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Briefing Materials
Financial Results and Forecasts for 2Q FY March 2025

November 8, 2024

(Briefing Session: November 21, 2024)

Proven Products for Better Dentistry

SHOFU INC.

Financial Summary

Consolidated Financial Results for 2Q FY March 2025

Financial Forecasts for FY March 2025

Progress in the Medium-Term Management Plan (capex and sales of strategic shareholdings)

Financial Summary

FY3/25 2Q results

Net sales	¥18,887mn	(Overseas sales 59.5%)
Operating income	¥3,042mn	

- Net sales increased 14.8% YoY due to sales expansion of existing products overseas especially in North America and China, a pickup in CAD/CAM-related products in Japan and the impact of forex (yen depreciation)
- Operating income increased 41.2% YoY due to sales growth, which more than offset rising SG&A, as well as the effects of yen depreciation

FY3/25 outlook

Net sales	¥38,395mn	(Overseas sales 58.6%)
Operating income	¥5,293mn	

- **Fourth consecutive fiscal year of sales and profit growth, expecting to mark a record high**
- **The achievement rate of sales and operating income as of 2Q was 49.2% and 57.5% respectively.**
- Bolstering domestic and overseas sales activities and production systems due to strong demand

Shareholder returns

- Dividend policy: Payout ratio of 40%+ and DOE of 3.0%+ on a consolidated basis
- Dividend forecast for FY3/25 is ¥88/share, an increase of ¥26 YoY*
- Dividend amounts will be reviewed as appropriate in accordance with the policy

* The Company conducted a two-for-one stock split with a record date of 1 October 2024. The dividend forecast of ¥88/share is based on a pre-split basis.

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Key earnings highlights for 2Q FY3/25

SHOFU

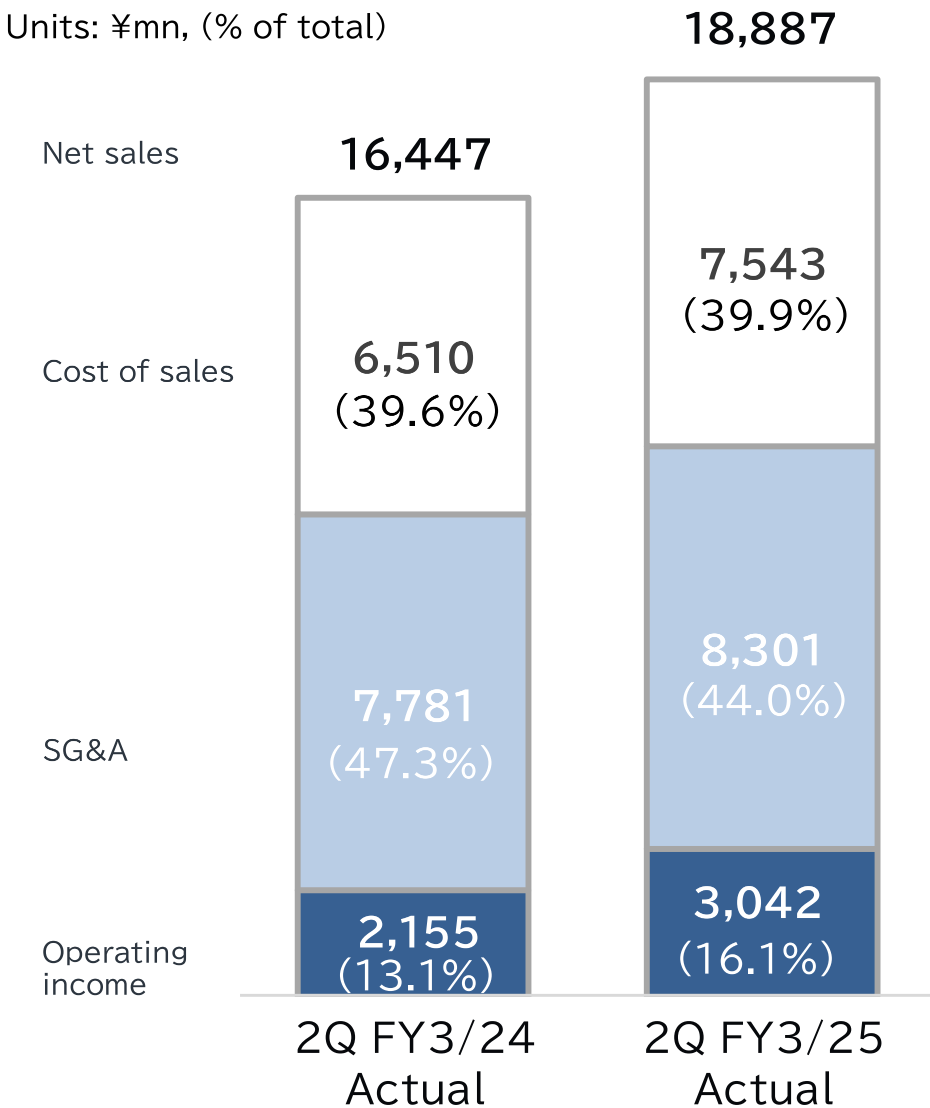
(¥mn, %)

Revised plan announced on August 2, 2024

	2Q FY3/24 Actual	(% of sales)	2Q FY3/25 Actual	(% of sales)	Change YoY	(% change)	2Q FY3/25 Forecast	(% of progress)	FY3/25 Forecast	(% of progress)
Net sales	16,447	(100.0)	18,887	(100.0)	2,439	(14.8)	18,996	(99.4)	38,395	(49.2)
(Domestic sales)	6,977	(42.4)	7,653	(40.5)	675	(9.7)	7,787	(98.3)	15,912	(48.1)
(Overseas sales)	9,470	(57.6)	11,233	(59.5)	1,763	(18.6)	11,209	(100.2)	22,483	(50.0)
Gross profit	9,936	(60.4)	11,343	(60.1)	1,406	(14.2)	11,459	(99.0)	23,081	(49.1)
(SG&A)	7,781	(47.3)	8,301	(44.0)	519	(6.7)	8,538	(97.2)	17,787	(46.7)
Operating income	2,155	(13.1)	3,042	(16.1)	887	(41.2)	2,921	(104.1)	5,293	(57.5)
Ordinary income	2,387	(14.5)	3,006	(15.9)	618	(25.9)	3,189	(94.3)	5,604	(53.6)
Net income	1,559	(9.5)	2,364	(12.5)	805	(51.7)	2,598	(91.0)	4,434	(53.3)
EPS	43.99		66.58		22.59		73.19		124.87	
ROE	4.2%		5.7%		1.5ppt		--		10.4%	
Forex										
$	141.31		152.30		10.99		149.45		145.09	
€	153.51		165.46		11.95		160.50		155.65	
RMB	19.47		21.06		1.59		21.06		20.11	

*Effect of forex fluctuations: Net sales +¥779mn (vs previous FY)
*Net income = net income attributable to owners of parent
*EPS was calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

Operating income (YoY)



Net sales: +¥2,439mn (+14.8%)

Net sales growth and forex effects.

Operating income:+¥887mn(+41.2%)

Increased sales growth and yen depreciation absorbed higher cost of sales ratio and SG&A expenses

Margins improved significantly

Cost of sales ratio: +0.3ppt

Cost to sales ratio increased slightly from the previous year

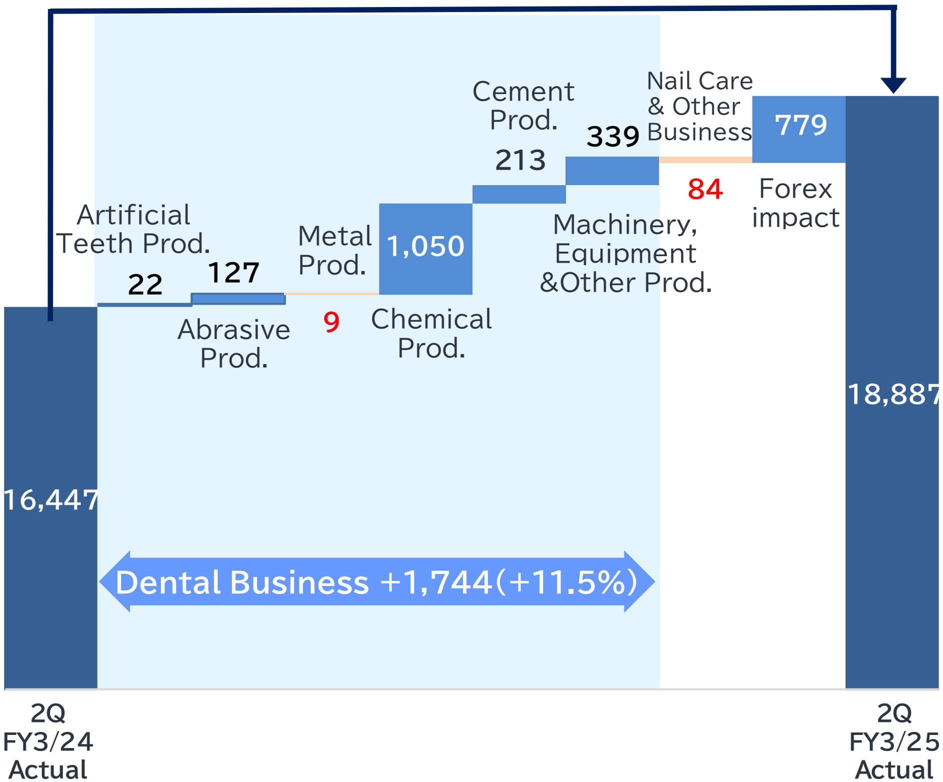
SG&A ratio: -3.3ppt

SG&A almost in line with forecast

SG&A ratio decreased due to revenue increase

Net sales by product category (YoY)

Net sales +2,439 (+14.8%) (¥mn)

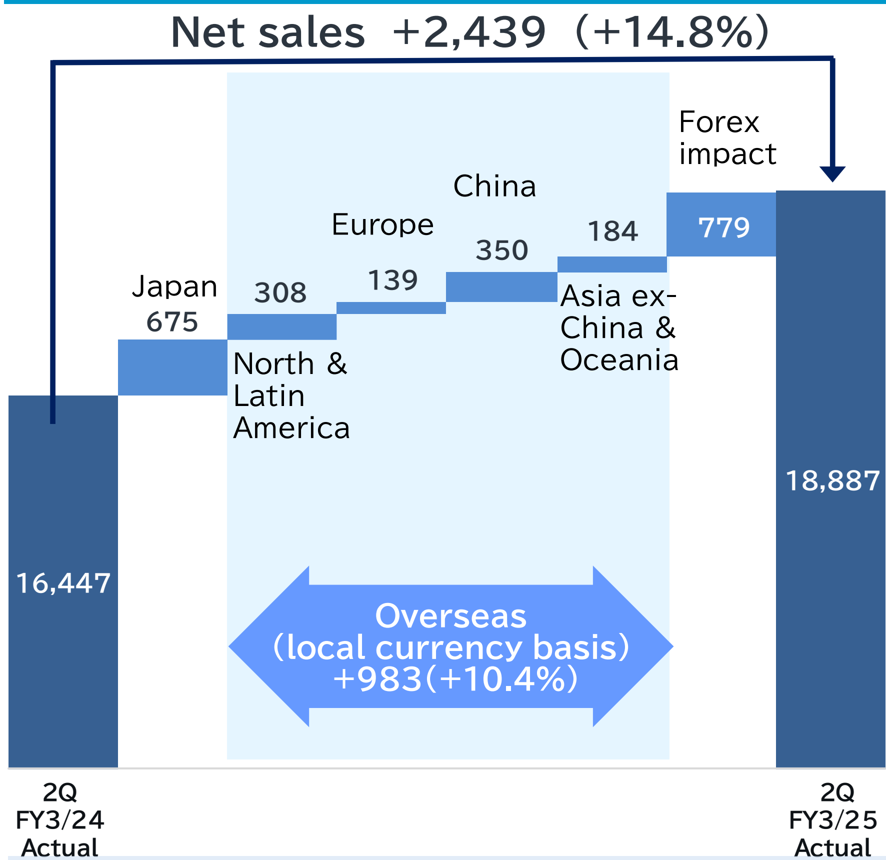


(¥mn)

	2Q FY3/25		Change YoY(%)	
	Actual	Composition	¥ basis	Local currency basis
Artificial Teeth Products	3,513	18.6%	106.4%	100.7%
Abrasive Products	2,799	14.8%	109.8%	105.0%
Metal Products	75	0.4%	88.5%	88.5%
Chemical Products	6,207	32.9%	128.1%	121.7%
Cement Products	1,703	9.0%	121.3%	115.2%
Machinery, Equipment & Other Products	3,418	18.1%	112.9%	111.2%
Dental Business total	17,717	93.8%	116.5%	111.5%
Nail Care & Other Business	1,169	6.2%	94.8%	93.1%
Total	18,887	100.0%	114.8%	110.1%

- ✓ Excluding forex impact, the real growth rate of net sales in the dental business as a whole was +11.5%.
- ✓ **Chemical Products:** Products supply constraints were resolved. Sales of filling and restoration materials increased significantly, especially overseas (in general). In Japan, demand for *SHOFU Block PEEK,* which is now covered by health insurance for CAD/CAM crowns for all molars, was strong.
- ✓ **Machinery, Equipment & Other Products:** Demand for CAD/CAM machinery in Japan recovered. Sales of the *Eye Special C-V* (digital dental cameras) were also strong.

Net sales by region (YoY)



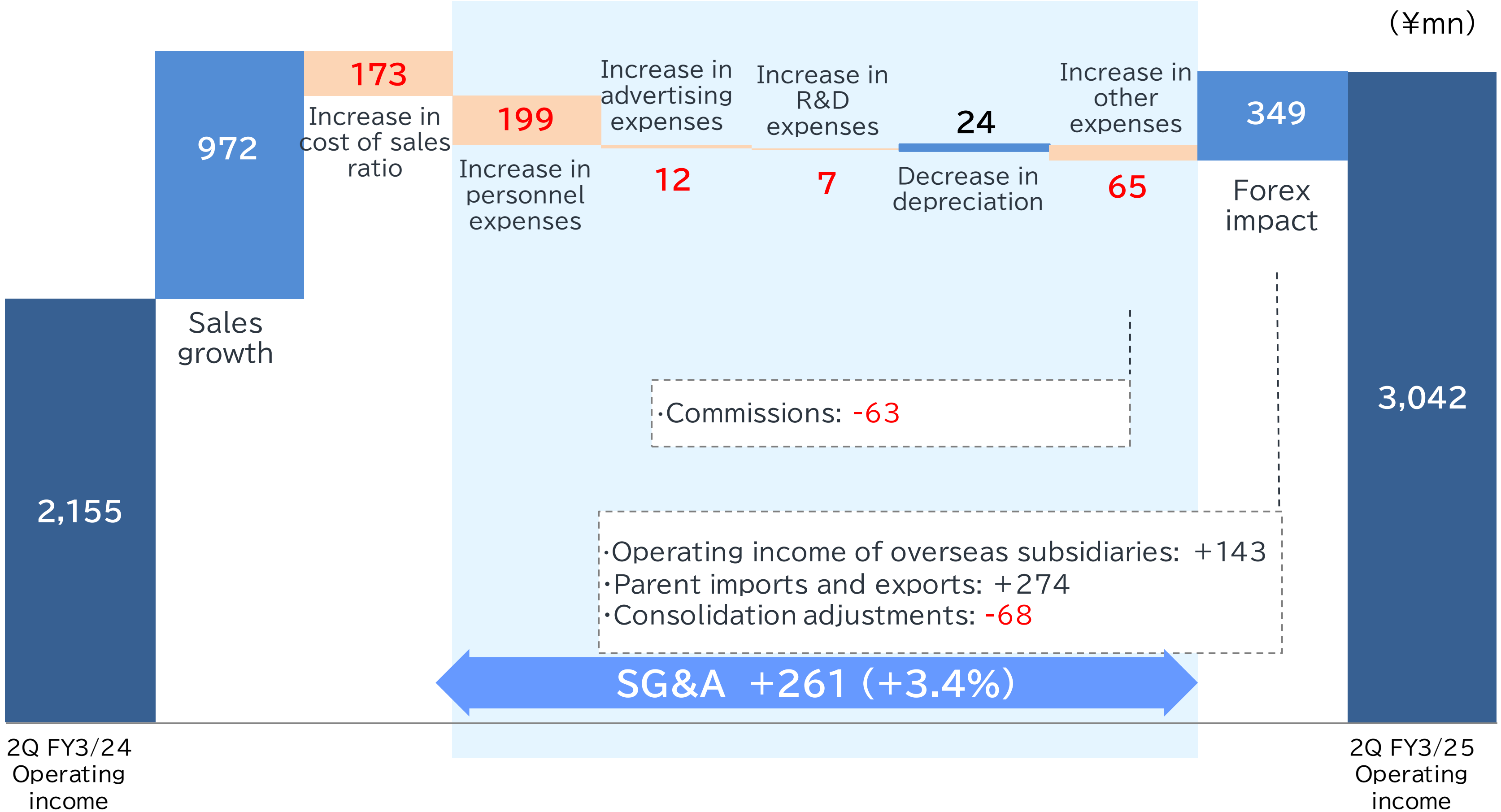
(¥mn)

	2Q FY3/25		Change YoY(%)	
	Actual	Composition	¥ basis	Local currency basis
Japan	7,653	40.5%	109.7%	109.7%
Overseas	11,233	59.5%	118.6%	110.4%
North & Latin America	2,493	13.2%	124.1%	115.4%
Europe	3,900	20.6%	112.4%	104.0%
China	2,795	14.8%	125.1%	115.7%
Asia ex-China & Oceania	2,044	10.8%	116.4%	110.5%
Total	18,887	100.0%	114.8%	110.1%

*Europe：Includes Middle East and Africa

- ✓ Japan: Solid demand for *SHOFU Block PEEK* and CAD/CAM related machinery recovered
- ✓ North & Latin America: Temporary increase in channel inventories of abrasive products was resolved and demand recovered to normal levels. Sales expansion of filling and restoration materials and direct sales to laboratories also contributed to sales growth.
- ✓ Europe: Germany and Italy performed well. In the Middle East, initial inventory adjustment has been completed, but demand on a normal basis has been strong.
- ✓ China: Significant YoY increase mainly in hard resins for crowns and filling and restorative materials (chemical products).

Operating income variance factors (YoY)

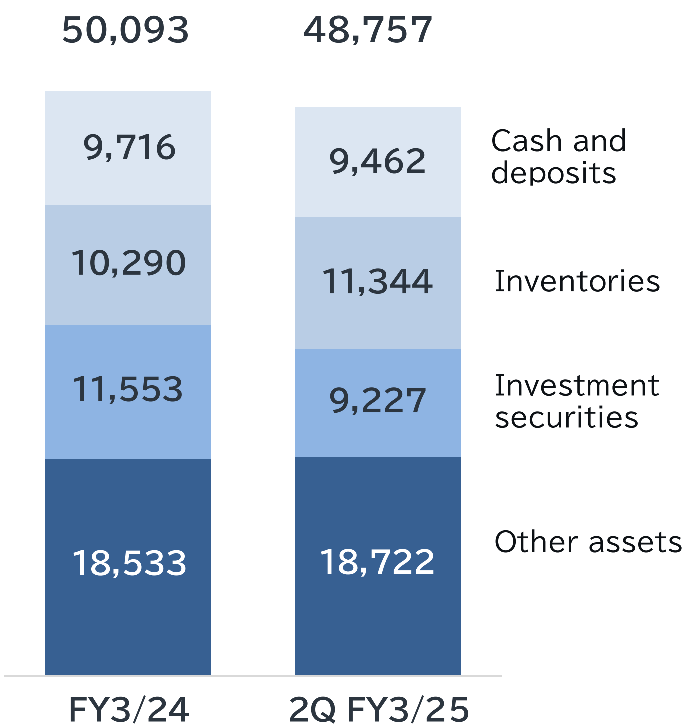


- ✓ Production utilization rate is heading toward normal levels compared to the previous year, when supply constraints had a significant impact on business.
- ✓ SG&A expenses increased 3.4% YoY due to business expansion. In particular, overseas personnel expenses increased due to strengthening the overseas business.
- ✓ Boosted sales activities as well as upfront investments in R&D etc

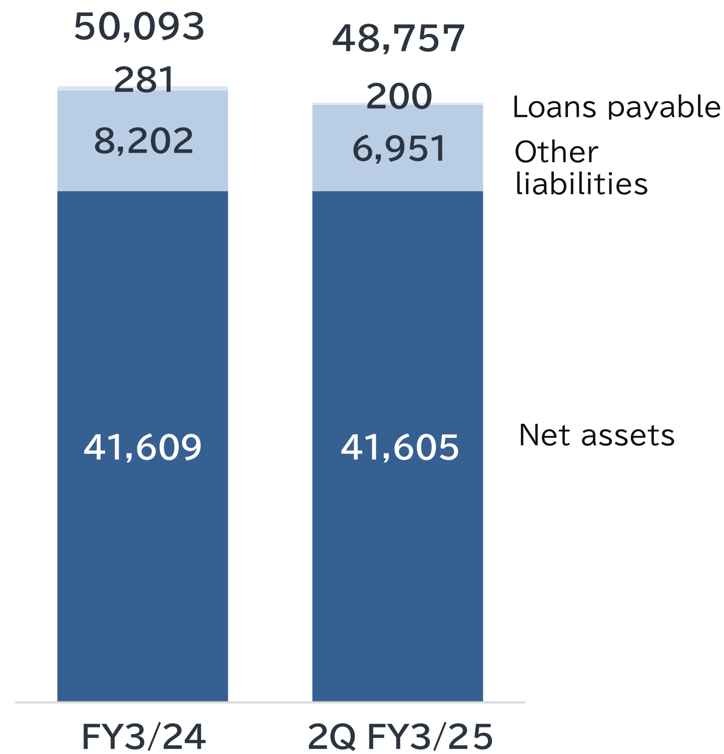
Balance sheet

(¥mn)

Assets



Liabilities and net assets

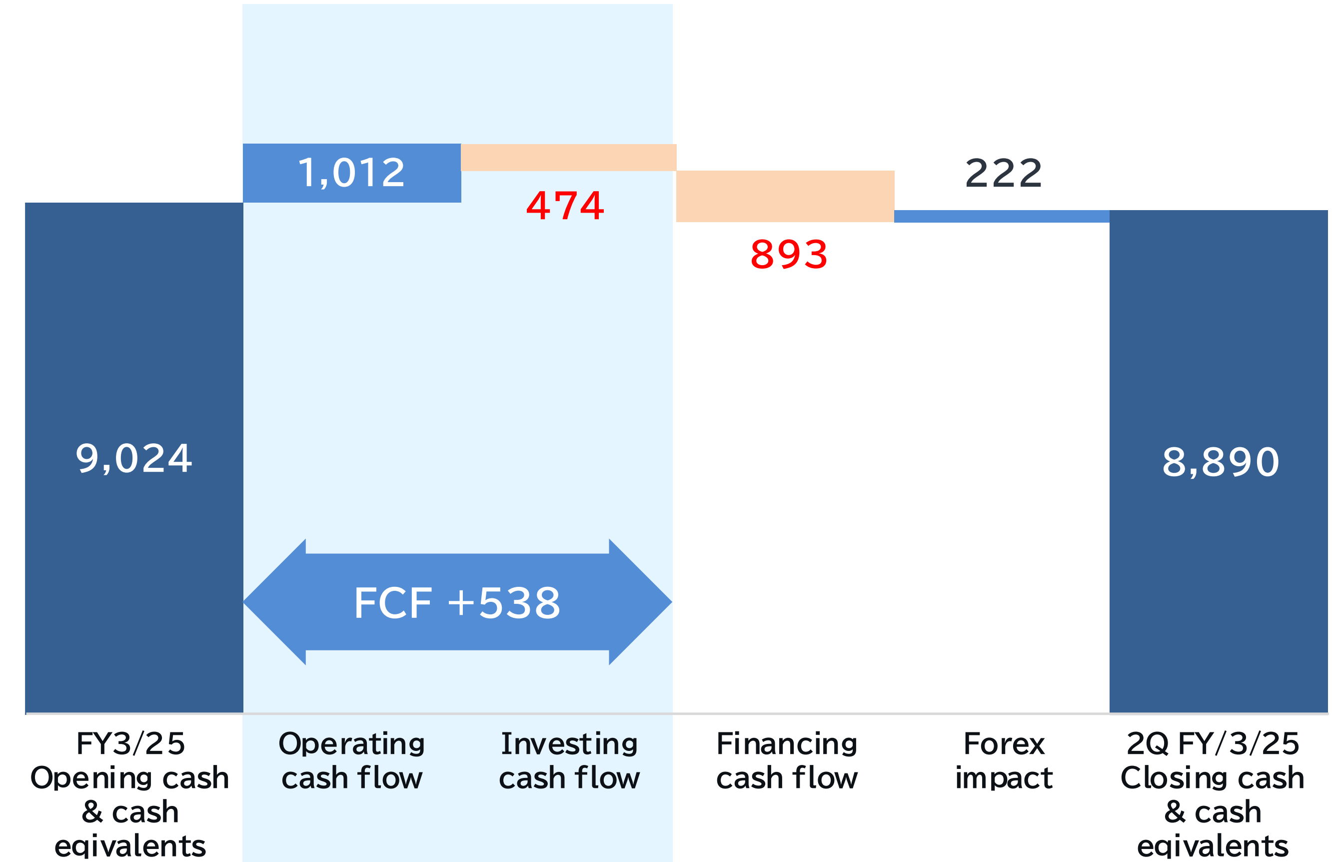


High equity ratio (85.1%):
Aim to achieve capital efficiency-conscious management and maintain strong financial position

- ✓ Total assets (-¥1,336mn): Decrease in investment securities due to decline in market value of stock holdings and increase in inventories
- ✓ Net assets (-¥4mn): Increase in retained earnings and decrease in valuation difference on available-for-sale securities due to decline in market value of investment securities

Cash flows

(¥mn)



Operating cash flow	
Income before income taxes	+3,385
Depreciation and amortization	+485
Income taxes paid	-891
Increase in inventories	-1,137
Investing cash flow	
Sales of investment securities	+484
Acquisition of fixed assets	-582
Financing cash flow	
Dividends paid	-762
Repayment of debt	-81

- ✓ Increase in inventories due to expansion of business development areas and boosting promotion of strategic products
- ✓ Proceed with sale of cross- shareholdings. For investment securities, look at capital efficiency and business synergy effects as appropriate
- ✓ Actively return profits to shareholders through dividend payments

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Progress in the Medium-Term Management Plan (capex and sales of strategic shareholdings)

Summary of full-year forecasts

- ■ Solid growth is planned for overseas operations. Capacity utilization rates are expected to remain high as in the previous year due to continued strong demand for chemical products and cement, particularly in emerging countries
- ■ Aim to grow centered on chemical products, achieving both margin expansion and topline growth

→We expect our fourth consecutive fiscal year of sales and profit growth, and to mark record highs

- ■ Active investment in human resource development and facilities to enhance corporate value
- ■ Strengthen sales activities in Japan and overseas after eliminating bottlenecks in existing product supply
- ■ Focus on cultivating new business areas and accompanying new product development (R&D)
- ■ Set strategic investment framework to enable dynamic corporate activities

→Bold and continuous investment for future expansion of corporate value and business growth

- ■ Improve production efficiency in light of opportunity losses due to supply constraints in FY3/24
- ■ Establish a production system capable of speedily increasing production when demand surges
- ■ Establish an organization that is able to flexibly respond to change in pharmaceutical regulations and policies in various countries and regions, and avoid business gaps

→Establish a system and structure that can respond to future increases in demand and business risks

Comparison of key metrics

Revised plan announced on August 2, 2024

(¥mn, %)

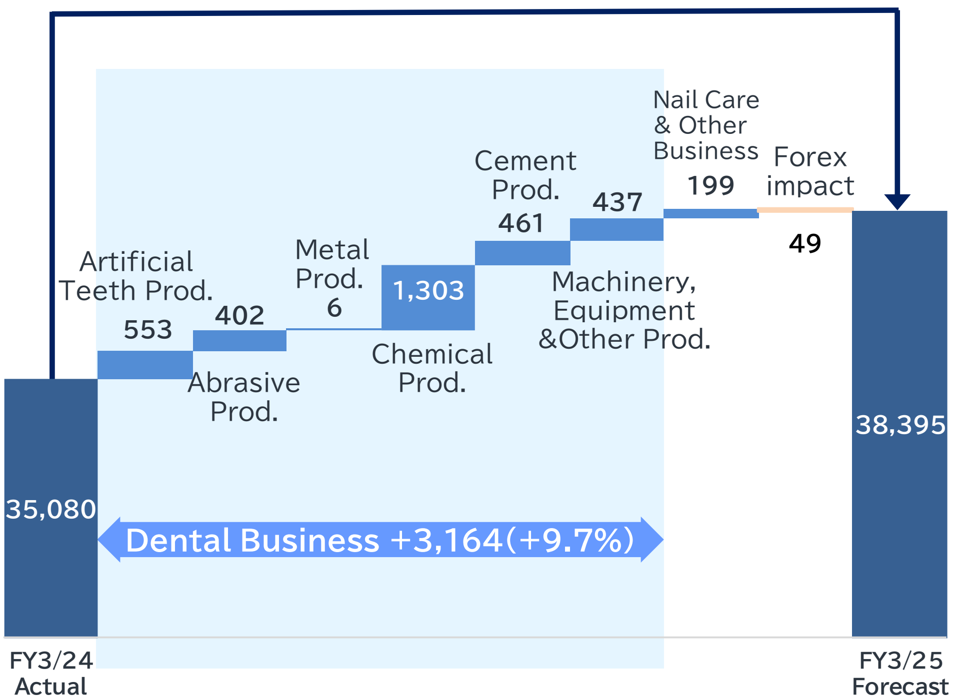
	FY3/24 Actual	(% of sales)	FY3/25 Forecast	(% of sales)	Change YoY	(% change)
Net sales	35,080	(100.0)	38,395	(100.0)	3,315	(9.4)
(Domestic sales)	14,892	(42.5)	15,912	(41.4)	1,020	(6.8)
(Overseas sales)	20,188	(57.5)	22,483	(58.6)	2,295	(11.4)
Gross profit	20,995	(59.8)	23,081	(60.1)	2,086	(9.9)
(SG&A)	16,286	(46.4)	17,787	(46.3)	1,501	(9.2)
Operating income	4,709	(13.4)	5,293	(13.8)	584	(12.4)
Ordinary income	5,118	(14.6)	5,604	(14.6)	486	(9.5)
Net income	3,655	(10.4)	4,434	(11.5)	778	(21.3)
EPS	103.09		124.87		– (*)	
ROE	9.5%		10.4%		0.9ppt	
Forex						
$	144.40		145.09		0.69	
€	156.80		155.65		-1.15	
RMB	19.80		20.11		0.31	

*Effect of forex fluctuations (YoY): Net sales -¥49mn
*Net income = net income attributable to owners of parent
*EPS was calculated under the assumption that the stock split had been conducted at the beginning of the previous fiscal year.
*FY3/25 Forecast = revised plan announced on August 2, 2024.

Net sales by product category (YoY)

Units: ¥mn

Net sales +3.315 (+9.4%)

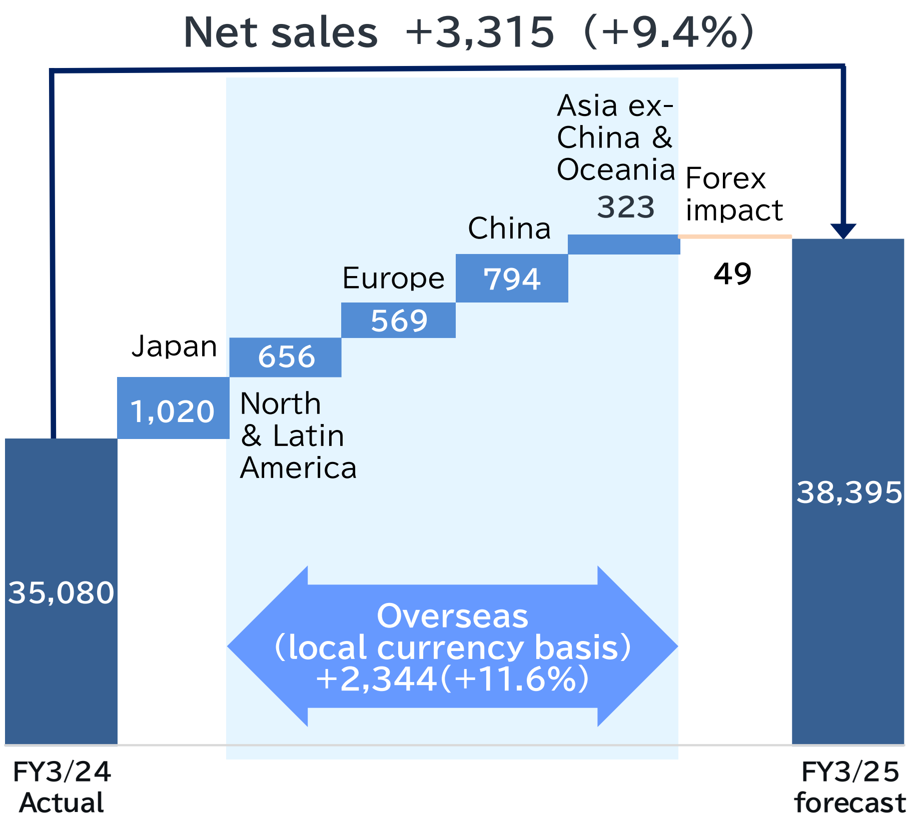


	FY3/25		Change YoY	
	Forecast	Composition	¥ basis	Local currency basis
Artificial Teeth Products	7,400	19.3%	108.1%	108.1%
Abrasive Products	5,666	14.8%	107.7%	107.7%
Metal Products	167	0.4%	104.2%	104.2%
Chemical Products	11,912	31.0%	112.5%	112.3%
Cement Products	3,553	9.3%	114.8%	114.9%
Machinery, Equipment & Other Products	7,099	18.5%	106.5%	106.6%
Dental Business total	35,799	93.2%	109.7%	109.7%
Nail Care & Other Business	2,595	6.8%	105.7%	108.1%
Total	38,395	100.0%	109.4%	109.6%

- ✓ Solid growth in all businesses and product categories. Notably expect 10% growth in real terms (excluding forex) for chemical products and cement
- ✓ Full-scale integrated production of the Diamond Point series, a mainstay abrasive product at Vietnam production subsidiary. Shipments to US and Asia, where demand is expected to recover after the completion of channel inventory adjustments
- ✓ Expect sales expansion of machinery and equipment (*SHOFU S-WAVE* CAD/CAM system) following the broadening of the scope of CAD/CAM crown insurance coverage in FY3/24

Net sales by region (YoY)

SHOFU



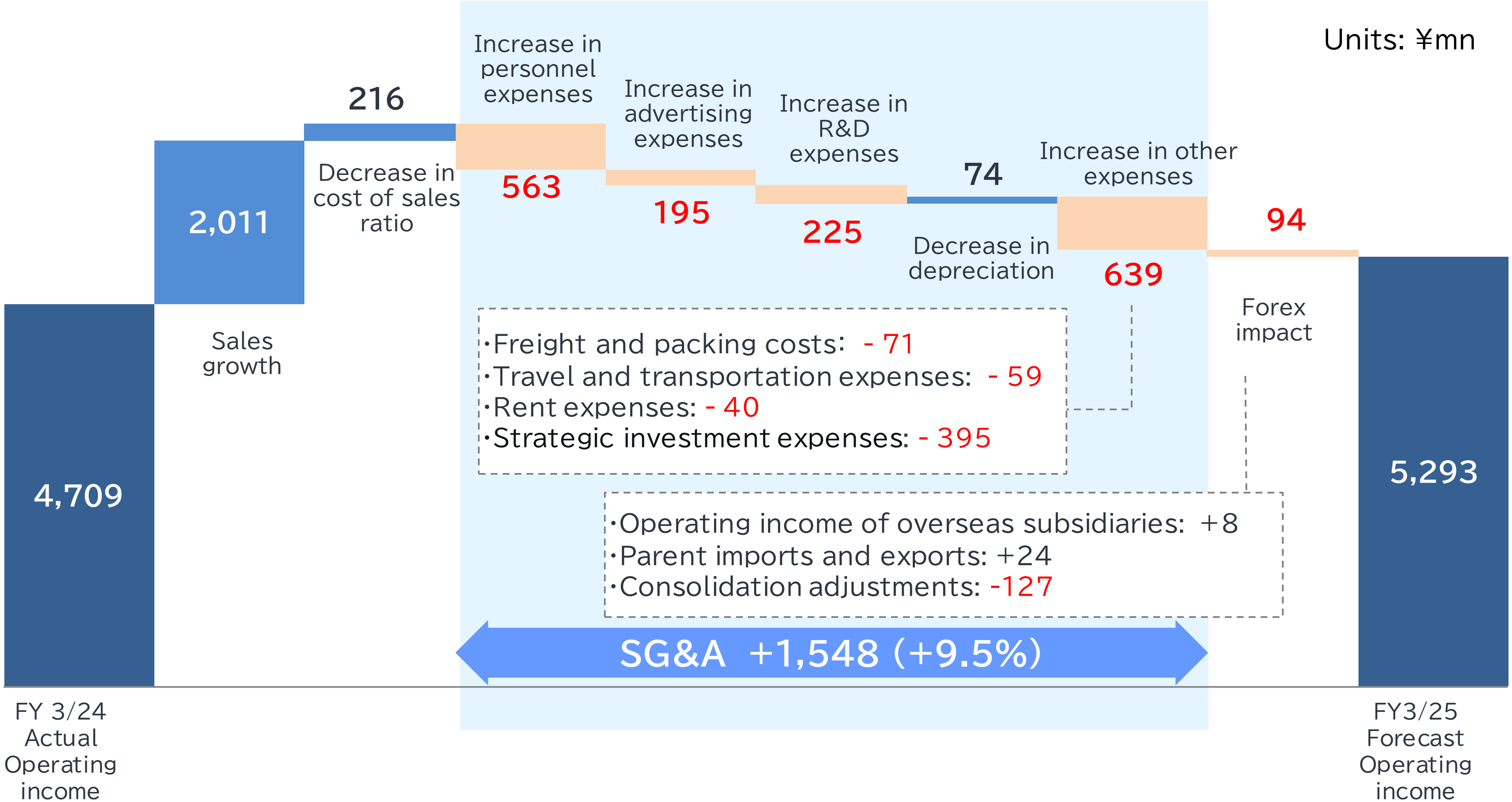
Units: ¥mn

	FY3/25		Change YoY(%)	
	forecast	Composition	¥ basis	Local currency basis
Japan	15,912	41.4%	106.8%	106.8%
Overseas	22,483	58.6%	111.4%	111.6%
North & Latin America	4,986	13.0%	115.5%	115.2%
Europe	7,737	20.2%	107.0%	107.9%
China	5,650	14.7%	118.5%	116.7%
Asia ex-China & Oceania	4,107	10.7%	106.1%	108.4%
Total	38,395	100.0%	109.4%	109.6%

*Europe：Includes Middle East and Africa

- ✓ **Japan:** Expect further growth in *SHOFU Block PEEK* (CAD/CAM crowns for all molars) and related peripheral materials and instruments
- ✓ **North & Latin America:** Complete adjustment of abrasive materials channel inventory, plan to strengthen sales of filling and restorative materials
- ✓ **China:** High demand, mainly for filling and restorative materials is expected to continue this year against a backdrop of high market growth rates
- ✓ **India (Other Asia):** Particularly strong demand for ceramic materials (artificial teeth) and cement. Aim to increase market share there by strengthening our production system

Operating income variance factors (YoY)



- ✓ Improved sales mix due to a higher proportion of overseas sales and high margin products (chemical products) and an improved cost of sales ratio due to high production capacity utilization of the back of strong product demand
- ✓ Active investment in growth, including the recruitment and utilization of global human resources, advertising and promotional expenditure for the purpose of boosting sales, and R&D for the development of next generation products. Set strategic investment framework to enable dynamic corporate activities

Forex impact

FY3/25 Forecast

※Revised plan announced on August 2, 2024

Units: ¥mn

	Forex rate		Consolidated earnings impact		Per yen of yen strength	
	FY3/24	FY3/25 Forecast	Sales	Operating income	Sales	Operating income
USD	144.40	145.09	29	44	-43	-21
EUR	156.80	155.65	-51	11	-44	-16
RMB	19.80	20.11	85	-2	-275	-179

- ✓ The main forex assumptions for the full year forecasts of the fiscal year ending March 2025 are the average rates for the period, based on the actual average rates in the first quarter(¥156.53/$、¥168.37/€、¥20.54/RMB) and on the assumptions of ¥140/$, ¥150/€, and ¥19/RMB from the second quarter of the fiscal year ending March 2025(unchanged from August, 2nd , 2024).
- ✓ Overseas sales ratio is on an upward trend; yen appreciation will have a negative impact on performance ($: Every ¥1 of yen appreciation vs. $ hits sales by ¥43mn and operating income by ¥21mn)

Financial Summary

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Financial Forecasts for FY March 2025

Progress of Medium-Term Management Plan

Capex and sales of cross shareholding①

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Issue 1 Progress of capex

Largest-ever growth investment, mainly in production-related investments

Schedule change (possible)

CAPEX Schedule	FY3/25	FY3/26	FY3/27	FY3/28
Normal equipment renewal	1.4	1.4	1.0	1.1
Reconstruction of the Kyoto head office plant	0.9	1.5	1.1	0.0
Domestic production sites	0.0	0.8	2.0	0.3
Overseas production/logistics sites	0.2	1.2	0.6	1.0

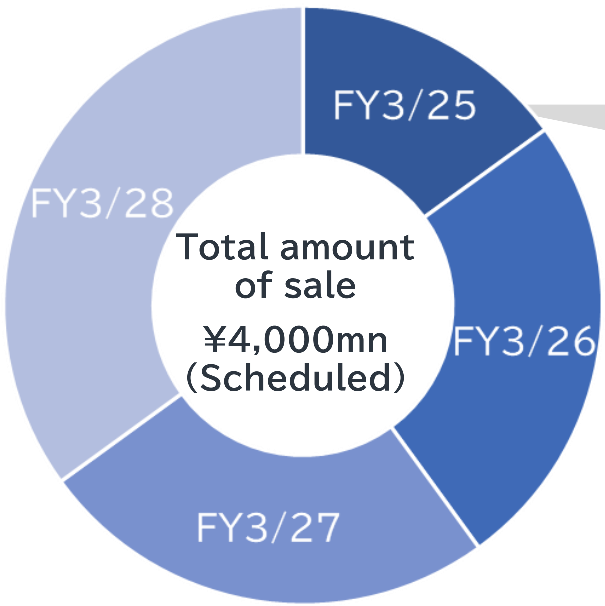
(¥bn)

- Kyoto City has conducted a survey of buried cultural properties at the site where the new head office plant is to be reconstructed. Construction is expected to start later than was originally planned at the beginning of current fiscal year.
- All construction of the new head office plant planned at the beginning of current fiscal year is scheduled to be completed during the period of the 5th Medium-Term Management Plan (-FY3/28).
- Progress of the construction of the 2nd production site in China (Changzhou) is on schedule.

CAPEX and Sales of cross shareholding②

Issue 2 Sales of cross shareholding

Improve capital efficiency by using the sale proceeds to fund growth investments



Amount sold:¥486mn
(Progress 81%)

- Complete divestment 3 companies
- Partial divestment 1 company

- Plan to sell ¥600mn in FY3/25
- Progress generally in line with plan despite the impact of market value fluctuations of stock holdings.
- As of the end of the second quarter, of the stocks held at the beginning of the period, we completed divestment of three stocks and partial divestment of one stock.

Forecasts in this document are based on information and data available at the time of release as well as on assumptions concerning uncertain factors that might affect the company's future business performance.

Depending on various factors, actual business performance could differ substantially from the forecasts contained in this document.

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