeth
- Resin teeth
- Porcelain powder
- CAD/CAM materials (Zirconia)



Abrasive products

They are used for grinding and polishing natural teeth, artificial teeth, dental synthetic resins, and metals.

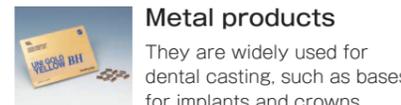
- Diamond abrasives
- Carborundum abrasives
- Silicon polisher



Chemical products

They have a wide variety of applications, including dental fillings and crowns, synthetic resins used in denture and implant, impression materials for taking impressions of teeth, and waxes for lab works.

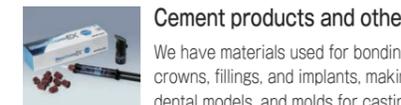
- Composite resins for fillings
- Light-curing bonding materials
- CAD/CAM materials (resin)
- Impression materials and waxes



Metal products

They are widely used for dental casting, such as bases for implants and crowns.

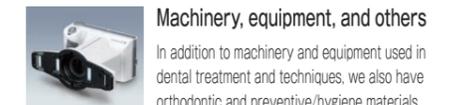
- Alloys for casting and silver alloys



Cement products and others

We have materials used for bonding crowns, fillings, and implants, making dental models, and molds for casting.

- Dental cements
- Dental stones and investments



Machinery, equipment, and others

In addition to machinery and equipment used in dental treatment and techniques, we also have orthodontic and preventive/hygiene materials.

- Dental equipment
- Products for oral care and infection prevention
- Orthodontic materials
- Others

Businesses that use our technologies in dental materials and equipment

Nail Care Business

In the nail care business, we draw on our technologies fostered in the dental materials field and manufacture, import, export, and sell nail care products and equipment. In addition, we have an integrated system within the Group from development to manufacturing and distribution.

- Acrylic nail products
- Gel nail products



Other Businesses

SHOFU PRODUCTS KYOTO INC., a group company, manufactures and sells industrial polishing materials by using the manufacturing technology of dental polishing materials.

- Industrial polishing materials



Core Competence

Shofu will contribute to dentistry worldwide as a comprehensive manufacturer of dental materials and equipment based on the core competence (core strength) we have cultivated since our establishment.

Proprietary technologies and R&D structure that allow competitive products to be developed

Ratio of R&D expenses to net sales:	5.8%
Ratio of R&D personnel:	18.7%
Number of patents held:	423
Ratio of sales of new products to net sales:	15.7%

* Non-consolidated basis (except for the ratio of R&D expenses to net sales, which is on a consolidated basis)

We have developed our own S-PRG Filler, which contributes to oral health and extension of the life of teeth, and apply it in a wide variety of products. We have also established an R&D structure in which we are able to pursue multiple projects and are striving to flexibly respond to change in the needs of the market.

Highly-trusted SHOFU brand and worldwide sales network

Competitive product lineup (domestic market share)	
Artificial teeth products:	37.0%
Abrasive products:	46.3%
Number of countries where our products are sold/number of distributors:	Approx. 100 countries/ approx. 1,000 companies
Number of members of Shofu Dental Club:	16,467

We deliver a wide selection of safe and high-quality products of our own to dental professionals around the world through domestic and overseas sales offices and distributors.

Production technology and quality assurance system capable of handling a wide range of dental products

Number of items handled:	Approx. 20,000 items
Number of countries where pharmaceutical approval has been obtained:	85 countries
Global production bases:	4 bases in Japan 5 bases overseas

We employ our advanced production technology and solid quality assurance system to provide products so that you can use a variety of products safely and with confidence in the process of dental treatment and techniques.

Human resources supporting SHOFU

Number of Group employees:	663 persons in Japan 636 persons overseas
Total number of specialists with expert knowledge:	66 persons
Average years of service:	17.41 years (men) 15.12 years (women)

* Non-consolidated basis (except for the number of Group employees, which is on a consolidated basis)

Based on the ideas that human resources are the very source of creating new value and that the sum of the responsibilities performed by individual employees is the value of the Company, we work to foster an organizational culture and realize a work environment that allow each staff member to demonstrate their ability to the fullest.

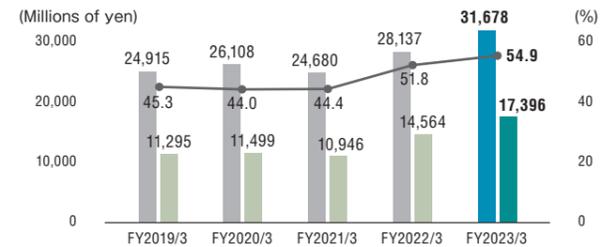


Financial and Non-financial Highlights

Financial Indicators

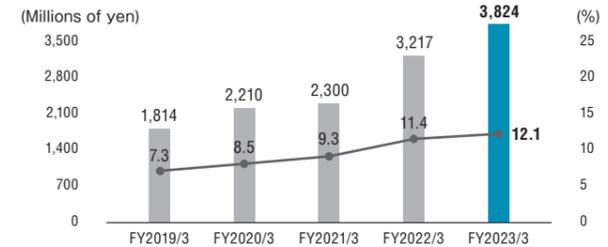
Net sales/Overseas net sales/Overseas sales ratio

■ Net sales (Left axis) ■ Overseas net sales (Left axis) ● Overseas sales ratio (Right axis)
31,678 million yen **17,396** million yen **54.9%**



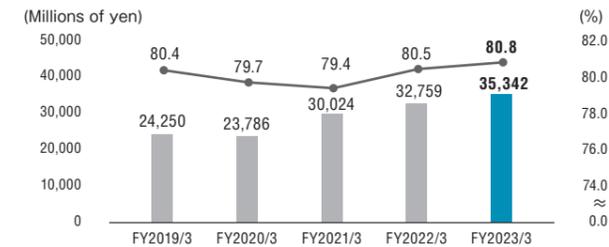
Operating income/Operating profit margin

■ Operating income (Left axis) ● Operating profit margin (Right axis)
3,824 million yen **12.1%**



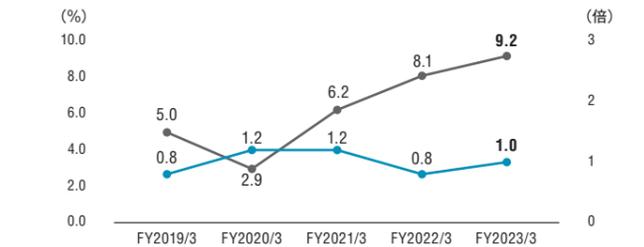
Equity/Equity ratio

■ Equity (Left axis) ● Equity ratio (Right axis)
35,342 million yen **80.8%**



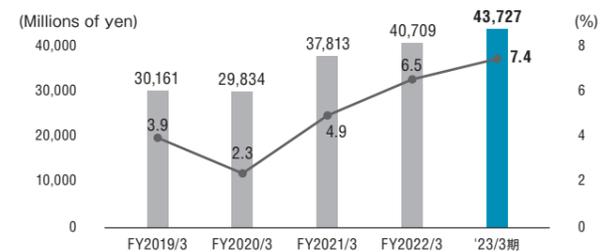
Return on equity (ROE)/Price Book-value Ratio (PBR)

● ROE (Left axis) ● PBR (Right axis)
9.2% **1.0倍**



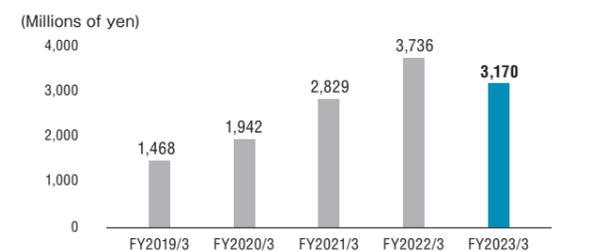
Total assets/Return on assets (ROA)

■ Total assets (Left axis) ● ROA (Right axis)
43,727 million yen **7.4%**



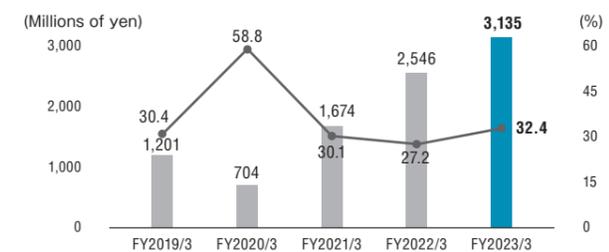
Cash flows from operating activities

■ Cash flows from operating activities
3,170 million yen



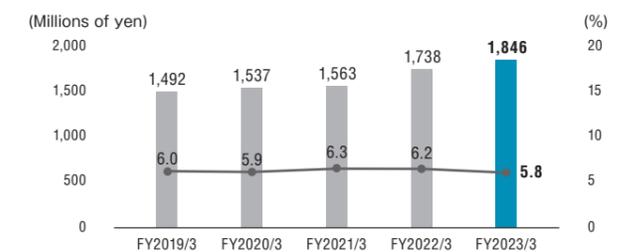
Profit attributable to owners of parent/Payout ratio

■ Profit attributable to owners of parent (Left axis) ● Payout ratio (Right axis)
3,135 million yen **32.4%**



R&D expenses/Ratio of R&D expenses to net sales

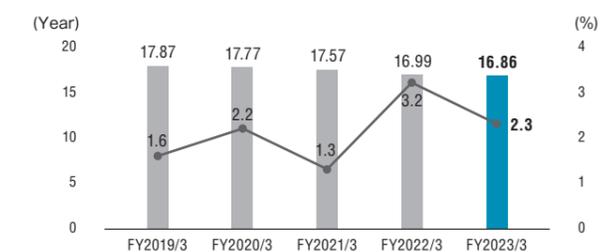
■ R&D expenses (Left axis) ● Ratio of R&D expenses to net sales (Right axis)
1,846 million yen **5.8%**



Non-financial Indicators

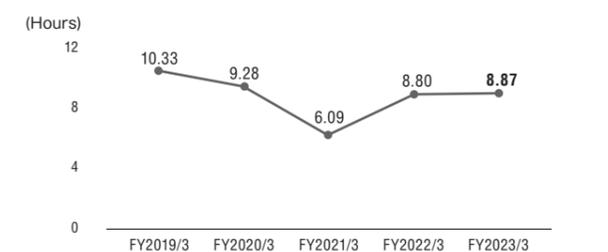
Average years of service/Job turnover ratio

■ Average years of service (Left axis) ● Job turnover ratio (Right axis)
16.86 years **2.3%**



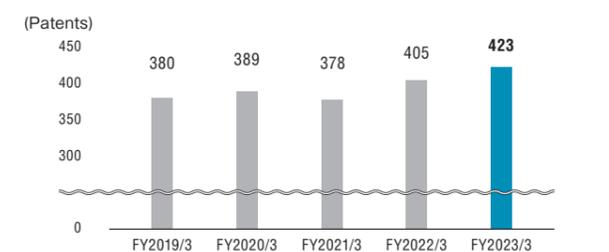
Average monthly overtime hours per employee

■ Average monthly overtime hours per employee
8.87 hours



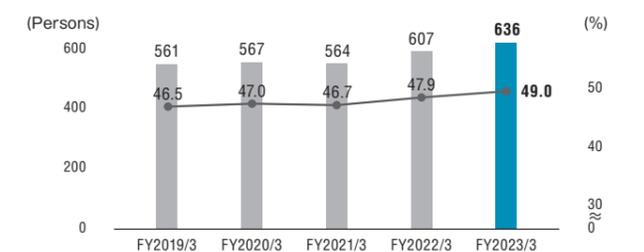
Number of patents held

■ Number of patents held
423



Number of overseas employees/Ratio of overseas employees

■ Number of overseas employees (Left axis) ● Ratio of overseas employees (Right axis)
636 persons **49.0%**



*The job turnover ratio does not include employees who have reached the mandatory retirement age.

*Non-financial indicators are on a non-consolidated basis (except for the number of overseas employees and the ratio of overseas employee, which are on a consolidated basis).

Global Network

Overseas Expansion: For stronger overseas presence

The Group sells Shofu's products in more than 100 countries worldwide, with overseas sales accounting for more than 50% of total sales. However, our presence is not strong enough in the overseas market, which is about 20 times larger than the domestic market. We must further increase our contribution to the world's dental care in order to realize the corporate philosophy.

In terms of the medium- to long-term prospects for overseas markets, we believe that the key is how to capture the demand in the growing markets of digital dentistry and in aging countries, and the markets in developing countries where the middle- and high-income classes are expected to grow. We will aim to grow further and increase our presence in overseas markets, combining horizontal application of the know-how we have cultivated and pioneering new frontiers to develop our business, depending on the field and speed of growth that are different in each country and region, e.g., focusing on the digital dentistry field in the markets in developed countries and the preventive field in the markets in aging countries, and utilizing existing technologies in developing countries where income is expected to grow.

Initiatives to promote globalization of our business

Developing sales (distributors) network

Re-evaluate whether our products are recognized by dental professionals in each overseas region and build a distributors network as necessary

Establishing sales offices

Establish bases in several countries and regions in order to expand our overseas business.

Establishment of domestic and international academic networks

Perform activities to introduce our products and provide information to local study groups and key opinion leaders who have an influence on dental professionals in each region to build networks.

Overseas sales/ Overseas sales ratio

— Overseas sales [Millions of yen]
— Dental business overseas sales ratio [%]
— Overseas sales ratio [%]



Exhibited at trade fairs held in various countries

World's largest dental trade fair IDS 2023

The world's largest dental trade fair IDS 2023 was held in Cologne, Germany from March 14 to 18, 2023. The fair welcomed approximately 120,000 visitors from 162 countries around the world.

We expressed our 100th anniversary in a stylishly designed exhibition booth and exhibited new products, such as a dentine bonding agent for dental use and digital cameras that can be used in dental treatment. We also performed demonstrations at our booth, focusing on our fast-selling CAD/CAM Zirconia (disk), porcelain powder, and composite resins for dental fillings. The booth attracted a lot of people.



Exhibited at the world's largest dental trade fair IDS 2023

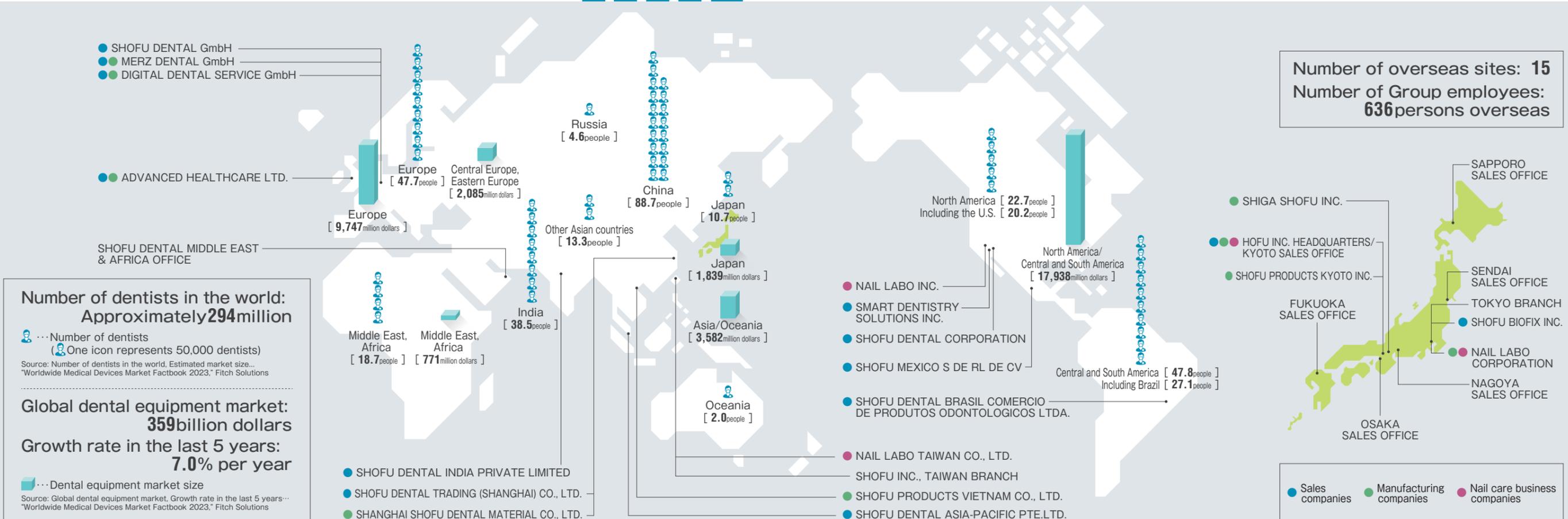
Largest dental show in the Middle East and Africa region AEEDC Dubai 2023

A dental show AEEDC Dubai 2023 was held at Dubai World Trade Centre in the UAE from February 7 to 9, 2023. In the three days, the show received more than 50,000 visitors from more than 150 countries around the world. The Middle East and Africa region has the highest population growth rate in the world, and its market is expected to expand in the future.

In the booth of Shofu, our dental technicians demonstrated techniques using our products, including dental porcelain powder, which drew the attention of many visitors.



Dental technicians demonstrated techniques using our products



Shofu's Material Issues

The Shofu Group has provided value to society through various business activities, including development of superior dental materials and equipment, to continue to be a company that is trusted by society. In order to further promote sustainability management in the

future, we have formulated the Basic Policy on Sustainability, which presents the Group's approach to sustainability, and identified four key themes and 16 material issues (materiality) that are linked to them.

•Basic Policy on Sustainability

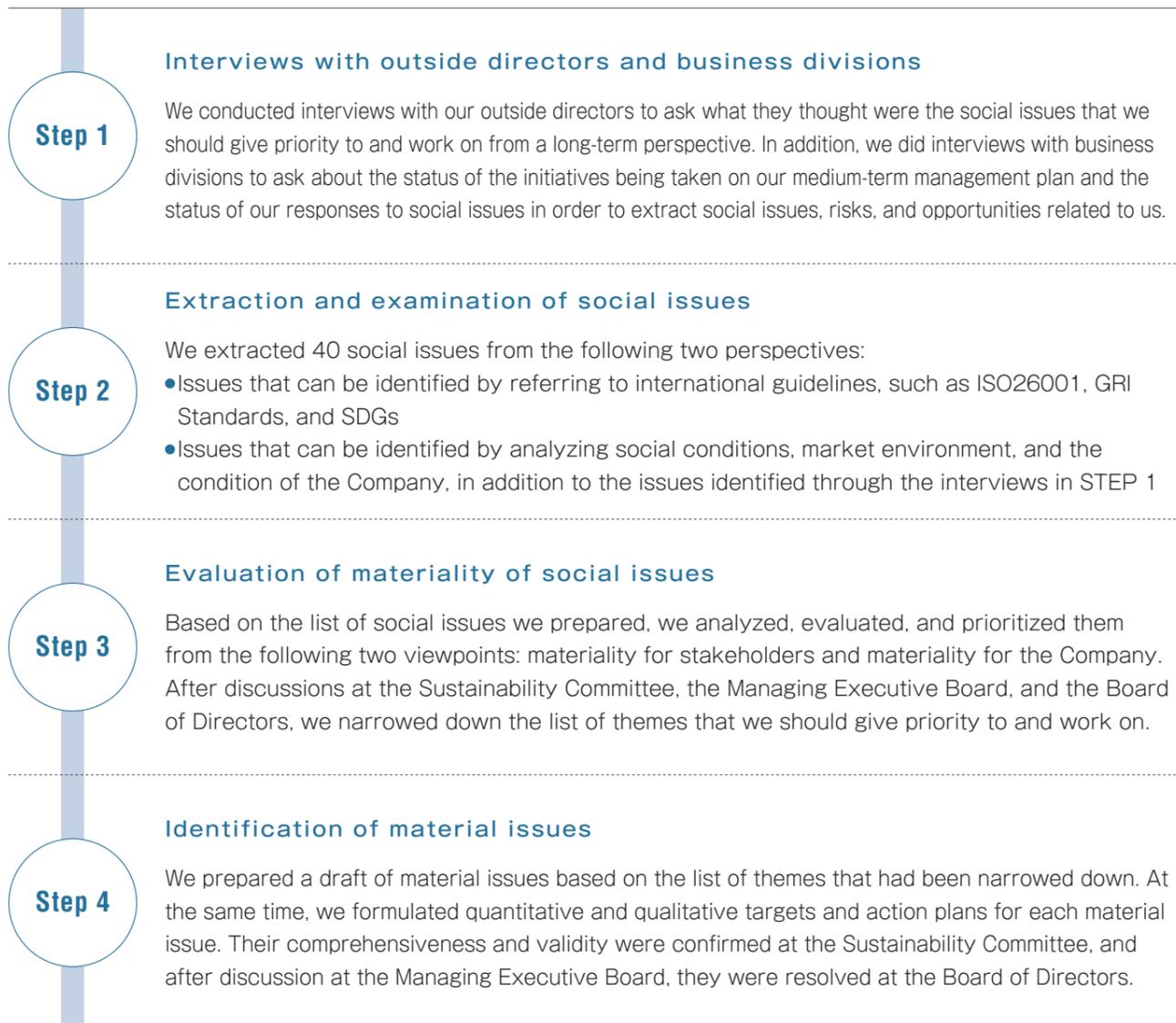
In our Basic Policy on Sustainability, we have presented four key themes for us to work on: "contribution to higher QOL of people," "promotion of corporate activities friendly to global environment," "strengthening of the management base to support corporate value enhancement," and "cultivation of a rewarding organizational culture and development of human resources."

Details of Basic Policy on Sustainability:

<https://www.shofu.co.jp/contents/hp2012/index.php?No=2041&CNo=2012> (in Japanese only)



•Process for identification of material issue

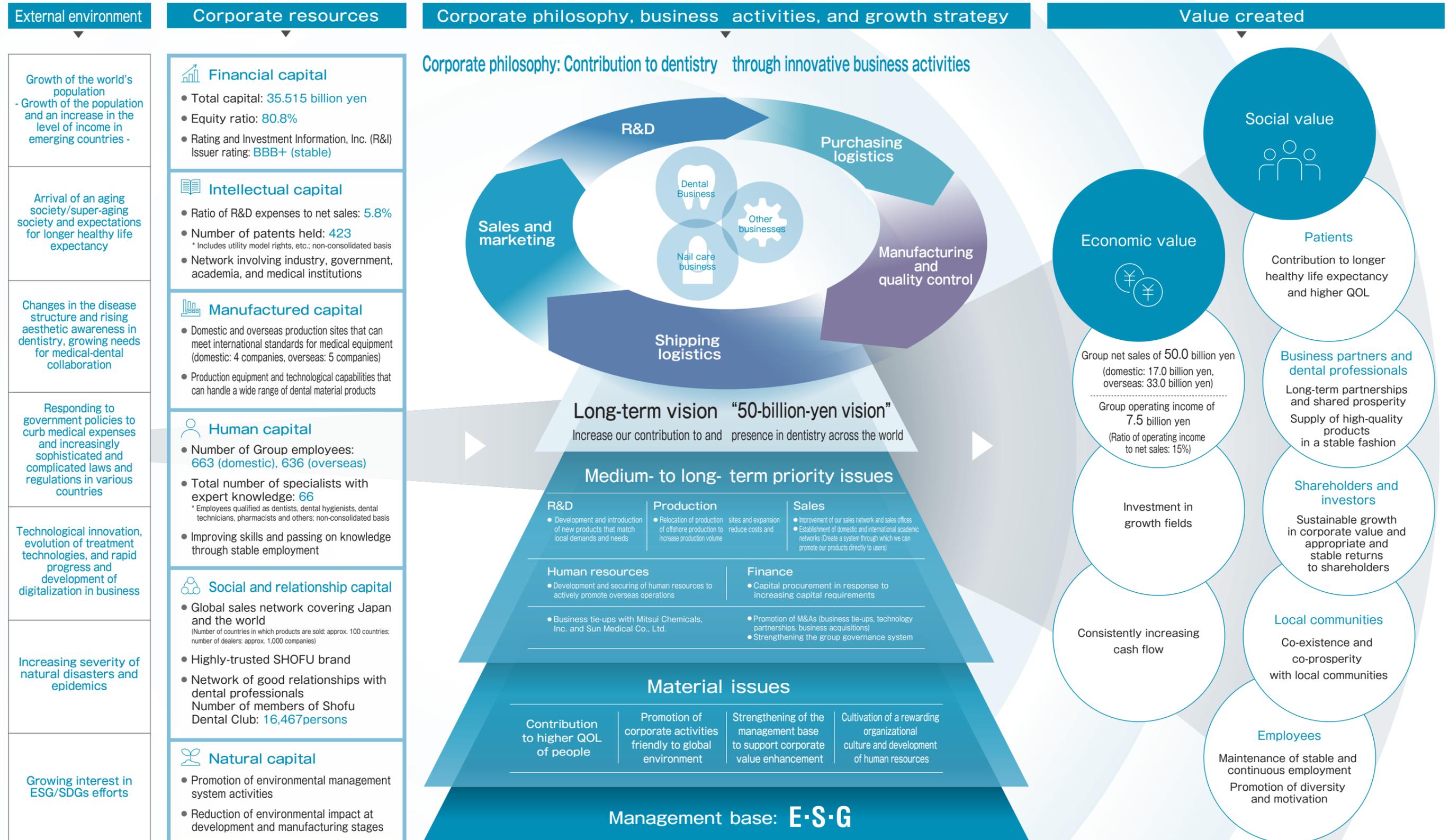


Material issues	Target	Related SDGs
1 Contribution to higher QOL of people		
Quality assurance and stable supply of products	<ul style="list-style-type: none"> • Zero product recall arising from quality issues 	
Ensuring proper use of products	<ul style="list-style-type: none"> • Strengthening the system for collecting and evaluating information on safety management • Enhancing information provision for proper use of products 	
Providing products and services that solve issues in dentistry (providing products and services that have positive impact on society)	<ul style="list-style-type: none"> • Strengthening partnerships with dental professionals • Increasing the number of countries in which our products are sold • Strengthening protection and utilization of intellectual property • Providing digital products and services continuously • Providing preventive products (including Giomer products) and services continuously • Increasing the ratio of sales of preventive and digital products to net sales 	
Providing information for higher dental IQ	<ul style="list-style-type: none"> • Raising awareness about diseases of and enhancing information provision to the general public 	
2 Promotion of corporate activities friendly to global environment		
Contributing to a sound material-cycle society	<ul style="list-style-type: none"> • Developing recycling systems for product development, materials, etc. • Increasing the recycling rate 	
Addressing climate change and contributing to a decarbonized society	<ul style="list-style-type: none"> • 27% reduction in greenhouse gas emissions (compared to FY2021) • Realizing carbon neutrality by 2050 	
Preventing environmental pollution	<ul style="list-style-type: none"> • Maintaining our record with zero environment-related accident 	
3 Strengthening of the management base to support corporate value enhancement		
Respect for human rights	<ul style="list-style-type: none"> • Promoting understanding of human rights policy and initiatives throughout the Group • Promoting sustainable procurement in our supply chain 	
Enforcing thorough compliance	<ul style="list-style-type: none"> • Zero serious compliance violation 	
Promotion of risk management	<ul style="list-style-type: none"> • Implementing highly effective business continuity management 	
Strengthening corporate governance	<ul style="list-style-type: none"> • Strengthening group governance • Building a highly effective corporate governance structure 	
Disclosing information appropriately and having dialogue with stakeholders	<ul style="list-style-type: none"> • Conducting surveys, questionnaires, and dialogue with stakeholders and taking measures for improvement • Enhancing the quality and quantity of information disclosure 	
4 Cultivation of a rewarding organizational culture and development of human resources		
Enhancing employees' health and ensuring safety in work environment	<ul style="list-style-type: none"> • Maintaining our record with zero serious industrial accident • Raising employees' awareness about health (including oral health care) 	
Promotion of human resource development	<ul style="list-style-type: none"> • Strengthening our support for employees' career development 	
Promoting diversity and inclusion	<ul style="list-style-type: none"> • Increasing the ratio of female managers 	
Realizing work-life balance	<ul style="list-style-type: none"> • Increasing employee satisfaction 	



Shofu's Value Creation Process

Based on our corporate philosophy of "Contribution to dentistry through innovative business activities," we aim to create economic and social value by pursuing business activities that utilize our wealth of resources and robust business foundation.





Message from the President

We will further accelerate our globalization and contribute to dentistry through innovative business activities.

Representative Director
PRESIDENT & COO
Tetsuo Takami



Highest net sales and operating income on record

With the decision by the Japanese government to reclassify COVID-19 to Class 5, everyone's continued cooperative efforts are bearing fruit, and we are finally starting to break free from the COVID-19 pandemic. Although uncertainty about the future remains, including the prolonged Russia-Ukraine issue and global inflation, now is precisely the time when we at Shofu hope to actively proceed with our global strategy and contribute to the health of the people of the world from the field of dentistry.

The Shofu Group has entered the final year of its fourth medium-term management plan that began in the fiscal year ended March 31, 2021. We are actively carrying out business activities based on a shared understanding of the goal of maintaining and expanding our presence in the domestic market while expanding our overseas business and of the need for strategies outside of the existing framework that are not merely extensions of previous strategies. While our overseas business felt the effects of the COVID-19 pandemic, we first saw a recovery of demand in the West, followed by the Asia and Oceania regions, where our business performance has been particularly favorable. As such, our overseas sales increased to account for over 50% of the whole. Regarding measures for venturing into new fields, with the popularization of CAD/CAM, which is used for the digital design and manufacture of dental prosthetics, Shofu is rolling out the SHOFU S-Wave CAD/CAM system of total dental solutions, with our lineup of scanners, software, machining tools, sintering furnaces, and processing materials, all of which are necessary for the manufacture of prosthetic devices using CAD/CAM. In Japan, with the revisions to health insurance rules for medical services in April 2022, the cases of CAD/CAM crowns that are eligible for insurance coverage has expanded. In light of this, they are rapidly becoming more and more popular, and our own sales of related products are trending favorably.

With these tailwinds, in our financial results for the fiscal year

ended March 31, 2023, net sales increased by 12.6% year-on-year to 31,678 million yen, and operating income increased by 18.9% year-on-year to 3,824 million yen. Both of these figures were the highest on record. This was the second consecutive year of record highs for net sales and the fourth consecutive year for operating income. Even discounting the impact of the weak yen during the period, we experienced strong growth.

CAD/CAM products performed well in Japan, growth in the Asian region overseas

Net sales in Japan increased by 5.2% to 14,282 million yen, which was generally in line with our forecasts. Amid the gradual shift away from metals toward CAD/CAM crowns for prosthetics fitted inside the mouth, our SHOFU S-Wave CAD/CAM brand has been well received by dental clinics and dental technicians. Demand for new capital investment has expanded, and related products have contributed significantly to sales. According to statistics released by the Ministry of Health, Labour and Welfare in 2022, 56,000 of Japan's 68,000 dental clinics nationwide have already submitted applications for insurance coverage for CAD/CAM, and the government's Basic Policy on Economic and Fiscal Management and Reform ("honebuto no hoshin," "big-boned policy outline"), which was completed in June 2023, indicates an approach of promoting the introduction of dental materials that will not be affected by market prices. This leads to predictions that demand for CAD/CAM-related products and other dental materials will grow even further.

Overseas net sales increased by 19.4% year-on-year to 17,396 million yen. Although exchange rate fluctuations caused by the weak yen were a positive factor in this result, the recovery of demand in existing markets and our entry into new markets were driving forces in the growth in sales. Recovery of demand from the COVID-19 pandemic first occurred in Europe and the United States, followed by Southeast

Asia, South Korea, Taiwan, and other Asian regions, where sales grew significantly. Sales grew particularly in India due to advance action taken in collaboration with our sales locations prior to the introduction of pharmaceutical regulations. Sales were also strong in Europe, where we have begun to strengthen our sales and marketing activities in Italy and other countries.

On the other hand, various business risks also became apparent, due to the recovery of demand and inflation on a global scale. The first was that we were temporarily unable to keep up with the rapid recovery in demand in the areas of raw materials procurement, personnel, and equipment. In various countries and regions, in the transition to the "living with COVID-19" phase, demand for products using resin materials, which are also dental materials, exploded, and production was unable to keep up with that demand. The constraints on production and other factors caused by this situation resulted in loss of opportunity as we were unable to conduct sales and marketing activities proactively in North America, Central and South America. We approached the elimination of this situation with measures such as expanding our raw materials procurement channels, increasing our personnel, extending plant operation hours, and increasing production volumes per lot. However, due to the continued sharp rises in the prices of energy and packaging materials, as well as labor and other costs, we will aim to strengthen our international competitiveness by building well balanced production and sales structures that take geopolitical risks further into account.

Forecast to set a new record high for net sales for the third consecutive fiscal year in the final year of the medium-term plan

Against the background of the full-scale recovery from the COVID-19 pandemic in global economic activity, the global dental market is expected to expand, and we anticipate vigorous demand in emerging countries in particular. In May 2022, in light of the demand in recovery from the COVID-19 pandemic, we upgraded the Group targets of the medium-term management plan to 31.5 billion yen in net sales, 3.79 billion yen in operating income, ratio of operating income to net sales of 12%, and ROE of 8% for the fiscal year ending March 31, 2024, the final year of the plan. We have already achieved these targets. Currently, our forecast for the Group's financial results for the full year ending March 31, 2024 are a 5.9% increase in net sales year-on-year to 33,550 million yen, which will be the highest on record for the third consecutive year. We anticipate a 4.3% increase to 14,897 million yen in Japan and a 7.2% increase to 18,652 million yen overseas. With this, the percentage of total net sales accounted for by overseas sales will increase further to 55.6%. We have set targets of 3.82 billion yen for operating income, 12% for ratio of operating income to net sales, and 8% for ROE.

Our priority issues for achieving these numerical targets are: (1) R&D: development and introduction of new products that match local demands and needs; (2) production: relocation of production sites and expansion of offshore production; (3) sales: expansion of sales networks, improvement of sales offices, and establishment of domestic and international academic networks; (4) human resources: development and securing of global human resources; and (5) finance: capital procurement in response to increasing capital requirements. We will share these priorities across the entire company and pursue them with speed. To accelerate even further growth, we intend the proactive promotion of external collaborations and M&As. This includes

strengthening ties with Mitsui Chemicals and Sun Medical Company, with which we have formed a business and capital tie-up. We will also work to strengthen our Group governance structure.

Regarding research and development, it is important to strengthen marketing and product development in ways that match the economic level and standards of dental medicine in each country and region. The kinds of products and treatment systems needed in emerging countries, where the number of people who receive dental treatment is still small, are different from those required in Japan, Europe and the United States. Because the Pharmaceutical and Medical Device Act and other rules differ in the over 100 countries and regions covered by our sales area, as well as the provision of products that are needed in each area, conducting research and development that focuses on the creation of innovation in individual dental treatments will help to elevate our presence in the global market. The research and development of dental materials requires a wide range of technological domains, including organic and inorganic chemistry, metals, mechanical, electrical, electronic, and biotechnology. Shofu's strength lies in product development aided by the accumulation of these individual technologies and their optimal combinations. We will also take on the challenge of innovative product development in highly advanced areas such as 3D printing.

In terms of production, as I mentioned above, we will aim to build a well balanced production structure that takes various risks into account. We will proceed to enhance our production capacity systematically with the rebuilding of our head office plant and the expansion of production volumes at our overseas plants, including our Vietnamese production subsidiary, and work on the diversification of our supply chain and the relocation of and efficiency improvements in our production divisions. Currently, our ratio of overseas production is around 15%, but with overseas net sales now accounting for over 50% of the total, we will increase the ratio of overseas production by increasing the degree of use of the German production company that we acquired eight years ago and our Vietnamese production subsidiary, while proceeding with the establishment of production bases in other regions.

Regarding our sales strategies, we will establish sales bases and expand our sales network to further raise recognition of our products in the dental treatment industries in Japan and overseas. In overseas markets, in particular, even though we are competitive in terms of quality, a lack of brand power and recognition could plunge us into a situation of competing on price. First, we will work on the key points of establishing new bases and increasing our personnel. At the same time, we will build academic networks with clinical practitioners and educators who have influence on the ground in dental treatment in the various regions, hold seminars, and exhibit at trade exhibitions in Japan and overseas, in an effort to promote the profile and utility of our



products. The purpose of establishing academic networks is not only to help dental professionals in the respective countries and regions to better understand where our products excel, but also to play an important role as a forum for industry and academia to cooperate and discuss and share information, such as global oral cavity-related information and needs and information about cutting-edge research. In our efforts to establish these networks, we will pursue activities to introduce our products and provide information to regional study groups and key opinion leaders who are influential with dental professionals in each region.

It will be our global human resources who will push these strategies forward on the ground. As we make efforts in the education of our in-house human resources and securing human resources in a shifting labor market, on the other hand, we will increase the number of female employees in Japan and raise the age at which our older employees can continue to work under our senior continued employment scheme from 68 years to 70 years, and implement other measures in our challenge to realize a diverse and inclusive workplace where many different people can flourish.

For the penetration of the SHOFU brand around the world

Under our corporate philosophy, "Contribution to dentistry through innovative business activities," Shofu will act as an industry leader in boosting our overall competitiveness, in our major goal of making the SHOFU brand a trusted and popular brand around the world. However, in a global market that is some 20 times the size of the Japanese market, our degree of contribution and sense of presence could not be described as adequate. One barometer of the degree of contribution is net sales. We have set a Group target in this regard of 50.0 billion yen (17.0 billion yen in Japan and 33.0 billion yen overseas). I believe that the best barometer for measuring our presence in the global market is for us to become one of the top ten dental treatment manufacturers in the world. The ideal image of our business development is to build a strong business foundation in the domestic market, demonstrate our presence while achieving steady growth in the giant markets in developed countries, and contribute to the penetration of dental treatment in emerging countries.

Japanese society is currently in a state of flux, with a population that is aging and shrinking. A society that is prosperous and in which people live long and healthy lives requires a greater focus on the health of teeth, which serve as the gateway to the food that sustains our lives. With recent research confirming how dental disease can affect overall health, as attested by the increase in "dental IQ," we can expect the role of dentistry to grow even more critical in the era of the 100-year human lifespan. While there is a downward trend in dental cavities, we are considering the expansion of our business by contributing to the evolution of dental fields such as esthetic dentistry and oral health management in the oral frail (an intermediate stage in the transition from healthy to requiring care). In particular, demand is predicted to increase more and more in the area of maintenance for the prevention of various oral problems in Japan as its population continues to age. By responding meticulously to changes in demand in Japan, whose population is aging faster than anywhere else in the world, we believe that we will be able to use the expertise thus gained in other countries and regions as their own populations head down the same path of population aging.

The world of dentistry is being exposed to the waves of digitalization and digital transformation (DX), bringing about rapid changes to conventional treatment and the mechanisms and norms of oral care. In addition to further evolving our SHOFU S-Wave CAD/CAM system, we are actively engaging in the digital area in peripheral fields. In June 2023, we launched "SHOFU EyeSpecial C-V," a digital camera that is able to capture visual records for dental purposes, onto the market. We developed this camera with the concept of making it "easy for anyone to capture images," so that images of a certain level of quality and composition could be captured in different environments and by multiple people. The use of our proprietary app also enables functional management of data. Given society's growing emphasis on informed consent, we predict that the need for this product will continue to increase.

In the markets in developed countries, services that go a step further than treatment for dental cavities are growing significantly. Interest is growing in esthetics and the prevention of various oral diseases, and new services to meet such needs are emerging one after the other. By offering products and services from diverse perspectives that are not confined by the boundaries of treatment, we will take on the challenge of creating innovation and giving shape to new markets.

In emerging countries, new markets are being born one after the other in regions where dental treatment itself has not yet penetrated. An increase in demand for high value-added treatment is predicted in such countries and regions as living standards improve with future economic growth, so we can expect to see major growth in the dental market.

In a repeated cycle of growth and development, the dental market continues to contribute to improving the quality of life (QOL) and the health of people all over the world. We believe that Shofu has major roles that it can fulfill in an increasingly diverse global market, including digitalization proposals in developed countries, the prevention area in aging markets, and the provision of existing technologies and knowhow to developing countries.



Four strengths that embody our corporate philosophy to enhance corporate value

In light of this kind of business environment and future potential, we have enhanced our corporate value with four strengths that embody our corporate philosophy. The first is our "proprietary technologies and R&D structure." We have launched numerous products onto the market by continuously conducting proactive research and development. We own 423 patents, new products account for 15.7% of sales, and R&D staff account for 18.7% of our total employees.

The second strength is our "highly-trusted SHOFU brand and

sales network," in which we take great pride as a 100-year-old company. The massive volumes of clinical data and achievements in artificial teeth products and abrasives products, for which we hold the top market share in Japan, have increased trust in our brand, and they are used by many dental professions. Our third strength is our "production technology and quality assurance system" that underpin that brand power and reliability. We have approximately 20,000 items, which are sold in over 100 countries and regions around the world pursuant to the laws and regulations of each country. There are strong requirements for dental materials, which are used inside the mouth, to be safe and of high quality. Our group companies pass strict legal screening in their respective countries and have structures in place that enable them to deliver safe, reliable, and high-quality products at all times. Our fourth strength is our "human resources supporting SHOFU." Our employees are the source of all other three strengths, and our employees underpin those strengths. Among those employees, specialists with expert knowledge, including qualified dentists, dental hygienists, dental technicians, and pharmacists, play an active role in the company.

By further refining these four, people-centered strengths, we hope to elevate our presence in the global market.

Promotion of SDGs with our business activities for people's sustainable health

Shofu has elected to be listed on the TSE Prime Market, which is designed for global companies. This is because our business objective of being active in overseas markets and achieving major growth, so we can put our corporate philosophy of "Contribution to dentistry through innovative business activities" into practice, will lead to recognition from the world's investors.

The starting point of Shofu's foundation was our mission "to make teeth for Japanese people," which had not existed until then. It is also our management stance of solving problems with technology. Since its founding, the Company has developed world-first and Japan-first products one after another to meet the daily changing needs of society, and we have always sought to contribute to the advancement of dentistry through product development together with dental professionals. We believe that helping to make people's health sustainable is directly connected to medium- to long-term corporate value enhancement, and that this is the Company's sustainable management. To bring this even more in line with today's business environment, we established key themes and initiatives related to sustainability in June 2022.

In our Basic Policy on Sustainability, we have identified four key themes of "contribution to higher quality of life (QOL) of people," "promotion of corporate activities friendly to global environment," "strengthening of the management base to support corporate value enhancement," and "cultivation of a rewarding organizational culture and development of human resources," as well as 16 material issues (materiality) that are linked to them as issues for us to work on. Specifically, we identified issues that will lead to value creation through our core operations, including quality assurance and stable supply of products and the provision of products and services that solve issues in dentistry, issues that society is calling for, such as addressing climate change, enforcing thorough compliance, and the promotion of diversity, and issues related to our business foundations.

"Contribution to higher quality of life (QOL) of people" and

"cultivation of a rewarding organizational culture and development of human resources" are the foundations that underpin our business, and as such, we intend to concentrate particular efforts on these two themes.

Construction of Ayumi Terrace, Shofu's new corporate headquarters building that symbolizes our aim of further growth after our 100th anniversary and was built with the concept of conveying the Company's appeal both within and outside the company, was completed in March 2023. We created a new showroom on the 1st floor, where, in addition to the products we handle, valuable dentistry-related items in our collection are on display. It also features equipment such as dental examination chairs, and it serves as a place for providing information to people engage in dental treatment.

Increasing our contributions to the world to realize our target of 50 billion yen in net sales

While holding sight of the direction we need to move toward as a company, we are also proceeding with responses to the various principles required by the Corporate Governance Code. Most recently, we are conducting a scenario analysis of climate change risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we plan to disclose information during the fiscal year ending March 31, 2024. Through this scenario analysis, by conducting assessments of the degree of importance of risks, identifying the scenario groups, and evaluating business impacts, we are working to identify the long-term impacts of climate change on our business activities and considering our responses. We have also welcomed our first female corporate officer as an Outside Auditor. We hope that she will contribute to women's empowerment and to the fair promotion of business from objective perspectives.

At the same time as we elevate our contribution to dentistry around the world as a Prime Market-listed company, we will strive to enhance our action on sustainability and to build more robust governance systems.

To fulfill our responsibility as a company that practices our corporate message of "Creating Brighter Smiles for Healthier Lives," the Shofu Group will work with speed to realize its targets of 50.0 billion yen in consolidated net sales and 7.5 billion yen in consolidated operating income. We hope to create both social and economic value in the global market and to further deepen our bonds with all our stakeholders. I would like to ask for the ongoing patronage and support of all of our stakeholders as Shofu takes new steps toward its next 100 years.



Progress of the Fourth Medium-term Management Plan FY2021-FY2023

Aiming to accomplish its corporate philosophy, "Contribution to dentistry through innovative business activities," the Shofu Group is working to maintain and strengthen the foundation of its domestic business while also allocating more of its corporate resources abroad in order to expand overseas business. For this

reason, we have been promoting globalization across the whole of our corporate management and steadily implementing measures under our fourth medium-term management plan towards achieving our long-term vision, "50-billion-yen vision."

Review of FY2022 (year ended March 31, 2023)

(Unit: Billions of yen, %)

	Medium-term management plan	Result	Variance (amount)	Variance(percentage)
Net sales	29.3	31.6	2.3	8.1
Domestic net sales	14.1	14.2	0.1	0.7
Overseas net sales	15.1	17.3	2.2	15.0
Operating income	2.7	3.8	1.0	40.0
(Ratio of operating income to net sales)	(9.3%)	(12.1%)	—	—
Return on equity (ROE)*	5.9%	9.2%	—	—

*Return on equity: Net income ÷ shareholders' equity × 100%

In FY2022 (year ended March 31, 2023), the second year of the fourth medium-term management plan, both sales and net income rose above the figures targeted for the year under the medium-term management plan. New record highs were achieved for net sales for the second consecutive year and for operating income for the fourth consecutive year.

In Japan, with the revisions to health insurance rules in April 2022, which expanded the cases of CAD/CAM crowns that are eligible for insurance coverage, we were able to steadily capture the increased demand for investment in CAD/CAM-related equipment by dental clinics and laboratories. Overseas, as economic activities returned to normal after the COVID-19 pandemic, we succeeded in capturing the growing demand in Asian markets, while in Europe, we maintained the client base that we had acquired after our competitors downsized their businesses or withdrew from the market altogether during the pandemic. These

successes led to further expansion of net sales. On the other hand, production capacity restraints prevented us from responding adequately to the sharper-than-expected increase in demand, resulting in loss of opportunity in some product categories.

In terms of profit, although selling, general and administrative expenses increased due to our active investments for the expansion of business, including R&D expenses, personnel expenses, advertising expenses, and travel and commuting expenses, thanks to increased revenue, improvement in cost of sales, and the positive impact of foreign exchange fluctuations, we recorded a major increase in profit.

ROE greatly exceeded the target in the medium-term management plan due to the significant improvement in profitability (ratio of net income to net sales).

Priority Issue 4 [Human resources] Development and securing of human resources to actively promote overseas operations

Review of FY2022

- Established overseas work allowance, and formalize the service for provision of daily commodities to people on temporary overseas assignments to encourage work overseas and aid the psychological burden of working overseas

Current State of Progress in FY2023

- Considering resumption of overseas dispatch training, which had been suspended due to the COVID-19 pandemic

Priority Issue 5 [Finance] Capital procurement in response to increasing capital requirements

Review of FY2022

- Renewed commitment line agreement, identified funding situation of Group companies, and made effective use of Group funds

Current State of Progress in FY2023

- Continuing initiatives for improvement of funding efficiency in Group, building relationships with financial institutions to enable response to demand for funds for M&A, large-scale capital expenditure, etc

Priority Issue 6 Strengthening the group governance system

Review of FY2022

- Promoted initiatives to ensure Group companies comply with headquarters' Associated Companies Management Rules
- Built database for information and materials collected from Group companies

Current State of Progress in FY2023

- Held Group Governance Meetings, attended by headquarters executive management team and the presidents of Group companies, with the aim of unifying intentions for the maintenance of the Group's compliance structure and the promotion of the long-term vision "50-billion-yen vision" throughout the entire Group

Forecasts for FY2023 (year ending March 31, 2024)

Group net sales

335 billion yen

(Domestic: 14.8 billion yen; overseas: 18.6 billion yen)

Group operating income

38 billion yen

Ratio of operating income to net sales: 11.4%

Return on equity (ROE)

8.0%

Priority Measures Key numerical targets

Ratio of sales of new products to net sales: **20%** or more

Overseas sales ratio: **55.6%**

(Dental business overseas sales ratio: 56.9%)

Key progress on priority issues

Priority Issue 1 [R&D] Development and introduction of new products that match local demands and needs

Review of FY2022

- Developed and launched new products suited to preventive and digital dentistry, where growth is anticipated
- Launched "BeautiBond Xtreme," a universal dentine bonding agent for dental use applicable for a range of adherends, in overseas markets

Current State of Progress in FY2023

- Developed and launched digital camera, "EyeSpecial C-V"
- Developed and launched "SHOFU CREATE DIAMOND POINT FG," a diamond abrasive that is the first product for our production site in Vietnam

Priority Issue 2 [Production] Relocation of production sites and expansion of offshore production to reduce costs and increase production volume

Review of FY2022

- Initiatives for stabilization of raw materials procurement (review of suppliers, promotion of purchasing from multiple suppliers)

Current State of Progress in FY2023

- Promoted initiatives to eliminate supply capacity restraints by strengthening labor force through human resource development and active recruitment and improving labor efficiency with the introduction of shift work
- Began construction (rebuilding) of new headquarters plant to improve supply capacity and as a response to further expansion of demand in future

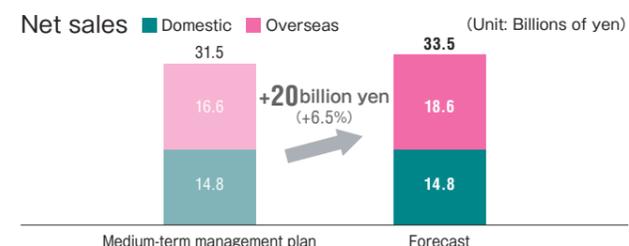
Priority Issue 3 [Sales] Improvement of sales networks and sales offices and establishment of domestic and international academic networks

Review of FY2022

- Increased number of distributors in all areas of the world, including North America/Central and South America, Europe, and Asia
- Promoted development of KOLs in various parts of the world *KOLs: Key Opinion Leaders

Current State of Progress in FY2023

- Continue to promote expansion of distributor network and increase staff numbers at sales offices in various regions around the world



In FY2023 (year ending March 31, 2024), the final year of the fourth medium-term management plan, net sales is expected to exceed the medium-term management plan target by 2.0 billion yen (6.5%) and operating income is expected to be at the same level as the plan.

We are planning the expansion of sales, primarily of chemical products, in Japan and overseas, and forecast net sales to reach 33.5 billion yen, significantly above the medium-term management plan target.



While an increase in revenue from net sales is expected, on the profit front, in addition to a rise in the cost of sales due to rising raw materials and energy costs, staff increases, improvement of wages and conditions, and other factors, we will actively make growth investments for the realization of the long-term vision "50-billion-yen vision." For these reasons, we expect operating income to be 3.8 billion yen, around the same level as the medium-term management plan target.

As well as achieving the final-year targets of the fourth medium-term management plan, we will focus our efforts on priority issues with a sense of speed, with the aim of the early achievement of our long-term vision of 50 billion yen in Group net sales.



Message from the Financial Officer

We will demonstrate our global presence as a Prime Market listed company

Director
Senior Managing Executive Officer
Finance, General Affairs and Nail Business

Takahiro Umeda



Net sales reached a record high for the second consecutive year and operating income for the fourth consecutive year

We are currently standing at a major turning point, as we accelerate our global strategy toward our long-term vision "50-billion-yen vision." In our financial results for the fiscal year ended March 31, 2023, we posted record highs for both revenue and income. Net sales increased by 12.6% year-on-year to 31,678 million yen, the second consecutive year of sales growth, with net sales in Japan up 5.2% to 14,282 million yen and overseas net sales up 19.4% to 17,396 million yen. Even if we exclude the effects of exchange rates, these results demonstrate strong growth and are an indication that our global strategy is steadily producing results.

Of the substantive increase of 3,540 million yen in net sales over the previous fiscal year, which excludes the positive factor of 1,878 million yen from exchange rate fluctuations, the dental business contributed 1,597 million yen, the nail business 63 million yen, and other businesses 2 million yen. In our core dental business, all product categories remained steady, with CAD/CAM-related products propelling sales in Japan forward in particular, while chemical products used as restorative materials drove up sales overseas.

Operating income climbed 18.9% to 3,824 million yen, the sixth consecutive year of income growth. As sales activities recovered to pre-pandemic levels, our active business development led to increases in selling, general and administrative expenses, such as advertising expenses and travel and transport expenses. However, these cost rises were absorbed by the growth in revenue and the positive impact of exchange rate fluctuations, resulting in a major increase in income. Ordinary income increased by 15.8% to 4,238 million yen and profit attributable to owners of parent climbed 23.1% to 3,135 million yen. Net income per share was 176.10 yen, and ROE rose from 8.1% in the previous fiscal

year to 9.2%, showing that we were able to improve our capital efficiency. In total assets, the construction of the new corporate headquarters resulted in an increase in property, plant and equipment, but net assets also increased. Our equity ratio as of March 31, 2023 was 80.8%, indicating the solidity of our financial soundness.

Maintain our highly profitable management structure and move toward active growth investment

One of the most significant factors in this high earnings capacity is our promotion of globalization, which has increased the percentage of our business accounted for by our global operations. Rolling out high value-added and profitable products in overseas markets has created a virtuous cycle of increased earnings capacity leading to an increase in cashflow from operating activities. Several years ago, our cashflow from operating activities was an inflow at the 2 billion yen-plus mark, but in the fiscal year ended March 31, 2023, when overseas sales accounted for over 50% of net sales, it was an inflow of 3,170 million yen. Now that we have such a highly profitable management structure, the strategy that we should adopt is to accelerate the expansion of our global business and create a new profit cycle by aggressively investing cash flow in growth. One point from the fiscal year ended March 31, 2023 that we should give serious thought to is that, because our supply capacity was unable to keep up with the sudden increase in demand, our production structure became a major issue. Leveraging our strength of financial soundness, and with our high cash position and strong financial health, we believe that we now have the opportunity to accelerate our growth strategy, and that it is the right time to start actively promoting growth investments.

To increase the production capacity of our head office plant,

we are proceeding with plans to rebuild the plant over about three years from the end of 2023. We also plan to expand the scale of production at our two domestic subsidiaries' plants and our Vietnam plant.

The head office plant manufactures high valued-added products. As they are in high demand in the United States, China, and Europe, these products are essential if we are to demonstrate our presence in those massive markets. Sales are currently growing significantly in India, Southeast Asia, South Korea, Taiwan, and other Asian regions, but if we cannot become a necessary presence in the giant markets of Europe, the United States, and China, with their diverse, advanced needs, we will not be able to meet the needs of the people in emerging countries, whose economies are advancing and living standards are improving at a rapid pace. To achieve growth in tandem with the expansion of the global dental market, we will consider the diversification and re-arrangement of our supply chain and build a framework that will show resilience against the impacts of the geopolitical situation, exchange rate fluctuations, and other factors.

We consider strategic investment in the promotion of digitalization and digital transformation (DX) to create innovation to be essential. We will deepen our collaborations with companies in a variety of areas so that we can continue to lead DX and other trends.

Forecasting a record high for the third consecutive year in the final year of the fourth medium-term management plan

We are now in the final year of the fourth medium-term management plan. For the fiscal year ending March 31, 2024, we forecast a 5.9% increase in net sales year-on-year to 33,550 million yen, which will be record high sales for the third consecutive year. Our aim is to increase the percentage of total net sales accounted for by overseas sales even further to 55.6%, with a 7.2% increase to 18,652 million yen. Due to personnel increases and the strengthening of our sales activities for the expansion of business and proactive up-front investments in R&D for the creation of innovation, we forecast a 0.1% decrease in operating income to 3,820 million yen, a 7.1% decrease in ordinary income to 3,938 million yen, and ROE of 7.7%. As we do not envisage any significant fluctuations in exchange rates, sales of investment securities, settlement income, or other major changes, our projection is that there will be only a slight fall in income compared with the previous fiscal year. We are viewing the impact of exchange rate fluctuations with caution and envisage a negative impact of 462 million yen on net sales.

By pursuing globalization for the realization of our "50-billion-yen vision," our production and sales locations will increase, and due to the expansion of their scale, rearrangement, and other factors, the management of exchange rate fluctuation risk and the strengthening of our compliance and governance structures will become even more important. In terms of taxation governance in particular, we believe that we need to consider exchange rate fluctuations in each country and region and, among other actions, revise our pricing so that we can pay proper levels of tax.

Also, once new bases are established, so that they can be fully operational as soon as possible, the entire Group will work to support them while fostering synergies with them.

As a global company that has elected to be listed on the Prime Market, one of our challenges is the establishment of a sustainable management structure. In addition to considering production and conveyance methods that take impact on the global environment into account, we will pursue the allocation of people and funds required to practice sustainable corporate management in the countries and regions where we have bases, including dealing with human rights issues.

Demonstrate our presence with our contribution to health in an increasingly uncertain global economy

In terms of dividend policy, we have set a dividend payout ratio target of at least 30% on a consolidated basis. In 2021, we added a new numerical indicator of dividends on equity (DOE) ratio, with the aim of DOE of 1.7%. DOE is calculated by multiplying ROE by dividend payout ratio, and our policy is to enhance DOE by improving both profitability and capital efficiency. Also, in addition to our ordinary dividends, we also conduct commemorative dividends every five years over two fiscal years.

The year-end dividend for the fiscal year ended March 31, 2023 was 42 yen per share, consisting of an ordinary dividend of 32 yen and a 100th anniversary commemorative dividend of 10 yen. Together with the interim dividend of 15 yen, the annual dividend was 57 yen per share.

The Shofu Group's growth story is supported by our corporate philosophy, "Contribution to dentistry through innovative business activities." While on the one hand, the global situation, such as the Russia-Ukraine situation, grows increasingly uncertain, we believe that the role of dental care will become increasingly important for the sake of achieving the improvements in quality of life (QOL) and extension of healthy longevity that people want. As a company listed on the TSE Prime Market and also as a global company, we will strive, united as a Group, to contribute to the health of the world's people and to further demonstrate our presence. I would like to ask for the understanding and support of all of our stakeholders.

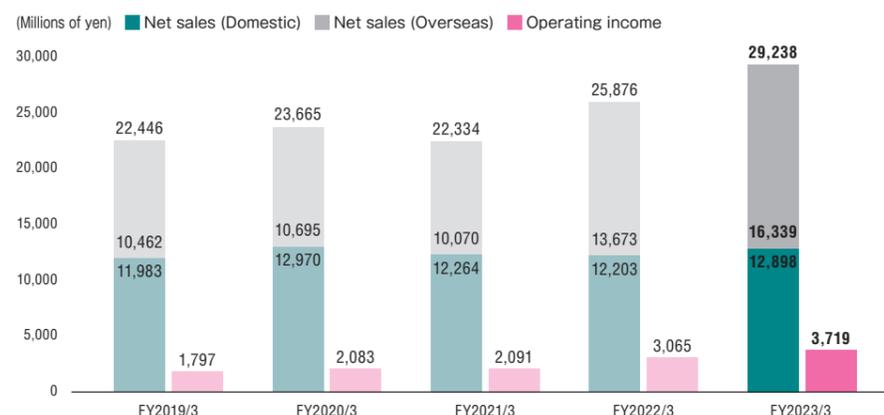


Dental Business

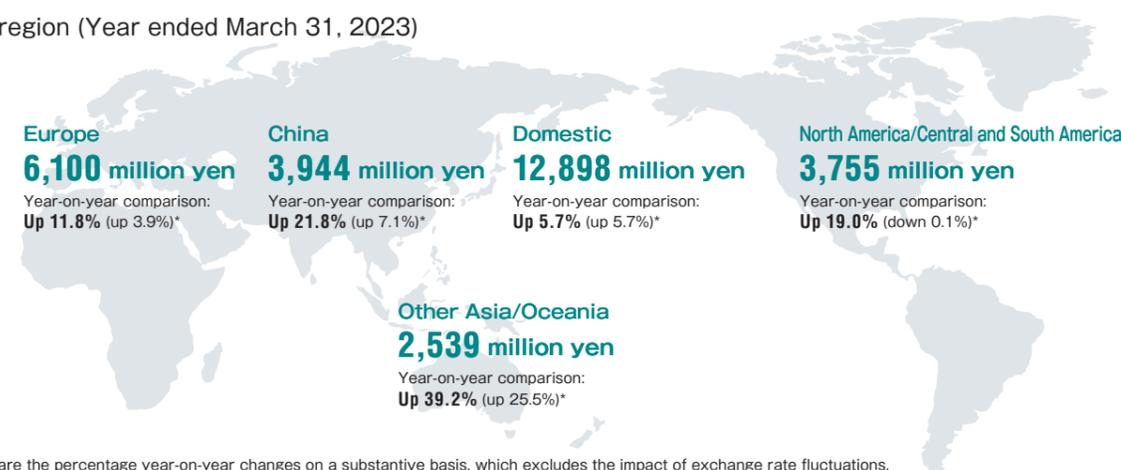
• Line of business

In the dental business, Shofu manufactures and sells dental materials and equipment used in dental treatment and techniques. We sell our products not only in Japan but also in countries around the world through our sales bases in the U.S., Germany, China, Singapore, India, Brazil, and other regions.

Net sales / Operating income



Sales by region (Year ended March 31, 2023)



* Figures in () are the percentage year-on-year changes on a substantive basis, which excludes the impact of exchange rate fluctuations.

Domestic

With the revisions to health insurance rules making more cases of CAD/CAM crowns eligible for insurance coverage, sales of CAD/CAM-related products were favorable due to increased appetite for investment at dental clinics and laboratories.

• Market environment

The impact of COVID-19 gradually started to subside, and in the honebuto hoshin (big-boned policy outline) decided by the Cabinet in June last year, it was announced that the government were to consider the introduction of universal dental examinations. This was good news for our business, but with the progression of digitalization and other factors, the dental market continued to undergo significant changes.

• Business activities in the fiscal year ended March 31, 2023

As well as launching new products for digital dentistry and the prevention area, which are expected to grow, we worked on strengthening our activities to deliver information to dental professionals through the enhancement of our digital content. Also, with the expansion of eligibility of CAD/CAM crowns for insurance coverage due to the revisions to health insurance rules in April 2022, we captured the growth in demand for capital investment among dental clinics and laboratories, and CAD/CAM-related products contributed significantly to sales.

• Initiatives for growth

We will pursue intensive sales activities focused on CAD/CAM-related products, which are expected to attract demand, and key areas such as artificial teeth, abrasive products, and chemical products. Also, in addition to conducting seminars and other promotional activities online, we will reactivate in-person sales activities as economic activities return to normal after the COVID-19 pandemic. We will also place efforts into information provision activities targeting dental professionals.

Overseas

Although our revenue increased significantly due to the effects of exchange rate fluctuations, supply constraint problems meant that we were unable to conduct sufficient sales activities, primarily in the focus area of chemical products. This meant that, substantively, net sales were on a par with the previous fiscal year.

North America/Central and South America

• Market environment

Demand remained steady after the recovery from the COVID-19 pandemic, but in the second half of the fiscal year, the impact of rising commodity prices led to moves to curb dental treatment in some areas, and the future of the market remained uncertain.

• Business activities in the fiscal year ended March 31, 2023

We worked to expand our sales networks in Canada, Brazil, and elsewhere, increase our academic personnel with the aim of building relationships with dental professionals, and expand sales of our existing products. However, our production capacity was unable to keep up, particularly for chemical products, which put constraints on the active roll-out of sales activities.

• Initiatives for growth

We will continue to work on the expansion of our sales offices, including personnel building academic networks through also work to eliminate the previous year's

In addition to favorable performances by artificial teeth products and chemical products, the expansion of sales channels in the Middle East market contributed to strong net sales.

Europe

• Market environment

In addition to skyrocketing prices of resources and energy due to the situation in Ukraine, the impact of monetary tightening policies to curb soaring commodities prices led to heightened financial uncertainty toward the end of the fiscal year, and the future of the market remained uncertain.

• Business activities in the fiscal year ended March 31, 2023

Although raw materials shortages and responses to European standards led to supply constraints in some product categories, we performed well in the Italian market, where we worked to increase personnel and strengthen our sales capacity. In addition, net sales remained steady due to the expansion of sales channels to the Middle Eastern and African markets.

Despite the impact of the turmoil caused by the zero-COVID policy, net sales remained steady, driven by chemical products.

China

• Market environment

Although we were greatly impacted by the COVID-19 countermeasures, including the city-wide lockdowns in the first half of the year and the reversal of the zero-COVID policy in the second half of the year, demand remained stable on a fundamental level.

• Business activities in the fiscal year ended March 31, 2023

Despite the major impact of the COVID-19 countermeasures, we worked on strengthening our sales capacity and building relationships with dental universities. As a result, sales of chemical products grew significantly, and net sales were strong.

Net sales increased in all regions thanks to the recovery of demand as economic activities returned to normal after the COVID-19 pandemic.

Other Asia/Oceania

• Market environment

The recovery in demand after the pandemic, which began in Europe and the United States, spread widely throughout Asia, including ASEAN and South Asian nations, in the first half of the fiscal year, and demand remained steady.

• Business activities in the fiscal year ended March 31, 2023

In response to strong demand after the COVID-19 pandemic, sales expanded in the South Asian region, ASEAN, Korea, Taiwan, and other countries. We were also able to grow sales significantly in India by capturing demand prior to the introduction of pharmaceutical affairs regulations.

Nail Care Business

Line of business

In the nail care business, we manufacture, import, export, and sell nail care products and equipment based on technologies cultivated for dental materials. For some products, including gel nail products in particular, we have an integrated system that covers from development to manufacturing and distribution within the Group.

Business activities in the fiscal year ended March 31, 2023

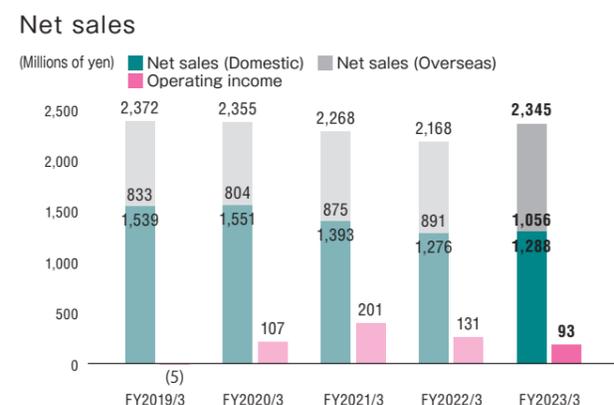
In Japan, although sales of "by Nail Labo," our gel nails for general consumers, were down, our mainstay product, "Nail de Dance" acrylic materials, showed signs of recovery, contributing to sales.

Overseas, although we struggled in the United States due to lackluster consumption against the background of the rising cost of living, in Taiwan, recovery in demand after the COVID-19 pandemic and strong sales of proprietary brand products in chain stores, particularly targeting general consumers, led to growth in sales.

Initiatives for growth

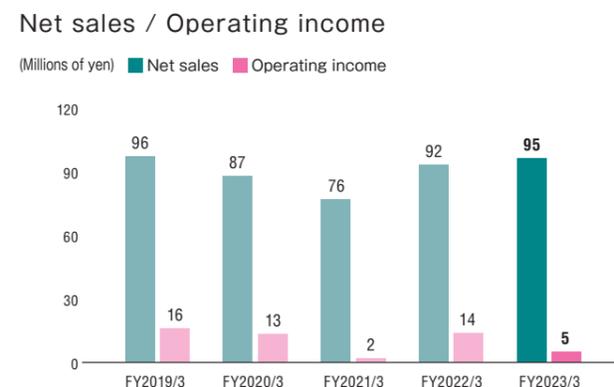
In Japan, in addition to efforts to strengthen online sales with the overhaul of our e-commerce site in the previous fiscal year, we made active use of the Harajuku Press Room, which offers brand experiences, and collaborated with prominent nail artists in our efforts to enhance brand value.

Overseas, we will make active use of promotions on social media and online schools in the United States, and in Taiwan, we will hold more in-person seminars and strengthen sales to professional users.



Other Businesses (Industrial Polishing Materials)

In the industrial polishing materials business, which we are rolling out by adapting technology for dental polishing materials, despite the impact of prolonged production cuts in the automotive industry, overall sales remained strong, as sales to industrial machinery remained steady due to a recovery in capital investment and growing needs for automation and labor-saving.



"Abrasives and polishing materials," Shofu's core product area

Our strengths as a market leader and outlook

What are abrasives and polishing materials?

Abrasives and polishing materials are used for grinding and polishing natural teeth, dental synthetic resins, ceramics, and metals, both in dental treatment and dental laboratory settings. For example, as well as being used to remove sections of tooth decay and to adjust bite, they are also used to give dentures and implants a more natural look, so that they blend in with the surrounding natural teeth, and to polish them generously to improve their esthetic appearance. These products are indispensable to dental treatment.

There are various different kinds of abrasives and polishing materials, including diamond abrasives, carborundum abrasives, and rubber abrasives. They are used for different purposes according to differences in the material of the item being treated, its location, and its application.



Shofu's strength in abrasives and polishing materials

In addition to their basic performance, such as durability and abrasive/polishing capacity, abrasives and polishing materials also require good operability, including ease of use and familiarity.

Shofu has the top market share for abrasives and polishing materials in Japan and our products are also trusted highly overseas (mainly in the United States). We are proud that the high regard in which our products are held in dental care settings is the result of our insistence on ease of use in design, exhaustive quality control, and our strong networks with dental professionals.

(1) Insistence on ease of use in design

We design our products from the user's perspective, not only regarding basic performance, but also pursuing less core vibration during rotation, better sense of fit, and ease of handling and maneuverability during use.

(2) Exhaustive quality control

To deliver safe and reliable products, in addition to complying with international standards, we

also strive for exhaustive quality control based on our own exacting standards, such as external appearance and checking that the parts used for grinding and polishing do not fall out or break off due to rotation.

(3) Strong networks with dental professionals

Our abrasives and polishing materials are used in a wide range of settings, from academic settings such as dental universities and dental vocational schools to dental clinics and laboratories. We put the insights thus accumulated into product development from the user's perspective.



Scene of quality testing

Future outlook

A generation or so ago, abrasives and polishing materials were primarily used on natural teeth and metals, but as the times have changed, the objects of these materials have also changed to include cement, resins, ceramics, and other materials. We develop abrasives and polishing materials that offer the best properties for these changing objects, and we work hard to ensure that we can roll out products that accommodate the changes in the times in a timely manner. In addition, to enable a stable supply of our products to many countries and regions, we have multiple manufacturing bases, and we are working to expand our manufacturing capacity.

Going forward, we believe that the properties demanded of abrasives and polishing materials will become even more advanced. For example, in contemporary society, where there is such a strong awareness of the effectiveness of time spent, the same can be said for dental clinical settings. Reducing the time and effort required of users is a never-ending challenge that will also help to alleviate the burden on patients. As well as basic abrasive and polishing performance, Shofu's challenge moving forward will be to deliver products that contribute to labor saving for users and, by extension, alleviate the burden on patients. We see it as our duty to find solutions to that challenge.



SHOFU PRODUCTS VIETNAM CO., LTD., where dental abrasives are manufactured

Message from the Development Staff Member



Chief Researcher, Research & Development Department

Naoki Yumiyama

I have been involved in the development of abrasives and polishing materials since I first joined the company. Shofu has a long history of abrasives and polishing materials and an extensive range of products. This made it a struggle for me to learn the wide range of technologies involved, but thanks to Shofu's solid development environment and the support of my colleagues, I have been able to launch several products on to the market. Based on our corporate philosophy of "Contribution to dentistry through innovative business activities," I will work as one with the other members of the development team to develop products that meet users' expectations.

Intellectual Property

•Basic approach

The intellectual property rights (patents, utility models, designs, copyright, trademarks, knowhow, technical information, etc.) that Shofu has acquired in the course of our R&D activities are important assets of the Company. In addition to protecting and using our core technologies in appropriate ways, we respect the intellectual property rights of other companies and strive not to infringe on the rights of third parties. Positioning intellectual property as a key corporate resource, we promote an intellectual property strategy that is linked to business strategy and R&D strategy, connecting it to sustainable value creation.

Intellectual property-related indicators

	FY2019/3	FY2020/3	FY2021/3	FY2022/3	FY2023/3
Number of patents held	380	389	378	405	423
Patent applications lodged	28	29	33	28	27
R&D expenses	1,492 million yen	1,537 million yen	1,563 million yen	1,738 million yen	1,846 million yen
Ratio of R&D expenses to net sales	6.0%	5.9%	6.3%	6.2%	5.8%

Quality Control and Assurance

Details of Quality Control and Assurance:

<https://www.shofu.co.jp/contents/hp1677/index.php?No=820&CNo=1677> (in Japanese only)



•Basic approach

As a company handling medical equipment, Shofu considers our mission to provide a stable supply of safe, reliable, and high-quality products based on the quality policy below.

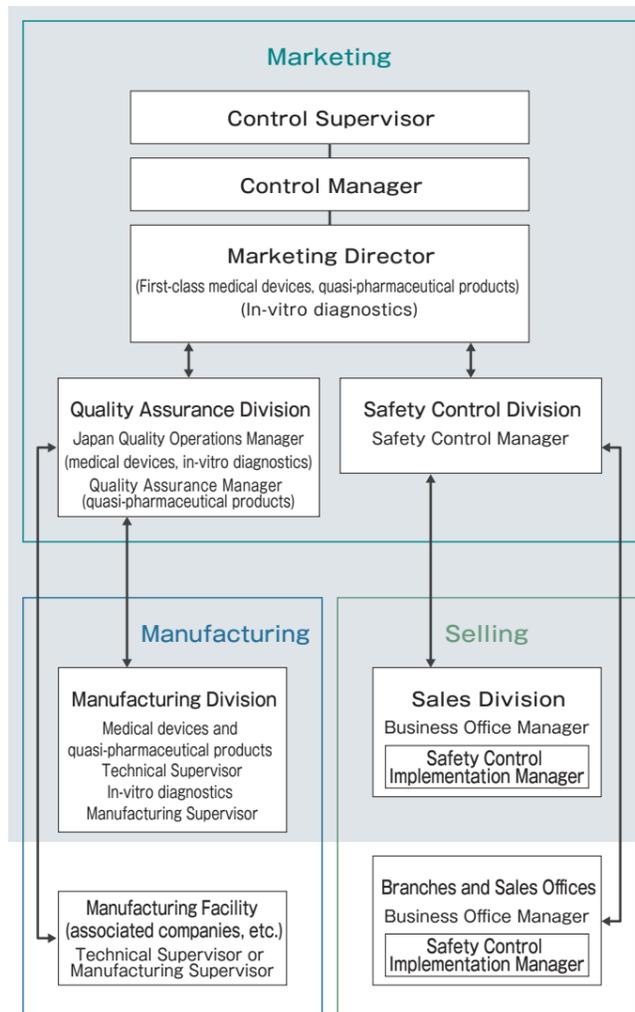
Quality Policy

To contribute to dentistry around the world, Shofu observes relevant regulatory requirements and provides a stable supply of high-quality products with high ethical standards. To achieve this goal, we set quality targets, operate quality management systems appropriately, and continuously improve all aspects of quality.

•Quality management system in compliance with medical device regulations in each country

In 1997, Shofu became the first company in the Japanese dental industry to obtain CE marking certification, which meets the requirements of the Medical Device Directive (MDD: 93/42/EEC), a quality standard of the European Union (EU). We have also established a quality management system that conforms to the high standards of ISO 9001, the international standard for quality management systems, and ISO 13485, which includes special requirements for medical equipment.

We provide safe and reliable dental materials and equipment around the world in compliance with the Pharmaceutical and Medical Device Act and other standards and requirements set forth by various countries around the world.



•Quality assurance activities supporting product safety and reliability

Dental materials, in particular, must be adapted to the needs of individual patients, so multi-product production is a prerequisite. On the other hand, it is also necessary to ensure reliable quality for each of these products. To implement consistent quality assurance activities from R&D through post-manufacturing and sales, we have set quality targets for each business process, including design and development, purchasing, manufacturing, and customer relations, and we work daily on improvement activities across the entire company. To ensure the continuous, appropriate, and effective operation of our quality management system, we implement quality assurance activities that support the safety and reliability of our products, such as conducting annual management reviews on quality to monitor and reflecting the results in the following year's activities.

•Safety Management System

To ensure that dental professionals can use our products with peace of mind, we collect safety management information (information about defects, etc.) related to medical devices from within Japan and from overseas for evaluation and deliberation, based on the GVP Ordinance. Information about quality, effectiveness, and safety obtained through these processes is provided swiftly and appropriately to dental professionals to promote the proper use of our products. In this way, we strive to minimize safety-related risks and to enhance the safety and reliability of our products.

* GVP Ordinance: Standards for post-marketing safety management of drugs, quasi-pharmaceutical products, cosmetics and medical devices and regenerative medicine products, etc.

•Employee training

Shofu conducts training on its quality management systems to raise awareness and encourage knowledge acquisition about quality among employees. We also conduct education required for the maintenance and enhancement of our quality management systems, including GMP/QMS courses and safety management information courses for employees in specific positions.

* GMP: Standards for manufacturing control and quality control for drugs
* QMS: Standards for manufacturing control and quality control for medical devices and in-vitro diagnostics

•Production framework that allows a wide variety of products to be manufactured in small lots

Because the devices and materials used in dental treatment must be adapted to the needs of individual patients, Shofu handles a diverse range of products. To ensure the flexible production of many different products with an assured level of quality, in addition to installing state-of-the-art equipment, it is essential that we establish our own proprietary manufacturing technologies for the production of each product and that we elevate the skills of employees involved in operations. While promoting the automation of our production equipment and systems on the one hand, we are also focusing efforts on the improvement of operator skills, passing on techniques through meticulous guidance, and establishing back-up systems. We have also established mechanisms to ensure that only good products pass through to downstream processes, in our efforts to eliminate delays and waste in the entire process from receipt of order to production and delivery.





Officers (As of June 27, 2023)

Directors



Representative Director
Chairman & CEO

Noriyuki Negoro

(Date of birth: March 9, 1956)
Number of shares held: 88,325 shares
[Attendance]
Board of Directors meetings:
19/19 (100%)



Representative Director
PRESIDENT & COO

Tetsuo Takami

(Date of birth: June 22, 1960)
Number of shares held: 28,650 shares
[Attendance]
Board of Directors meetings:
19/19 (100%)



Director
Senior Managing Executive Officer
Production and Corporate Planning

Fumitaka Yamazaki

(Date of birth: May 27, 1961)
Number of shares held: 34,163 shares
[Attendance]
Board of Directors meetings:
19/19 (100%)



Director
Senior Managing Executive Officer
Sales and International

Kazuhiko Murakami

(Date of birth: April 26, 1958)
Number of shares held: 34,978 shares
[Attendance]
Board of Directors meetings:
19/19 (100%)



Director
Senior Managing Executive Officer
Finance, General Affairs and
Nail Business

Takahiro Umeda

(Date of birth: February 13, 1960)
Number of shares held: 21,146 shares



Outside Director

Kiichi Suzuki

(Date of birth: May 23, 1949)
Number of shares held: 15,900 shares
[Attendance]
Board of Directors meetings:
19/19 (100%)



Outside Director

Daizo Nishimura

(Date of birth: May 5, 1959)
Number of shares held: 1,738 shares
[Attendance]
Board of Directors meetings:
19/19 (100%)



Outside Director

Hiromi Hayashida

(Date of birth: April 2, 1964)
Number of shares held: 0 shares
[Attendance]
Board of Directors meetings: 14/14 (100%)



Outside Director

Mitsuo Kamimoto

(Date of birth: May 21, 1947)
Number of shares held: 2,981 shares
[Attendance]
Board of Directors meetings:
18/19 (95%)
Audit & Supervisory Board meetings:
13/15 (87%)

Auditors



Auditor

Akira Kawashima

(Date of birth: November 4, 1956)
Number of shares held: 5,138 shares
[Attendance]
Board of Directors meetings:
19/19 (100%)
Audit & Supervisory Board meetings:
15/15 (100%)



Auditor

Shigeyuki Komatsu

(Date of birth: May 31, 1958)
Number of shares held: 10,569 shares
[Attendance]
Board of Directors meetings:
14/14 (100%)
Audit & Supervisory Board meetings:
12/12 (100%)



Outside Auditor

Yasushi Sakemi

(Date of birth: December 24, 1958)
Number of shares held: 31,024 shares
[Attendance]
Board of Directors meetings:
19/19 (100%)
Audit & Supervisory Board meetings:
15/15 (100%)



Outside Auditor

Yoko Yamada

(Date of birth: March 5, 1957)
Number of shares held: 0 shares

*Number of shares held by Directors and Auditors is as of April 30, 2023.

Executive Officers (excluding those who also serve as Directors)

Executive Vice President Takashi Chikamochi	Managing Executive Officer Shinya Teramoto	Senior Executive Officer Yoshikazu Nakajima		
Executive Officer Toshinori Sakurai	Executive Officer Toshiyuki Nakatsuka	Executive Officer Takashi Wakayama	Executive Officer Ryuichi Yoshimoto	Executive Officer Junichi Sugawara
Executive Officer Syuji Sonoi	Executive Officer Hiroyoshi Miyake	Executive Officer Michinori Matsunaga		

Skills Matrix of Directors

Name	Knowledge and experience particularly expected for each director					
	Corporate Management	Production, Technology, and R&D	Sales and Marketing	Finance, Accounting, and Human Resources	Governance, Compliance, and Risk Management	Qualifications, Etc.
Directors	Noriyuki Negoro	●	●	●		
	Tetsuo Takami	●		●		
	Fumitaka Yamazaki	●	●		●	
	Kazuhiko Murakami	●		●		
	Takahiro Umeda	●			●	●
Outside Director	Kiichi Suzuki	●	●		●	● Experienced manager of a listed company
	Daizo Nishimura				●	● Certified public accountant ● Tax accountant
	Hiromi Hayashida	●	●	●		
	Mitsuo Kamimoto				●	● Certified public accountant ● Tax accountant

* The above table does not show all of the skills held by each director. * Activities as a director are not limited to the items marked ●.



Corporate Governance

• Compensation of officers

The total amount of compensation of Directors and Auditors is determined within the amount resolved at the shareholder's meeting. The amount of each Director's compensation is determined by the Representative Director, Chairman (or the President, if the office of the Chairman is vacant) who is

authorized by the Board of Directors after consultation with the Nomination and Compensation Council consisting of Representative Directors and Independent Outside Directors. The amount of each Auditor's compensation is determined by deliberation among the Auditors.

Officer category	Details	
Directors (excluding Outside Directors)	<Basic policy> The compensation system shall sufficiently function as incentives for sustainable improvement of corporate value and be linked to shareholders' interests. The amount of each Director's compensation shall be at an appropriate level based on capabilities and responsibilities required of the Company's officers, their duties to improve future corporate value, and other matters.	
	(1) Basic compensation	Shall be monthly fixed compensation and determined depending on the position and responsibility, with comprehensive consideration for the levels of other companies according to surveys by external research firms, the Company's business performance, and the level of employees' salaries, and finalized after consulting the Nomination and Compensation Council.
	(2) Performance-based compensation, etc.	Shall be cash compensation, which reflects key performance indicators (KPIs) to raise Directors' motivation towards improvement of the Group's corporate value and business performance of each fiscal year. Performance-based compensation shall be paid as a bonus at a certain time each year in an amount calculated according to the degree of achievement of the targets for consolidated net sales and consolidated operating income for each fiscal year. The target KPIs and their values are set when formulating the medium-term management plan so as to be in line with the plan, and reviewed as needed in response to changes in the environment after consulting the Nomination and Compensation Council.
	(3) Non-monetary compensation, etc.	To provide Directors with incentives for sustainable improvement of the Company's corporate value and for the further sharing of value with shareholders through compensation linked with shareholders' interests, the Company's common shares that are subject to a certain period during which the transfer is restricted are allotted at a certain time each year. As a basic policy, the amount of restricted share-based compensation is determined based on capabilities and responsibilities required of the Company's officers, their duties to improve future corporate value, and other matters. The number of allotted shares are determined by position within the amount resolved at the shareholder's meeting.
Outside Directors	Fixed compensation	Only fixed compensation shall be paid considering their responsibilities of supervising management and providing advice from a standpoint independent of business execution.
Auditors	Fixed compensation	From the perspective of valuing independence from and objectivity on management, compensation shall consist only of fixed compensation. The level of compensation is set referring to the levels of other companies learned from the surveys of external specialist institutions, and the amount is determined according to their roles.

* The total amount of compensation including bonuses of Directors was resolved to be up to 300 million yen per annum (of which up to 30 million yen per annum for Outside Directors) at the 143rd Shareholders' Meeting held on June 25, 2015. The total amount of compensation for Auditors were resolved to be up to 50 million yen per annum at the 126th Shareholders' Meeting held on June 26, 1998.

* Separate from the aforementioned total amount of compensation for Directors, it was resolved at the 147th Shareholders' Meeting held on June 26, 2019, that restricted share-based compensation shall be allotted in the amount up to 50 million yen per annum to the Company's Directors.

• Status in FY2022

Officer category	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of eligible officers
		Monetary compensation		Non-monetary compensation	
		Fixed compensation	Performance-based compensation	Restricted share-based compensation	
Directors (excluding Outside Directors)	251	155	64	31	5
Auditors (excluding Outside Auditors)	36	36	—	—	3
Outside officers	39	39	—	—	7



Risk Management

In its effort to prevent and minimize risks, the Group has put in place rules and guidelines for compliance, quality, the environment, disasters, information security, credit, and other issues, in addition to offering training themed on compliance, information security and other topics. The Internal Audit Department conducts internal audits, the results of which are reported to the PRESIDENT & COO. We are also working to spot risks and reviewing the measures for dealing with risks,

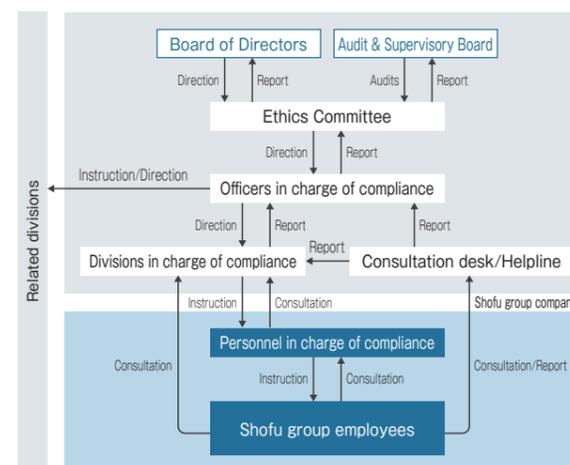
based on which we are improving our work systems on an ongoing basis. We are also making efforts to reduce risks so as to minimize damage in case of an emergency, such as conducting drills in preparation for earthquakes, fire, and other disasters, stockpiling necessity supplies, implementing various responses and measures against infection prevention under the pandemic, and complying with laws and regulations concerning factory operations.



Compliance

• Compliance promotion system

For all of the Company's business activities, we promote compliance-oriented management on the basis of ensuring corporate ethics and complying with laws and regulations. The Company established the Ethics Committee chaired by the PRESIDENT & COO to deliberate and determine measures to ensure compliance so that we can increase the effectiveness of compliance of the Group.



• Shofu Group code of conduct

We stipulate the Group code of conduct as the guideline for each employee to comply with laws and regulations as well as internal rules and behave in accordance with common ethical values. The Shofu Group code of conduct defines the standards and behavior to be complied with in various aspects of business activities base on the corporate philosophy. We are working to ensure that all group employees are fully aware of the code.



• Whistle-blowing system

In addition to measures to prevent violations of laws and regulations and fraud in the Group, we have a whistle-blowing system to identify risks early and address issues promptly. In addition, we prohibit any disadvantageous treatment of whistleblowers and strictly manage information so that whistleblowers are not identified.

• Provision of fair and equitable opportunities and selection of business partners

Our business activities are supported by trusted relationships with various business partners. Shofu provides fair and equitable opportunities for competition to build trusted relationships with business partners. We evaluate and select our business partners fairly by thoroughly considering factors such as quality, prices, supply capacity, delivery times, social credibility, and environmental considerations.

• Guidelines on transparency of relationships with medical institutions

To fulfill the role as part of the medical equipment industry, the Company conducts its business in cooperation with academia, hospitals, dentists, as well as medical institutions and institutions that provide medical services and conduct research, development, and clinical trials. Such cooperation is essential to conduct our business. To obtain trust from society, we need to ensure transparency of relationships with medical institutions. We stipulate our guidelines on transparency of relationships with medical institutions based on the "Transparency Guidelines for the Medical Device Industry and its Relationships with Medical Institutions and Other Organizations" of The Japan Federation of Medical Devices Associations, to which we belong. With the guidelines, we aim to be a company trusted by society by increasing transparency of relationships with medical institutions.

The information on relationships with medical institutions is published on the Company's website every fiscal year.



Environment

As a company that contributes to people's health, Shofu has established its basic philosophy and environmental policy to harmonize with the global environment and fulfill its social responsibility toward the environment.

We promote environmental conservation activities in all our business activities based on this policy, from development to production and sales.

Basic Philosophy

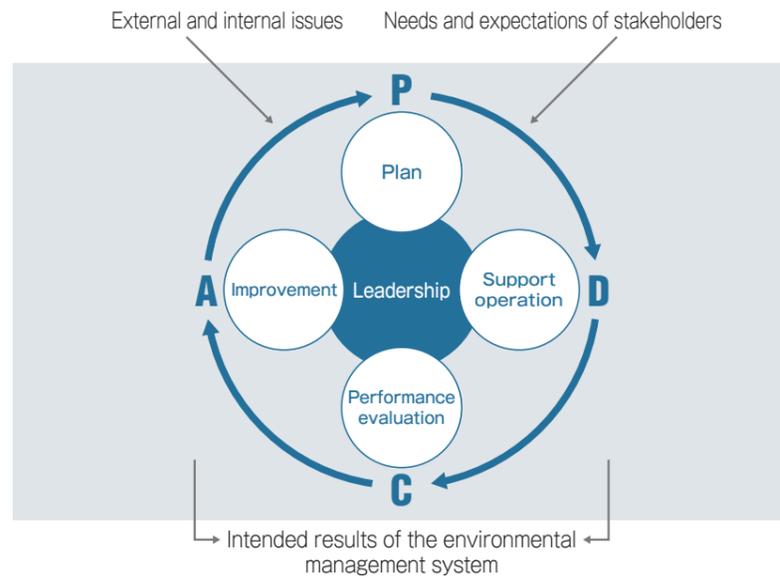
As a company that contributes to dentistry worldwide, Shofu will strive to reduce the environmental impact of its business activities.

Environmental Policy

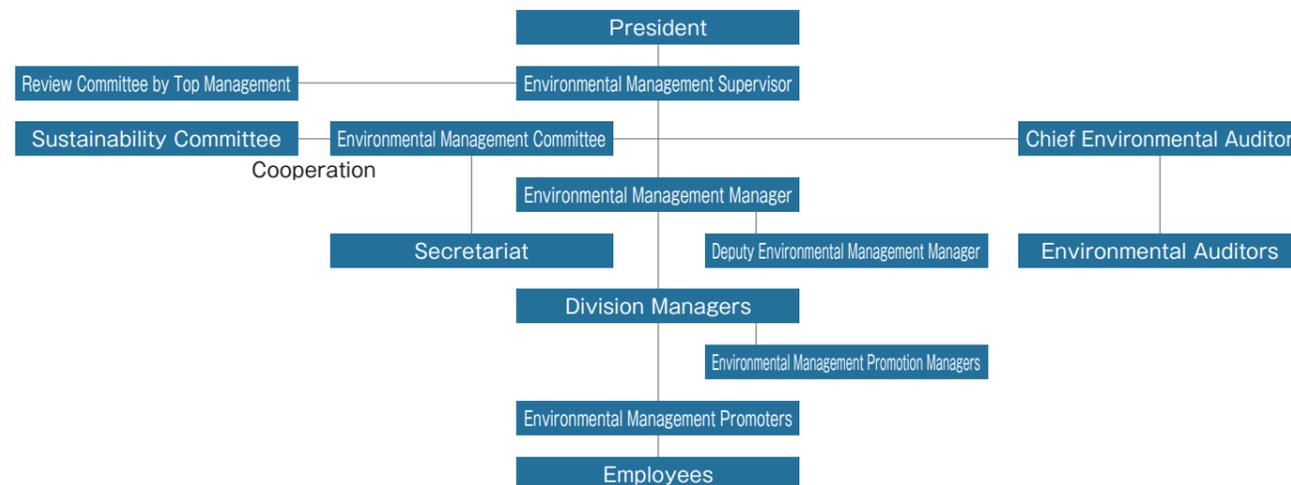
1. Set environmental targets and systematically implement initiatives that contribute to reducing environmental impact and achieving management plans.
2. Comply with environmental laws and regulations and other requirements to which Shofu agrees.
3. Strive to prevent environmental pollution throughout the entire life cycle of our products and services.
4. Continue to improve our environmental management system to enhance our environmental performance.

Environmental management system

Shofu is headed by the PRESIDENT & COO, and the Officer in charge of general affairs serves as the Environmental Management Supervisor. The Environmental Management Committee deliberates and decides on environmental policies, targets, and implementation plans, and manages the promotion of environmental management. To achieve our environmental targets, each division has set its targets and specific measures. After verifying the status of its activities through internal environmental audits, the results are reported to the Review Committee by Top Management, where appropriate revisions are made. In this way, we are working on continuous activities to reduce environmental impact through a PDCA cycle.



Environmental management system chart



Efforts to reduce CO₂ (or greenhouse gas) emissions

Shofu is working to reduce CO₂ emissions to prevent global warming. In manufacturing processes that consume large amounts of energy, we are promoting initiatives to improve energy efficiency by replacing facilities with those that contribute to energy conservation and performing an efficient operation. In terms of the office sector, we are working to optimize lighting fixtures' use and adjust the temperature settings for air conditioning. In addition, we are currently

promoting the use of LED lighting fixtures in factories and offices as a company-wide effort to reduce CO₂ emissions.

CO₂ emissions from the entire Group (Scope 1 and Scope 2) in FY2022 slightly increased by 0.8% compared to the previous fiscal year. However, they were affected mainly by the expansion of our business activities. As a result, the index of CO₂ emissions per unit of net sales (compared to FY2021) trended downward.

CO₂ emissions (Scope 1 + 2)

	(Unit: tCO ₂)	
	FY2021	FY2022
Domestic	3,250.8	3,298.0
Overseas	2,032.5	2,027.1
Total	5,283.3	5,325.1
Change from FY2021 (%)	—	0.8
Index of CO ₂ emissions per unit of net sales (compared to FY2021)	100	89.5

CO₂ emissions in FY2022 (breakdown into Scope 1 and Scope 2)

	(Unit: tCO ₂)	
	Scope 1	Scope 2
Domestic	719.3	2,578.7
Overseas	496.5	1,530.6
Total	1,215.8	4,109.3

Waste reduction and appropriate disposal

Shofu is committed to reducing and reusing waste generated by our business activities to reduce the consumption of resources and the generation of waste, thereby reducing the burden on the global environment. When consigning industrial waste disposal, we carefully check the permission status of contractors and promote recycling of waste through consignment contracts with appropriate disposal companies.

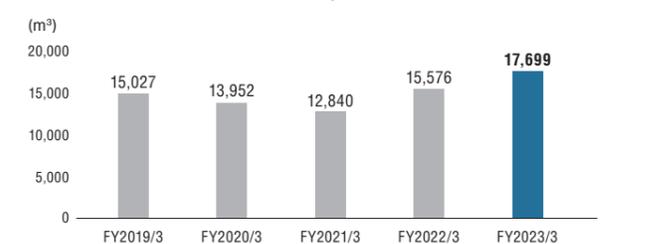
Trends in waste generation and recycling rate



Proper management of water

Shofu is working to reduce water consumption by saving water and to ensure the quality of wastewater through proper management. We have established an in-house dedicated storage facility for waste liquids containing substances that significantly impact the environment. These are then outsourced to waste management companies for proper disposal. In addition, to properly manage the quality of industrial wastewater, we have established and are operating voluntary standards that exceed the regulations for pH values and other indicators stipulated by laws and ordinances.

Trends in water consumption



Development of environmentally friendly products

Shofu is working to develop environmentally friendly products by reducing waste from product use and CO₂ emissions from manufacturing processes to harmonize with the global environment.

An example of an environmentally friendly product we developed is a packaging container for artificial teeth. It is wax-free and uses less plastic. This development has made it easier to reduce

waste and separate waste disposal after use than conventional wax plates.

We are also working to reduce waste generation at dental clinics and laboratories by changing packaging materials from plastic to paper, using collapsible and disposable containers, and simplifying packaging materials.

Network with dental professionals

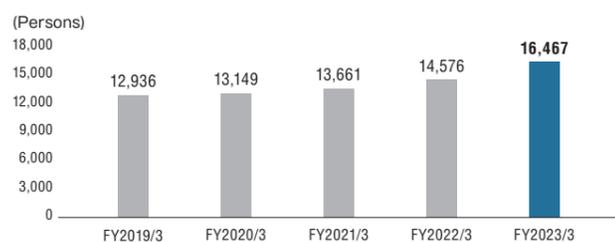
• Shofu Dental Club, a platform for exchange between the Company and dental professionals

Shofu has established the Shofu Dental Club with the aim of strengthening the relationship between dental professionals who use our products and our company, and promptly communicating information to each other and improving the quality of dental equipment and materials based on this cooperation, thereby contributing to the improvement and development of dental care.

We run the Dentist Circle for dentists and the Technician Circle for dental technicians. We hold online seminars in which the members can participate nationwide, and provide products and books useful for clinical practice to build good relationships with dental professionals.

As of March 31, 2023, there were 16,467 members (including 12,659 dentists and 3,808 dental technicians), a 13.0% increase from the previous year.

Number of Shofu Dental Club members



• Training support for partner companies

To help young employees of our partner companies learn about dentistry, Shofu holds study sessions throughout Japan on basic knowledge of dental materials, trends in dentistry, and how to use our products.

We aim to deepen the employees' knowledge of product information and medical technology information through this training support, build mutual trust with our partner companies, and grow and develop.

• Activities to promote technology

We collect academic and technological information at our bases in Japan and abroad through daily contact with universities, research institutes, and medical institutions, and as part of our efforts to promote technology, we also hold seminars and courses targeting dental professionals which are open to participants from outside the Company.

For over 40 years, the courses have been offered in small groups and with focus on hands-on trainings and attended by many participants who

found them helpful in clinical use. Our training center in Kyoto, standing in harmony with the landscape of Higashiyama, houses a treatment training room and a technique training room that are fully equipped for practical trainings. Our sales offices across Japan are also complete with training facilities. Through these facilities and the training center, we disseminate product information and updates on dental care, dental technique, and preventive hygiene.



Oral care awareness activities

• Haiku, a dental education website for parents and children

In FY2011, Shofu established *Haiku*, a dental education website for children who will lead the future and their families to help them learn about teeth.

Haiku provides a variety of information on dental care and oral health management, such as "Web Picture Books on Teeth" for parents and children to learn together, "Parents Guide," which introduces the key points of reading and understanding the web picture books, and "Tooth Lessons" on the prevention of dental caries and other topics. Once a year, the website also invites entries of *haiku* (a Japanese poem of seventeen syllables) and *senryu* (humorous or ironical *haiku*) related to teeth. The website receives entries from many people, from elementary school students to the elderly. Through *Haiku*, we hope that children and the people in Japan will learn the importance of teeth and become interested in oral health.

Haiku, an educational website on teeth: <https://8iku.com/>



Voices of the persons in charge



"We want to somehow communicate the importance of teeth to the general public." "We want to be of help to the dentists who provide dental care everyday." These are the ambitions we had when we established *Haiku*, a dental education website. This year marks the website's 12th year. We are running the website with a sense of mission and working to make its content even better.

Oral health is extremely important for your mental and physical health as well. Through *Haiku*, we hope that parents and children will enjoy learning together to maintain oral health, and all family members will lead a healthy daily life.

Our recent activities included holding a "Eruption/Change of Teeth Photo Contest" and putting *haiku* and *senryu* related to teeth that won an award in the past as advertisements on straps on Kyoto Municipal Subway.

In addition, in the hope of somehow turning the activities of *Haiku* into activities to contribute to society, we started a project to donate 10 yen worth of oral care items per *haiku* or *senryu* entered in response to our invitation for entries of *haiku* and *senryu* this fiscal year to Ashinaga Foundation. We are going to work to renew the *Haiku* website so that information will be available in a more enjoyable and easy-to-understand manner.

Dialogue with shareholders and investors

Details of "Dialogue with shareholders and investors":
<https://www.shofu.co.jp/contents/hp1996/index.php?No=1997&CNo=1996> (in Japanese only)



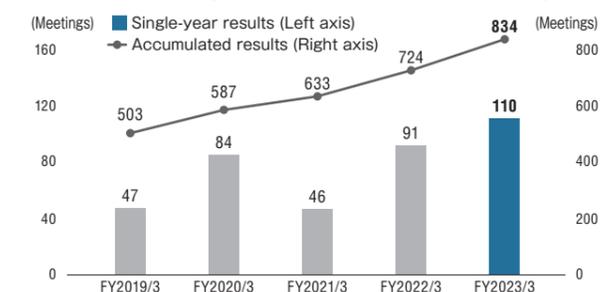
• Basic approach

Shofu believes that IR activities are among the most important activities for sustainable growth and medium- to long-term corporate value enhancement.

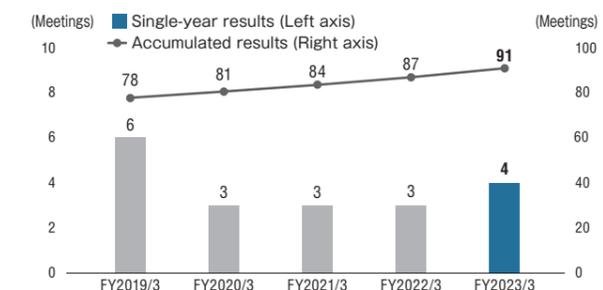
We strive to improve our management's transparency by appropriately disclosing information and promptly sharing within the Company evaluations and requests obtained through dialogue with shareholders and investors.

• Activity results

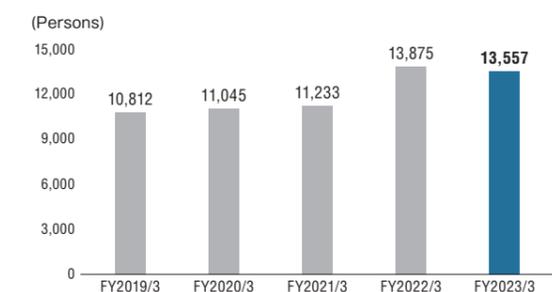
Number of IR meetings with institutional investors and analysts



Number of company information sessions for individual investors



Number of unit shareholders



Human resource development

Details of "Together with employees":

<https://www.shofu.co.jp/contents/hp2004/index.php?No=2015&CNo=2004> (in Japanese only)



Shofu's education and guidance policy is to develop creative, proactive, and responsible employees capable of responding to changes. We prepare education and training for employees to acquire knowledge and skills and develop their qualities as members of an organization according to their growth. Our goal is to develop human resources who can anticipate changes in the business environment, think about what needs to be done to achieve organizational goals, and have the strong will to take on challenges rather than simply perform assigned tasks proactively.

Training by job level

Target	Training name
Directors	Training for new directors
Employees in a managerial position	Training for promotion to managerial position
Managers	Training for newly appointed managers and follow-up education
Performance appraisers	Training for newly appointed performance appraisers and training for brushing up performance appraisal skills
Assistant managers	Training for newly appointed assistant managers and follow-up education
Assistant managers	Training for newly appointed assistant managers
New graduate hires and mid-career hires	Education for newly hired employees and follow-up training
Prospective employees	Education for prospective employees
Eligible employees by internal criteria	Training for mid-career employees

Selective training

Target	Training name
Those recommended by each division	Training for leaders of the next generation

Support for self-development

Target	Training and support name
All employees (applicants)	Distance learning assistance
All employees (applicants)	Assistance in obtaining qualifications
All employees (applicants)	Online English training

Development of global human resources

To introduce its excellent dental materials and equipment to the world, Shofu is developing key international human resources to respond to global business. We are also continuously providing language education such as English conversation training and TOEIC sessions. We also have a training program to dispatch employees to our overseas subsidiaries. This program aims to develop

language skills and business knowledge through practical work at overseas subsidiaries and develop a sense of internationalism and a borderless business sense through understanding different cultures, business practices, and a broad perspective. Through these efforts, we aim to develop human resources capable of contributing to overseas business development in the future.

Training system for development of global human resources

Training name	Target	Purpose and details	Results (cumulative number)
Overseas dispatch training (long-term)	Those recommended by each division	Experience and learn in-depth about business practices and customs at overseas subsidiaries for one to three months.	10 persons
Overseas dispatch training (short-term)	Those who have taken the following global human resources training and wish to participate in overseas dispatch training	Broaden knowledge by studying business practices through visiting overseas subsidiaries and participating in events for about one week.	6 persons
Global human resources training	Selection or application	Deepen cross-cultural understanding, including business practices outside Japan through lectures and exercises.	77 persons

Diverse human resource activities

Women's participation and advancement

As part of our diversity management, Shofu is working to identify and address issues in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace to promote women's participation and advancement. Challenges include the low ratio of women in employment and the low number of women in leadership positions. For each of these issues, Shofu aims to raise the

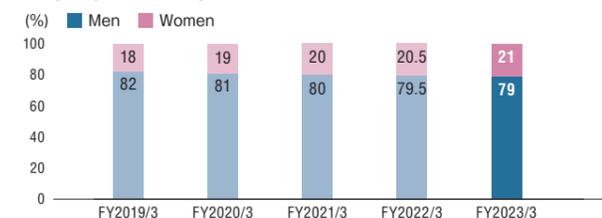
ratio of women in employment to 30% or more on average and continue to provide training for women to encourage them to take up management positions.

Details of our General Employer Action Plan:

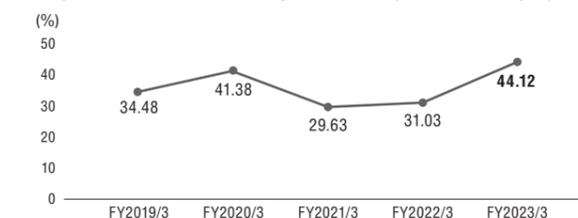
<https://www.shofu.co.jp/contents/hp1974/index.php?No=1813&CNo=1974> (in Japanese only)



Employee composition



Proportion of women among those newly hired as employees



Training for women's participation and advancement

As part of our efforts to promote women's participation and advancement, we provide career development training for women. In FY2022, we provided "leader development training for women's participation and advancement" targeting female employees at the assistant manager level and "career advancement training for women's participation and advancement" targeting employees in general. In addition to supporting the career development of

female employees, both training sessions were jointly held by four local companies in Kyoto, and their content was designed to help open and expand employees' horizons through exchange with people from other companies.

We will continue to actively provide opportunities for women to reconsider their careers and strive to create an environment in which women can play an active role in their element.

Voice of a participant in the training



Assistant Manager, Regulatory Affairs Section, Quality Assurance Department

Aki, Otani

Currently, I am engaged primarily in application for approval of medical devices and correspondence with regulatory authorities.

The training session was held jointly by four companies, including Shofu. It brought together female employees in similar circumstances and positions. The members shared with each other career reviews, details of interviews with senior managers, etc. and discussed future career advancement and unconscious biases.

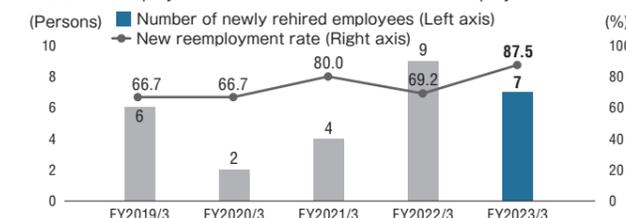
I think that in order to promote women's participation and advancement, it is important to change the mindset of female employees first of all. At the same time, not only "superwomen," who are highly career conscious and capable, but also women who make efforts to improve their skills and abilities and advance in their career should naturally become leaders. Otherwise, women's participation and advancement will not be sustainable.

I believe that if an environment is created in which female employees who wish to work flexibly at various life stages can take managerial positions, a diverse range of leaders will emerge in due course. I myself hope to continue working in an unaffected manner and help promote women's participation and advancement at Shofu.

Elderly employees

Amid concerns about a future shortage of workers due to the declining labor force resulting from the declining birthrate and aging population, Shofu believes it is important for companies to create opportunities for elderly employees with abundant experience and diverse skills to work. Following the revision of the Act on Stabilization of Employment of Elderly Persons in 2021, we have established a system that allows elderly personnel with abundant experience and diverse skills to continue working until the age of 70 after reemployment.

Number of employees rehired after retirement and reemployment rate



Creating a comfortable work environment

•Support system for work and life

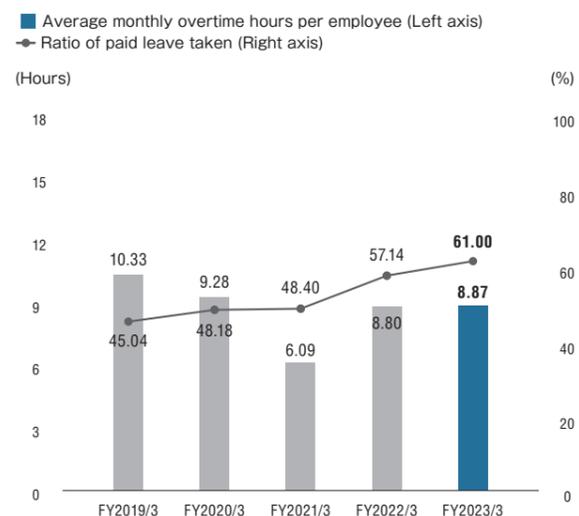
Shofu has enhanced its support system for employees' life events, such as childcare, nursing care, and personal injury and illness, by providing leave, holidays, and shorter working hours, each of which exceeds the legal requirements. For example, we pay for part of the child nursing care leave and have raised the child's age eligible for shorter working hours.

In addition, since the duration of nursing care and personal injury and illness cannot be predicted, we have established a leave system that allows employees to take up to 365 days of leave for continuous nursing care and the first three months of paid leave for personal injury and illness to support subsequent hospital visits. We have also set up a system that allows employees to work shorter hours depending on their level of physical recovery.

•Prevention of long working hours

As part of its efforts to improve the working environment, Shofu aims to create a more comfortable working hour system. Since 2016, we have been regularly checking the actual status of working hours through the collaborative efforts of labor and management to examine and implement measures for improvement to understand and optimize the actual working hours, reduce the total working hours, and solve problems related to working hours. Through these activities, we aim to improve productivity by reducing overtime and work on holidays and shortening total working hours.

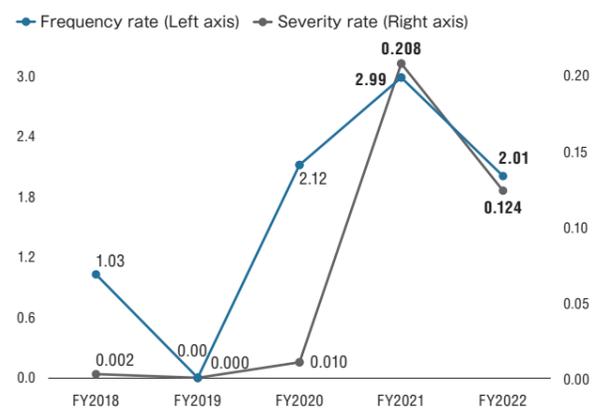
Average monthly overtime hours per employee and ratio of paid leave taken



Occupational safety and health

Shofu's Safety and Health Committee is composed of labor and management to provide advice on the measures necessary for safety and health and their implementation, and to promote these measures. We have been promoting a safe and comfortable work environment with the aims of conducting surveys, study, and measures related to safety and health, disseminating and enlightening knowledge on safety and health, preventing accidents and diseases, investigating causes, preventing recurrences, compiling statistics, and implementing preventive measures. As part of the 3S activities, each workplace implements measures for organizing and cleaning the workplace to create a comfortable work environment. We also provide biannual training for workplace representatives to educate them on safety and health.

Frequency rate and severity rate



* Frequency rate: the number of persons absent from work due to industrial accidents per million actual working hours, which indicates the frequency of industrial accidents. Data for each year were collected between December 16 and the following December 15.

* Severity rate: the number of working days lost per 1,000 actual working hours, which indicates the degree of severity of an industrial accident. Data for each year were collected between December 16 and the following December 15.

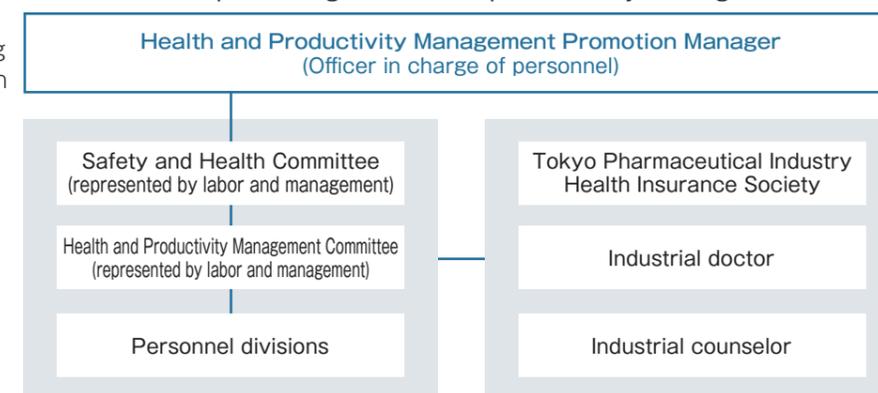


Health and productivity management

We promote "health and productivity management," which is an approach towards promoting and maintaining employees' health with a business management perspective, in order to achieve our corporate philosophy of "Contribution to dentistry through innovative business activities."

We are working in cooperation with the health insurance society, industrial doctor, labor union and other parties to address various health issues and to improve measures for the physical and mental wellbeing of our employees towards the goal of creating a "nice and comfortable workplace gleaming with healthy teeth" where every employee can work vigorously and with a sense of fulfillment.

Framework for promoting health and productivity management



•Health and productivity management declaration

People are indispensable to business activities and are therefore the most important of the management resources; that is why treating people with respect is our overriding principle. We hereby declare that we will "contribute to dentistry through innovative business activities" by creating an environment in which our employees can be more health conscious, take up the "challenge of change" at their own initiative, work with vigor, and give their best performance.

•Objectives of promoting health and productivity management

Rather than leaving employees solely responsible for their own healthcare, the Company also cares for and invests in the health of employees, as it regards employee health as a management issue. Through such efforts, we will improve work engagement throughout the Company, enhance productivity and also business performance, and eventually realize an employee-friendly work environment.

Respect for human rights

Shofu hopes to continue to be a company trusted by the international community by respecting the human rights of all stakeholders through communication with our employees as well as our business partners and local communities.

In the Shofu group code of conduct, which serves as a code of conduct for the Shofu Group employees, we have set forth the following principles: to respect each other's fundamental human rights and not to infringe on the fundamental

human rights of others; to recognize the diverse values of individuals and not to discriminate based on race, gender, age, background, place of birth, creed, physical reason, or any other irrational factor.

Based on this policy, we promote awareness of respect for human rights by conducting awareness-raising activities on harassment, establishing a harassment hotline, and providing harassment training for employees in a managerial position.



Financial Summary for Past 11 Years

Fiscal year (Millions of yen)	141st Fiscal Year (Ended March 31, 2013)	142nd Fiscal Year (Ended March 31, 2014)	143rd Fiscal Year (Ended March 31, 2015)	144th Fiscal Year (Ended March 31, 2016)	145th Fiscal Year (Ended March 31, 2017)	146th Fiscal Year (Ended March 31, 2018)	147th Fiscal Year (Ended March 31, 2019)	148th Fiscal Year (Ended March 31, 2020)	149th Fiscal Year (Ended March 31, 2021)	150th Fiscal Year (Ended March 31, 2022)	151st Fiscal Year (Ended March 31, 2023)
Net sales	16,028	18,258	19,688	22,975	22,305	24,031	24,915	26,108	24,680	28,137	31,678
Cost of sales	7,184	8,229	8,598	9,798	9,357	10,267	10,469	11,423	11,083	11,970	12,979
Selling, general and administrative expenses	8,118	9,041	9,929	11,608	11,564	12,266	12,631	12,474	11,296	12,950	14,874
Operating income	725	987	1,159	1,568	1,382	1,497	1,814	2,210	2,300	3,217	3,824
Ordinary income	732	978	1,114	1,393	1,141	1,565	1,709	1,988	2,523	3,658	4,238
Net income before income and other taxes	356	978	965	1,352	1,141	1,357	1,709	1,184	2,370	3,611	4,410
Income taxes	338	472	387	557	299	478	512	460	672	1,043	1,250
Profit attributable to owners of parent	18	506	581	789	836	877	1,201	704	1,674	2,546	3,135
Comprehensive income	642	1,361	2,169	△ 15	1,194	2,156	523	△ 46	3,618	3,366	3,584
Capital expenditure	1,209	1,282	1,650	713	875	710	1,403	1,601	1,097	1,100	2,319
Depreciation expense	571	656	783	1,007	888	920	862	949	955	901	972
R&D expenses	1,219	1,332	1,410	1,431	1,408	1,494	1,492	1,537	1,563	1,738	1,846

Fiscal year end (Millions of yen)

Current assets	12,965	13,298	15,625	14,265	14,286	15,345	14,975	15,416	17,829	20,462	22,220
Noncurrent assets	9,851	10,741	13,816	14,039	14,566	15,545	15,186	14,417	19,983	20,247	21,506
Current liabilities	2,969	2,801	5,510	3,049	3,215	3,663	3,820	3,680	4,212	4,437	5,949
Noncurrent liabilities	1,185	1,490	2,150	3,755	3,341	3,070	1,957	2,216	3,402	3,332	2,262
Net assets	18,662	19,747	21,781	21,500	22,296	24,157	24,383	23,936	30,198	32,940	35,515
Total assets	22,817	24,039	29,442	28,305	28,853	30,890	30,161	29,834	37,813	40,709	43,727

Other information

ROE (%)	0.1	2.6	2.8	3.7	3.8	3.8	5.0	2.9	6.2	8.1	9.2
ROA (%)	0.1	2.2	2.2	2.7	2.9	2.9	3.9	2.3	4.9	6.5	7.4
Equity ratio (%)	81.6	81.9	73.7	75.7	76.9	77.8	80.4	79.7	79.4	80.5	80.8
Net assets per share (Yen)	1,169.09	1,235.34	1,360.19	1,340.00	1,396.74	1,511.85	1,524.92	1,491.81	1,690.45	1,841.55	1,996.64
Net income per share (Yen)	1.17	31.77	36.45	49.43	52.61	55.20	75.54	44.24	96.29	143.22	176.10
Payout ratio (%)	1,623.9	56.7	49.4	36.4	38.0	36.2	30.4	58.8	30.1	27.2	32.4
Dividends on equity (DOE) ratio (%)	1.6	1.5	1.4	1.3	1.5	1.4	1.5	1.7	1.8	2.2	3.0
Price earnings ratio (Times)	788.9	27.6	37.7	27.9	25.1	26.0	16.9	39.8	20.6	10.9	11.5
Cash flows from operating activities (Millions of yen)	383	823	710	1,511	2,308	1,936	1,468	1,942	2,829	3,736	3,170
Cash flows from investing activities (Millions of yen)	△ 1,201	△ 441	△ 3,139	748	△ 1,052	△ 772	△ 1,519	△ 1,768	△ 4,081	△ 1,288	△ 1,290
Cash flows from financing activities (Millions of yen)	△ 477	△ 1,305	2,810	△ 2,152	△ 835	△ 592	△ 844	△ 224	3,023	△ 1,074	△ 1,457
Number of employees (Persons)	829	834	881	1,080	1,103	1,124	1,168	1,189	1,206	1,266	1,299



Company Profile and Stock Information (As of March 31, 2023)

•Company profile

Company name	SHOFU INC.
Headquarters address	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto 605-0983, Japan Phone: +81-75-561-1112 (main)
Date of establishment	May 15, 1922
Capital stock	5,968,956,614 yen
Closing date	March 31
Stock exchange listing	Prime Market of the Tokyo Stock Exchange (Securities Code: 7979)
Number of employees	1,299 (consolidated) 476 (non-consolidated)
Line of business	Manufacture and sale of dental materials and equipment
Fiscal year	From April 1 to March 31 of the following year
Ordinary shareholders' meeting	June of every year
Record dates	Ordinary shareholders' meeting: March 31 of every year Year-end dividend: March 31 of every year Interim dividend: September 30 of every year * If otherwise necessary, the date designated by public notice in advance
Administrator of shareholder registry	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo

•Network

Domestic offices	SAPPORO SALES OFFICE / SENDAI SALES OFFICE / TOKYO BRANCH / NAGOYA SALES OFFICE / KYOTO SALES OFFICE / OSAKA SALES OFFICE / FUKUOKA SALES OFFICE
Overseas sites	TAIWAN BRANCH / Middle East and Africa Representative Office
Shofu group companies	<p>Domestic SHIGA SHOFU INC. SHOFU PRODUCTS KYOTO INC. SHOFU BIOFIX INC. NAIL LABO CORPORATION</p> <p>Overseas SHOFU DENTAL CORPORATION SHOFU DENTAL GmbH ADVANCED HEALTHCARE LTD. SHANGHAI SHOFU DENTAL MATERIAL CO., LTD. SHOFU DENTAL TRADING (SHANGHAI) CO., LTD. SHOFU DENTAL ASIA-PACIFIC PTE.LTD. MERZ DENTAL GmbH DIGITAL DENTAL SERVICES GmbH SHOFU DENTAL INDIA PRIVATE LIMITED SHOFU DENTAL BRASIL COMERCIO DE PRODUTOS ODONTOLOGICOS LTDA. SHOFU PRODUCTS VIETNAM CO.,LTD. SHOFU MEXICO S DE RL DE CV SMART DENTISTRY SOLUTIONS INC. NAIL LABO INC. NAIL LABO TAIWAN CO.,LTD.</p>
Affiliated company	Domestic Sun Medical Company, Ltd.

•Status of shares

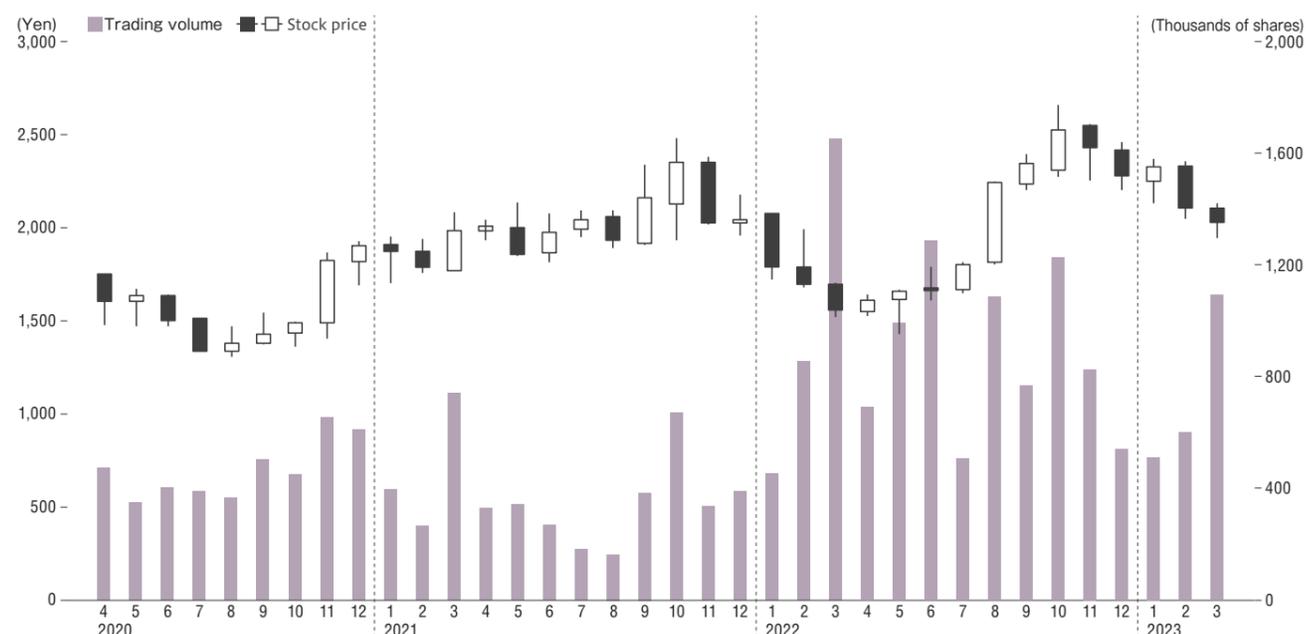
Total number of shares authorized to be issued	64,000,000 shares
Total number of shares issued	17,894,089 shares
Number of shareholders	15,094

•Major shareholders

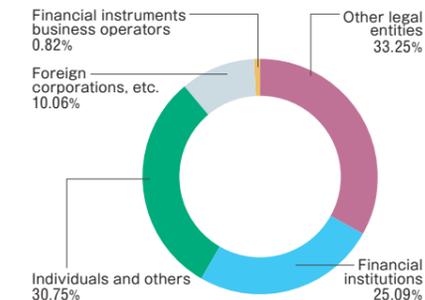
Shareholder name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Mitsui Chemicals, Inc.	3,580	20.22
The Master Trust Bank of Japan, Ltd. (Trust account)	911	5.14
The Bank of Kyoto, Ltd.	712	4.02
Nippon Life Insurance Company	646	3.65
The Shiga Bank, Ltd.	602	3.40
Custody Bank of Japan, Ltd. (Trust account)	529	2.99
NORTHERN TRUST CO. (AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT	448	2.53
MSIP CLIENT SECURITIES	404	2.28
Shofu Employee Stock Ownership Association	375	2.12
SCREEN Holdings Co., Ltd.	330	1.86

* The shareholding ratio is calculated by deducting the number of treasury shares (192,907 shares).

•Trends in stock price and trading volume



•Distribution of shares by owner



•Distribution of shares by number of shares held

