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Annual Securities Report

Fiscal year from April 1, 2024 to March 31, 2025 (153rd term)

SHOFU INC.

Annual Securities Report

(English translation of the "Yukashoken-Houkokusho")

This document is an output and printing of the securities report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, using the electronic data processing system for disclosure (EDINET) prescribed in Article 27-30-2 of the same Act, with a table of contents and page numbers attached to the submitted data.

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Cover

【Document submitted】	Annual Securities Report ("Yukashoken-Houkokusho")
【Applicable law】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
【Submitted to】	Director-General, Kanto Local Finance Bureau
【Submission date】	June 24, 2025
【Business year】	153rd term (April 1, 2024 to March 31, 2025)
【Company】	Kabushiki-kaisha Shofu
【Company name (English) 】	SHOFU INC.
【Name and title of representative】	Tetsuo Takami, Representative Director, President and Chief Operating Officer
【Location of head office】	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto
【Phone】	(075)561-1112 (Main)
【Administrative contact person】	Takashi Morimoto, General Manager of Finance Department
【Nearest contact】	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto
【Phone】	(075)561-1112 (Main)
【Administrative contact person】	General Manager of Finance Department Takashi Morimoto
【Place for public inspection】	SHOFU INC. Tokyo Branch (3-16-2 Yushima, Bunkyo-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo)

Part I Information on the Company

1 Overview of the Company

1. Key financial data and trends

(1) Consolidated management indicators

Term	149th	150th	151st	152nd	153rd
Year ended	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Net sales (million yen)	24,680	28,137	31,678	35,080	38,698
Ordinary profit (million yen)	2,523	3,658	4,238	5,118	5,523
Net income attributable to owners of parent (million yen)	1,674	2,546	3,135	3,655	4,317
Comprehensive income (million yen)	3,618	3,366	3,584	7,157	2,471
Net assets (million yen)	30,198	32,940	35,515	41,609	42,736
Total assets (million yen)	37,813	40,709	43,727	50,093	49,994
Net assets per share (yen)	845.27	920.77	998.32	1,168.02	1,198.37
Net income per share (yen)	48.15	71.61	88.05	103.09	121.52
Diluted net income per share (yen)	47.84	71.17	87.56	102.62	121.09
Equity ratio (%)	79.4	80.5	80.8	82.7	85.2
Return on equity (%)	6.2	8.1	9.2	9.5	10.3
Price-earnings ratio (times)	20.6	10.9	11.5	14.2	17.4
Cash flows from operating activities (million yen)	2,829	3,736	3,170	3,089	3,447
Cash flows from investing activities (million yen)	(4,081)	(1,288)	(1,290)	(1,295)	(914)
Cash flows from financing activities (million yen)	3,023	(1,074)	(1,457)	(2,096)	(1,783)
Cash and cash equivalents at end of year (million yen)	6,305	8,208	8,830	9,024	10,061
Number of employees (Excluding: average number of temporary employees) (persons)	1,206	1,266	1,299	1,369	1,413
	(201)	(210)	(263)	(270)	(286)

Notes: 1. In the 149th term, the Company conducted a third-party allotment of 1,780,000 ordinary shares to Mitsui Chemicals, Inc. with June 15, 2020 as the payment date.

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 150th term, and the major management indicators, etc. for the 150th term and after are the indicators, etc. after the application of the said accounting standard, etc.

3. On October 1, 2024, a two-for-one stock split of common stock was conducted. Net assets per share, earnings per share, and fully diluted earnings per share have been calculated on the assumption that this stock split was conducted at the beginning of the 149th term.

(2) Non-consolidated management indicators

Term	149th	150th	151st	152nd	153rd
Year ended	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025
Net sales (million yen)	15,623	17,653	19,329	21,273	22,973
Ordinary profit (million yen)	1,168	2,174	3,233	4,226	4,328
Net income (million yen)	988	1,693	2,881	3,506	3,993
Share capital (million yen)	5,968	5,968	5,968	5,968	5,968
Total number of issued shares (thousand shares)	17,894	17,894	17,894	17,894	35,788
Net assets (million yen)	26,420	27,533	29,197	33,552	34,165
Total assets (million yen)	32,237	33,255	36,012	40,667	39,750
Net assets per share (yen)	740.48	770.61	821.94	943.29	959.44
Dividend per share (including interim dividend per share) (yen)	29.00 (8.00)	39.00 (13.00)	57.00 (15.00)	62.00 (20.00)	49.00 (18.00)
Net income per share (yen)	28.43	47.62	80.93	98.87	112.40
Diluted net income per share (yen)	28.25	47.32	80.48	98.42	112.00
Equity ratio (%)	81.6	82.4	80.8	82.3	85.8
Return on equity (%)	4.1	6.3	10.2	11.2	11.8
Price-earnings ratio (times)	34.9	16.4	12.5	14.9	18.8
Dividend payout ratio (%)	51.0	41.0	35.2	31.4	43.6
Number of employees (Excluding: average number of temporary employees) (persons)	468 (105)	473 (117)	476 (124)	499 (135)	523 (140)
Total shareholder return (Comparative index: TOPIX including dividends) (%)	114.3 (142.1)	92.5 (145.0)	122.3 (153.4)	177.5 (216.8)	255.9 (213.4)
Period high stock price (yen)	2,083	2,485	2,659	3,010	2,455(5,580)
Period low stock price (yen)	1,306	1,523	1,429	1,975	1,829(2,828)

Notes: 1. In the 149th term, the Company conducted a third-party allotment of 1,780,000 ordinary shares to Mitsui Chemicals, Inc. with June 15, 2020 as the payment date.

2. The dividend of ¥39 per share for the 150th term includes a commemorative dividend of ¥2 per share for the 100th anniversary of the Company's founding.

3. The dividend of ¥57 per share for the 151st term includes a commemorative dividend of ¥10 for the 100th anniversary of the Company's founding.

4. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 150th term, and the major management indicators, etc. for the 150th term and after are the indicators, etc. after the application of the said accounting standard, etc.

5. On October 1, 2024, a two-for-one stock split of common stock was conducted. Net assets per share, earnings per share, fully diluted earnings per share and total shareholder return have been calculated on the assumption that this stock split was conducted at the beginning of the 149th term. The dividend for the 153rd term is ¥49 per share (including an interim dividend amount of ¥18 per share) on a post-split basis, while the pre-split dividend is ¥98 per share. In addition, for the 153rd term, the period high stock price and period low stock price are presented on a post-split basis, with the pre-split period high stock price and period low stock price shown in parentheses.

6. The highest and lowest share prices are those recorded on the First Section of the Tokyo Stock Exchange before April 3, 2022, and those recorded on the Tokyo Stock Exchange Prime Market after April 4, 2022.

2. History

Date	Event
May 1922	The first president, Kajo Shofu III, established SHOFU Dental Mfg Co., Ltd. (capitalized at 250,000 yen) at the present location and began manufacturing artificial teeth.
May 1936	SHOFU Research Institute was established at the present location.
July 1963	Registered shares as over-the-counter stock with the Osaka Prefecture Association of the Japan Securities Dealers Association.
January 1971	Established local subsidiary SHOFU Dental Corp. in California, US.
February 1972	At present location, spun-out trade division and established SHOFU Products Inc.
December 1973	Established Shiga SHOFU Inc. in Shigaraki-cho, Koga-gun, Shiga (present-day Shigaraki-cho, Koga-shi, Shiga) and transferred the production of artificial teeth (resin teeth).
May 1975	Acquired a stake in Taixing Co., Ltd. (name changed in 1985 to Taiwan SHOFU Co., Ltd.) in Taiwan and transferred part of the production of artificial teeth (synthetic resin teeth).
December 1978	SHOFU Dental GmbH was established near Dusseldorf, Germany.
April 1980	Established SHOFU Dental Co. (Singapore) Pte., Ltd. in Singapore.
April 1983	Company name changed to SHOFU INC.
April 1986	Absorbed SHOFU INC. SHOFU Products Inc.
March 1989	SHOFU Dental Co. (Singapore) Pte., Ltd. was liquidated.
November 1989	Listed on the Second Section of the Osaka Securities Exchange and the Kyoto Stock Exchange (merged with the Osaka Securities Exchange in March 2001).
June 1991	Acquired U.K. subsidiary Advanced Healthcare Ltd.
November 1992	Subsidiary company Rakuyosha Co., Ltd. was reorganized and established as Lifetech Research Co., Ltd.
July 1993	Tokyo Sales Office (currently Tokyo Branch) Building was built in Bunkyo-ku, Tokyo.
August 1996	Established subsidiary Promech Inc. in Kawaguchi-shi, Saitama.
March 1997	Construction of new laboratory at present location.
May 1997	Acquired additional shares of Shoken INC. (renamed SHOFU Products Kyoto Inc. in July 2014)
October 2000	Subsidiary Lifetech Research Co., Ltd. was merged into the Company.
April 2003	Established and registered local subsidiary Shanghai SHOFU Dental Material Co., Ltd. in Shanghai, China
November 2004	Commenced operations at Chinese subsidiary Shanghai SHOFU Dental Material Co., Ltd.
February 2005	Shoken Inc. (renamed SHOFU Products Kyoto Inc. in July 2014) became a wholly-owned subsidiary through a stock swap.
March 2005	Affiliated company Taiwan SHOFU Co., Ltd. dissolved.
August 2005	Established local subsidiary SHOFU Dental Supplies (Shanghai) Co., Ltd. in Shanghai, China.
August 2006	Construction of a new training center at present location.
February 2007	Listed on the Second Section of the Tokyo Stock Exchange.
February 2008	Acquired Nail Labo Corp. and made it a subsidiary
June 2009	Delisting from the Second Section of the Osaka Securities Exchange.
July 2009	Established local subsidiary SHOFU Dental Trading (Shanghai) Co., Ltd. in Shanghai, China.
March 2012	Listed on the First Section of the Tokyo Stock Exchange.
March 2013	Dental-related operations of Promech Inc. absorbed into Shoken Inc. (renamed SHOFU Products Kyoto Inc. in July 2014).
March 2013	Promech Inc. merged into Nail Labo Corp.
April 2013	Established SHOFU Dental Asia-Pacific Pte. Ltd. in Singapore.
March 2014	SHOFU S-WAVE CAD/CAM Processing Center was newly constructed in Kumiya-cho, Kuse-gun, Kyoto.
December 2014	Nail Labo Taiwan Co., Ltd., a joint venture, established in Taipei, Taiwan.
April 2015	SHOFU Biofix Inc. established in Bunkyo-ku, Tokyo.

Date	Event
April 2015	Acquired Merz Dental GmbH of Germany and made it a subsidiary.
January 2017	Established local subsidiary SHOFU Dental Brasil Comercio de Produtos Odontologicos Ltda. in Sao Paulo, Brazil.
April 2017	Established local subsidiary SHOFU Dental India Pvt. Ltd. in New Delhi, India.
April 2020	Local subsidiary SHOFU Dental GmbH, built a new office building in Ratingen, near Dusseldorf.
May 2020	Established local subsidiary SHOFU Products Vietnam Co., Ltd. in Ha Nam Province, Vietnam.
June 2020	Concluded a capital and business alliance with Mitsui Chemicals, Inc. and Sun Medical Co., Ltd. Issued shares to Mitsui Chemicals, Inc. in a third-party allocation, capital rose to 5.9 billion yen. At the same time, became an equity method affiliate of Mitsui Chemicals, Inc. Acquired shares of Sun Medical Co., Ltd. (currently a consolidated subsidiary of Mitsui Chemicals, Inc.), making it an equity-method affiliate.
April 2022	Transitioned to the Prime Market from the First Section of the Tokyo Stock Exchange due to a revision of the market categories.
May 2022	Celebrated our 100th anniversary.
March 2023	Head office building "Ayumi Terrace" built at present location.
April 2024	Established a local subsidiary, SHOFU Products Changzhou Co., Ltd. in Changzhou, China.

3. Description of business

The Group consists of SHOFU INC. (the Company), 19 consolidated subsidiaries (4 in Japan and 15 outside Japan), 1 non-consolidated subsidiary (outside Japan), 1 equity method affiliate, and 1 other affiliate. As a comprehensive manufacturer of dental materials and equipment, the Group's main businesses are the manufacture and sale of dental materials and equipment, as well as the Nail Care Business and Other businesses (industrial abrasives). The details of the Group's businesses and the outline of transactions are as follows.

During the current consolidated fiscal year, SHOFU Products Changzhou Co., Ltd. was established.

Segment	Major products
Dental Business	Artificial teeth, abrasive products, chemical products, cement products, metal products, and machinery and equipment
Nail Care Business	Nail care products
Other Businesses	Industrial abrasives

Manufacturing companies, () is the location

(Domestic) SHOFU INC., Dental Business

Shiga SHOFU Inc., Dental and Nail Care Business

SHOFU Products Kyoto Inc., Dental and Other Businesses

Nail Labo Corp., Nail Care Business

(Overseas) Advanced Healthcare Ltd., Dental Business (UK)

Shanghai SHOFU Dental Material Co., Ltd., Dental Business (China)

Merz Dental GmbH, Dental Business (Germany)

Digital Dental Services GmbH, Dental Business (Germany)

SHOFU Products Vietnam Co., Ltd., Dental Business (Vietnam)

SHOFU Products Changzhou Co., Ltd., Dental Business (China)

Sales companies, () is the location

(Domestic) SHOFU INC., Dental Business

Nail Labo Corp., Nail Care Business

SHOFU Biofix Inc., Dental Business

(Overseas) SHOFU Dental Corp., Dental Business (US)

SHOFU Dental GmbH, Dental Business (Germany)

SHOFU Dental Trading (Shanghai) Co., Ltd., Dental Business (China)

Nail Labo Inc., Nail Care Business (US)

Advanced Healthcare Ltd., Dental Business (UK)

SHOFU Dental Asia-Pacific Pte. Ltd., Dental Business (Singapore)

Nail Labo Taiwan Co., Ltd., Nail Care Business (Taiwan)

Merz Dental GmbH, Dental Business (Germany)

Digital Dental Services GmbH, Dental Business (Germany)

SHOFU Dental India Pvt. Ltd., Dental Business (India)

SHOFU Dental Brasil Comercio de Produtos Odontologicos Ltda., Dental Business (Brazil)

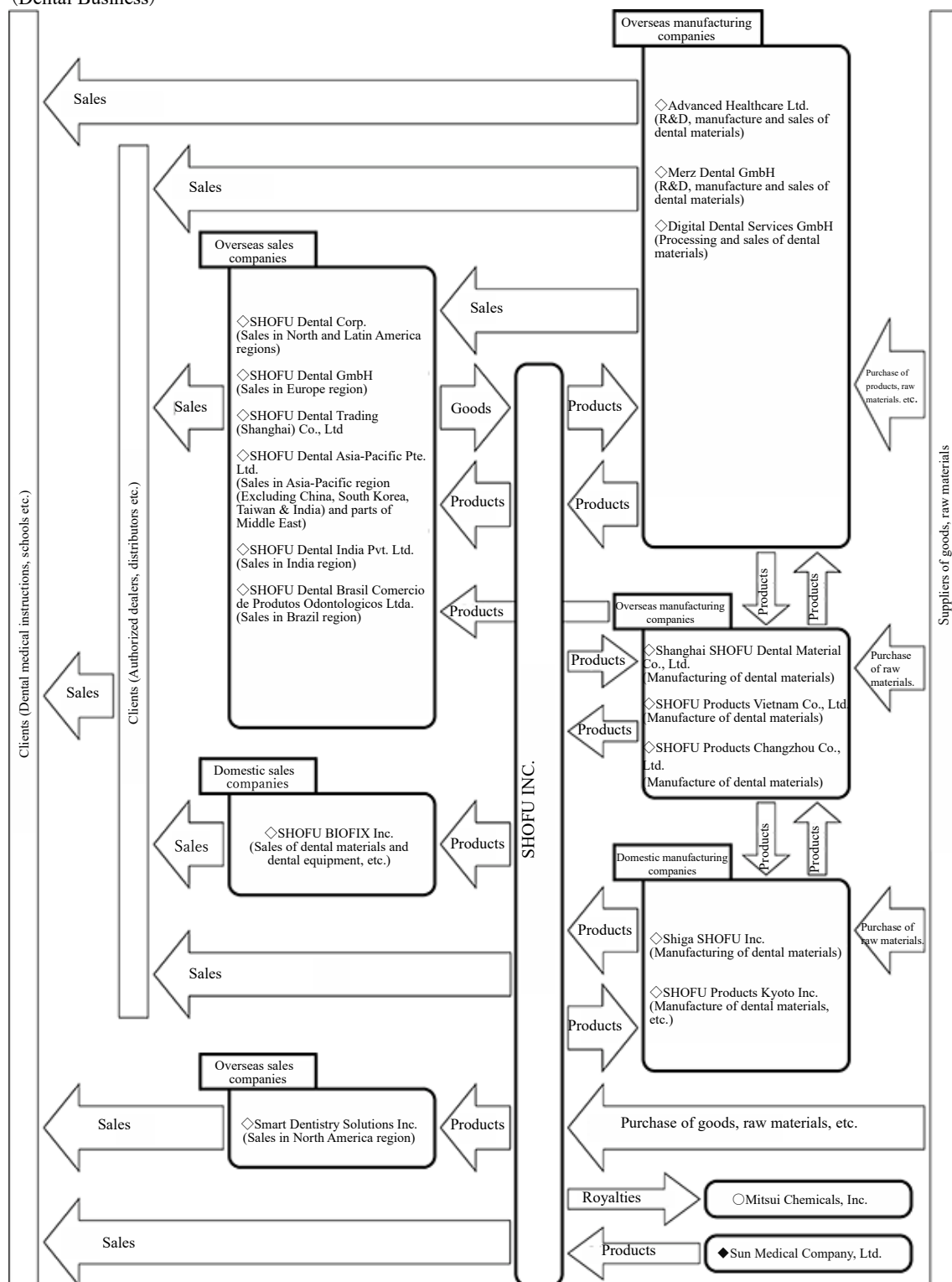
Smart Dentistry Solutions Inc., Dental Business (US)

Notes: 1. An unconsolidated subsidiary not accounted for by the equity method is not included in the above table.

2. Other affiliated companies and affiliates accounted for by the equity method are not included in the above table.

The outline of the Group's Dental and Nail Care Businesses and transactions is as follows.

(Dental Business)



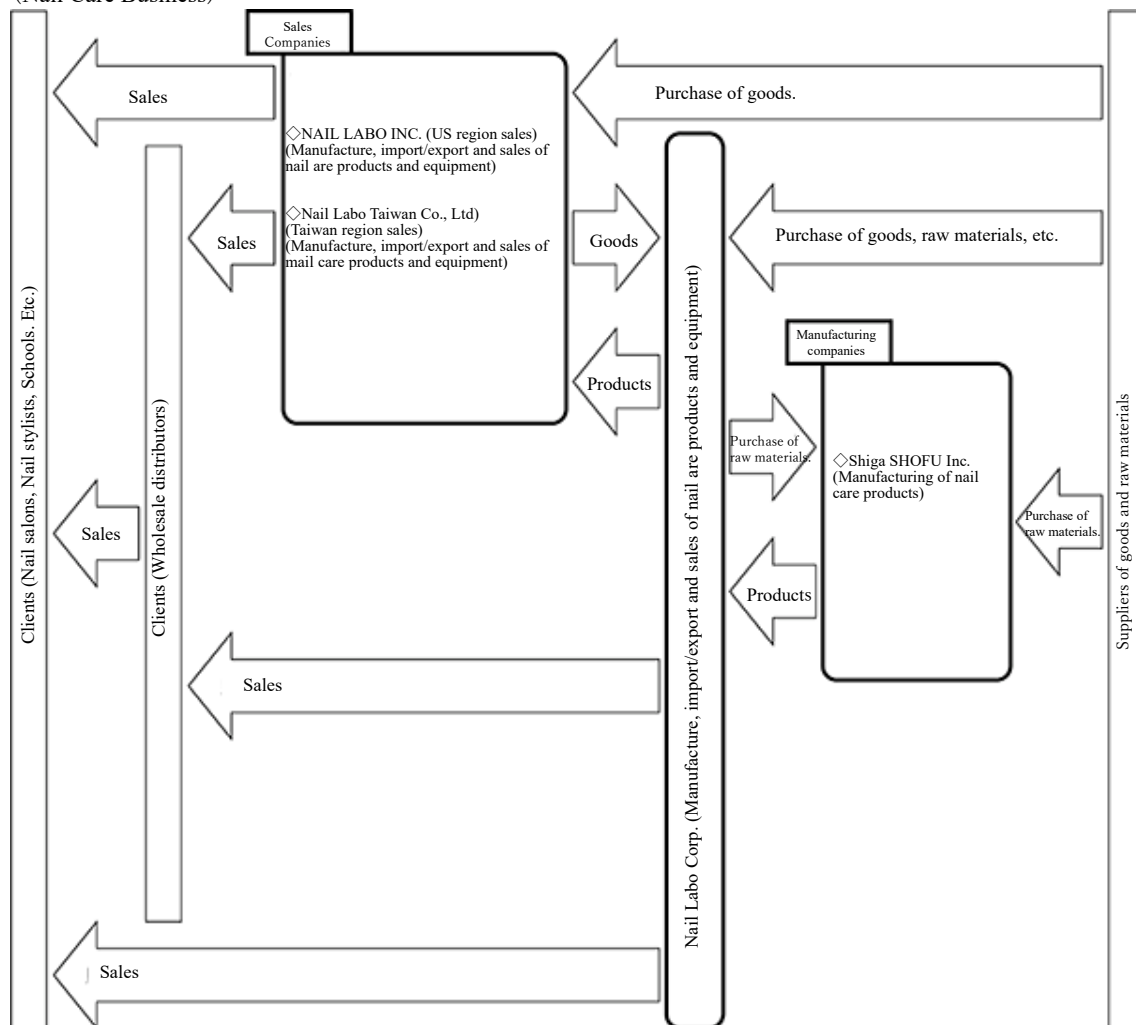
Notes: 1. Consolidated subsidiaries are indicated by ◇.

2. Other affiliated companies are indicated by ○.

3. Equity-method affiliates are indicated by ◆.

4. One non-consolidated subsidiary not accounted for by the equity method is not included in the above organization chart.

(Nail Care Business)



Note: The ◇ mark indicates consolidated subsidiaries.

4. Information on subsidiaries and affiliates

As of March 31, 2025

Name	Location	Capital (million yen)	Principal business	Percentage of voting rights held (or owned) (%)	Relationship with the Company
(Consolidated subsidiaries)					
SHOFU Dental Corp. Note 4	San Marcos, California, US	US\$84,000	Dental Business (Import, export and sale of dental materials and equipment.)	100.0	Sale of our products and purchase of foreign goods. Concurrent directors: 4 (Including 4 employees of the Company.)
Shiga SHOFU Inc. Note 2	Koga City, Shiga	152	Dental Business (Manufacture of dental materials.) Nail Care Business (Manufacture of nail care products and equipment)	100.0	Among our products, manufacture of dental materials. Leasing land from the Company. Concurrent directors: 4 (Including 3 employees of the Company.)
SHOFU Dental GmbH Note 5	Ratingen, North Rhine-Westphalia, Germany	Euro1,000,000	Dental Business (Import, export and sale of dental materials and equipment.)	100.0	Sale of our products and purchase of foreign goods. Concurrent directors: 4 (Including 4 employees of the Company.)
Advanced Healthcare Ltd.	Tonbridge, Kent, United Kingdom	£2,240,000	Dental Business (R&D, manufacture and sale of dental materials)	100.0	Supply of some raw materials and purchase of dental material products. Concurrent directors: 4 (Including 3 employees of the Company.)
SHOFU Products Kyoto Inc. Note 2	Kumiyama-cho, Kuse-gun, Kyoto	300	Dental Business Other Businesses (Manufacture and sale of dental and industrial materials)	100.0	Among our products, manufacture of dental materials. Leasing land and buildings from the Company. Concurrent directors: 5 (Including 3 employees of the Company.)
Shanghai SHOFU Dental Material Co., Ltd.	Shanghai, China	RMB25,953,900	Dental Business (Manufacture of dental materials.)	100.0	Among our products, manufacture of dental materials. Concurrent directors: 5 (Including 4 employees of the Company.)
SHOFU Dental Trading (Shanghai) Co., Ltd Note 2,6	Shanghai, China	RMB7,408,100	Dental Business (Import and sale of dental materials and equipment)	100.0	Sale of our products. Concurrent directors: 4 (Including 4 employees of the Company.)
SHOFU Dental Asia- Pacific Pte. Ltd.	Singapore	US\$2,600,000	Dental Business (Import, export and sale of dental materials and equipment.)	100.0	Sale of our products. Concurrent directors: 3 (Including 3 employees of the Company.)
SHOFU Biofix Inc.	Bunkyo-ku, Tokyo	300	Dental Business (Sale of dental materials.)	100.0	Sale of our products. Concurrent directors: 4 (Including 3 employees of the Company.)
Merz Dental GmbH	Lüttenburg, Schleswig-Holstein, Germany	Euro3,100,000	Dental Business (R&D, manufacture and sale of dental materials)	100.0	Sale of our products and purchase of dental material products. Concurrent directors: 4 (Including 4 employees of the Company.)
Digital Dental Services GmbH	Lüttenburg, Schleswig-Holstein, Germany	Euro25,000	Dental Business (Processing and sale of dental materials)	100.0 (100.0)	
SHOFU Dental India Pvt. Ltd.	New Delhi, India	INR200,000,000	Dental Business (Import, export and sale of dental materials and equipment.)	100.0 (0.5)	Sale of our products. Concurrent directors: 3 (Including 3 employees of the Company.)
SHOFU Dental Brasil Comercio de Produtos Odontologicos Ltda.	São Paulo, Brazil	BRL7,000,000	Dental Business (Sale of dental materials.)	100.0 (3.6)	Sale of our products. Concurrent directors: 3 (Including 3 employees of the Company.)
SHOFU Products Vietnam Co., Ltd. Note 2	Ha Nam Province, Vietnam	US\$6,364,000	Dental Business (Manufacture of dental materials.)	100.0	Among our products, manufacture of dental materials. Concurrent directors: 5 (Including 2 employees of the Company.)
Smart Dentistry Solutions Inc.	Irvine, California, US	US\$2,000,000	Dental Business (Sale of dental materials.)	100.0	Sale of our products. Concurrent directors: 3 (Including 3 employees of the Company.)
SHOFU Products Changzhou Co., Ltd.	Changzhou, China	RMB25,000,000	Dental Business (Manufacture of dental materials.)	100.0	Concurrent directors: 5 (Including 4 employees of the Company.)
Nail Labo Corp.	Shibuya-ku, Tokyo	250	Nail Care Business (Import, export and sale of nail care products and equipment)	100.0	Concurrent directors: 3 (Including 1 employee of the Company.)
Nail Labo Inc.	Garden Grove, California, US	US\$750,000	Nail Care Business (Import, export and sale of nail care products and equipment)	100.0 (100.0)	Concurrent directors: 1 (Including 1 employee of the Company.)
Nail Labo Taiwan Co., Ltd.	Taipei, Taiwan	NT\$10,000,000	Nail Care Business (Import, export and sale of nail care products and equipment)	70.0 (70.0)	Concurrent directors: 1 (Including 1 employee of the Company.)

Name	Location	Capital (million yen)	Principal business	Percentage of voting rights held (or owned) (%)	Relationship with the Company
(Affiliates accounted for by the equity method)					
Sun Medical Co., Ltd.	Moriyama-shi, Shiga	100	Dental Business (manufacture, sale, and import/export of dental materials and other medical equipment)	20.0	Capital and business alliance. Concurrent directors: 1 (Including 1 employee of the Company.)
(Other affiliated companies)					
Mitsui Chemicals, Inc. Note 3	Chuo-ku, Tokyo	125,331	Basic materials business, etc.	Owned 20.1	Capital and business alliance.

Notes: 1. The figures in parentheses in the ownership ratio of voting rights are the indirect ownership ratio included in the total.

2. Of the above subsidiaries, Shiga SHOFU INC., SHOFU Products Kyoto Inc., SHOFU Dental Trading (Shanghai) Co., Ltd. and SHOFU Products Vietnam Co., Ltd. are specified subsidiaries.

3. Mitsui Chemicals, Inc. is a company that submits securities reports

4. Net sales of SHOFU Dental Corp. (excluding intercompany sales within the Group) account for more than 10% of consolidated net sales.

Major financial information

1) Net sales	4,448 million yen
2) Ordinary profit	844 million yen
3) Net income	639 million yen
4) Net assets	2,395 million yen
5) Total assets	3,287 million yen

5. Net sales of SHOFU Dental GmbH (excluding intercompany sales within the Group) account for more than 10% of consolidated net sales.

Major financial information

1) Net sales	4,298 million yen
2) Ordinary profit	774 million yen
3) Net income	541 million yen
4) Net assets	2,702 million yen
5) Total assets	3,812 million yen

6. Net sales of SHOFU Dental Trading (Shanghai) Co., Ltd., (excluding intercompany sales within the Group) account for more than 10% of consolidated net sales.

Major financial information

1) Net sales	5,690 million yen
2) Ordinary profit	1,425 million yen
3) Net income	1,069 million yen
4) Net assets	2,967 million yen
5) Total assets	3,979 million yen

5. Employees

(1) Consolidated companies

As of March 31, 2025

Segment	Number of employees
Dental Business	1,313 (224)
Nail Care Business	94 (62)
Other Businesses	6 (-)
Total	1,413 (286)

Notes: 1. The number of employees is the number of full-time employees. The figures in parentheses are the average number of part-time employees for the year and not included in the number of full-time employees.
2. The number of part-time employees includes associate employees and part-time employees and excludes dispatch employees.

(2) The Company

As of March 31, 2025

Number of employees	Average age (years)	Average years of service (years)	Average annual salary (yen)
523 (140)	43.14	16.44	8,105,528

Segment	Number of employees
Dental Business	518 (139)
Nail Care Business	5 (1)
Total	523 (140)

Notes: 1. The number of employees is the number of full-time employees (excluding those seconded from the Company to outside the Company but including those seconded from outside the Company to the Company). The figures in parentheses are the average number of part-time employees for the year and not included in the number of full-time employees.
2. The number of part-time employees includes associate employees and part-time employees and excludes dispatch employees.
3. Average annual salary includes bonuses and overtime pay and excludes stock compensation expenses.

(3) Labor unions

Within the Group, there are labor unions at the Company and Shiga SHOFU Inc.

The Company's labor union is a member of the Japanese Federation of Chemical and Energy Workers' Unions and is a union shop system.

The labor union of Shiga SHOFU Inc. is also a union shop system.

Labor-management relations are progressing smoothly.

(4) Percentage of female employees in managerial positions, percentage of male employees taking childcare leave, and differences in wages between male and female employees

1) The Company

As of March 31, 2025

Current fiscal year					Supplementary explanation
Percentage of female worker in management positions (%) Note 1	Percentage of male worker taking childcare leave (%) Note 2	Difference in wages between male and female workers (%) Note 1			
		All employees	Regular employees	Part-time and fixed-term employees	
3.9	60.0	56.9	79.5	83.4	

Notes: 1. Calculated pursuant to the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. Calculated pursuant to the provisions of the Act on the Welfare of Workers who Take Care of Children or other Family Members Including Child Care and Family Care Leave (Act No. 76 of 1991). The figure shows the percentage of employees taking childcare leave, etc. set forth in Article 71-6, Item 1 of the Ordinance for Enforcement of the said Act (Ministry of Labour Ordinance No. 25 of 1991).

2) Consolidated subsidiaries

As of March 31, 2025

Current fiscal year						Supplementary explanation
Name	Percentage of female worker in management positions (%)	Percentage of male worker taking childcare leave (%) Note	Difference in wages between male and female workers (%)			
			All employees	Regular employees	Part-time and fixed-term employees	
Shiga SHOFU Inc.	-	100.0	-	-	-	-

Note: Calculated pursuant to the provisions of the Act on the Welfare of Workers who Take Care of Children or other Family Members Including Child Care and Family Care Leave (Act No. 76 of 1991). The figure shows the percentage of employees taking childcare leave, etc. set forth in Article 71-6, Item 1 of the Ordinance for Enforcement of the said Act (Ministry of Labour Ordinance No. 25 of 1991).

2. Business overview

1. Management policies, business environment, and issues to be addressed

The Group's management policies, business environment and issues to be addressed are as follows.

The forward-looking statements herein are based on management's assumptions and beliefs in light of information available as of June 24, 2025, the date of submission of this Annual Securities Report.

(1) Management policies and strategies, etc.

Based on our corporate philosophy of "contribution to dentistry through innovative business activities," the Group's action guidelines are to "strive for quantitative growth and expansion with an emphasis on quality in all aspects of corporate activities" and "proactively take on challenges while anticipating all changes." Our basic management policy is to provide products and services that satisfy our customers and to respond to the trust and expectations of our shareholders through these activities.

In 2012, on the 90th anniversary of the founding of the Group, the Group formulated a long-term vision, the ¥50 billion Vision with an eye to its ideal state for the future.

The outline of the plan was to increase the Group's contribution to global dental care and its presence in the global market. Based on the recognition that the Group has no future without growth overseas, the Group significantly shifted the allocation of management resources overseas, aiming for Group sales of ¥50 billion (including domestic sales of ¥17 billion and overseas sales of ¥33 billion) and operating profit of ¥7.5 billion (operating profit margin of 15%).

13 years have passed since we set the vision, with medium-term management plans (first to fifth) formulated every three years with the aim of achieving the ¥50 billion Vision. Based on the results accumulated during this period, to achieve the "¥50 billion Vision" we formulated the Fifth Medium-Term Management Plan, which has been in place since April 2024.

Key issues in the medium to long term are as follows.

- 1) Development and launch of new products aligned with local demand and needs
- 2) Development of sales networks and sales offices
- 3) Building domestic and international academic networks (building a direct promotional organization for users)
- 4) Cost reductions, reallocation of production sites to accommodate increased production volumes, expansion of overseas production
- 5) Developing and securing human resources to actively promote overseas development
- 6) Financing to meet growing demand for funds
- 7) M&A (business and technology alliances, business acquisitions)
- 8) Strengthening the Group's governance structure
- 9) Business partnership with Mitsui Chemicals, Inc. and Sun Medical Inc.
- 10) Promotion of sustainability management

(2) Target management indicators

We are targeting consolidated net sales of ¥50 billion and consolidated operating profit of ¥7.5 billion. The Fifth Medium-Term Management Plan calls for consolidated net sales of ¥50.1 billion and consolidated operating profit of ¥7.5 billion for the fiscal year ending March 31, 2028. To achieve these targets, we will work on each priority issue.

For more information on the medium-term management plan, please refer to the press release dated May 1, 2024 posted on the Company's website (address: <https://www.shofu.co.jp/ir/>).

(3) Business environment and priority business and financial issues

Regarding the future economic outlook, while a moderate recovery is expected to continue in the global economy as a whole, uncertainties are increasing due to factors such as the expansion of trade disputes stemming from protectionist policies in the United States, concerns over an economic slowdown in China, and heightened geopolitical risks. As such, the situation is expected to remain unpredictable going forward.

In the dental industry, we recognize that the global dental market is poised for significant growth, driven by expanding dental care needs in emerging countries, advances in digital dental technology primarily in developed countries, and a shift from treatment to aesthetics and prevention.

Amid these circumstances, under our corporate philosophy of "contribution to dentistry through innovative business activities," the Group aims to further enhance its contribution to global dental care by targeting consolidated net sales of ¥50 billion and consolidated operating profit of ¥7.5 billion.

Under the Fifth Medium-Term Management Plan, a new four-year plan launched in April 2024, we will accelerate the growth of the Group and actively promote business development as the final phase toward achieving these goals.

Specifically, in the Dental Business, we will strive to expand our market share in the domestic market for restorative materials, CAD/CAM materials, and preventive care finished goods. For overseas business expansion, we will continue to strengthen our sales network and academic activities and enhance our regulatory approval systems to facilitate the sale of our finished goods in countries around the world. In addition, we will make our largest-ever investments to build a supply system capable of meeting global demand, strengthen partnerships with other companies, promote sustainability initiatives, and implement HR measures that foster the growth of both people and organizations, all with the aim of enhancing the Group's medium- to long-term corporate value.

In the Nail Care Business, although there remains significant potential for market development globally, including in emerging

markets, we anticipate that the environment will remain challenging due to the maturation of the domestic market and increased competition from overseas manufacturers. In this context, we will focus on developing new finished goods leveraging the Group's technological capabilities, promoting our products to younger generations through social media and other channels, and strengthening our overseas expansion efforts to drive net sales growth.

In the industrial abrasives market, the market for general-purpose products is shrinking, while demand is increasingly polarized, with growing needs for high-performance products such as precision abrasives and abrasives for non-metal materials like ceramics. Furthermore, price competition, including from overseas manufacturers, is intensifying, and the surge in raw materials prices is expected to continue to create a challenging environment. In response, we will promote the development and market launch of new finished goods, focus on developing products for general users such as hobbyists, and work to expand net sales.

2. Approach to sustainability and our initiatives

The Group's approach to and initiatives on sustainability are as follows.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the consolidated fiscal year.

Based on our corporate philosophy of "contribution to dentistry through innovative business activities", the Group strives to resolve social issues through corporate activities in cooperation with stakeholders and aims to achieve both the enhancement of corporate value over the medium to long term and the realization of a sustainable society and has established the following basic policy.

1) Contribution to improving people's QOL

We will contribute to improving the quality of life (QOL) of people around the world by accurately grasping the needs of society and the market, providing safe, reliable, high-quality products and services, and appropriately providing information on products and dental care.

2) Promotion of corporate activities that take the global environment into consideration

To achieve harmony with the global environment and fulfill our social responsibility for the environment, we will work to reduce greenhouse gas emissions in our corporate activities, promote the reduction and reuse of waste, and contribute to the realization of a decarbonized and recycling-oriented society.

3) Strengthening our management foundation to support the enhancement of corporate value

By enhancing corporate governance, compliance, and risk management and engaging in honest and fair corporate activities, we will strengthen the management foundation that supports the enhancement of corporate value.

4) Cultivation of a rewarding organizational culture and development of human resources

Based on the idea that "human resources are the source of creating new value" and "the sum of individual roles is the value of the Company," we will respect the diversity of individuals and provide them with opportunities to learn and grow. By doing so, we will maximize the abilities of each individual in the SHOFU Group and create an organizational culture and work environment in which they can work passionately.

(1) Sustainability overall

(Governance)

Amid the growing importance of achieving both the realization of a sustainable society through the resolution of social issues and the enhancement of corporate value over the medium to long term, the Group established the Sustainability Committee (held twice a year in principle) chaired by the President Executive Officer and Representative Director in December 2021 in order to promote management including the perspective of sustainability.

In light of sustainability-related risks and opportunities, the Sustainability Committee deliberates on matters such as the formulation of basic policies, strategies, and plans for sustainability and the setting of target indicators, monitors the status of initiatives, and reports and makes recommendations to the Board of Directors at least once a year.

The Board of Directors has the responsibility and authority to supervise risks and opportunities related to sustainability in general. The Board of Directors receives reports on the content of deliberations by the Managing Executive Board and the Sustainability Committee, and deliberates and supervises policies and action plans, etc. for responding to sustainability risks and opportunities of the Group.

In addition, the Company has established the Secretariat of the Sustainability Committee (hereinafter referred to as the "Secretariat"), which is responsible for the administrative affairs of the Committee and develops and promotes sustainability measures in cooperation with various committees. The Secretariat discusses and promotes sustainability measures at the working level, such as the compilation of proposals to be taken up by the Committee and necessary internal adjustments based on instructions from the Committee, and reports to and receives instructions from the Committee.

(Risk management)

At the Group, the Sustainability Committee mainly examines the identification of sustainability-related risks and opportunities and the narrowing of risks and opportunities that should be prioritized.






Specifically, in order to identify material issues for the Group, we have identified about 40 items as social issues related to the environment, society, and governance, and identified sustainability-related risks and opportunities. From the list of approximately






40 social issues, the Company evaluates the degree of importance from two perspectives, i.e., the degree of importance for the Company and the degree of importance for stakeholders, based on the risk and opportunity of each. The materiality of the Group is identified by the Board of Directors after deliberation by the Managing Executive Board.

The Sustainability Committee monitors the status of responses to sustainability-related risks and opportunities and reports the results to the Board of Directors.

(Strategy, indicators and targets)

The Group has identified four priority themes, and 16 material issues associated with them as issues that the Group should address.

address:	Materiality	Target	Related SDGs
1. Contribution to improving people's QOL			
Quality assurance and stable supply of products	<ul style="list-style-type: none">• Zero product recalls due to quality issues		
Ensuring proper use of products	<ul style="list-style-type: none">• Strengthening the system for collecting and evaluating safety management information• Enhancement of information provision for proper use of products		
Providing products and services to solve dental problems (Provision of products and services with social significance)	<ul style="list-style-type: none">• Strengthen partnerships with dental professionals• Expansion of the number of sales countries• Strengthen protection and utilization of intellectual property• Continuous provision of digital products and services• Continuous provision of preventive products (including GIOMER products) and services• Increase in sales ratio of preventive and digital products		
Providing information to improve dental IQ	<ul style="list-style-type: none">• Enhancement of disease education and information provision for the general public		
2. Promotion of corporate activities that take the global environment into consideration			
Contributing to a recycling-oriented society	<ul style="list-style-type: none">• Development of recycling systems for product development, materials, etc.• Improvement of recycling rate	  	
Response to climate change and contribution to a decarbonized society	<ul style="list-style-type: none">• 27% reduction in greenhouse gas emissions (compared to fiscal 2021)• Achieve carbon neutrality by 2050		
Prevention of environmental pollution	<ul style="list-style-type: none">• Continuation of zero environment-related accidents		

Materiality	Target	Related SDGs
3. Strengthening our management foundation to support the enhancement of corporate value		
Respect for human rights	<ul style="list-style-type: none">・ Promoting understanding of the human rights policy and initiatives throughout the Group・ Promotion of sustainable procurement in the supply chain	 
Thorough compliance	<ul style="list-style-type: none">・ Zero major compliance violation	
Promotion of risk management	<ul style="list-style-type: none">・ Implement highly effective business continuity management	
Strengthening corporate governance	<ul style="list-style-type: none">・ Strengthen group governance・ Building a highly effective corporate governance structure	
Appropriate information disclosure Dialogue with stakeholders	<ul style="list-style-type: none">・ Implementation of surveys, questionnaires, and dialogues with stakeholders, and initiatives for improvement measures・ Enhance the quality and quantity of information disclosure	
4. Fostering an organizational culture and human resources with job satisfaction		
Promotion of employee health and occupational safety	<ul style="list-style-type: none">・ Maintain zero serious occupational accidents・ Improve employees' health awareness (including oral healthcare)	  
Promotion of human resource development	<ul style="list-style-type: none">・ Strengthen career-related support for employees	
Promoting diversity and inclusion	<ul style="list-style-type: none">・ Increase the ratio of female manager	
Achieving work-life balance	<ul style="list-style-type: none">・ Improving employee satisfaction	

(2) Addressing climate change

(Governance)

Climate change governance is embedded in overall sustainability governance. For details, please refer to (1) Sustainability overall (Governance).

In addition, the Company establishes targets and plans for climate change, selects priority issues, checks progress against the plans as appropriate, and discloses risks, opportunities, and financial impacts to stakeholders.

(Risk management)

Risk management related to climate change is built into overall sustainability risk management. For details, please refer to (1) Sustainability overall (Risk management).

In addition, risks and opportunities related to climate change will be managed through the following activities and reviewed periodically.

- 1) Scenario analysis related to climate change
- 2) Identification of short-, medium- and long-term climate-related risks and opportunities
- 3) Determination of strategic approaches to identified significant climate-related risks and opportunities
- 4) Consider specific responses to climate-related risks and opportunities
- 5) Implementation and progress management of measures to address climate-related risks and opportunities

By taking necessary measures based on the monitoring results, the Company has established a system that enables it to respond flexibly and optimally in accordance with the degree of management impact. In addition, important risks related to climate change are reported to the Managing Executive Board and coordinated with company-wide risks.

(Strategy)

The Group conducts scenario analysis for 2030 and 2050, assuming a world view in which the global temperature rises by 1.5 °C, 2 °C, and 4 °C in 2100.

In addition, five risk items and five opportunity items are extracted as items that are assumed to have an impact on the Company.

Type		Causes of risks and opportunities	Specific issues	Financial impact in 2030	
				1.5°C (2°C)	4°C
Transition risk	Policies and regulations	GHG emissions rating progress Strengthening GHG emissions reporting requirements	Carbon tax introduction will increase energy costs, procurement costs and transport (logistics) costs.	Medium	-
		Mandate / regulation of existing products / services	The tightening of environmental laws and regulations will increase procurement risks and costs.	Small	-
			If plastic regulations are tightened and there is no progress in the de-plasticization of our products, we will be shut out of the market, mainly in Europe.	Medium	-
	Technology	Upfront costs associated with the transition to low-carbon technologies	Development costs and capital investment costs increase to invest in materials and technologies with low environmental impact.	Small	-
Physical risk	Acute	Increasing severity and frequency of extreme weather events such as cyclones and floods Increased likelihood and severity of wildfires	Large-scale natural disasters (such as typhoons, heavy rain, floods, or wildfires) may cause the Company's operations to stagnate, making it difficult to provide a stable supply of products and reducing sales.	Medium	Medium

Type		Causes of risks and opportunities	Specific issues	Financial impact in 2030	
				1.5°C (2°C)	4°C
Opportunity	Efficiency of resources	Use of efficient means of transportation for Efficient production and distribution processes	The use of efficient production and distribution processes can reduce production, transport and storage costs.	Small	Small
			Energy cost can be reduced by energy saving.	Small	Small
		Use of recycled materials	- Recycling of product components and packaging materials can reduce the amount of raw materials needed and reduce raw material costs.	Small	-
	Products and services	Development and expansion of low-carbon products and services Development of new products and services through R&D and innovation	The development of products that contribute to the efficiency improvement of dental care sites and the reduction of CO ₂ emissions will increase sales of our related products.	Medium	-
	Resilience	Participation in renewable energy programs and adoption of energy-saving measures	By promoting the reallocation of production sites and the diversification of procurement energy sources, including renewable energy, it is possible to expect an improvement in resilience in the event of a disaster or system power failure (business continuity, control of rising energy procurement costs).	Small	-

* The 4°C scenario assumes a world without greenhouse gas emissions and environmental regulations, so it is not calculated or evaluated depending on the risks and opportunities.

We will enhance the resilience of our business activities by continuously implementing and evaluating the effects of medium - and long-term countermeasures for the identified risks and opportunities.

Countermeasure	Specific issues
Promotion of energy use to adapt to a decarbonized society	• Promotion of energy conservation measures
	• Use of renewable energy
	• Establishment of an efficient production and logistics system
Balancing contribution to dental care and decarbonization	• Promotion of development and sales of environmentally conscious products
	• Minimize packaging/containers
Development of the business base that responds to increasingly severe natural disasters	• Development of BCP
	• Strengthen cooperation with suppliers and logistics companies
	• Promotion of reallocation of production sites
Appropriate response to environmental regulations	• Monitoring of trends in environmental regulations and consideration of countermeasures

(Metrics and targets)

The Group has set the following reduction targets for Scope 1 and Scope 2 to reduce greenhouse gas emissions, using Scope 1 and Scope 2 for FY3/22 as the base year.

- 27% reduction in Scope 1 and 2 GHG emissions by FY3/31 (vs. FY3/22)
- Achieve carbon neutrality by FY3/51

CO₂ emissions (Scope 1 and 2) (Unit: tCO₂)

	FY3/22	FY3/24	FY3/25
Domestic	3,250.8	3,498.4	2,936.4
Overseas	2,032.5	2,292.8	2,435.4
Total	5,283.3	5,791.2	5,371.9
Percentage change from FY3/22 (%)	—	9.6	1.6
Index per unit of sales (compared to FY3/22) (%)	100	87.9	69.9

The Scope 3 CO₂ emissions for FY3/25 will be disclosed on our website as soon as the calculation is complete.

The calculation results for Scope 3 CO₂ emissions for the most recent fiscal year (ending March 2024) are published on our website (<https://www.shofu.co.jp/contents/hp2008/index.php?No=2019&CNo=2008>).

(3) Initiatives for human capital and diversity (Strategy)

The Group's policies for human resource development, including ensuring diversity of human resources, and for the development of internal environments are as follows.

Our education and training policy is to develop employees who are creative, proactive, and responsible in responding to change. As employees grow, we provide them with opportunities for education and training such as rank-based training, selective training, global human resources training, and self-development support in order to acquire knowledge and skills and develop their qualities as members of an organization. We aim to develop human resources who anticipate changes in the business environment, think for themselves about what they should do to achieve the goals of the organization, rather than simply fulfilling assigned tasks, and have a strong will to take on challenges.

1) Policies and initiatives for the development of core female human resources and improving the internal environment

To promote female employees to management positions, the Company has set a target of increasing the female recruitment ratio to 30% or more. In addition to working to form a population of women who can serve as core human resources by utilizing recruitment media that lead to active applications by women, the Company actively provides opportunities for female employees to participate in career education. In addition, to create a comfortable working environment for everyone regardless of gender or attributes, the Company has put in place various systems such as nursing care leave that allows employees to balance work and life events such as childcare and nursing care, measures to shorten working hours for childcare, and nursing care leave. In addition, the Company also conducts training for management who decide on promotion to managerial positions.

2) Policies and initiatives for the development of core foreign human resources and improving the internal environment

We value people regardless of nationality and hire non-Japanese, but we have not yet promoted any to management positions. In addition, the Company will work to build an organization and develop human resources that allow diverse individuals to make the most of their abilities, and provide equal opportunities for remuneration, education, promotion opportunities, etc., regardless of nationality. However, the Group's policy is to broaden the base of foreign human resources through personnel exchanges with overseas subsidiaries of the Group and the hiring of foreign students.

3) Policies and initiatives for the development of core human resources for mid-career recruits and improving the internal environment

At the Company, the percentage of mid-career recruits in managerial positions is 20.4%. Since the percentage of mid-career recruits has increased in recent years, it is expected that the percentage of mid-career recruits in managerial positions will increase in the future. In the future, the Company will continue to provide equal remuneration, education, and promotion opportunities for both mid-career recruits and new-grad recruits. In addition, the Company's policy is to actively promote the mid-career recruitment of human resources necessary to secure diversity, such as women and foreign nationals, as well as human resources in fields and specialized fields that are lacking in the Company's business.

(Metrics and targets)

Regarding the metrics related to the policy on human resource development including ensuring diversity of human resources and the policy on improving the internal environment, which are described in (3) Initiatives for human capital and diversity Strategy above, the Group manages the data of the relevant indicators and takes specific initiatives, but not all companies belonging to the consolidated group do so. Therefore, the metrics of the Company that conducts the main business in the consolidated group are described.

Metric	Target	Result
Percentage of female employees hired	30% or more	37%
Percentage of employees taking childcare leave	(Male) 30% or more	60%
	(Female) 100%	100%

3. Business and other risks

The Group's performance described in this Annual Securities Report may be significantly affected by various factors that may occur in the future. The following list includes, but is not limited to, the major potential risk factors for the Group's business development.

In addition, the Group discloses matters that are considered to be important for investors' judgment, including external factors that cannot be controlled by the Group and matters that are not necessarily highly likely to materialize as business risks, in order to actively disclose information.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the consolidated fiscal year.

(1) Risks related to licenses etc. for manufacturing and sales etc.

Dental materials, dental equipment, medicated toothpaste, and in-vitro diagnostics sold by the Group are used to diagnose, treat, or prevent oral diseases in humans, and are subject to detailed regulations under the Act on Pharmaceuticals and Medical Devices from the development and manufacturing stages to distribution (after sales). They are classified as pharmaceuticals, quasi-pharmaceuticals, cosmetics and medical devices, etc. under the Act. To market these products, it is necessary to obtain a marketing authorization license from the prefectural governor. The licensing requirements include that there are no disqualification requirements for applicants, that a considerable number of qualified managers are secured and allocated, that a quality assurance organization is established to ensure that products are shipped and manufactured under appropriate manufacturing and quality control, and that a safety management organization is established to ensure (promote) safe and proper use even after marketing, and that management activities are carried out under the supervision of a General Marketing Compliance Officer in accordance with legal procedures. In addition, to manufacture pharmaceuticals, quasi-pharmaceuticals and medical devices, etc., a manufacturing business registration is required, and to sell them to medical institutions, a sales business license is required. The Group recognizes that the continuation of these licenses is one of the most important issues for its business and takes appropriate measures. However, if these licenses are revoked for some reason, there is a possibility that the continuation of the Group's business may be adversely affected. The above-mentioned licenses are valid for 5 years for marketing authorization licenses, 6 years for sales business licenses, and 5 years for manufacturing business registration. Licenses may be revoked if the licensing requirements specified by laws and regulations are not met, but at present there are no factors that hinder the continuation of licenses.

(2) Risks related to quality and safety

The Group complies with the Act on Pharmaceuticals and Medical Devices and other regulatory requirements and operates an appropriate quality management system. However, when the use of pharmaceuticals, quasi-pharmaceuticals, cosmetics, and medical devices, etc. manufactured and sold by the Group may cause or increase a hazard in health and hygiene, the Group must take necessary safety assurance measures, such as voluntary recall of products and goods, disposal, suspension of sales, and provision of information, to prevent such a hazard. As a result, the Group's operating performance may be adversely affected by the loss of confidence in the quality and safety of its products.

(3) Risk related to product liability

The research, development, manufacture and sale of dental materials exposes the Group to potential product liability. To date, the Group has not faced any significant product liability prosecution, but there is a possibility that the Group may face such prosecution in the future. The Group has product liability insurance policies in place in Japan and overseas to cover these risks, but the Group's financial position and operating results may be adversely affected if these policies are not sufficient to cover the risks that the Group may incur.

(4) Risks related to laws, regulations, or lawsuits

The Group's business is related to various laws and regulations such as the Companies Act, the Act on Pharmaceuticals and Medical Devices, environmental laws and regulations, and the Foreign Exchange and Foreign Trade Act. The Group strives to conduct management that always takes compliance into consideration, including legal compliance, but in the event of a violation of laws and regulations or the filing of a lawsuit for an unintended reason, the results may have a negative impact on the Group's financial position and operating results.

(5) Risks related to intellectual property

The Group has put in place a system for the protection of intellectual property so that it will not infringe on the intellectual property rights of third parties and that it will not be infringed on by third parties. However, it is impossible to rule out the possibility that a third party may file a lawsuit against the Group on the grounds of infringement of intellectual property rights, or that the Group may be subject to infringement of intellectual property rights by a third party. If such a situation occurs, it may have a negative impact on the Group's financial position and operating results.

(6) Risks related to new product development

The Group conducts research on the commercialization of artificial teeth and other dental materials in general, as well as research and development across the entire spectrum of dental care, including dental equipment. The Group's research and development focuses on applied research. However, in order to launch products after conducting industrialization research, it is necessary to

obtain regulatory approval based on the Act on Pharmaceuticals and Medical Devices as pharmaceuticals, quasi-pharmaceuticals, and medical devices etc. During these processes, unforeseen issues related to efficacy and safety may be identified or arise, and a new product may not be launched at the expected time. In addition, even if a positive result is obtained in a test conducted by the Group and an application for approval or certification is filed, approval or certification may be delayed or may not be obtained due to various reasons such as the review process of the application, GMP/QMS compliance inspection, or voluntary withdrawal of the application may occur. In such cases, the Group's profitability could decline, and its operating results could be adversely affected.

(7) Risks related to medical insurance system trends

The products and goods handled by the Group are used directly and indirectly for dental care. Since most dental care in Japan is covered by health insurance, trends in the medical insurance system may affect demand for dental equipment. Changes in the system may affect the Group's operating results.

(8) Risks related to market globalization and market entry from other industries

The Japanese dental market, like the U.S. and Europe is a large market. Considering the growth potential of the Asian market centered on China, the Asian market, including Japan, can be regarded as the most promising market in the world for European and U.S. material and equipment manufacturers. On a global scale, market reorganization led by European and U.S. companies has already become active, and it is necessary to recognize these as part of the global strategy of European and U.S. manufacturers, especially their strategy toward Japan and Asia. Until now, the Japanese market has been relatively unaffected by foreign competitors due to its unique health insurance system and complex distribution system, but with the globalization of the market, the Japanese market will be exposed to international competition. In addition, the entry of competitors from other industries could also intensify sales competition, which could have a negative impact on the Group's operating results.

(9) Risk related to impairment of marketable equity securities

The Group holds marketable equity securities. The Group verifies the rationality of holding strategic-shareholdings, but a significant decline in the stock market could adversely affect the Group's operating results due to the recording of a loss on valuation of securities.

(10) Risk related to impairment of shares in subsidiaries

The Group will continue to invest in businesses with Group synergies, however, the Group's shares in subsidiaries are valued using the cost method, and if the real value of shares without a market price declines significantly due to a deterioration in the financial position or other reasons, the Group may be forced to record an impairment loss on its shares in subsidiaries, which may have a negative impact on the Group's operating results.

(11) Risks related to foreign exchange fluctuations

Fluctuations in foreign exchange rates may affect the Group's operating results.

The Group's transactions denominated in foreign currencies may be affected by foreign exchange fluctuations, although the Group has taken measures to mitigate foreign exchange risks to a certain extent. On the other hand, there is a possibility that transactions denominated in Japanese yen may also be indirectly affected by requests for price reductions, etc.

Also, because the Group's financial statements are prepared using the Japanese yen as the reporting currency, fluctuations in foreign exchange rates when translating the results of overseas subsidiaries into Japanese yen may have an impact on the items in the financial statements, and as a result, may have an impact on the Group's financial position and operating results.

(12) Risks related to plant closure or suspension

The Group is working to reduce risks in order to minimize damage in the event of an emergency. In addition to conducting training and stockpiling necessary for disasters such as earthquakes and fires, the Group is implementing various responses and measures to prevent the spread of infectious diseases caused by pandemics, and complying with related laws and regulations related to factory operations.

However, if the Group is forced to close or suspend operations of its factories, facilities, etc. due to natural disasters, fires, other man-made disasters, or the spread of infectious diseases such as the novel coronavirus, which are greater than expected, there is a possibility that the Group's operating results will be seriously affected.

(13) Risks related to computer information security

Although the Group has implemented security measures for its networks, the possibility of intrusion by computer viruses, etc., or interference by hackers, etc., is not eliminated. If such damage occurs, the Group's operating results may be adversely affected.

(14) Risks related to international business activities

The Group is engaged in a variety of business activities in various countries around the world. In addition to laws, regulations, and medical insurance systems in each country, the political, economic, cultural, legal, and business practices of each country make the environment surrounding the Group companies uncertain into the future. Differences in these environments and various problems arising from them may adversely affect the Group's financial position and operating results.

(15) Financial covenants

The Group procures funds from financial institutions to ensure stable fund management, however, the commitment line contracts are subject to financial covenants. Any breach of such covenants could have a negative impact on the Group's operating results and financial position.

(16) Affiliates accounted for by the equity method

The Group has one equity method affiliate. Deterioration in the performance and financial position of the equity method affiliate may affect the Group's financial position and operating results.

4. Management's analysis of financial position, operating results and cash flows

(1) Overview of operating results, etc.

An overview of the Group's financial position, operating results and cash flows for the fiscal year under review is as follows.

1) Operating results

During the current consolidated fiscal year, the global economy showed signs of recovery due to easing inflation; however, uncertainty persisted as political instability in Europe and concerns over the impact of the United States' tariff policies in the latter half of the year continued to cloud the outlook.

With regard to the domestic economy, a moderate recovery trend continued, supported by improvements in the employment and income environment as well as the effects of various policies. However, uncertainty about the outlook persisted due to factors such as downside risks in the global economy and a decline in consumer sentiment resulting from continued price increases.

In the dental industry, while the global market for related equipment and materials has continued to grow amid the increasing adoption of digitalization in dental care, competition across the industry has intensified, resulting in a challenging business environment that leaves little room for optimism.

Under these circumstances, the Group has launched its Fifth Medium-Term Management Plan and has been aggressively promoting measures for future growth.

Specifically, in Japan, we expanded our CAD/CAM-related products and strengthened our sales strategy in the field of preventive medicine. Overseas, we aggressively launched new products and strengthened the functions of our sales bases and networks.

In addition, the Company has implemented measures with an eye to medium- to long-term growth, such as rebuilding the head office factory to increase production capacity.

As a result, net sales for the current consolidated fiscal year totaled ¥38,698 million, up ¥3,617 million (10.3%) year-on-year.

Operating profit increased ¥683 million (14.5%) year-on-year to ¥5,392 million, despite an increase in selling, general and administrative expenses, due to the effect of higher sales.

Ordinary profit increased ¥404 million (7.9%) year-on-year to ¥5,523 million, despite net foreign exchange losses recorded as non-operating expenses.

As a result of a ¥681 million gain on sales of investment securities as extraordinary gains and a ¥50 million loss on retirement of non-current assets as extraordinary losses, net income attributable to owners of parent company increased ¥661 million (18.1%) year-on-year to ¥4,317 million, and net sales, operating profit, ordinary profit and net income all reached record highs.

Operating results by segment are as follows.

(Dental Business)

In Japan, CAD/CAM-related products such as the EyeSpecial C-V digital camera and the dental cutting ceramics SHOFU Disk ZR Lucent Supra contributed to sales, resulting in a year-on-year increase in sales.

Overseas, sales of dental filling and restorative materials grew steadily in each region due to a sales strategy that utilized the advantages of the Company's products. As a result, sales were strong mainly in Asia including China and Europe. The positive impact of exchange rate fluctuations also contributed to a year-on-year increase in sales.

As a result, net sales in Dental Business increased ¥3,732 million (11.4%) year-on-year to ¥36,356 million, and operating profit increased ¥753 million (16.1%) year-on-year to ¥5,438 million, despite an increase in selling, general and administrative expenses.

(Nail Care Business)

In the domestic market, while sales of the nail and hand care finished goods "ARTiS di Voce," which were performing well in Taiwan, increased, the increasingly saturated market and advancing commoditization intensified competition. As a result, our core professional gel nail finished goods "PRESTO" and acrylic material "NAIL DE DANCE" struggled to grow, resulting in a year-on-year decrease in revenue.

Overseas, although we made efforts to expand sales mainly of our own branded finished goods in Taiwan, we were affected by aggressive competition from overseas companies. In other regions as well, sales remained sluggish due to factors such as a decline in consumption caused by inflation in the United States and the impact of import restrictions in China. As a result, overall overseas sales decreased year-on-year.

As a result, net sales in Nail Care Business decreased ¥130 million (5.5%) year-on-year to ¥2,243 million, and operating profit deteriorated ¥71 million year-on-year to an operating loss of ¥66 million.

(Other Businesses)

In Other Businesses, although capital investment in the manufacturing sector increased in the industrial abrasives market, overall performance remained sluggish due to factors such as the suspension of operations at factories in key automotive-related markets and concerns over exchange rate fluctuations, including the depreciation of the yen. Under these circumstances, orders from customers who had adjusted their inventories in the previous fiscal year recovered, and efforts were made to develop new customers. As a result, net sales in Other Businesses amounted to ¥97 million, a significant year-on-year increase of ¥15 million (19.6%), while operating profit was ¥14 million, a year-on-year increase of ¥1 million (12.5%).

2) Financial position

(Current assets)

The balance of current assets at the end of the current consolidated fiscal year was ¥27,521 million, an increase of ¥2,342 million from the end of the previous consolidated fiscal year. The main factors were increases in cash and deposits and merchandises and finished goods.

(Non-current assets)

The balance of non-current assets at the end of the current consolidated fiscal year was ¥22,472 million, a decrease of ¥2,441 million from the end of the previous consolidated fiscal year. The main factor was a decrease in investment securities resulting from the sale of strategic-shareholdings and a decline in fair value.

(Current liabilities)

The balance of current liabilities at the end of the current fiscal year was ¥5,218 million, a decrease of ¥374 million from the end of the previous fiscal year. The main factor was a decrease in the current portion of long-term loans payable.

(Non-current liabilities)

The balance of non-current liabilities at the end of the current consolidated fiscal year was ¥2,038 million, a decrease of ¥851 million from the end of the previous consolidated fiscal year. The main factor was a decrease in deferred tax liabilities.

(Net assets)

The balance of net assets at the end of the current fiscal year was ¥42,736 million, an increase of ¥1,126 million from the end of the previous fiscal year. This was mainly due to increases in retained earnings.

As a result, the shareholders' equity ratio rose 2.5 percentage points to 85.2%.

3) Cash flows

Cash and cash equivalents at the end of the year increased ¥1,037 million from the end of the previous year to ¥10,061 million.

(Cash flows from operating activities)

Cash flows from operating activities were positive ¥3,447 million (an increase of ¥358 million from the previous period). This was mainly due to net income before income taxes of ¥6,154 million.

(Cash flows from investing activities)

Cash flows from investing activities were negative ¥914 million (an increase of ¥381 million from the previous period). This was mainly due to a ¥1,229 million purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash flows from financing activities were negative ¥1,783 million (an increase of ¥312 million from the previous period). This was mainly due to cash dividends paid by the parent company amounting to ¥1,385 million.

4) Production, orders received, and sales results

(Production results)

Production results by segment for the current consolidated fiscal year are as follows.

Segment	Production (million yen)	year-on-year (%)
Dental Business	17,641	4.7
Nail Care Business	482	(24.2)
Other Businesses	102	16.4
Total	18,226	3.7

Notes: 1. The amount is based on the sales price.

2. The above amount does not include consumption tax, etc.

(Orders received)

Orders received by segment for the current consolidated fiscal year are as follows.

The Group produces products according to production plans based on sales plans. Some products are produced to order.

Segment	Orders received (million yen)	year-on-year (%)	Order backlog (million yen)	year-on-year (%)
Dental Business	1,112	10.8	501	1.5
Nail Care Business	-	-	-	-
Other Businesses	-	-	-	-
Total	1,112	10.8	501	1.5

Note: The above amount does not include consumption tax, etc.

(Sales results)

Sales results by segment for the current consolidated fiscal year are as follows.

Segment	Sales (million yen)	year-on-year (%)
Dental Business	36,356	11.4
Nail Care Business	2,243	(5.5)
Other Businesses	97	19.6
Total	38,698	10.3

Notes: 1. The above amount does not include consumption tax, etc.

2. Sales results by major customers and the ratio of such sales to total sales

Disclosure is omitted as the ratio of sales results for major counterparties is less than 10%.

3. Transactions between the three segments have been eliminated.

(2) Management's discussion and analysis of operating results etc.

Management's discussion and analysis of the Group's operating results are as follows. Any forward-looking statements herein are based on management's assumptions and beliefs considering the information currently available to it as of the end of the current fiscal year.

1) Recognition, analysis and examination of the status of operating results, etc. for the current consolidated fiscal year

(Analysis of operating results)

Net sales of the Group for the current consolidated fiscal year amounted to ¥38,698 million, representing an increase of ¥3,617 million (10.3%) year-on-year.

Operating profit amounted to ¥5,392 million, an increase of ¥683 million (14.5%) year-on-year, as the effect of increased revenue outweighed the increase in selling, general and administrative expenses.

Ordinary profit increased by ¥404 million (7.9%) year-on-year to ¥5,523 million, due to the recording of dividend income and membership fee income.

As a result of recording gain on sales of investment securities as extraordinary gains and loss on retirement of non-current assets as extraordinary losses, net income attributable to owners of parent after deducting taxes amounted to ¥4,317 million, an increase of ¥661 million (18.1%) year-on-year. Net sales, operating profit, ordinary profit, and net income all reached record highs.

(Analysis of financial position)

Analysis of the financial position for the current fiscal year is as described in 2. Business overview, 4. Management's analysis of financial position, operating results and cash flows, (1) Overview of operating results, etc., 2) Financial position.

(Discussion and analysis of cash flows and information concerning sources of capital and liquidity of funds)

The Group currently procures necessary working capital and investment funds from its own funds and loans from financial institutions. The Company has also concluded commitment line contracts with four financial institutions to build a flexible and stable fund procurement system. The Group has built a good relationship with financial institutions and believes that it will be able to continue to stably raise working capital and investment funds necessary for the future.

Analysis of cash flows for the current fiscal year is as described in 2. Business overview, 4. Management's analysis of financial position, operating results and cash flows, (1) Overview of operating results, etc., 3) Cash flows

2) Significant accounting estimates and assumptions used in such estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. Significant accounting policies in the preparation of the consolidated financial statements are described in "5. Financial Information, 1. Consolidated Financial Statements, (1) Notes to consolidated financial statements (Significant accounting policies).

5. Significant business contracts

With respect to material contracts entered into prior to April 1, 2024, disclosure has been omitted pursuant to Article 3, Paragraph 4 of the Supplementary Provisions of the "Cabinet Office Ordinance Partially Amending the Cabinet Office Order on Disclosure of Corporate Affairs and the Cabinet Office Order on Disclosure of Information on Regulated Securities.

6. Research and development activities

With regard to research and development activities, the Company conducts basic research and finished goods development for dental materials and equipment and nail-related materials. In the current consolidated fiscal year, the Company recorded ¥1,985 million in research and development expenses. Research and development activities by segment are as follows

(Dental Business)

In the field of domestic insurance-covered dental materials, “SHOFU Block PEEK” was newly included in the insurance reimbursement list in December 2023 (and released on the same day), making a significant impact on the market as an insurance-eligible material that can be used for all molars. This product uses PEEK (polyether ether ketone), an engineering plastic characterized by high toughness, excellent biocompatibility, and low water absorption, as its raw material. As a result, prosthetic treatments using this product not only minimize the amount of natural tooth reduction required but also allow cases that previously required metal crowns to be treated with this product, making it a proactive option for patients concerned about metal allergies. Initially, only an ivory color was available at the time of launch, but a white color was added in December 2024, one year later. This has expanded the range of color options to better meet patient needs and has contributed to the wider adoption of treatments using this product.

In the field of grinding and polishing materials, we launched the polishing material “GLOSSMASTER ZR” for zirconia and lithium disilicate in January 2025. This product is the successor to our “ZIRCOSHINE” and enables a smooth surface finish on zirconia and lithium disilicate restorations with a simple two-step polishing process after chairside occlusal adjustment.

Meanwhile, in the digital dentistry field, we have released an upgraded version of the CAD software “GO2dental” (from April to October 2024) and additionally launched the SHOFU CAD/CAM MILLING BUR BE-0.3-4-B for CAD/CAM milling machines (in July 2024). Furthermore, regarding milling machines, we launched the “DWX-53D” in October 2024, which, like the currently available DWX-53DC, achieves high machining accuracy through a robust frame and a new spindle, but is offered at a lower price by removing the disk changer function.

In the field of orthodontics, we launched the PRECI CRYSTAL, a ceramic orthodontic bracket specialized for aesthetics, between July and September. In July, we released the Roth type and Andrews type, and in September, the McLaughlin type—each product named after the orthodontist who proposed the respective bracket design. Additionally, in December, we launched the Ortholine Archwire II Beta III, an orthodontic wire made of titanium-molybdenum alloy that reduces the risk of metal allergies. This finished good possesses moderate rigidity while allowing for relatively easy shape modification, making it highly versatile and suitable for a wide range of orthodontic treatment periods. Furthermore, in October, we released BeautiBand Cement, an adhesive for attaching ring-shaped orthodontic appliances called “bands” to molars. In the orthodontic field, we are promoting the development of our own brand by systematizing both purchased merchandise and original materials developed with our proprietary technology. Going forward, we intend to further enhance our lineup in this field.

In addition to the above, as part of our overseas finished goods expansion, we have launched additional shades and shapes of “Shofu Disk ZR Lucent Supra”, and released “SHOFU Gumy-V”, “BeautiLink SA”, and “BEAUTIFIL Flowplus X Gingiva Shade” in Europe in March 2025.

(Nail Care Business)

In the gel nail segment (for professional nail stylists), we expanded the lineup of our flagship brand, the visible light LED curing gel nail system “PRESTO”, by launching the “Brush-on No Wipe Top Gel Liner” in April, which enables smooth and delicate work such as finishing details; the “Point Repair Gel” in October, which allows for easy repair simply by applying it to cracked natural nails; and the “Pate Gel Collection” (16 colors), a paste-type art gel released in December that allows for the expression of overlapping colors and texture reminiscent of oil paintings. In addition, we launched a variety of new color gels tailored to trends in each country, including “New Color Gels” (total of 30 colors) and “Brush-on Color Gel New Colors” (total of 18 colors).

As part of the “ageha” gel nail system, which was jointly developed with renowned nail stylists, we launched “Mixing Custom Gel 2” in November, allowing users to create original magnetic gels by blending in magnetic powder. In March, we released “Unicorn MAG Veil,” an overcoat gel containing magnetic powder. Additionally, we introduced “New Color Gel Shades (total of 51 colors)” as original ageha colors, designed with a focus on ease of use for salon work.

For ARTiS di Voce, a gel nail system targeting mid- to low-end users in Asian countries, the Company launched new colored gel colors (total of 30 colors), which were planned by Nail Lab Taiwan.

In the gel nail field (for general consumers), as part of the lineup of “by Nail Labo,” a gel nail system that allows you to easily enjoy fashionable nails at home, in June we launched “Keep Base Gel,” which has excellent adhesion to nails. We also launched new color gels (total of 21 colors), which anticipate seasonal trends.

In the field of acrylic nails (for professional nail stylists), we launched the “Swing Powder SW-4,” a series of natural skin tone colors with a translucent finish, in May as part of the “NAIL DE DANCE” acrylic nail system, which was developed by applying dental material technology. Additionally, we released “Color Powder” (total of 19 colors) with excellent color development in July and December.

(Other Businesses)

Not applicable.

3 Facilities

1. Overview of capital expenditures

The Group's corporate philosophy is "Contribution to dentistry through innovative business activities." Accordingly, the Group continues to make capital investments in order to increase the efficiency and speed of R&D, to reduce costs by responding to new products and building an efficient production system, and to build a sales system, including the strengthening of base functions such as improving customer service.

The total amount of capital expenditures for the current consolidated fiscal year was ¥1,445 million. Capital expenditure by segment is as follows.

(1) Dental Business

This is primarily the construction cost of the new factory within the Kyoto headquarters, amounting to ¥213 million.

(2) Nail Care Business

There were no significant capital expenditures.

(3) Other Businesses

There were no significant capital expenditures.

2. Major facilities

The major facilities of the Group are as follows.

(1) The Company

As of March 31, 2025

Facility (Location)	Segment	Description	Book value (million yen)						Number of employees
			Buildings & structures	Machinery & vehicles	Land (Area m ²)	Leased assets	Other	Total	
Head office plant (Higashiyama-ku, Kyoto)	Dental Business	Factory Manufacturing equipment Office	2,147	354	137 (15,850)	3	910	3,552	397 (127)
Tokyo Branch (Bunkyo-ku, Tokyo)	Dental Business	Sales equipment Office	260	-	352 (387)	-	56	669	67 (10)
Other sales offices, etc.	Dental Business	Sales equipment	46	0	512 (1,894)	-	131	690	54 (3)
Leases to subsidiaries	Dental Business	Land Manufacturing equipment	33	0	644 (15,138)	-	0	678	-

Notes: 1. Leases to subsidiaries are to Shiga SHOFU Inc. and SHOFU Products Kyoto Inc.

2. The figures in parentheses in the employees' column are the number of temporary employees.

3. There are no major facilities currently idle.

4. Other in the book value is tools, furniture, fixtures, and software, etc.

(2) Domestic subsidiaries

As of March 31, 2025

Company	Facility (Location)	Segment	Description	Book value (million yen)						Number of employees
				Buildings & structures	Machinery & vehicles	Land (Area m ²)	Leased assets	Other	Total	
Shiga SHOFU Inc.	Head office plant (Koga-shi, Shiga)	Dental Business	Manufacturing equipment	373	83	28 (5,290)	-	62	547	60 (48)
SHOFU Products Kyoto Inc.	Head office plant (Kumiyama-cho, Kuse-gun, Kyoto)	Dental Business	Manufacturing equipment	242	170	-	-	46	459	46 (20)
SHOFU Products Kyoto Inc.	Head office plant (Kumiyama-cho, Kuse-gun, Kyoto)	Other Businesses	Manufacturing equipment	23	8	-	-	6	38	6
Nail Labo Corp.	Head office plant, etc. (Shibuya-ku, Tokyo)	Nail Care Business	Sales equipment Manufacturing equipment Office	51	15	203 (955)	61	20	352	68 (23)
SHOFU Biofix Inc.	Head office (Bunkyo-ku, Tokyo)	Dental Business	Sales equipment	-	-	-	-	1	1	2(2)

Notes: 1. The figures in parentheses in the number of employees column is the number of temporary employees.

2. There are no major facilities currently idle.

3. Other in the book value is tools, furniture, fixtures, and software, etc.

(3) Overseas subsidiaries

As of March 31, 2025

Company	Facility (Location)	Segment	Description	Book value (million yen)						Number of employees
				Buildings and structures	Machinery & vehicles	Land (Area m²)	Leased assets	Other	Total	
SHOFU Dental Corp.	Head office (California, US)	Dental Business	Sales equipment Office	73	3	63 (3,669)	-	12	154	53
SHOFU Dental GmbH	Head office, etc. (North Rhine-Westphalia, Germany, etc.)	Dental Business	Sales equipment Office	765	-	279 (8,775)	-	89	1,134	48
Advanced Healthcare Ltd.	Head office plant (Kent, UK)	Dental Business	Manufacturing equipment Office	329	-	86 (3,555)	-	73	489	45
Shanghai SHOFU Dental Material Co., Ltd.	Head office plant (Shanghai, China)	Dental Business	Manufacturing equipment Office	125	67	-	-	25	218	87 (14)
Nail Labo Inc.	Head office (California, US)	Nail Care Business	Sales equipment	-	-	-	-	1	1	5(2)
SHOFU Dental Trading (Shanghai) Co., Ltd.	Head office, etc. (Shanghai, China)	Dental Business	Sales equipment	-	0	-	-	10	10	76
SHOFU Dental Asia-Pacific Pte. Ltd.	Head office, etc. (Singapore)	Dental Business	Sales equipment	7	-	-	35	3	46	20
Nail Labo Taiwan Co., Ltd.	Head office (Taipei, Taiwan)	Nail Care Business	Sales equipment	-	-	-	-	25	25	16 (36)
Merz Dental GmbH	Head office plant (Schleswig-Holstein, Germany)	Dental Business	Manufacturing equipment Office	397	153	80 (18,501)	-	400	1,032	175
Digital Dental Services GmbH	Head office plant (Schleswig-Holstein, Germany)	Dental Business	-	-	-	-	-	-	-	-
SHOFU Dental India Pvt. Ltd.	Head office (New Delhi, India)	Dental Business	Sales equipment	6	5	-	49	52	114	121
SHOFU Dental Brasil Comercio de Produtos Odontologicos Ltda.	Head office (Sao Paulo, Brazil)	Dental Business	Sales equipment	0	-	-	-	6	6	10
SHOFU Products Vietnam Co., Ltd.	Head office plant (Ha Nam Province, Vietnam)	Dental Business	Manufacturing equipment Office	370	489	-	-	19	880	44
Smart Dentistry Solutions Inc.	Head office (California, US)	Dental Business	Sales equipment	2	5	-	-	75	83	6
SHOFU Products Changzhou Co., Ltd.	Head office plant (Changzhou, China)	Dental Business	Manufacturing equipment Office	-	-	-	-	78	78	2

Notes: 1. The figures in parentheses in the number of employees column is the number of temporary employees.

2. There are no major facilities currently idle.

3. Other in the book value is tools, furniture, fixtures, and software, etc.

3. Plans for new additions or disposals

(1) New construction of significant facilities

As of March 31, 2025

Company	Facility (Location)	Segment	Description	Planned investment		Financing method	Start date	Scheduled completion date
				Total (million yen)	Paid (million yen)			
The Company	Head office plant (Higashiyama-ku, Kyoto)	Dental Business	Factory reconstruction	4,091	366	Cash on hand and borrowings	July 2023	August 2028

Note: The above amount does not include consumption tax, etc.

(2) Removal, etc. of significant facilities

Not applicable

4 Corporate Information

1. Information on the Company's share

(1) Total number of shares, etc.

1) Total number of shares

Type	Total number of authorized shares (shares)
Common stock	128,000,000
Total	128,000,000

Note: Pursuant to a resolution of the Board of Directors held on May 1, 2024, an amendment to the Articles of Incorporation concerning a stock split effective October 1, 2024, resulted in an increase of 64,000,000 shares in the total number of shares authorized to be issued, bringing the total to 128,000,000 shares.

2) Total number of shares issued

Type	Number of shares issued as off the end of the fiscal year (March 31, 2025)	Number of shares issued as of filing date (June 24, 2025)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Description
Common stock	35,788,178	35,788,178	Tokyo Stock Exchange Prime Market	The number of shares constituting one unit is 100 shares.
Total	35,788,178	35,788,178	-	-

Note: Pursuant to a resolution of the Board of Directors held on May 1, 2024, a two-for-one stock split of common stock was conducted as of October 1, 2024. As a result, the total number of issued shares increased by 17,894,089 shares to 35,788,178 shares.

(2) Status of stock acquisition rights, etc.

1) Stock option plans

Resolution of June 28, 2011 (Class and number of persons granted stock acquisition rights: 6 directors of the Company, 11 executive officers of the Company)		
	As of the end of the fiscal year (March 31, 2025)	As of the end of the month preceding the filing date (May 31, 2025)
Number of stock acquisition rights	59	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 11,800 shares Note 1, 4	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying ¥1, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 15, 2011–July 14, 2041	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price ¥335 per share Note 2, 4	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	Note 3	Same as on the left

Notes: 1. The number of shares to be issued upon exercise of each stock acquisition right ("Number of Granted Shares") shall be 100 shares.

However, in the event that the Company conducts a stock split (including gratis allotment of the Company's common shares; the same shall apply hereinafter with respect to the description of stock split) or a stock consolidation with respect to the common shares after the date of allotment of the stock acquisition rights ("Allotment Date"), the Number of Granted Shares shall be adjusted by the following calculation with respect to the stock acquisition rights that have not been exercised at the time of the stock split or the stock consolidation.

Number of shares granted after adjustment = Number of shares granted before adjustment × Ratio of stock split or stock consolidation

In addition to the above, the Company may adjust the Number of Granted Shares as deemed necessary by the Board of Directors of the Company in the event that the Company conducts a merger, company split, or share exchange after the Allotment Date, or in the event that an adjustment of the Number of Granted Shares is required in accordance with other circumstances.

Any fraction of less than one share resulting from the above adjustment shall be discarded.

2. 1) The amount of capital stock to be increased by issuing shares upon exercise of stock acquisition rights shall be one half of the maximum amount of increase in capital stock, etc. calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Regulations of Japan. Any fraction of less than one yen resulting from the calculation shall be rounded up.
- 2) The amount of capital surplus to be increased by the issuance of shares upon the exercise of stock acquisition rights shall be the amount obtained by subtracting the amount of capital to be increased set forth in (1) above from the maximum amount of increase in capital, etc. set forth in (1) above.
3. The Company merges (limited to cases where the Company disappears as a result of the merger), undergoes an absorption-type company split or an incorporation-type company split (limited to cases where the Company becomes a split company in each case), or undergoes a share exchange or share transfer (limited to cases where the Company becomes a wholly owned subsidiary in each case). (collectively "Act of Organizational Restructuring"), the stock acquisition rights of the entity set forth in Article 236, Paragraph 1, Item 8, (a) through (e) of the Companies Act ("Reorganized Company") shall be delivered to the holders of the stock options that remain immediately before the effective date of the Act of Organizational Restructuring (meaning the day on which the absorption-type merger takes effect in the case of an absorption-type Merger, the day on which the Company established by consolidation-type merger is formed in the case of a consolidation-type

merger, the day on which the absorption-type company split takes effect in the case of an absorption-type company split, the day on which the Company established by Incorporation-type company split is formed in the case of an incorporation-type company split, the day on which the share exchange takes effect in the case of a share exchange, and the day on which the wholly owning parent company established by share transfer is formed in the case of a share transfer). Provided, however, that this shall be limited to cases where the delivery of stock acquisition right of the Reorganized Company is stipulated in an absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

4. Pursuant to the resolution of the Board of Directors held on May 1, 2024, as a result of the stock split in which one share of common stock was split into two shares effective October 1, 2024, adjustments have been made to the type and number of shares to be issued upon exercise of stock acquisition rights, as well as to the issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights.

Date of resolution June 27, 2012 (Class and number of persons granted stock acquisition rights: 7 directors of the Company, 8 executive officers of the Company)		
	As of the end of the fiscal year (March 31, 2025)	As of the end of the month preceding the filing date (May 31, 2025)
Number of stock acquisition rights	59	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 11,800 shares Note 1, 4	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying ¥1, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 14, 2012–July 13, 2042	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price ¥382.5 per share into capital Note 2, 4	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	Note 3	Same as on the left

Notes 1-4 are the same as Notes 1-4 of the resolution of June 28, 2011.

Resolution of June 26, 2013 (Class and number of persons granted stock acquisition rights: 7 directors of the Company, 10 executive officers of the Company)		
	As of the end of the fiscal year (March 31, 2025)	As of the end of the month preceding the filing date (May 31, 2025)
Number of stock acquisition rights	83	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 16,600 shares Note 1,4	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying 1 yen, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 18, 2013–July 17, 2043	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price ¥399.5 per share into capital Note 2, 4	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	Note 3	Same as on the left

Notes 1-4 are the same as Notes 1-4 of the resolution of June 28, 2011.

Resolution of June 26, 2014 (Class and number of persons granted stock acquisition rights: 7 directors of the Company, 8 executive officers of the Company)		
	As of the end of the fiscal year (March 31, 2025)	As of the end of the month preceding the filing date (May 31, 2025)
Number of stock acquisition rights	83	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 16,600 shares Note 1, 4	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying ¥1, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 16, 2014–July 15, 2044	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price ¥424.5 per share into capital Note 2, 4	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	Note 3	Same as on the left

Notes 1-4 are the same as Notes 1-4 of the resolution of June 28, 2011.

Resolution of June 25, 2015 (Class and number of persons granted stock acquisition rights: 6 directors of the Company (excluding outside directors), 9 executive officers of the Company (not concurrently serving as directors))		
	As of the end of the fiscal year (March 31, 2025)	As of the end of the month preceding the filing date (May 31, 2025)
Number of stock acquisition rights	72	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 14,400 shares Note 1, 4	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying ¥1, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 15, 2015–July 14, 2045	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price ¥607.5 per share into capital Note 2, 4	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	Note 3	Same as on the left

Notes 1-4 are the same as Notes 1-4 of the resolution of June 28, 2011.

Resolution of June 28, 2016 (Class and number of persons granted stock acquisition rights: 6 directors of the Company (excluding outside directors), 9 executive officers of the Company (not concurrently serving as directors))		
	As of the end of the fiscal year (March 31, 2025)	As of the end of the month preceding the filing date (May 31, 2025)
Number of stock acquisition rights	69	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 13,800 shares Note 1,4	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying ¥1, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 21, 2016–July 20, 2046	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price ¥662.5 per share into capital Note 2, 4	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	Note 3	Same as on the left

Notes 1-4 are the same as Notes 1-4 of the resolution of June 28, 2011.

Resolution of June 27, 2017 (Class and number of persons granted stock acquisition rights: 6 directors of the Company (excluding outside directors), 8 executive officers of the Company (not concurrently serving as directors))		
	As of the end of the fiscal year (March 31, 2025)	As of the end of the month preceding the filing date (May 31, 2025)
Number of stock acquisition rights	89	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 17,800 shares Note 1,4	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying ¥1, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 20, 2017–July 19, 2047	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price: ¥619.5 per share into capital Note 2, 4	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	Note 3	Same as on the left

Notes 1-4 are the same as Notes 1-4 of the resolution of June 28, 2011.

Resolution of June 26, 2018 (Class and number of persons granted stock acquisition rights: 6 directors of the Company (excluding outside directors), 7 executive officers of the Company (not concurrently serving as Directors))		
	As of the end of the fiscal year (March 31, 2025)	As of the end of the month preceding the filing date (May 31, 2025)
Number of stock acquisition rights	83	Same as on the left
Type and number of shares to be issued upon exercise of stock acquisition rights	Common stock 16,600 shares Note 1,4	Same as on the left
Amount to be paid in upon exercise of stock acquisition rights	The amount shall be calculated by multiplying ¥1, the amount per share issued or transferred upon exercise of stock acquisition rights, by the number of shares granted.	Same as on the left
Exercise period of stock acquisition rights	July 19, 2018–July 18, 2048	Same as on the left
Issue price of shares and amount to be incorporated into capital in cases where shares are issued through exercise of share acquisition rights	Issue price ¥642.5 per share into capital Note 2,4	Same as on the left
Conditions for exercise of stock acquisition rights	A stock acquisition right holder may exercise the stock acquisition rights only in full during the period from the day following the day on which he / she loses his / her position as a director or an executive officer to the day on which 10 days (if the 10th day falls on a holiday, the next business day) have elapsed.	Same as on the left
Matters related to transfer of stock acquisition rights	The acquisition of stock acquisition rights by transfer shall require the approval of the Board of Directors of the Company.	Same as on the left
Matters concerning the delivery of stock acquisition rights in connection with acts of organizational restructuring	Note 3	Same as on the left

Notes 1-4 are the same as Notes 1-4 of the resolution of June 28, 2011.

2) Rights plans

Not applicable

3) Other stock acquisition rights, etc.

Not applicable

(3) Exercise status of bonds with stock acquisition rates containing a clause for exercise price adjustment

Not applicable

(4) Number of shares issued, amount of common stock and others

Date	Increase (decrease) in number of shares issued	Total number of shares outstanding	Increase (decrease) in share capital (million yen)	Balance of share capital (million yen)	Increase (decrease) in capital surplus (million yen)	Balance of capital surplus (million yen)
June 15, 2020 Note 1	1,780,000	17,894,089	1,494	5,968	1,494	6,071
October 1, 2024 Note 2	17,894,089	35,788,178	-	5,968	-	6,071

Notes: 1. Due to a paid third-party allotment of new shares with a due date of payment of June 15, 2020, the total number of issued shares increased by 1,780,000 shares, and both capital stock and capital surplus increased by ¥ 1,494 million.

Issued price: ¥1,679

Incorporated into capital stock ¥839.5

Allottee: Mitsui Chemicals, Inc.

2. Pursuant to a resolution of the Board of Directors held on May 1, 2024, a two-for-one stock split of common stock was conducted on October 1, 2024.

(5) Status of shareholders

As of March 31, 2025

Category	Status of units (Number of shares per unit: 100 shares)								Shares under one unit (number of shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals only			
Number of shareholders (persons)	-	16	25	105	90	62	15,762	16,060	-
Number of shares held (units)	-	92,855	4,563	111,871	47,707	252	100,415	357,663	21,878
Ratio to total shares (%)	-	25.96	1.27	31.27	13.33	0.07	28.07	100.00	-

Note: 242,920 shares of treasury stock is 2,429 units in Individuals and other and 20 shares in Shares under one unit

(6) Major shareholders

As of March 31, 2025

Name	Location	Number of shares held (thousand shares)	Number of shares held as percentage of total shares issued(excluding treasury stock) (%)
Mitsui Chemicals, Inc.	2-2-1 Yaesu, Chuo-ku, Tokyo	7,160	20.14
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1 Akasaka, Minato-ku, Tokyo	3,591	10.10
The Bank of Kyoto, Ltd.	700 Yakushimae-cho, Karasuma-dori Matsubaraagaru, Shimogyo-ku, Kyoto	1,424	4.00
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	1,292	3.63
Japan Custody Bank, Ltd. Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,249	3.51
The Shiga Bank, Ltd.	1-38 Hama-cho, Otsu-shi, Shiga	1,204	3.38
NORTHERN TRUST CO. (AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT (Standing agent: Custody Business Department, Tokyo Branch, The Hong Kong and Shanghai Banking Corporation Ltd.)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK	896	2.52
GOVERNMENT OF NORWAY (Standing agent: Citibank, N.A. Tokyo Branch)	BANKPLASSEN 2, 0107 OSLO 1 OSLO 0107 NO	688	1.93
SHOFU Employee Stock Ownership Association	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto. c/o SHOFU INC.	665	1.87
SCREEN Holdings Co., Ltd.	1-1 Tenjinkita-machi, Teranouchi-agaru 4-chome, Horikawa-dori, Kamigyo-ku, Kyoto	660	1.85
Total	-	18,833	52.98

Notes: 1. Of the above number of shares held, the number of shares related to trust business is as follows.

The Master Trust Bank of Japan, Ltd. (Trust Account) 3,591 thousand shares

Japan Custody Bank, Ltd. (Trust Account) 1,249 thousand shares

2. On April 16, 2025, Neuburger Berman East Asia Limited submitted a large shareholding report concerning our stock to the Director-General, Kanto Local Finance Bureau. According to this large shareholding report, as of April 15, 2025, the Company held 1,847 thousand shares. However, as we have not been able to confirm the actual number of stocks held as of the end of the current fiscal year, the Company is not included among the major shareholders listed above. The description of the large shareholding report is as follows.

Name	Location	Number of stocks, etc. held (thousand shares)	Holding ratio of share certificates, etc. (%)
Neuburger Berman East Asia Limited	1-5-1 Marunouchi, Chiyoda-ku, Tokyo	1,847	5.16

(7) Status of voting rights

1) Total number of shares issued

As of March 31, 2025

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (other)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 242,900	-	-
Shares with full voting rights (other)	Common stock 35,523,400	355,234	-
Shares of less than one standard unit	Common stock 21,878	-	Shares less than one unit (100 shares)
Total number of issued shares	35,788,178	-	-
Total voting rights held by all shareholders	-	355,234	-

Notes: 1. Common stock in the "Shares less than one standard unit" column includes 20 shares of treasury stock owned by the Company.

2. On October 1, 2024, a two-for-one stock split of common stock was conducted. The number of shares indicated above reflects the number of shares after this stock split.

2) Treasury stock, etc.

As of March 31, 2025

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total number of shares held (shares)	Percentage of interest (%)
(Treasury stock) SHOFU INC.	11 Kamitakamatsu-cho, Fukuine, Higashiyama-ku, Kyoto	242,900	-	242,900	0.67
Total	-	242,900	-	242,900	0.67

Note: On October 1, 2024, a two-for-one stock split of common stock was conducted. The number of shares stated above reflects the number of shares after this stock split.

2. Acquisition of treasury stock, etc.

Type of shares Acquisition of shares of common stock pursuant to Article 155, Item 7 of the Companies Act

(1) Acquisition of treasury stock by resolution of the Ordinary Shareholders' Meeting
Not applicable

(2) Acquisition of treasury stock by resolution of the Board of Directors
Not applicable

(3) Details of items not based on resolutions of the Ordinary Shareholders' Meeting or the Board of Directors

Category	Number of shares (shares)	Total value (million yen)
Treasury stock acquired during the current fiscal year	257	1
Treasury stock acquired during the period until the filing date of this Annual Securities Report	54	0

Notes: 1. The number of shares of treasury stock held during the current period does not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2025, to the filing date of this Annual Securities Report.
2. Pursuant to a resolution of the Board of Directors held on May 1, 2024, a two-for-one stock split of common stock was conducted as of October 1, 2024. The number of shares of treasury stock acquired during the current fiscal year is stated based on the number of shares before the stock split, while the number of shares of treasury stock acquired during the period until the filing date of this annual securities report is stated based on the number of shares after the stock split.

(4) Status of disposal and holding of acquired treasury stock

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total disposal value (million yen)	Number of shares (shares)	Total disposal value (million yen)
Acquired treasury stock for which subscribers were solicited	-	-	-	-
Acquired treasury stock which was retired	-	-	-	-
Acquired treasury stock transferred in connection with a merger, share exchange, share delivery, or company split	-	-	-	-
Other (Exercise of stock options)	16,700	17	-	-
Other (Disposal of treasury stock through restricted stock compensation)	13,187	58	-	-
Other (Sale due to demand for sale of shares constituting less than one full time unit etc.)	48	0	-	-
Number of shares of treasury stock held	242,920	-	242,974	-

Notes: 1. The number of shares of treasury stock held during the current period does not include the number of shares acquired through the purchase of shares less than one unit from June 1, 2025, to the filing date of this Annual Securities Report.
2. Pursuant to a resolution of the Board of Directors held on May 1, 2024, a two-for-one stock split of common stock was conducted as of October 1, 2024. Except for "Other (Exercise of stock options)" and "Other (Disposal of treasury stock through restricted stock compensation)" during the current fiscal year, the number of shares presented reflects the post-split number of stocks.

3. Dividend policy

The Company's basic policy is to maintain and continue stable dividends while aiming to enhance long-term corporate value and return profits to shareholders, but at the same time, the Company will consider enhancing internal reserves to prepare for future aggressive business development, such as expansion of overseas business and R&D investment for new product development, while strengthening the management foundation and improving the financial structure. As an indicator of profit distribution, we are aiming for a consolidated payout ratio of 40% or more and a dividend on equity (DOE) ratio of at least 3.0%.

Dividends for each fiscal year shall be paid twice a year, and it is stipulated in the Articles of Incorporation that year-end dividends as dividends of surplus may be paid to shareholders or registered pledgees of shares recorded in the shareholder registry as of March 31 and interim dividends may be paid to shareholders or registered pledgees of shares recorded in the shareholder registry as of September 30 of each year. The Company's Articles of Incorporation stipulate that the decision-making body for dividends shall be the Board of Directors, and that unless otherwise provided for in laws and regulations, the Company shall determine matters set forth in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, not by a resolution of an Ordinary Shareholders' Meeting but by a resolution of the Board of Directors.

The dividends per share for the current fiscal year were ¥36 as an interim dividend and ¥31 as a year-end dividend.

With respect to internal reserves, in order to cope with the forecast intensification of price competition and increasingly sophisticated technologies, the Company intends to invest effectively in strengthening cost competitiveness, developing new products and technologies, and building a production system that can respond to increased demand in various regions globally.

Note: Dividends of surplus by resolution of the Board of Directors whose record date belongs to the current fiscal year are as follows.

Date of resolution	Total dividend amount (million yen)	Dividend per share (yen)
November 16, 2024	639	36.00
May 21, 2025	1,101	31.00

The Company conducted a 2-for-1 stock split on October 1, 2024.

For the year-end dividends per share for the current fiscal year, the amount reflects the impact of the stock split. If the stock split is not taken into account, the year-end dividends per share for the current fiscal year would be ¥62, and the annual dividends per share would be ¥98.

4. Corporate governance

(1) Overview of corporate governance

1) Basic corporate governance policy

We are engaged in corporate activities in a field of high public nature under the management philosophy of "contributing to global dental care through creative corporate activities". The Company believes that it is essential to fulfill its social responsibilities in order to carry out such corporate activities in a sustainable manner. In order to fulfill its social responsibility, the Company believes that it is necessary to maintain sustainable growth over the medium to long term by enhancing its corporate governance. Accordingly, the Company will enhance its corporate governance in line with the following basic policies.

1. The Company shall respect the rights of shareholders and substantially secure their rights.
2. Consider the interests of stakeholders, including employees, customers, business partners, creditors, and local communities, and appropriately cooperate with stakeholders.
3. Actively disclose company information.
4. The Board of Directors shall appropriately fulfill the roles and responsibilities necessary to fulfill its fiduciary responsibility and accountability to shareholders.
5. The Company shall have constructive dialogue with shareholders.

2) Specific measures

a. Details of the Company's organizational structure

(a) Board of Directors

The Board of Directors meets once a month to make decisions on important matters (including the execution of important management operations) as stipulated in the Companies Act and to supervise the execution of duties by the representative directors and each director.

The number of directors is set at 9, and the number of outside directors, with abundant experience for the purpose of strengthening the corporate governance structure is set at 4. The Company has further clarified the separation of the decision-making function and supervisory function of the Board of Directors from the business execution function, and appointed directors who also serve as a person responsible for business execution as executive officers, thereby speeding up decision-making and clarifying responsibilities. In addition, auditors attend meetings of the Board of Directors and express opinions when necessary.

Specific matters discussed by the Board of Directors include the Fifth Medium-Term Management Plan, annual management plan, stock split, verification of strategic shareholdings, subsidiary status reports, TCFD recommendation responses, abolition of takeover defense measures, determination of director and auditor appointments and compensation, internal audit reports, and reports on the execution of duties by directors with executive responsibilities, among others.

(Names of members)

[As of June 24, 2025 (the date of submission of this Annual Securities Report)]

- Directors

Noriyuki Negoro (Representative Director & Chairman), Tetsuo Takami, Fumitaka Yamazaki, Takahiro Umeda, Shuji Sonoi, Kiichi Suzuki, Daizo Nishimura, Mitsuo Kamimoto, Hiromi Hayashida

- Auditors

Shigeyuki Komatsu, Hiroyuki Hatayama, Yoko Yamada, Hiromi Mukai

(Activities of the Board of Directors)

The Company held 17 meetings of the Board of Directors during this fiscal year, and the attendance of each director is as follows.

Name	Number of meetings	Number attended
Noriyuki Negoro	17	17
Tetsuo Takami	17	17
Fumitaka Yamazaki	17	17
Kazuhiko Murakami	5	5
Takahiro Umeda	17	16
Shuji Sonoi	12	12
Kiichi Suzuki	17	17
Daizo Nishimura	17	17
Mitsuo Kamimoto	17	16
Hiromi Hayashida	17	17
Akira Kawashima	5	5
Shigeyuki Komatsu	17	17
Hiroyuki Hatayama	12	12
Yasushi Sakemi	5	5
Yoko Yamada	17	17
Hiromi Mukai	12	12

*1 The number of meetings of the Board of Directors held before Kazuhiko Murakami, Akira Kawashima and Yasushi Sakemi retired was 5

*2 The number of meetings of the Board of Directors held since Shuji Sonoi Hiroyuki Hatayama, and Hiromi Mukai were appointed was 12.

As an agenda item (resolution) for the Ordinary Shareholders' Meeting scheduled to be held on June 25, 2025, we are proposing the election of nine directors. If this resolution is approved and adopted, the members of our Board of Directors will be as follows:

- Directors

Noriyuki Negoro (Representative Director & Chairman), Tetsuo Takami, Takahiro Umeda, Fumitaka Yamazaki, Shuji Sonoi, Kiichi Suzuki, Daizo Nishimura, Junko Yaguchi, Kaori Matsue

- Auditors

Shigeyuki Komatsu, Hiroyuki Hatayama, Yoko Yamada, Hiromi Mukai

(b) Managing Executive Board

The Managing Executive Board is an advisory body to the President Executive Officer (hereinafter referred to as the "President") and consists of executive officers at the level of managing executive officer or higher and directors with executive titles. The Managing Directors' Meeting is held every week in principle.

The Managing Executive Board shall examine matters to be submitted to the Board of Directors, make decisions on matters entrusted by the Board of Directors, and other important matters such as strategic matters concerning management.

Two full-time auditors attend the Managing Executive Board. As part of their audits, the auditors verify the legality and appropriateness of matters submitted to the Managing Executive Board and reflect opinions as necessary.

(Names of members)

[As of June 24, 2025 (the date of submission of this Annual Securities Report)]

- Directors

Tetsuo Takami (Representative Director & President, President Executive Officer), Noriyuki Negoro, Fumitaka Yamazaki, Takahiro Umeda, Shuji Sonoi

- Auditors

Shigeyuki Komatsu, Hiroyuki Hatayama

- Executive Officers (excluding concurrent positions as directors)

Kazuhiko Murakami, Shinya Teramoto, Ryuichi Yoshimoto

[After the resolution of the extraordinary Board of Directors meeting following the Ordinary Shareholders' Meeting on June 25, 2025]

- Directors

Tetsuo Takami (Representative Director & President, President Executive Officer), Noriyuki Negoro, Takahiro Umeda, Fumitaka Yamazaki, Shuji Sonoi

- Auditors

Shigeyuki Komatsu, Hiroyuki Hatayama

- Executive Officers (excluding concurrent positions as directors)
Kazuhiko Murakami, Shinya Teramoto, Ryuichi Yoshimoto

(c) Audit & Supervisory Board

The Company has adopted an Audit & Supervisory Board system. The Audit & Supervisory Board, which consists of four auditors, (as of the end of this fiscal year) including two outside auditors and conducts audits of the execution of duties by directors and the business and financial conditions of the Company and group companies.

The outside auditors are an attorney at law and a certified public accountant. Based on their respective expertise, they monitor management from an objective standpoint, focusing on financial conditions and internal controls.

The Audit & Supervisory Board holds regular meetings every month and extraordinary meetings as necessary to receive reports on important matters related to audits, hold discussions and make resolutions, and exchange opinions.

In addition, the Group Audit & Supervisory Board consisting of the auditors each Group company is held at least twice a year, and each auditor collaborates to strengthen the audit function in order to optimize Group management.

Furthermore, as a part of audits, the full-time auditors attend the Managing Executive Board, which is held every week as a preliminary deliberation body for the Board of Directors, to verify the legality and appropriateness of matters submitted to the Board of Directors and reflect opinions as necessary.

(Names of members)

Shigeyuki Komatsu (Full-time Auditor), Hiroyuki Hatayama, Yoko Yamada, Hiromi Mukai

(d) Corporate Governance Meeting

The Corporate Governance Meeting consists of Representative Director and independent outside directors. In order to ensure the Company's sustainable growth and enhance its corporate value over the medium to long term, the Committee deliberates on management strategies and plans in response to consultation by the Representative Director & President, and reports to the Board of Directors.

(Names of members)

[As of June 24, 2025 (the date of submission of this Annual Securities Report)]

Tetsuo Takami (Representative Director & President, President Executive Officer), Noriyuki Negoro, Kiichi Suzuki, Daizo Nishimura, Mitsuo Kamimoto

[After the resolution of the extraordinary Board of Directors meeting following the Ordinary Shareholders' Meeting on June 25, 2025]

Tetsuo Takami (Representative Director & President, President Executive Officer), Noriyuki Negoro, Takahiro Umeda, Kiichi Suzuki, Daizo Nishimura, Junko Yaguchi

(e) Nomination and Compensation Council

Council meets at least twice a year as an advisory body to the Board of Directors. The Nomination and Compensation Council consists of the representative directors and independent outside directors. The Board of Directors has determined that the majority of the members shall be independent outside directors, and that the chairperson shall be determined by mutual election of the independent outside directors. In order to strengthen the fairness, transparency and objectivity of the procedures for the nomination and compensation of directors, in response to inquiries from the Board of Directors, the Nomination and Compensation Council deliberates on matters such as the appointment and dismissal of directors, the appointment and dismissal of representative directors and directors with executive responsibilities, the compensation of directors, and succession planning (including training), and reports to the Board of Directors.

Specific matters to be discussed at the Nomination and Compensation Council include the selection of directors, the appointment of representative directors and directors with executive responsibilities, the compensation of directors, and the revision of director and auditor compensation frameworks (including stock-based compensation).

(Names of members)

[As of June 24, 2025 (the date of submission of this Annual Securities Report)]

Kiichi Suzuki (Outside Director), Noriyuki Negoro, Tetsuo Takami, Daizo Nishimura, Mitsuo Kamimoto

[After the resolution of the extraordinary Board of Directors meeting following the Ordinary Shareholders' Meeting on June 25, 2025]

Kiichi Suzuki (Outside Director), Noriyuki Negoro, Tetsuo Takami, Daizo Nishimura, Junko Yaguchi

(Activities of the Nomination and Compensation Council)

During this fiscal year, the Company held three meetings of the Nomination and Compensation Council, and the attendance of each director is as follows.

Name	Number of meetings	Number attended
Kiichi Suzuki	3	3
Noriyuki Negoro	3	3
Tetsuo Takami	3	3
Daizo Nishimura	3	3
Mitsuo Kamimoto	3	3

(f) Management Committee

The Management Committee consists of all executive officers President Executive Officer and below, all general managers, and all presidents of domestic subsidiaries, and meets once a month.

In addition to communicating matters to be resolved by the Board of Directors and the Managing Executive Board, the Management Committee holds preliminary discussions among departments, expresses opinions on important matters, and exchanges opinions among members as necessary. However, the Management Committee does not have decision-making authority, and business execution is carried out by executive officers and general managers, who are the members of the Management Committee.

(Names of members)

[As of June 24, 2025 (the date of submission of this Annual Securities Report)]

Hiroyoshi Miyake (Executive Officer, General Manager of Corporate Planning Department), Tetsuo Takami, Fumitaka Yamazaki, Takahiro Umeda, Shuji Sonoi, Kazuhiko Murakami

Shinya Teramoto, Ryuichi Yoshimoto, Yoshikazu Nakajima, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Michinori Matsunaga

15 other employees, etc.

[After the resolution of the extraordinary Board of Directors meeting following the Ordinary Shareholders' Meeting on June 25, 2025]

Hiroyoshi Miyake (Executive Officer, General Manager of Corporate Planning Department), Tetsuo Takami, Takahiro Umeda, Fumitaka Yamazaki, Shuji Sonoi, Kazuhiko Murakami

Shinya Teramoto, Ryuichi Yoshimoto, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Michinori Matsunaga, Shigefumi Iwasaki, Hisaaki Tachidokoro, Yoshikazu Yamada

12 other employees, etc.

(g) Personnel Committee

The Personnel Committee consists of line general managers (including executive officers) and meets once a month. The Personnel Committee has been established as a deliberative and consultative body for personnel policies in general, including the personnel system, human resource development, and utilization of human resources. However, like the Management Committee, it does not have decision-making authority.

(Names of members)

[As of June 24, 2025 (the date of submission of this Annual Securities Report)]

Shigefumi Iwasaki (General Manager of Personnel Department), Hiroyoshi Miyake, Michinori Matsunaga, and 11 other employees

[After the resolution of the extraordinary Board of Directors meeting following the Ordinary Shareholders' Meeting on June 25, 2025]

Shigefumi Iwasaki (Executive Officer, General Manager of Personnel Department), Hiroyoshi Miyake, Michinori Matsunaga, Hisaaki Tachidokoro, Yoshikazu Yamada, and nine other employees

(h) Sustainability Committee

The Sustainability Committee consists of all executive officers President Executive Officer and below, all general managers, and the presidents of domestic subsidiaries, and meets twice a year in principle. The Sustainability Committee deliberates on the formulation of basic sustainability policies, strategies, and plans, as well as the setting of target indicators, and monitors the status of initiatives. Like the Management Committee, the Sustainability Committee does not have decision-making authority as a committee.

(Names of members)

[As of June 24, 2025 (the date of submission of this Annual Securities Report)]

Tetsuo Takami (Representative Director & President, President Executive Officer), Fumitaka Yamazaki, Takahiro Umeda, Shuji Sonoi, Kazuhiko Murakami

Shinya Teramoto, Ryuichi Yoshimoto, Yoshikazu Nakajima, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Hiroyoshi Miyake, Michinori Matsunaga 16 other employees, etc.

[After the resolution of the extraordinary Board of Directors meeting following the Ordinary Shareholders' Meeting on June 25, 2025]

Tetsuo Takami (Representative Director & President, President Executive Officer), Takahiro Umeda, Fumitaka Yamazaki, Shuji Sonoi, Kazuhiko Murakami

Shinya Teramoto, Ryuichi Yoshimoto, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Hiroyoshi Miyake, Michinori Matsunaga, Shigefumi Iwasaki, Hisaaki Tachidokoro, Yoshikazu Yamada 13 other employees, etc.

(i) Information Security Committee

The Information Security Committee consists of all executive officers, President Executive Officer and below, all general managers, and all presidents of domestic subsidiaries, and meets once a year in principle. The Information Security Committee deliberates on information security, including the formulation of basic information security policies, strategies and plans, and the evaluation of the status of compliance with information security policies. Like the Management Committee, it does not have decision-making authority.

(Names of members)

[As of June 24, 2025 (the date of submission of this Annual Securities Report)]

Tetsuo Takami (Representative Director & President, President Executive Officer), Fumitaka Yamazaki, Takahiro Umeda, Shuji Sonoi, Kazuhiko Murakami

Shinya Teramoto, Ryuichi Yoshimoto, Yoshikazu Nakajima, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Hiroyoshi Miyake, Michinori Matsunaga 15 other employees, etc.

[After the extraordinary resolution of the Board of Directors on June 25, 2025]

Tetsuo Takami (Representative Director & President, President Executive Officer), Takahiro Umeda, Fumitaka Yamazaki, Shuji Sonoi, Kazuhiko Murakami

Shinya Teramoto, Ryuichi Yoshimoto, Toshiyuki Nakatsuka, Takashi Wakayama, Junichi Sugawara, Hiroyoshi Miyake, Michinori Matsunaga, Shigefumi Iwasaki, Hisaaki Tachidokoro, Yoshikazu Yamada
12 other employees, etc.

(j) Internal Audit Department

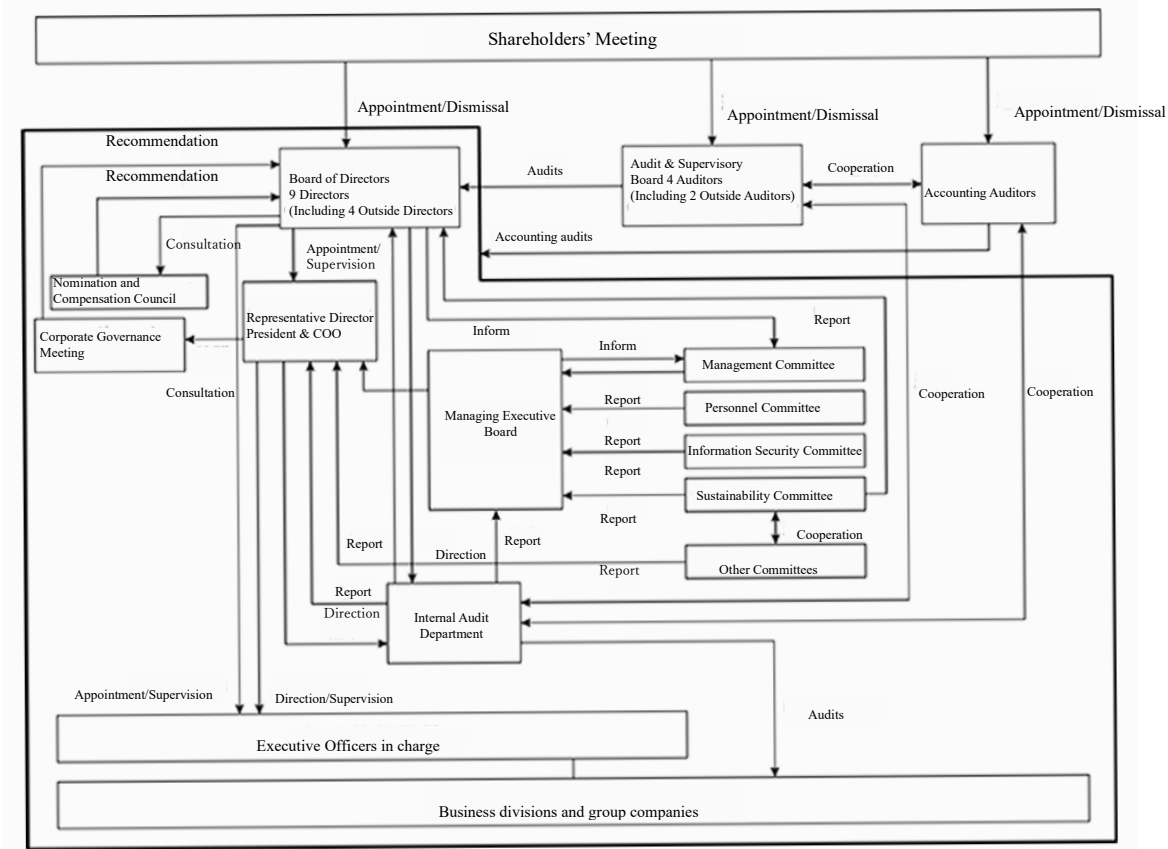
The Internal Audit Department (5 members as of the end of this fiscal year) has been established as a department in charge of internal audits and reports directly to the President Executive Officer. The Internal Audit Department conducts audits of all departments of the Company and Group companies with respect to the status of the development and operation of various systems related to business management, the rationality and legality of business activities, the appropriateness of accounting records, the status of the development and operation of internal checking functions, etc.

The results of audits are reported to the President Executive Officer, the Managing Executive Board and the Board of Directors, and a system is in place to issue improvement instructions as necessary. In addition, management issues included in the results of audits are shared.

The Internal Audit Department communicates and discusses the results of internal audits with the auditors and the Accounting Auditor as needed and promotes initiatives to enhance the audit function under their cooperation.

The title of the head of each organization is shown in parentheses.

A schematic diagram of the Company's corporate governance system including the above details is as follows.



b. Basic policy on internal control system and its status

In accordance with Article 362 of the Companies Act and Article 100 of the Regulations for Enforcement of the Companies Act, the Company has established a basic policy on internal control and put in place a system to ensure the appropriateness of business operations.

We are engaged in corporate activities in a field of high public nature under the management philosophy of "contribution to dentistry through innovative business activities". In addition, in order for a company to continue to exist soundly, it is essential to fulfill its social responsibility as a company, and this is more strongly required for companies such as the Company that operate in fields with a high public nature. Therefore, as part of its efforts to fulfill its corporate social responsibility, the Company has decided to promote management that emphasizes compliance and has established the following internal control system.

(1) Systems to ensure that the execution of duties by directors, executive officers and employees complies with laws and regulations and the Articles of Incorporation

The Company has established the "SHOFU Group Code of Conduct" in order to put its management philosophy into practice and has clarified the standards required of officers (including executive officers; the same shall apply hereinafter) and employees of SHOFU. In addition, the Company has established an Ethics Committee chaired by the President Executive Officer, and has constructed, operated and maintained a system for officers and employees to comply with laws and regulations, the Articles of Incorporation and internal regulations and to have common ethical values. In addition, the Company shall not have any relationship with antisocial forces that pose a threat to the order and safety of citizens.

Furthermore, in order to ensure compliance-oriented management, the Company has established the Internal Audit Department under the direct control of the President Executive Officer and enhance the checking system by coordinating internal audits by the Internal Audit Department and audits by the Audit & Supervisory Board. At the same time, the Company has established an internal reporting system and strives to detect misconduct at an early stage by clearly indicating that the person making the report will not be treated disadvantageously.

(2) Systems for retention and management of information related to the execution of duties by directors

With respect to information related to the execution of their duties, the directors shall appropriately store and manage such information by specifying the storage period, storage method, etc. according to the nature of the information in the "Regulations of the Board of Directors," "Regulations of the Managing Executive Board" "Regulations of Approval Process," "Rules for Internal Information Management," and "Rules for Document Handling," which are separately provided.

(3) Rules and other systems for management of risk and loss

To appropriately manage the risks of the SHOFU Group, we promote risk management through the Management Committee, which deliberates on the execution of important matters that may impact management, in accordance with the Basic Risk Management Policy and related regulations. The Management Committee identifies and assesses risk factors and implements necessary measures to avoid and minimize risks. In addition, we collaborate with company-wide committees such as the Sustainability Committee, Quality Control Committee, Information Security Committee, and Fire and Disaster Prevention Management Committee to ensure appropriate responses to risks.

In addition, when it is necessary to respond to newly arising risks, the Company shall promptly designate a person responsible for responding to such risks and take necessary measures. Furthermore, through internal audits, the Company will identify risks and review measures to deal with risks in order to make continuous improvements to the system.

(4) Systems to ensure the efficient execution of duties by directors and executive officers

The Company shall hold a regular meeting of the Board of Directors once a month to make decisions on important matters and supervise the status of business execution by directors.

In order to strengthen corporate governance, the Company has established the Corporate Governance Meeting to discuss management strategies and plans, etc., and the Nomination and Compensation Council, an advisory body to the Board of Directors, deliberates on matters such as the appointment and dismissal of directors, compensation, and succession planning, thereby ensuring fairness, transparency, and objectivity.

Directors shall properly execute their duties in accordance with laws and regulations and the Articles of Incorporation, as well as the decision-making authority stipulated in the "Regulations of the Board of Directors," the "Regulations of the Managing Executive Board," and the "Administrative Authority Regulations" with respect to important matters.

In addition, the Company has introduced an executive officer in charge system and an executive officer system in order to ensure efficient execution of duties through prompt decision-making. Under the guidance and supervision of the Board of Directors and executive officers in charge, executive officers execute their duties by exercising the authority delegated to them.

In addition, the Company has established the Managing Executive Board, consisting of executive officers of managing executive officer level or higher and directors with responsibilities. The Managing Executive Board shall examine matters to be submitted to the Board of Directors, make decisions on matters entrusted by the Board of Directors, and other important matters such as strategic matters concerning management. The Managing Executive Board shall also consider, draft and manage the execution of important management issues such as medium-to long-term management plans and annual management plans, in

order to facilitate business activities and improve management efficiency.

Decisions on the execution of the duties described above shall be made by means in accordance with the "Regulations of Approval Process".

(5) Systems to ensure proper and appropriate corporate operations of the Company and its group companies

In order to enhance the corporate value and management efficiency of the Group as a whole and fulfill its social responsibility, the Company has established the "Affiliated Company Management Regulations," under which the parent company and its subsidiaries provide instructions and orders, maintain close cooperation, provide management and guidance, and ensure the appropriateness of operations as a corporate group. These shall be supervised by the Corporate Planning Department.

In addition, the "SHOFU Group Code of Conduct" will be applied to the Company and all of its subsidiaries in Japan and overseas to strengthen the compliance system of the entire Group.

The Company and its subsidiaries shall ensure the appropriate operation of the establishment, evaluation and reporting of the "Internal Control of Financial Reporting" system as stipulated in the Financial Instruments and Exchange Act. In addition, for subsidiaries, the Internal Audit Department of the Company shall conduct internal audits, and the auditors shall conduct audits. Each subsidiary shall regularly report to the Company on the status of its business execution and financial conditions, etc.

(6) Matters related to employees assigned to assist auditors in the execution of their duties and matters related to the independence of such employees from directors

When an auditor requests the assignment of an employee to assist with his / her duties, the assignment shall be delegated to an employee designated by the auditor. The performance evaluation of such employees shall be carried out with the consent of the Audit & Supervisory Board. Any transfer of such employees shall be subject to the consent of the Audit & Supervisory Board.

(7) Systems for directors, executive officers and employees reporting to auditors, other systems for reporting to auditors, and other systems for ensuring effective audits by auditors

Directors shall report the status of the execution of duties to the Audit & Supervisory Board. In addition, auditors may attend meetings of the Board of Directors and other important meetings, and request reports from directors, executive officers and employees as necessary. Furthermore, the auditors shall conduct audits by investigating related departments and Group companies and confirming approval documents for important matters, and receive reports from directors, employees, etc. of subsidiaries as necessary. Directors, executive officers and employees shall report to the Audit & Supervisory Board in the event of matters that may cause significant damage to the Company. The Board of Directors shall establish a system whereby a person who has made a report to an Audit & Supervisory Board Member is not treated disadvantageously on the grounds of making such report. The Audit & Supervisory Board Members shall receive explanations from the Accounting Auditor of the Company regarding the contents of the accounting audit and exchange information with the Accounting Auditor.

The Audit & Supervisory Board work closely with the Internal Audit Department and the Accounting Auditor, in addition to providing sufficient information and exchanging opinions with each other, including with Audit & Supervisory Board Members of subsidiaries.

The Audit & Supervisory Board Members may request the Company to pay expenses, etc. necessary for the execution of their duties, and may appoint outside experts at the expense of the Company as necessary.

c. Information disclosure

By disclosing various corporate information in a timely, appropriate and proactive manner, the Company intends to enhance the checking function from the outside, including shareholders, and enhance the transparency of management. Going forward, the Company will continue to further enhance this function.

d. Outline of contents of liability limitation agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with its outside directors and outside auditors to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under such agreement shall be the amount stipulated by laws and regulations.

e. Outline of officers' liability insurance policy

The Company has entered into an officers' liability insurance policy as stipulated in Article 430-3, Paragraph 1 of the Companies Act with insurance companies. The Company has entered into an insurance policy covering directors, auditors and executive officers, etc. of the Company and its subsidiaries, and the insured do not bear insurance premiums. The insurance policy covers litigation costs and compensation for damages related to claims for damages against the insured during the insurance period.

However, in order to ensure that the appropriateness of the performance of duties by the insured is not impaired, there are a certain indemnity conditions, such as not being subject to coverage in the case of damage caused by an act committed by the insured with the understanding that it is a violation of laws and ordinances.

f. Number of directors

The Company's Articles of Incorporation stipulate that the number of directors of the Company shall be nine (9) or less.

g. Requirements for election of directors

The Company's Articles of Incorporation stipulate that directors shall be elected at an Ordinary Shareholders' Meeting by a majority of the voting rights of shareholders present at the meeting where shareholders holding one third (1/3) or more of the voting rights of shareholders who can exercise voting rights are present, and that directors shall not be elected by cumulative voting.

h. Decision making body that determines the dividends of surplus

The Articles of Incorporation of the Company stipulate that unless otherwise provided for in laws and regulations, the Company shall determine the matters set forth in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, by a resolution of the Board of Directors, not by a resolution of an Ordinary Shareholders' Meeting.

i. Requirements for special resolutions of an Ordinary Shareholders' Meeting

For the purpose of smooth operation of an Ordinary Shareholders' Meeting, the Company has stipulated in its Articles of Incorporation that a resolution of an Ordinary Shareholders' Meeting pursuant to the provisions of Article 309, Paragraph 2 of the Companies Act shall be adopted by a majority of two-thirds (2/3) or more of the voting rights of shareholders present at the meeting where shareholders holding one third (1/3) or more of the voting rights of shareholders who can exercise voting rights are present.

j. Basic policy regarding control of company

At a meeting of the Company's Board of Directors held on May 11, 2022, the Company partially amended the "Basic policy on composition of persons who control decision-making over the Company's financial and business policies" as stipulated in the Regulations for Enforcement of the Companies Act, and also adopted a resolution to continue, subject to partial revisions, the countermeasures to the purchase of the Company's shares, etc. by a specific shareholding group with the aim of obtaining over 20% of voting rights, or any purchases which would effectively give a specific shareholding group over 20% of voting rights (this policy does not distinguish between methods of obtaining such shares, whether it be through market transactions, public tenders and offerings, or other methods, but excludes purchases by a party that has been approved beforehand by the Company's Board of Directors), which was then submitted to and approved by the 150th Ordinary Shareholders' Meeting on June 24, 2022.

I Details of basic policy

The Board of Directors believes that, as a public company allowing the free trading of the Company's stocks, the decision of whether to sell the stocks in response to a large-scale purchase by a specific party should be left to the judgment of the shareholders holding the Company's stocks. In managing the Company, an international manufacturer of dental equipment, it is crucial to understand the tangible and intangible management resources, the potential effects of future-oriented measures, and the social mission entrusted to the Company to contribute to global dental care, promoting the health and beauty of people. Additionally, understanding the elements constituting the Group's corporate value is essential. To maintain and enhance these elements continuously, actions based on a medium- to long-term perspective from the sources of the Group's corporate value are deemed necessary. Failure to implement measures from such a perspective by those controlling the Company's financial and business policies may harm the corporate value of the Group and the common interests of shareholders and stakeholders. Despite efforts in investor relations activities to ensure shareholders and investors grasp the Company's stock value appropriately, sudden large-scale purchases make it challenging for shareholders to judge promptly the appropriateness of the purchase, including the suitability of the purchase price offered by the purchaser. To enable shareholders to make swift and informed judgments on the appropriateness of the large-scale purchase, it is vital for both the purchaser and the Board of Directors to provide adequate and relevant information. Moreover, information such as the purchase's impact on the Group, the purchaser's management policy and business plan in the event they participate in the Group's management, and the Board of Directors' opinion regarding the large-scale purchase will be crucial for shareholders intending to retain the Company's stocks.

II Effective use of the Company's assets, formation of an appropriate corporate group and other special measures to realize the basic policy on control of the Company

Along with our corporate philosophy of "contribution to dentistry through innovative business activities," we are striving to enhance our corporate value by following our action guidelines of "emphasizing quality and expanding quantity" and "taking on the challenge of change. To achieve consolidated net sales of ¥50 billion and consolidated operating profit of ¥7.5 billion, the Group will shift the allocation of management resources largely to overseas markets to capture demand in developed markets, mainly in Europe and the United States, and in emerging markets where the standard of living is expected to improve with economic growth and will focus on expanding overseas operations. Specifically, we formulated the SHOFU Group Fourth Medium-Term

Management Plan, which includes: 1) development of new products aligned with local demand and needs, 2) reallocation of production sites and expansion of overseas production, 3) development of sales networks and sales offices and building domestic and international academic networks (a direct promotional organization for users), 4) training and securing human resources to actively promote overseas development, 5) promotion of M&A, 6) strengthening group governance, 7) business alliance with Mitsui Chemicals, Inc. and Sun Medical Co., Ltd.. In addition, for the purpose of strengthening the management and corporate governance structure, the number of directors was increased from 8 to 9 at the Ordinary Shareholders' Meeting in June 2020, and the number of outside directors with a wealth of experience was increased from 2 to 4 (including 3 independent outside directors). As a result, the ratio of independent outside directors to the Board of Directors has been increased to one-third, and in December 2021, the Company's Corporate Governance Guidelines were also revised to stipulate that the ratio of independent outside directors to the Board of Directors should be one-third or more. The Company believes that one of the primary roles of independent outside directors is to provide advice based on their knowledge, to supervise management through the selection and dismissal of senior management and other important decisions of the Board of Directors, to supervise conflicts of interest, and to ensure that the opinions of stakeholders are appropriately reflected in the Board of Directors. Furthermore, in order to ensure the independence of outside officers, the Company has established its own criteria for independence of outside officers. The Company has established a Nomination and Compensation Council composed of Representative Directors and a majority of Independent Outside Directors to strengthen the fairness, transparency, and objectivity of procedures related to the nomination and compensation of Directors, as well as a Corporate Governance Meeting composed of Representative Directors and Independent Outside Directors to ensure the Company's sustainable growth. The Corporate Governance Meeting, consisting of representative directors and independent outside directors, discusses management strategies and plans constructively and submits reports to the Board of Directors in order to achieve sustainable growth and enhance corporate value over the medium to long term. The Sustainability Committee, consisting of the President Executive Officer, all Executive Officers, general managers of each department, and presidents of domestic subsidiaries, deliberates on the formulation of basic sustainability policies, strategies and plans, and the setting of indicators to be used as targets, as well as monitoring the status of initiatives and making reports and recommendations to the Board of Directors.

In order to provide directors and auditors with the knowledge and information they need at the time of and after their appointment, the Company conducts officer training as appropriate, including the use of external training, etc. In addition to the establishment of such systems, the Company believes that the enhancement of information disclosure will fulfill an effective function for corporate governance, and by disclosing various corporate information in a timely, appropriate and proactive manner, the Company intends to enhance the checking function from shareholders and other external parties and enhance the transparency of management.

III Measures to prevent decisions on the Company's financial and business policies from being controlled by inappropriate parties in light of the basic policy regarding control of company

At the Board of Directors meeting held on May 11, 2022, the Company resolved to continue the "Policy on countermeasures to large-scale purchases of the Company's shares, etc." (the "Policy") in light of the basic policy concerning company control as described in I. The Policy aims to prevent any purchase of the Company's shares, etc. by a specific group of shareholders to increase their voting rights to 20% or more, or to hold 20% or more of the voting rights. This includes purchases through market transactions, tender offers, or with prior consent from the Company's Board of Directors. Any purchase with prior consent is excluded and referred to as a "Large-Scale Purchase," with the purchaser as a "Large-Scale Purchaser." In the event of a Large-Scale Purchase, the Large-Scale Purchaser must provide necessary information to the Board of Directors in advance, allow for an assessment period, and await a resolution on countermeasures such as the issuance of share acquisition rights. The purpose is to safeguard and enhance the Company's corporate value and the common interests of shareholders by deterring actions that could harm corporate value. Share acquisition rights will be issued to eligible shareholders. As of the end of March 2022, Mitsui Chemicals, Inc., the largest shareholder, holds 20.00% of the Company's shares. A friendly relationship with Mitsui Chemicals, Inc. exempts it from the Policy. In the case of a large-scale purchase, the Company will request the purchaser to submit a letter of intent, an overview of the purchase, and a commitment to comply with the rules. The purchaser must provide necessary information within 10 business days, with a 60-day limit for submission. Failure to provide sufficient information will result in the termination of communication.

Depending on the complexity of evaluating a large-scale purchase, the Board of Directors will have either 60 days (for a tender offer with cash (Japanese yen) for all Company shares) or 90 days (for other large-scale purchases) after the large-scale purchaser provides necessary information or the information period ends. The Board will assess the information, seek advice from external experts, and consider the Corporate Value Evaluation Committee's recommendations before announcing its opinion. Negotiations with the purchaser may occur to enhance purchase conditions or propose alternatives. A Corporate Value Evaluation Committee, comprising outside directors, outside corporate auditors, and independent experts, will oversee the process to prevent non-compliance with the Large-Scale Purchase Rules. This committee will make crucial decisions, including implementing countermeasures if a purchaser violates rules or damages corporate value. It may also consult the General Shareholders' Meeting on countermeasure implementation. In cases of non-compliance or significant harm to corporate value, the Corporate Value Evaluation Committee will recommend countermeasures to the General Shareholders' Meeting. If the Board suggests consulting the shareholders on countermeasures like share acquisition rights issuance, it will be based on the impact on corporate value and shareholder interests.

The Company's Board of Directors shall, in accordance with the resolution of an Ordinary Shareholders' Meeting, or unless

there are special circumstances that are clearly contrary to the duty of due care of a prudent manager as a director, respect the above recommendation of the Corporate Value Evaluation Committee to the maximum extent, and make a resolution as an organization under the Companies Act regarding the activation or non-activation of countermeasures such as the issuance of stock acquisition rights without delay. In the event of the issuance of stock acquisition rights as a countermeasure, a holder of stock acquisition rights may acquire ordinary shares of the Company by exercising the stock acquisition rights by paying an amount of one (1) yen or more determined by the Board of Directors of the Company, and such stock acquisition rights may include an exercise condition that does not allow the Large-Scale Purchaser to exercise the rights or an acquisition provision to the effect that the Company may acquire the stock acquisition rights from persons other than the Large-Scale Purchaser in exchange for the Company's shares. In addition, even after the Board of Directors or an Ordinary Shareholders' Meeting of the Company has decided to implement countermeasures, if the Board of Directors of the Company judges that it is not appropriate to implement countermeasures, the Board of Directors of the Company may change or suspend the implementation of countermeasures, respecting the recommendations of the Corporate Value Evaluation Committee to the maximum extent. If the Board of Directors of the Company passes the above resolution, it will disclose information in a timely and appropriate manner.

Since the continuation of the Policy was approved at the Ordinary Shareholders' Meeting held on June 24, 2022, the effective period of the Policy shall be until the conclusion of the Ordinary Shareholders' Meeting relating to the last fiscal year ending within three (3) years from the date of the said Ordinary Shareholders' Meeting, and thereafter, the renewal of the Policy (including continuation with partial amendments) shall be subject to the approval of the Company's Ordinary Shareholders' Meeting. Even during the effective period of the Policy, the Company may revise the Policy from time to time in light of the development of relevant laws and regulations and the listing system stipulated by the financial instruments exchanges from the perspective of ensuring and enhancing the corporate value and, in turn, the common interests of shareholders. For details regarding this policy, please refer to the press release dated May 11, 2022, which is posted on the Company website (address: <https://www.shofu.co.jp/ir/>).

IV Decisions by the Board of Directors of the Company regarding specific measures and reasons for such decisions

As stated in II. above, effective use of the Company's assets, formation of an appropriate corporate group and other special measures to realize the basic policy on control of the Company are specific measures to enhance the Company's corporate value and the common interests of shareholders and are not for the purpose of maintaining the position of the Company's officers and are in line with the basic policy of the Company. In addition, the Policy described in the Measures to prevent decisions on the Company's financial and business policies from being controlled by inappropriate parties in light of the basic policy regarding control of the Company in III above has also been introduced in order to ensure and enhance the corporate value and, in turn, the common interests of shareholders, as stated therein, and is not for the purpose of maintaining the position of the Company's officers, and is in line with the Company's basic policy. In particular, the purpose of the Policy is to contribute to the corporate value and the common interests of shareholders and not to maintain the positions of the Company's officers. This is because the Policy ensures fairness and objectivity in its content. For example, the Policy establishes the Corporate Value Evaluation Committee as an organization independent of the Company's Board of Directors, and the Board of Directors must consult with the Corporate Value Evaluation Committee when making decisions on whether or not to implement countermeasures, and in principle, decisions on whether or not to implement countermeasures are made by resolution of an Ordinary Shareholders' Meeting, except in limited cases where the Corporate Value Evaluation Committee determines that it is not necessary to consult an Ordinary Shareholders' Meeting; and the effective period of the Policy is three years, and the continuation of the Policy is subject to the approval of the shareholders.

That said, at the meeting of the Board of Directors held on April 10, 2025, the Company resolved not to continue and to abolish the "Policy on countermeasures to large-scale purchases of the Company's shares, etc. (Takeover Defense Measures)," the effective period of which will expire at the conclusion of the 153rd Ordinary Shareholders' Meeting to be held on June 25, 2025. In connection with this, at the meeting of the Board of Directors held on June 11, 2025, the Company resolved to partially amend the "Basic policy on composition of persons who control decision-making over the Company's financial and business policies" as stipulated in the Regulations for Enforcement of the Companies Act. The basic policy regarding control of company after the conclusion of the 153rd Ordinary Shareholders' Meeting to be held on June 25, 2025, will be as follows.

I Overview details of basic policy

We believe that those who have control over decisions regarding the Company's financial and business policies should fully understand our corporate philosophy, the sources of our corporate value, and the relationships of trust with the stakeholders who support the Company. Such individuals are desirable as they contribute to securing and enhancing the Company's medium- to long-term corporate value, and ultimately, the common interests of shareholders.

The Company believes that, in the event a third party makes a large-scale purchase or proposal to purchase our stocks (hereinafter referred to as a "Large-Scale Purchase, etc."), the final decision on whether to accept such an action should be made based on the collective will of all our shareholders. Furthermore, if a large-scale purchase, etc. is made with respect to the Company, and if such an action contributes to our corporate value and, by extension, the common interests of shareholders, we do not intend to oppose it.

However, some large-scale purchase activities may pose a clear risk of infringing upon the Company's corporate value or the common interests of shareholders or may effectively force shareholders to sell their stocks. Such actions may not contribute to

corporate value or the common interests of shareholders. The Company believes that individuals or entities engaging in such large-scale purchase activities are inappropriate as parties controlling decisions regarding the Company's financial and business policies.

II Overview of special initiatives contributing to the effective utilization of the Company's assets, the formation of an appropriate corporate group, and other fundamental policies related to corporate control

The Company is committed to enhancing medium- to long-term corporate value by upholding our corporate philosophy of "contribution to dentistry through innovative business activities" and adhering to the guiding principles of "emphasizing quality while expanding quantity" and "embracing challenges brought by change." In addition, the Group is striving to improve business performance by significantly shifting the allocation of management resources overseas and focusing on the expansion of our overseas business. At the same time, we are working to strengthen our corporate governance framework, thereby aiming to enhance corporate value and, ultimately, the common interests of shareholders.

III Overview of measures to prevent decisions on the Company's financial and business policies from being controlled by inappropriate parties in light of the basic policy regarding control of company

The Company is committed to securing and enhancing our corporate value, and consequently, the common interests of shareholders over the medium to long term. In the event that any party conducts or seeks to conduct a large-scale purchase of our shares, we will, in accordance with the "Guidelines for Corporate Takeovers" (Ministry of Economy, Trade and Industry, August 31, 2023), require the provision of all necessary and sufficient information to enable our shareholders to make an appropriate decision regarding the propriety of such large-scale purchase. In addition, we will disclose the opinions and other relevant statements of our Board of Directors and strive to ensure that our shareholders have the necessary time and information to consider the matter. We will take appropriate measures within the scope permitted by the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and regulations.

IV Decisions by the Board of Directors of the Company regarding specific measures and reasons for such decisions

The initiatives described in Section II are specific measures aimed at enhancing the Company's medium- to long-term corporate value and, by extension, the common interests of shareholders, and they contribute to the realization of our basic policy. Furthermore, the initiatives described in Section III are intended to ensure that shareholders have sufficient information and time for consideration in order to decide whether or not to respond to large-scale purchase actions, thereby securing the common interests of shareholders. Accordingly, the above initiatives are consistent with the Company's basic policy, do not impair the common interests of shareholders, and are not intended to maintain the positions of executive officers.

(2) Status of directors (and other officers)

1) List of directors

A. The status of directors (and other officers) as of June 24, 2025 (the filing date of this Annual Securities Report) is as follows.

11 male, 2 female (female ratio 15.4%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Representative Director & Chairman	Noriyuki Negoro	March 9, 1956	March 1981 June 2003 July 2007 June 2008 April 2009 June 2009 June 2015 June 2022	Joined the Company Director, General Manager of Research & Development Department Managing Director, General Manager of Research & Development Department Managing Director, Research & Development, Quality Assurance and Production, General Manager of Research & Development Department Managing Director, Research & Development, Quality Assurance and Production President (Representative Director) Representative Director, President & CEO Representative Director, Chairman & CEO (to present)	Note 3	193,696
Representative Director & President, President Executive Officer	Tetsuo Takami	June 22, 1960	March 1983 June 2012 April 2015 June 2015 April 2018 April 2019 June 2019 June 2020 April 2021 June 2022	Joined the Company General Manager of Sales Department General Manager of Sales Department, Tokyo Branch Executive Officer, General Manager of Sales Department, Tokyo Branch Executive Officer, General Manager of Sales Department, General Manager of Tokyo Branch Executive Officer, General Manager of Sales Department Managing Executive Officer, General Manager of Sales Department Director, Managing Executive Officer, Sales, General Manager of Sales Department Director, Managing Executive Officer, Sales Representative Director & President, President Executive Officer (to present)	Note 3	77,742
Director, Senior Managing Executive Officer, Corporate Planning	Fumitaka Yamazaki	May 27, 1961	March 1981 April 2008 June 2011 June 2013 June 2015 June 2022 June 2024	Joined the Company General Manager of Corporate Planning Department Executive Officer, General Manager of Corporate Planning Department Director, Corporate Planning Director, Managing Executive Officer, Corporate Planning Director, Senior Managing Executive Officer, Production, Corporate Planning Director, Senior Managing Executive Officer, Corporate Planning (to present)	Note 3	78,937
Director, Senior Managing Executive Officer, Finance, General Affairs, Nail Care Business	Takahiro Umeda	February 13, 1960	June 2013 March 2015 April 2015 June 2016 June 2019 June 2020 April 2021 June 2022 June 2023	Branch Manager, Fukuchiyama Branch, The Bank of Kyoto Ltd. Joined the Company General Manager of Finance Department Executive Officer, General Manager of Finance Department Managing Executive Officer, General Manager of Finance Department Managing Executive Officer, Finance General Manager of Finance Department Managing Executive Officer, Finance Senior Managing Executive Officer, Finance Director, Senior Managing Executive Officer, Finance, General Affairs, Nail Care Business (to present)	Note 3	52,236

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Director, Managing Executive Officer, Production	Shuji Sonoi	March 31, 1971	April 1995 April 2018 April 2020 June 2020 April 2022 June 2024	Joined the Company Merz Dental GmbH Executive Director General Manager on Special Assignment of Production Department Executive Officer, General Manager on Special Assignment of Production Department Executive Officer, General Manager of Production Department Outside Director of Sun Medical Co., Ltd. (retired in June 2023) Director, Managing Executive Officer, Production (to present)	Note 3	15,539
Director	Kiichi Suzuki	May 23, 1949	April 1973 June 2003 April 2007 June 2007 June 2009 April 2012 April 2013 April 2015 June 2015	Joined Mitsui Toatsu Chemicals, Inc (now Mitsui Chemicals, Inc.) Executive officer, Mitsui Chemicals, Inc Managing Executive Officer, Mitsui Chemicals, Inc. Managing Director, Mitsui Chemicals, Inc. Senior Managing Director, Mitsui Chemicals, Inc. Director, Senior Managing Executive Officer, Mitsui Chemicals, Inc Director, Mitsui Chemicals, Inc. (retired in June 2013) Representative Director & Chairman, Mitsui Chemicals Agro, Inc. Senior Advisor, Mitsui Chemicals Agro, Inc. (retired in June 2017) Director, the Company (to present)	Note 3	33,312
Director	Daizo Nishimura	May 5, 1959	October 1987 March 1991 April 1994 January 1998 March 2004 June 2012 June 2020	Joined Audit Firm Asahi Shinwa Accounting Company (now KPMG AZSA LLC) (retired in October 1990) Registered as a Certificated Public Accountant Opened Nishimura Certified Public Accountant Office (to present) Registered as a Tax Accountant Opened Daizo Nishimura Tax Accounting Office (to present) Member, Ohtemae Audit Corporation Representative Member, Ohtemae Audit Corporation (to present) Auditor of Kyoto Sangyo University (retired in May 2020) Director, the Company (to present)	Note 3	4,987
Director	Mitsuo Kamimoto	May 21, 1947	October 1970 July 1973 May 1990 February 1997 June 2002 September 2008 June 2009 June 2015 June 2023	Joined Tetsuzo Ota Audit Office (now Ernst & Young ShinNihon LLC) Registered as a Certificated Public Accountant Representative Member of Ota Showa Ota Audit Corporation (now Ernst & Young ShinNihon LLC) Registered as a Tax Accountant Executive Director and Head of Osaka Office, ShinNihon LLC (now Ernst & Young ShinNihon LLC) (retired in August 2008) Opened Kamimoto Certified Public Accountant Office (to present) Opened Kamimoto Tax Accounting Office (to present) Outside Auditor, Elecom Co., Ltd. (retired in June 2017) Auditor, the Company Director, the Company (to present)	Note 3	6,721

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Director	Hiromi Hayashida	April 2, 1964	April 1989 April 2013 June 2014 October 2017 July 2018 April 2020 April 2021 April 2022 June 2022 April 2023 October 2023 August 2024 April 2025	Joined Mitsui Toatsu Chemicals, Inc (now Mitsui Chemicals, Inc.) Executive Vice President, Mitsui Chemicals America, Inc (retired in March 2017) Director, Anderson Development Company (retired in March 2017) Senior Vice President, Kulzer LLC (retired in June 2018) Managing Director (retired in March 2022), Senior Vice President (retired in March 2021), Kulzer GmbH Senior Director, Mitsui Chemicals, Inc. Executive Officer, Vice General Manager of Healthcare Business Division, Mitsui Chemicals, Inc. Executive Officer, Vice General Manager of Life & Healthcare Solutions Division, General Manager of Oral Care Business Unit, Mitsui Chemicals, Inc. Director, the Company (to present) Executive Officer, Vice General Manager of Life & Healthcare Solution Division, Mitsui Chemicals, Inc. Director, Mitsui Chemicals Asahi Life Materials Co., Ltd. (retired in March 2025) Executive Officer, Vice General Manager of Life & Healthcare Solutions Division, General Manager of Oral Care Business Unit, Mitsui Chemicals, Inc. Managing Executive Officer, General Manager of Life & Healthcare Solution Division, Mitsui Chemicals, Inc. (to present)	Note 3	-
Full-time Auditor	Shigeyuki Komatsu	May 31, 1958	March 1983 June 2008 April 2011 April 2013 June 2018 June 2019 June 2022	Joined the Company General Manager of Quality Assurance Department Representative Director & President, Shoken Inc. (SHOFU Products Kyoto, Inc.) General Manager on Special Assignment of Production Department General Manager on Special Assignment of Production Department General Manager of Nail Care Business Full-time Auditor (to present)	Note 4	21,595
Full-time Auditor	Hiroyuki Hatayama	January 2, 1962	March 1982 June 2012 April 2020 October 2020 May 2022 June 2024	Joined the Company Senior Manager of Information Systems Section, Finance Department Assistant General Manager on Special Assignment of Finance Department General Manager of General Affairs Department, Shiga SHOFU Inc. Director, General Manager of General Affairs Department, Shiga SHOFU Inc. Full-time Auditor (to present)	Note 6	5,500
Auditor	Yoko Yamada	March 5, 1957	April 1996 April 2000 December 2002 January 2008 June 2022 June 2023	Joined Certified Public Accountant Hiroharu Shikata Office (retired in December 2007) Registered as a Certificated Public Accountant Registered as a Tax Accountant Opened Certified Public Accountant and Tax Accountant Yoko Yamada Office (to present) Chairperson, Keiji Office, Japanese Institute of Certified Public Accountants (retired in June 2025) Auditor, the Company (to present)	Note 5	2,179

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Auditor	Hiromi Mukai	October 11, 1975	October 2001 October 2009 January 2018 June 2024	Registration as an attorney Joined Taniguchi Law & Accounting Office (now Taniguchi Law Office) (retired in September 2009) Joined Akai & Okada Law Office (now Okumura Okada Partners) (retired in December 2017) Opened Kawaramachi Law Office (to present) Auditor, the Company (to present)	Note 6	1,004
Total						493,448

- Notes: 1. Directors Kiichi Suzuki, Daizo Nishimura, Mitsuo Kamimoto and Hiromi Hayashida are Outside Directors.
2. Auditors Yoko Yamada and Hiromi Mukai are Outside Auditors.
3. The term of office of each director shall be from the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2024, to the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2025.
4. The term of office of Auditor Shigeyuki Komatsu will be from the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2022, to the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ending March 31, 2026.
5. The term of office of Auditor Yoko Yamada will be from the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2023, to the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ending March 31, 2027.
6. The terms of office of Auditors Hiroyuki Hatayama and Hiromi Mukai will be from the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2024, to the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ending March 31, 2028.
7. The Company has appointed one (1) substitute Auditor in preparation for the case where the number of Auditors falls below the number required by laws and regulations. The career summary of the substitute Auditor is as follows.

Name	Date of birth	Career summary		Number of shares held
Kyoko Kobayashi	July 22, 1972	April 1999 September 2009 September 2014 January 2018 February 2018 June 2020 June 2021	Registration as an attorney Joined Irokawa Law Office Seconded to Legal Affairs Office, Sharp Corporation Returned to Irokawa Law Office Partner, Irokawa Law Office (to present) Outside Auditor, Kawakami Paint Manufacturing Co., Ltd. (to present) Outside Director, Mitsubishi Logisnext Co., Ltd. (to present) Outside Director (Audit & Supervisory Committee member), Nippon Pillar Packing Co., Ltd. (now PILLAR Corporation) (to present)	-

The term of a substitute auditor shall be from when the substitute auditor assumes the position until when the term of office of the retiring auditor would have expired.

8. The Company has adopted an executive officer system. By more clearly separating the decision-making and supervisory functions of the Board of Directors from the business execution functions, and by appointing directors who also serve as business execution officers as executive officers, we aim to accelerate decision-making and clarify responsibilities. The executive officers who do not concurrently serve as directors mentioned above are as follows.

Title	Position	Name
Executive Vice President	Sales and International Departments	Kazuhiko Murakami
Managing Executive Officer	Personnel Department	Shinya Teramoto
Managing Executive Officer	Research and Development, Quality Assurance and Marketing	Ryuichi Yoshimoto
Senior Executive Officer	Shiga SHOFU Inc., Executive Advisor	Yoshikazu Nakajima
Senior Executive Officer	General Manager of International Department	Toshiyuki Nakatsuka
Executive Officer	President of Smart Dentistry Solutions Inc.	Takashi Wakayama
Executive Officer	General Manager of Sales Department	Junichi Sugawara
Executive Officer	General Manager of Corporate Planning Department	Hiroyoshi Miyake
Executive Officer	General Manager of Marketing Department	Michinori Matsunaga

B. We propose the agenda item “Election of Nine Directors” as a resolution matter for the Ordinary Shareholders’ Meeting scheduled to be held on June 25, 2025. If this agenda item is approved and adopted, the status of directors will be as follows. This includes the description of the matters to be resolved (such as positions, etc.) at the extraordinary meetings of the Board of Directors and the Audit & Supervisory Board, which are scheduled to be held immediately after the said Ordinary Shareholders’ Meeting.

9 males, 4 females (percentage of female officers: 30.8%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Representative Director & Chairman	Noriyuki Negoro	March 9, 1956	March 1981 June 2003 July 2007 June 2008 April 2009 June 2009 June 2015 June 2022	Joined the Company Director, General Manager of Research & Development Department Managing Director, General Manager of Research & Development Department Managing Director, Research & Development, Quality Assurance and Production, General Manager of Research & Development Department Managing Director, Research & Development, Quality Assurance and Production President (Representative Director) Representative Director, President & CEO Representative Director, Chairman & CEO (to present)	Note 3	193,696
Representative Director & President, President Executive Officer	Tetsuo Takami	June 22, 1960	March 1983 June 2012 April 2015 June 2015 April 2018 April 2019 June 2019 June 2020 April 2021 June 2022	Joined the Company General Manager of Sales Department General Manager of Sales Department, Tokyo Branch Executive Officer, General Manager of Sales Department, Tokyo Branch Executive Officer, General Manager of Sales Department, General Manager of Tokyo Branch Executive Officer, General Manager of Sales Department Managing Executive Officer, General Manager of Sales Department Director, Managing Executive Officer, Sales, General Manager of Sales Department Director, Managing Executive Officer, Sales Representative Director & President, President Executive Officer (to present)	Note 3	77,742
Director, Senior Managing Executive Officer Finance, Nail Care Business	Takahiro Umeda	February 13, 1960	June 2013 March 2015 April 2015 June 2016 June 2019 June 2020 April 2021 June 2022 June 2023 June 2025	Branch Manager, Fukuchiyama Branch, The Bank of Kyoto Ltd. Joined the Company General Manager of Finance Department Executive Officer, General Manager of Finance Department Managing Executive Officer, General Manager of Finance Department Managing Executive Officer, Finance General Manager of Finance Department Managing Executive Officer, Finance Senior Managing Executive Officer, Finance Director, Senior Managing Executive Officer, Finance, General Affairs, Nail Care Business Representative Director, Senior Managing Executive Officer, Finance, Nail Care Business (to present)	Note 3	52,236
Director, Senior Managing Executive Officer Corporate Planning	Fumitaka Yamazaki	May 27, 1961	March 1981 April 2008 June 2011 June 2013 June 2015 June 2022 June 2024	Joined the Company General Manager of Corporate Planning Department Executive Officer, General Manager of Corporate Planning Department Director, Corporate Planning Director, Managing Executive Officer, Corporate Planning Director, Senior Managing Executive Officer, Production, Corporate Planning Director, Senior Managing Executive Officer, Corporate Planning (to present)	Note 3	78,937

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Director, Managing Executive Officer, Production	Shuji Sonoi	March 31, 1971	April 1995 April 2018 April 2020 June 2020 April 2022 June 2024	Joined the Company Merz Dental GmbH Executive Director General Manager on Special Assignment of Production Department Executive Officer, General Manager on Special Assignment of Production Department Executive Officer, General Manager of Production Department Outside Director of Sun Medical Co., Ltd. (retired in June 2023) Director, Managing Executive Officer, Production (to present)	Note 3	15,539
Director	Kiichi Suzuki	May 23, 1949	April 1973 June 2003 April 2007 June 2007 June 2009 April 2012 April 2013 April 2015 June 2015	Joined Mitsui Toatsu Chemicals, Inc (now Mitsui Chemicals, Inc.) Executive officer, Mitsui Chemicals, Inc Managing Executive Officer, Mitsui Chemicals, Inc. Managing Director, Mitsui Chemicals, Inc. Senior Managing Director, Mitsui Chemicals, Inc. Director, Senior Managing Executive Officer, Mitsui Chemicals, Inc Director, Mitsui Chemicals, Inc. (retired in June 2013) Representative Director & Chairman, Mitsui Chemicals Agro, Inc. Senior Advisor, Mitsui Chemicals Agro, Inc. (retired in June 2017) Director, the Company (to present)	Note 3	33,312
Director	Daizo Nishimura	May 5, 1959	October 1987 March 1991 April 1994 January 1998 March 2004 June 2012 June 2020	Joined Audit Firm Asahi Shinwa Accounting Company (now KPMG AZSA LLC) (retired in October 1990) Registered as a Certificated Public Accountant Opened Nishimura Certified Public Accountant Office (to present) Registered as a Tax Accountant Opened Daizo Nishimura Tax Accounting Office (to present) Member, Ohtemae Audit Corporation Representative Member, Ohtemae Audit Corporation (to present) Auditor of Kyoto Sangyo University (retired in May 2020) Director, the Company (to present)	Note 3	4,987

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Director	Junko Yaguchi	April 19, 1963	<p>April 1986 July 1989 November 1997 March 2002 July 2006 April 2012 October 2013 April 2020 December 2022 April 2024 June 2024 June 2025</p>	<p>Joined Fujitsu Social Systems Engineering Limited (now Fujitsu Limited) Joined Salomon Brothers Asia Securities (now Citigroup Global Markets Japan Inc.) Joined Tokyo Branch of Merrill Lynch (Japan) (now BofA Securities) Joined BNP Paribas Securities (Japan) Limited Joined Games Arena Co., Ltd. (consolidated subsidiary of DWANGO Co., Ltd.) Joined DWANGO Co., Ltd. (Transferred) Joined MINKABU, Inc. (now MINKABU THE INFONOID, Inc.) Senior Executive Officer in charge of Business Administration and Management of MINKABU THE INFONOID, Inc. Auditor of livedoor Co., Ltd. (retired in June 2024) Auditor of MINKABU ASSET PARTNERS, Inc. (retired in March 2025) Director of MINKABU SOLUTION SERVICES, Inc. (to present) Director of MINKABU THE INFONOID, Inc. (to present) Director, the Company (to present)</p>	Note 3	-
Director	Kaori Matsue	August 25, 1966	<p>April 1990 April 2019 April 2020 April 2022 April 2025 June 2025</p>	<p>Joined Mitsui Toatsu Chemicals, Inc. (now Mitsui Chemicals, Inc.) General Manager, RC & Quality Assurance Division of Mitsui Chemicals Inc. Senior Director and General Manager, RC & Quality Assurance Division of Mitsui Chemicals Inc. Executive Officer, General Manager, Planning & Coordination Division, Production & Technology Center of Mitsui Chemicals, Inc. Outside Director of Mitsui Chemical Analysis & Consulting Service, Inc. (retired in March 2025) Outside Director of Mitsui Chemicals Operation Services Co., Ltd. (retired in March 2025) Outside Director of Omega Simulation Co., Ltd. (to present) Executive Officer in charge of RC & Quality Assurance Division, Corporate Sustainability Division, Responsible Care Committee, and Corporate Sustainability Committee, and General Manager, Corporate Sustainability Division of Mitsui Chemicals, Inc. (to present) Director, the Company (to present)</p>	Note 3	-
Full-time Auditor	Shigeyuki Komatsu	May 31, 1958	<p>March 1983 June 2008 April 2011 April 2013 June 2018 June 2019 June 2022</p>	<p>Joined the Company General Manager of Quality Assurance Department Representative Director & President, Shoken Inc. (SHOFU Products Kyoto, Inc.) General Manager on Special Assignment of Production Department General Manager on Special Assignment of Production Department General Manager of Nail Care Business Full-time Auditor (to present)</p>	Note 4	21,595

Title	Name	Date of birth	Career summary		Term of office	Number of shares held
Full-time Auditor	Hiroyuki Hatayama	January 2, 1962	March 1982 June 2012 April 2020 October 2020 May 2022 June 2024	Joined the Company Senior Manager of Information Systems Section, Finance Department Assistant General Manager on Special Assignment of Finance Department General Manager of General Affairs Department, Shiga SHOFU Inc. Director, General Manager of General Affairs Department, Shiga SHOFU Inc. Full-time Auditor (to present)	Note 6	5,500
Auditor	Yoko Yamada	March 5, 1957	April 1996 April 2000 December 2002 January 2008 June 2022 June 2023	Joined Certified Public Accountant Hiroharu Shikata Office (retired in December 2007) Registered as a Certificated Public Accountant Registered as a Tax Accountant Opened Certified Public Accountant and Tax Accountant Yoko Yamada Office (to present) Chairperson, Keiji Office, Japanese Institute of Certified Public Accountants (retired in June 2025) Auditor, the Company (to present)	Note 5	2,179
Auditor	Hiromi Mukai	October 11, 1975	October 2001 October 2009 January 2018 June 2024	Registration as an attorney Joined Taniguchi Law & Accounting Office (now Taniguchi Law Office) (retired in September 2009) Joined Akai & Okada Law Office (now Okumura Okada Partners) (retired in December 2017) Opened Kawaramachi Law Office (to present) Auditor, the Company (to present)	Note 6	1,004
Total						486,727

- Notes: 1. Directors Kiichi Suzuki, Daizo Nishimura, Junko Yaguchi, and Kaori Matsue are Outside Directors.
2. Auditors Yoko Yamada and Hiromi Mukai are Outside Auditors.
3. The term of office of each director shall be from the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2025 until the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ending March 31, 2026.
4. The term of office of Auditor Shigeyuki Komatsu shall be from the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2022, until the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ending March 31, 2026.
5. The term of office of auditor Yoko Yamada shall be from the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2023, until the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ending March 31, 2027.
6. The term of office of auditors Hiroyuki Hatayama and Hiromi Mukai shall be from the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ended March 31, 2024, until the conclusion of the Ordinary Shareholders' Meeting for the fiscal year ending March 31, 2028.
7. In preparation for any situation in which the number of auditors required by law is not met, the Company has appointed one substitute auditor. The career summary of the substitute auditor is as follows.

Name	Date of birth	Career summary		Number of shares held
Kyoko Kobayashi	July 22, 1972	April 1999 September 2009 September 2014 January 2018 February 2018 June 2020 June 2021	Registration as an attorney Joined Irokawa Law Office Seconded to Legal Affairs Office, Sharp Corporation Returned to Irokawa Law Office Partner, Irokawa Law Office (to present) Outside Auditor, Kawakami Paint Manufacturing Co., Ltd. (to present) Outside Director, Mitsubishi Logisnext Co., Ltd. (to present) Outside Director (Audit & Supervisory Committee member), Nippon Pillar Packing Co., Ltd. (now PILLAR Corporation) (to present)	-

The term of office of a substitute auditor shall be from the time of appointment until the expiration of the term of office of the auditor who has resigned.

8. The Company has adopted an executive officer system. By more clearly separating the decision-making and supervisory functions of the Board of Directors from the business execution functions, and by appointing directors who also serve as business execution officers as executive officers, we aim to accelerate decision-making and clarify responsibilities. The executive officers who do not concurrently serve as directors mentioned above are as follows.

Title	Position	Name
Executive Vice President	Sales and International Departments	Kazuhiko Murakami
Managing Executive Officer	Personnel and General Affair Departments	Shinya Teramoto
Managing Executive Officer	Research and Development, Quality Assurance and Marketing	Ryuichi Yoshimoto
Senior Executive Officer	General Manager of International Department	Toshiyuki Nakatsuka
Executive Officer	President of Smart Dentistry Solutions Inc.	Takashi Wakayama
Executive Officer	General Manager of Sales Department	Junichi Sugawara
Executive Officer	General Manager of Corporate Planning Department	Hiroyoshi Miyake
Executive Officer	General Manager of Marketing Department	Michinori Matsunaga
Executive Officer	General Manager of Personnel Department	Shigefumi Iwasaki
Executive Officer	General Manager of Quality Assurance Department	Hisaaki Tachidokoro
Executive Officer	General Manager of International Department	Yoshikazu Yamada

2) Relationship with outside directors and outside auditors

The Company has established the "Standards for independence of outside directors and outside auditors," and the details are as follows.

In order to ensure the independence of outside directors and outside auditors, the Company deems that an outside director or outside auditor is independent only when he / she does not fall under the following criteria.

- (a) An executive of the parent company or a fellow subsidiary of the Company
- (b) An executive of a major business partner of the Company (in the case of transactions that account for more than 2% of consolidated net sales in the most recent business year)
- (c) A consultant, accounting expert, or legal expert who receives a large amount of monetary or other property benefits (total annual payment of ¥5 million or more) other than officer compensation from the Company (if the person who receives such property is an organization such as a corporation or association, a person who belongs to such organization)
- (d) A person who falls under any of (a) through (c) above at the time of being nominated as a candidate
- (e) A person who was an executive of the parent company or a fellow subsidiary of the Company in the past five years
- (f) A person who was an executive of a major business partner of the Company in the past five years
- (g) A consultant, accounting expert, or legal expert who has received a large amount of monetary or other property benefits (total annual payment of ¥5 million or more) other than officer compensation from the Company in the past five years (if the person receiving such property is an organization such as a corporation or association, a person who belongs to such organization)
- (h) A close relative (meaning a spouse or a relative within the second degree of kinship) of a person who falls under any of (a) through (g) above
- (i) A person who executes or has executed business in the past at an entity with which outside officers are mutually appointed
- (j) A person who is or was an executive of an entity receiving donations from the Company

A. The status as of June 24, 2025 (the filing date of this Annual Securities Report) is as follows.

The Company has appointed four outside directors (Kiichi Suzuki, Daizo Nishimura, Mitsuo Kamimoto, Hiromi Hayashida).

Outside Director Kiichi Suzuki previously served as Senior Managing Director of Mitsui Chemicals, Inc., an important business partner of the Company, and possesses extensive experience as a corporate executive. He has been appointed in the expectation that, from an objective standpoint, he will provide appropriate oversight of the Company's management and, drawing on his experience and insight as a seasoned executive, contribute to enhancing the Company's corporate value through his advice and guidance. The Company has also designated him as an independent officer. Although Mr. Suzuki served as an executive officer of Mitsui Chemicals, Inc., a major shareholder of the Company, until March 2013, he currently has no personal, equity, business, or other interests with the Company, except for his ownership of the Company's stock.

Outside Director Daizo Nishimura possesses extensive knowledge of finance and accounting as a certified public accountant and tax accountant, and has sufficient insight to oversee corporate management. He has been appointed based on the judgment that, from an objective standpoint, he can appropriately supervise the management of the Company and contribute to the enhancement of our corporate value through advice and guidance grounded in his experience and expertise. The Company has designated him as an independent officer. In addition, there are no personal, equity, business, or other interests between him and the Company except for his ownership of the Company's stock.

Outside Director Mitsuo Kamimoto is familiar with finance and accounting as a certified public accountant and tax accountant and has sufficient insight to oversee corporate management. The Company appointed him for the reason that he is expected to supervise the Company's management appropriately from an objective standpoint and contribute to enhancing the Company's corporate value by giving advice, etc. based on his experience and insight. The Company has designated him as an independent officer. In addition, there are no personal, equity, business or other interests between him and the Company except for his

ownership of the Company's stock.

Outside Director Hiromi Hayashida has deep knowledge in the healthcare field centering on dental care through his work at Mitsui Chemicals, Inc., an important business partner of the Company. The Company has appointed him for the reason that he will be able to appropriately supervise the Company's management and contribute to the enhancement of the Company's corporate value by providing advice, etc. based on his experience and insight. Although he is an executive of Mitsui Chemicals, Inc., which is a major shareholder of the Company, he has no personal, equity, business or other interests with the Company.

The Company has appointed two outside auditors, Yoko Yamada and Hiromi Mukai.

Outside Auditor Yoko Yamada has been appointed based on her extensive knowledge of finance and accounting as a certified public accountant and tax accountant, as well as her sufficient insight into corporate management. We have determined that she is capable of appropriately fulfilling the duties of an outside auditor and have designated her as an independent officer. Other than her ownership of the Company's stocks, there are no personal, equity, business, or other interests between her and the Company.

Outside Auditor Hiromi Mukai has been appointed based on the judgment that, as an attorney with extensive expertise in corporate legal affairs and sufficient insight into corporate governance, she is capable of appropriately fulfilling the duties of an outside auditor. The Company has also designated her as an independent officer. There are no personal, equity, business, or other interests between her and the Company.

B. As an agenda item (matter for resolution) at the Ordinary Shareholders' Meeting scheduled to be held on June 25, 2025, we are proposing the "Election of Nine Directors." If this resolution is approved and adopted, the relationship between the outside directors and the Company, as well as the reasons for their appointment, will be as follows.

The Company has appointed four outside directors: Kiichi Suzuki, Daizo Nishimura, Junko Yaguchi, and Kaori Matsue.

Outside Director Kiichi Suzuki previously served as Senior Managing Director of Mitsui Chemicals, Inc., an important business partner of the Company, and possesses extensive experience as a corporate executive. He has been appointed in the expectation that, from an objective standpoint, he will provide appropriate oversight of the Company's management and, drawing on his experience and insight as a seasoned executive, contribute to enhancing the Company's corporate value through his advice and guidance. The Company has also designated him as an independent officer. Although Mr. Suzuki served as an executive officer of Mitsui Chemicals, Inc., a major shareholder of the Company, until March 2013, he currently has no personal, equity, business, or other interests with the Company, except for his ownership of the Company's stock.

Outside Director Daizo Nishimura possesses extensive knowledge of finance and accounting as a certified public accountant and tax accountant, and has sufficient insight to oversee corporate management. He has been appointed based on the judgment that, from an objective standpoint, he can appropriately supervise the management of the Company and contribute to the enhancement of our corporate value through advice and guidance grounded in his experience and expertise. The Company has designated him as an independent officer. In addition, there are no personal, equity, business, or other interests between him and the Company except for his ownership of the Company's stock.

Outside Director Junko Yaguchi, possesses extensive knowledge of the stocks and capital markets, gained through her many years of experience working at securities companies and her management experience at companies operating investor-focused media businesses. We have appointed her as an outside director based on our judgment that she will appropriately supervise the Company's management and contribute to enhancing our corporate value through advice and insights grounded in her experience and expertise. The Company has also designated her as an independent officer. Except for her ownership of the Company's stock, there are no personal, equity, business, or other interests between her and the Company.

Outside Director Kaori Matsue possesses extensive knowledge of quality assurance and responsible care in the chemical manufacturing industry, gained through her experience as an executive at Mitsui Chemicals, Inc., an important business partner. She has been nominated for the position of outside director based on the expectation that she will provide appropriate oversight of the Company's management and contribute to the enhancement of our corporate value through advice and insights drawn from her experience and expertise. Although she serves as an executive at Mitsui Chemicals, Inc., a major shareholder of the Company, there are no personal, equity, business, or other interests between her and the Company.

The Company has appointed two outside auditors, Yoko Yamada and Hiromi Mukai.

Outside Auditor Yoko Yamada has been selected for the position based on her extensive knowledge of finance and accounting as a certified public accountant and tax accountant, as well as her sufficient insight into corporate management. We have determined that she is capable of appropriately fulfilling the duties of an outside auditor and have designated her as an independent officer. Other than her ownership of the Company's stocks, there are no personal, equity, business, or other interests between her and the Company.

Outside Auditor Hiromi Mukai has been appointed based on the judgment that, as an attorney with extensive expertise in corporate legal affairs and sufficient insight into corporate governance, she is capable of appropriately fulfilling the duties of an outside auditor. The Company has also designated her as an independent officer. There are no personal, equity, business, or other interests between her and the Company.

3) Coordination between supervision or auditing by outside directors or outside auditors, auditing by auditors and Accounting Auditor and relationship with divisions involved in internal control

The auditors receive explanations from the Accounting Auditor regarding audit plans and audit results, and also attend interim audits, year-end audits, and physical inventory audits as needed. Through these and other means, the auditors and the accounting

auditor work together to grasp the status of the implementation of accounting audits and to ensure and maintain the appropriateness of financial statements and internal controls. In addition, the auditors exchange audit information and enhance the function of audits by the auditors by receiving explanations and reports on audit plans and audit results as needed from the Internal Audit Department in charge of internal audits. Also, outside directors and auditors regularly exchange information (including information from the Internal Audit Department and the Accounting Auditor, etc.) and hold discussions on management to enhance mutual cooperation. The Internal Audit Department communicates and discusses the results of internal audits with the auditors and the Accounting Auditor as needed and promotes initiatives to enhance the audit function under their cooperation.

(3) Status of audits

1) Status of audits by Audit & Supervisory Board

a. Organization, personnel and procedures for audits by Audit & Supervisory Board

The Company has adopted an Audit & Supervisory Board system. The Audit & Supervisory Board, which consists of four auditors, two (2) full-time and two (2) part-time (outside), determines audit policies, audit plans, the division of duties for each auditor, and audits the execution of duties by directors and the business and financial conditions, etc., of the Company and Group companies. One of the outside auditors is a certified public accountant and has considerable knowledge of finance and accounting. Together with the other outside auditor who is also an attorney at law, the outside auditors use their respective expertise to monitor management from an objective standpoint, focusing on the Company's financial position and internal controls.

b. Activities of Audit & Supervisory Board and its members

(Frequency of meetings of the Audit & Supervisory Board and attendance of individual auditors)

The Audit & Supervisory Board holds a regular meeting every month, and an extraordinary meeting is held as necessary to receive reports on important matters concerning audits, discuss or make resolutions, and exchange opinions. In addition, the Company holds Group Audit & Supervisory Board meetings consisting of the auditors, etc. of each Group company and participates in meetings of persons in charge of monitoring consisting of directors in charge of monitoring of each Group company whose main duty is to monitor the management of Group companies. In order to optimize Group management, the Company strives to strengthen the audit function in cooperation with each auditor and director in charge of monitoring, etc. Attendance of auditors during this fiscal year is as follows.

Name	Number of meetings	Number attended
Akira Kawashima (Full-time)	4	4
Shigeyuki Komatsu (Full-time)	16	16
Hiroyuki Hatayama (Full-time)	12	12
Yasushi Sakemi (Outside)	4	4
Yoko Yamada (Outside)	16	16
Hiromi Mukai (Outside)	12	12

Note: The number of meetings includes meetings of the Group Audit & Supervisory Board.

Hiroyuki Hatayama and Hiromi Mukai were appointed at the Ordinary Shareholders' Meeting held on June 25, 2024.

Akira Kawashima and Yasushi Sakemi resigned at the Ordinary Shareholders' Meeting held on June 25, 2024.

(Specific matters discussed by the Audit & Supervisory Board)

The Audit & Supervisory Board formulates audit policies and audit plans, and also specifically examines the legality and appropriateness of the execution of duties by directors, the development and operation status of the internal control system, the presence or absence of competitive transactions and conflicts of interest, and the appropriateness of audits by the Accounting Auditor.

In this fiscal year, the following items were handled as priority audit items.

- Fulfilling the functions of the Board of Directors (compliance with the Corporate Governance Code)
- Decisions by the Board of Directors regarding important measures under the Fifth Medium-Term Management Plan toward realizing the ¥50 billion Vision
- Strengthening the governance structure and decision-making by the Board of Directors on ESG management
- Group governance (control over group subsidiaries)

(Activities of full-time auditors)

In addition to the meetings of the Board of Directors, full-time auditors attend the Managing Executive Board, which is held weekly as a preliminary deliberation body for the Board of Directors, to verify the legality and appropriateness of matters submitted to the Board of Directors and express necessary opinions as part of audits. In addition, full-time auditors conduct interviews and exchange opinions with representative directors, inside and outside directors, and executive officers, as well as interviews with directors, etc. of subsidiaries and on-site audits of subsidiaries as appropriate. Also, full-time auditors regularly exchange information with the Accounting Auditor, collaborate with the Internal Audit Department in charge of internal audits, and receive reports on audit results, in an effort to strengthen the audit function. The Audit & Supervisory Board also endeavors to enhance the sharing of information that supports appropriate discussions at the Audit & Supervisory Board meetings. For example, the auditors inspect important documents and reports of the Company on a daily basis and endeavor to collect information from inside and outside the Company and also conduct additional interviews with the persons concerned in a flexible manner.

2) Status of internal audits

The Internal Audit Department (5 members as of the end of this fiscal year) has been established as a department in charge of internal audits and reports directly to the President Executive Officer. The Internal Audit Department conducts audits of Group companies with respect to the status of the development and operation of various systems related to business management, the rationality and legality of business activities, the appropriateness of accounting records, the status of the development and operation of internal checking functions, etc.

The results of audits are reported to the President Executive Officer, the Managing Executive Board and the Board of Directors, and a system is in place to issue improvement instructions as necessary. In addition, management issues included in the results of audits are shared.

The Internal Audit Department communicates and discusses the results of internal audits with the auditors and the Accounting Auditor as needed and promotes initiatives to enhance the audit function under their cooperation.

3) Status of accounting audits

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

Since 1971

c. Certified public accountants engaged in the audit

Designated Liability-Limited Partner and Engagement Partner Hideyuki Goto

Designated Liability-Limited Partner and Engagement Partner Toru Fukutake

Note: As the years of continuous service in audit are less than seven years for all persons, the relevant statement is omitted.

d. Composition of assistants for audit services

6 certified public accountants and 10 others

e. Audit firm selection policy and rationale

The Company's selection policy requires that the Accounting Auditor possess the expertise, independence and audit quality control required of an Accounting Auditor, as well as a system for centrally auditing the Group's global business activities.

f. Evaluation of the Accounting Auditor by the Audit & Supervisory Board and its members

The Audit & Supervisory Board has established the "Standards for evaluating and selecting Accounting Auditors," and comprehensively evaluates the Accounting Auditors by confirming that the Accounting Auditors have independence and necessary expertise, that they have a reasonable size and overseas network to conduct efficient audit work corresponding to the Company's wide-ranging business content, that the audit system has been developed, and that the scope of the audit, the audit plan and the audit expenses are reasonable and appropriate, taking into account the audit performance, etc.

4) Details of audit fees, etc.

a. Compensation for certified public accountants, etc.

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Audit and attestation services (million yen)	Compensation for non-audit services (million yen)	Audit and attestation services (million yen)	Compensation for non-audit services (million yen)
The Company	40	-	40	-
Consolidated subsidiaries	-	-	-	-
Total	40	-	40	-

b. Compensation paid to the same network (Ernst & Young member firm) as the auditing certified public accountants, etc. (excluding a.)

Classification	Previous consolidated fiscal year		Current consolidated fiscal year	
	Audit and attestation services (million yen)	Compensation for non-audit services (million yen)	Audit and attestation services (million yen)	Compensation for non-audit services (million yen)
The Company	-	10	-	23
Consolidated subsidiaries	-	-	-	-
Total	-	10	-	23

The non-audit services in the previous consolidated fiscal year and the current consolidated fiscal year were tax system consulting services.

c. Other significant audit and attestation services previous consolidated fiscal year

Previous fiscal year

Not applicable

Current fiscal year

Not applicable

d. Policy for determining audit compensation

The audit compensation paid to the Company's certified public accountants, etc. for audits is determined by obtaining the consent of the Audit & Supervisory Board based on the estimated amount of fees paid to the certified public accountants, etc. for compensation in accordance with an audit plan that takes into account the number of audit days, the scale of the Company's business, and other factors, after closely examining the appropriateness of the amount.

e. Rationale for the Audit & Supervisory Board's consent to the Accounting Auditor's compensation, etc.

The Audit & Supervisory Board obtained the necessary materials and received reports from the Directors, relevant internal departments and the Accounting Auditor regarding the remuneration for the Accounting Auditor. After confirming and deliberating on the details of the Accounting Auditor's audit plan, the status of performance of duties in the accounting audit, and the basis for calculating the estimated remuneration, the Board of Corporate Auditors determined that these were appropriate and agreed to the amount of remuneration, etc. for the Accounting Auditor in accordance with Article 399, Paragraph 1 of the Companies Act.

(4) Compensation for directors and auditors

1) Matters concerning policy for determining the amount of compensation, etc. for directors and auditors and the calculation method thereof

The Company has established a policy for determining the content of compensation, etc. for individual directors (hereinafter, "Determination Policy"). The outline is as follows.

The Company's basic policy is that compensation for directors of the Company shall be a compensation system that sufficiently functions as an incentive to achieve sustainable enhancement of corporate value and is also linked to shareholder interests, and that the compensation for individual directors shall be determined at an appropriate level based on factors such as the abilities and responsibilities required of the Company's officers and the responsibilities for future corporate value enhancement.

Specifically, compensation for directors consists of fixed compensation as basic compensation, and a directors' bonus and directors' restricted stock compensation as performance-linked compensation. However, outside directors are paid only a fixed compensation in view of their duties to supervise and advise management from a standpoint independent of business execution.

- Basic compensation

The basic compensation for directors of the Company is a fixed monthly compensation, which is determined after consultation with the Nomination and Compensation Council based on a comprehensive consideration of levels at other companies according to a survey by an external expert organization, the Company's performance, and the level of employee salaries, in accordance with the position and responsibilities of each director.

- Performance-linked compensation, etc.

Performance-linked compensation, etc. shall be cash compensation reflecting performance indicators (KPIs) in order to motivate directors to enhance the Group's performance and corporate value for each business year, and the amount calculated based on the level of achievement of the consolidated net sales and consolidated operating profit targets for each fiscal year is paid as a bonus at a certain time every year. Target performance indicators and their values shall be set at the time of formulation of the medium-term management plan so that they are consistent with the plan and shall be revised as appropriate in accordance with changes in the environment upon consultation with the Nomination and Compensation Council.

- Non-monetary compensation, etc.

For the purpose of providing directors (excluding outside directors) with incentives to sustainably enhance the Company's corporate value and further promoting value sharing with shareholders through compensation linked to shareholder interests, the Company allocates the Company's common stock with transfer restrictions for a certain period at a certain time every year. When determining the amount of restricted stock compensation for individual directors, the Company's basic policy is to make decisions based on factors such as the abilities and responsibilities required of directors of the Company and their responsibilities for enhancing corporate value in the future. The number of shares to be allotted is determined for each position within the framework of a resolution of an Ordinary Shareholders' Meeting.

The ratio of compensation for each type of director is determined through consultation with the Nomination and Compensation Council, considering the levels and composition ratios of other companies according to a survey by an external expert organization, and setting the composition so that the higher the position, the lower the weight of fixed compensation.

In addition, the Nomination and Compensation Council is consulted on the draft of the determination policy, and the Board of Directors makes a resolution based on the content of the report.

At the Company, based on a resolution of the Board of Directors, authority is delegated to the Representative Director & Chairman, Noriyuki Negoro, who determines the specific content of the amount of compensation for individual directors.

The content of the authority is to determine the amount of fixed compensation for each director and the amount of bonuses based on the performance of the business of each director in charge. The reason for delegating this authority is that the Representative Director & Chairman (or Representative Director & President and if the position of the Representative Director & Chairman is vacant; the same shall apply hereinafter) is the most appropriate person to evaluate the business of each director while keeping an overview of the performance of the Company as a whole.

The Board of Directors consults the Nomination and Compensation Council about the compensation plan so that the Representative Director & Chairman can exercise the authority appropriately and takes measures such as exercising the authority based on the report. Since the compensation amount for each individual director has been determined through this procedure, the Board of Directors judges that the content is in line with the determination policy.

As for the restricted stock compensation, the Board of Directors will resolve the number of shares to be allotted to each director.

a. Director compensation

It was resolved at the 143th Ordinary Shareholders' Meeting held on June 25, 2015, that the total amount of compensation for directors, including bonuses, shall not exceed ¥300 million per year (of which no more than ¥30 million shall be paid to outside

directors).

In addition, it was resolved at the 147th Ordinary Shareholders' Meeting held on June 26, 2019 to allot restricted stock within the range of ¥50 million per year to the Company's directors (excluding outside directors), separately from the aforementioned total amount of directors' compensation, as restricted stock compensation for directors for the purpose of providing an incentive to sustainably enhance the Company's corporate value and further promoting shared value between the eligible directors and shareholders.

As agenda items (resolutions) for the Ordinary Shareholders' Meeting scheduled to be held on June 25, 2025, we are proposing "Revision of the Amount of Compensation for Directors" and "Revision of the Amount of Compensation for the Granting of Shares with Restrictions on Transfer to Directors (excluding Outside Directors)". If these proposals are approved and adopted, the total annual amount of directors' compensation, including bonuses, will be up to ¥370 million (of which up to ¥50 million is for outside directors), and, separately from the total amount of directors' compensation, restricted stock will be allocated to the Company's directors (excluding outside directors) within an annual limit of ¥70 million.

b. Auditor compensation

Compensation for auditors consists only of fixed compensation to ensure independence and objectivity from management. The level of compensation is commensurate with their roles. It is determined based on the standards of other companies through a survey by an external professional organization. The amount of compensation for each auditor is determined through discussions among the auditors.

It was resolved at the 126th Ordinary Shareholders' Meeting held on June 26, 1998, that the total amount of auditor compensation shall not exceed ¥50 million per year.

As an agenda item (resolution) for the Ordinary Shareholders' Meeting scheduled to be held on June 25, 2025, we are proposing the "Revision of the Amount of Compensation for Auditors". If this resolution is approved and adopted, the total annual auditor compensation, including bonuses, will be set at no more than ¥70 million.

2) The total amount of compensation, etc., of each officer category, the total amount of compensation, etc., of each type and the number of relevant officers

Officer category	Total amount of compensation, etc. (million yen)	Total amount by type of compensation (million yen)			Number of officers
		Monetary compensation		Non-monetary compensation, etc.	
		Fixed compensation	Performance-linked compensation	Restricted stock compensation	
Directors (excluding outside directors)	262	160	66	36	6
Auditors (excluding outside auditors)	36	36	-	-	3
Outside officers	40	40	-	-	7

Notes: 1. The amount of restricted stock compensation is the amount recorded as expenses in the current fiscal year.

2. The above number includes one director, one outside director and one outside auditor who retired at the conclusion of the 152nd Ordinary Shareholders' Meeting held on June 25, 2024.

3) The total amount of consolidated compensation, etc., by officer

As there were no officers whose total amount of consolidated compensation, etc. was ¥100 million or more, there is no disclosure.

(5) Equity securities held

1) Criteria and concept for the classification of investment shares

Regarding strategic-shareholdings, the Company classifies shares held solely for the purpose of receiving profits from fluctuations in the share price and dividends as investment shares for pure investment purposes, and other shares are classified as investment shares for purposes other than pure investment purposes (strategic-shareholdings).

2) Investment shares held for purposes other than pure investment

- Method of verifying the holding policy and the rationality of holding, and the details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual stocks

(Holding policy)

The Company holds shares deemed necessary as strategic-shareholdings in order to maintain cooperative relationships that are indispensable for smooth business activities. In addition, the Company has been reducing strategic-shareholdings, which are deemed to have little significance or validity.

Based on this policy, we are systematically proceeding with the sale of strategic-shareholdings, taking into consideration both the improvement of equity efficiency and the securing of funds for growth investments. As a specific quantitative target, as indicated in the Fifth Medium-Term Management Plan announced on May 1, 2024, we plan to reduce the ratio of strategic-shareholdings to net assets from approximately 20% as of the fiscal year ended March 2024 to around 10% by March 31, 2028.

(Method of verifying the rationality of strategic-shareholdings)

The Company reports the return status of strategic-shareholdings to the Board of Directors and verifies the rationality of holding strategic-shareholdings. In the verification, with respect to individual strategic-shareholdings, the Company specifically examines the appropriateness of the purpose of holding the shares based on the cooperative relationship in business, etc., and whether or not the return associated with the holding is commensurate with the Company's capital cost.

During the current fiscal year, we sold five listed stocks, of which four were fully divested (proceeds from sales: ¥869 million). As a result, as of the end of the current fiscal year, the total balance sheet amount of strategic-shareholdings was ¥6,146 million, and the ratio of strategic-shareholdings to consolidated net assets was 14.4%.

Funds obtained from the sale of strategic-shareholdings are being utilized for growth investments, such as the reconstruction of the Kyoto head office plant.

(Details of verification by the Board of Directors, etc. as of March 2025)

The Board of Directors examined individual investees in which the Company holds shares. As a result, the investees fall under the category of investees with which the Company has maintained and improved business relationships in terms of product supply and business execution, etc., and investees in which the Company recognizes the appropriateness of holding shares in terms of return compared with the Company's capital cost in that year, and the Company has determined that the holding of shares is appropriate.

b. Number of stocks and balance sheet amount

	Number of stocks	Total amount on balance sheet (million yen)
Unlisted shares	3	20
Shares excluding unlisted shares	11	6,146

(Stocks whose number of shares increased in the current fiscal year)

	Number of stocks	Total acquisition cost related to increase in number of shares (million yen)	Reason for increase in number of shares
Unlisted shares	-	-	-
Shares excluding unlisted shares	1	320	In order to promptly promote the development and expansion of our digital dentistry business and to further expand the sales of SHOFU products in the Korean and global markets, we have entered into an equity and business alliance with Shinhung.

(Stocks whose number of shares decreased in the current fiscal year)

	Number of stocks	Total sale proceeds related to decrease in number of shares (million yen)
Unlisted shares	-	-
Shares excluding unlisted shares	5	869

c. Information on the number of stocks, amount, etc. recorded on the balance sheet, by each stock for "Specific stocks for investment" and "Stocks subject to deemed holding".

Specified investment shares

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, outline of the business alliance, etc., quantitative effect of holding, and reason for the increase in the number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (million yen)	Amount on balance sheet (million yen)		
Screen Holdings Co., Ltd.	171,200	171,200	As a supplier of product design development and packaging materials, they have a necessary business relationship for the execution of our company's operations. Additionally, as a local company, we aim to maintain and strengthen our business relationship including information exchange.	Yes
	1,642	3,418		
Kyoto Financial Group, Inc.	502,424	502,424	To enhance corporate value by strengthening our management base and expanding our scope of business, it is necessary to maintain stable financial transaction relationships.	Yes
	1,143	1,387		
Nakanishi Inc.	510,000	510,000	In order to further strengthen relationships as a supplier of dental materials and equipment as well as ultrasonic scalers, and to pursue expansion of our business scope and medium- to long-term enhancement of corporate value.	Yes
	1,092	1,201		
Nippon Shinyaku Co., Ltd.	244,000	244,000	To enhance the Company's corporate value over the medium to long term by maintaining and strengthening relationships with a company in a similar industry through information exchange, etc.	Yes
	927	1,090		
The Shiga Bank, Ltd.	100,260	100,260	To enhance corporate value by strengthening our management base and expanding our scope of business, it is necessary to maintain stable financial transaction relationships.	Yes
	527	420		
Shinhung Co., Ltd	190,000	-	In order to further strengthen relationships as a supplier of dental materials and equipment as well as pediatric dental crown forming products, and to pursue expansion of our business scope and medium- to long-term enhancement of corporate value (reason for the increase in shares), we concluded a capital and business alliance with Shinhung Co., Ltd. to promptly promote the development and expansion of the digital dentistry business and to expand sales of Shofu products in the Korean and global markets.	Yes
	284	-		
Seiwa Electric Mfg. Co., Ltd.	231,000	231,000	As a supplier of composite resin light-curing light sources and other products, they have a necessary business relationship for the execution of our company's operations. Additionally, as a local company, we aim to maintain and strengthen our business relationship including information exchange.	Yes
	120	130		
Chuo Warehouse Co., Ltd.	83,300	83,300	To maintain and strengthen the business relationship with a supplier of warehouse and transport services necessary for the execution of the Company's business, as well as a local company including the exchange of information, etc.	Yes
	118	95		
Toyo Tec Co., Ltd.	85,000	85,000	To maintain and strengthen a close relationship with a subcontractor of security services, which is necessary for the execution of the Company's business.	No
	114	108		
Falco Holdings Co., Ltd.	37,920	75,920	As the significance and validity of holding these stocks were deemed insufficient, a portion of the shares held was sold during the current fiscal year.	Yes
	88	177		
Kyoto Tool Co., Ltd.	33,800	33,800	As a local company, it is necessary to maintain and strengthen relationships mainly by exchanging information.	Yes
	87	94		

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, outline of the business alliance, etc., quantitative effect of holding, and reason for the increase in the number of shares	Holding of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (million yen)	Amount on balance sheet (million yen)		
Takebishi Corp.	-	200,000	As the significance and validity of holding them were deemed insufficient, they were sold during this fiscal year.	No
	-	408		
Sumitomo Mitsui Financial Group, Inc.	-	17,386	As the significance and validity of holding these assets were deemed insufficient, they were sold during this fiscal year.	No
	-	154		
Sumitomo Mitsui Trust Group, Inc.	-	37,028	As the significance and validity of holding these assets were deemed insufficient, they were sold during this fiscal year.	No
	-	122		
Tokio Marine Holdings, Inc.	-	18,900	As the significance and validity of holding these assets were deemed insufficient, they were sold during this fiscal year.	No
	-	88		

Notes 1. It is difficult to provide quantitative holding effect. The rationality of holding shares is verified as stated in "2) a. Method of verifying the holding policy and the rationality of holding, and the verification by the Board of Directors, etc. regarding the appropriateness of holding individual stock." As a result of verification as of March 31, 2025 the Board of Directors has confirmed that the shares are held for the purpose of complying with the holding policy.

Stocks subject to deemed holding

Not applicable

3) Investment equity securities held for pure

Not applicable

5 Financial Information

1 Preparation of Consolidated Financial Statements and Financial Statements

- 1) The Company's consolidated financial statements are prepared in accordance with the "Regulations Concerning the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28 of 1976).
- 2) The Company's financial statements are prepared in accordance with the "Regulations Concerning the Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Ordinance No. 59 of 1963, hereinafter referred to as the "Financial Statement Regulations").

The Company falls under the category of a company subject to special provisions for submitting financial statements and prepares its financial statements in accordance with Article 127 of the Regulations Concerning Financial Statements.

2 Audit Certification

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements for the consolidated fiscal year (April 1, 2024 to March 31, 2025) and financial statements for the fiscal year (April 1, 2024 to March 31, 2025) have been audited by EY ShinNihon LLC.

3 Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements

The Company takes the following special measures to ensure the appropriateness of its consolidated financial statements. Specifically, the Company has joined the Financial Accounting Standards Foundation to establish a system that can properly understand the content of accounting standards and prepare appropriate consolidated financial statements. The Company also participates in seminars hosted by audit firms and subscribes to financial and accounting professional publications.

1. Consolidated financial statements

(1) Consolidated financial statements

1) Consolidated balance sheet

	(million yen)	
	Previous fiscal year (as of March 31, 2024)	Current fiscal year (as of March 31, 2025)
Assets		
Current assets		
Cash and deposits	9,716	10,653
Notes receivable - trade	222	166
Accounts receivable - trade	4,316	3,993
Securities	-	239
Merchandises and finished goods	7,312	8,195
Work in process	1,741	1,980
Raw materials and supplies	1,237	1,408
Other	648	949
Allowance for doubtful accounts	(15)	(64)
Total current assets	25,179	27,521
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,958	12,234
Accumulated depreciation	(6,705)	(6,974)
Buildings and structures, net	5,252	5,260
Machinery & vehicles	5,462	5,580
Accumulated depreciation	(4,132)	(4,219)
Machinery, equipment and vehicles, net	1,330	1,361
Land	2,546	2,388
Construction in progress	115	422
Other	5,133	5,473
Accumulated depreciation	(4,143)	(4,302)
Other, net	989	1,171
Total property, plant and equipment	10,234	10,603
Intangible assets	524	556
Investments and other assets		
Investment securities	*1 11,553	*1 8,709
Deferred tax assets	158	159
Retirement benefit asset	1,875	1,910
Other	574	631
Allowance for doubtful accounts	(6)	(97)
Total investments and other assets	14,155	11,313
Total non-current assets	24,914	22,472
Total assets	50,093	49,994

	(million yen)	
	Previous fiscal year (as of March 31, 2024)	Current fiscal year (as of March 31, 2025)
Liabilities		
Current liabilities		
Accounts payable -trade	1,378	1,231
Current portion of long-term loans payable	281	-
Income taxes payable	880	906
Contract liabilities	75	63
Provision for directors' bonuses	63	66
Other	2,914	2,950
Total current liabilities	5,593	5,218
Non-current liabilities		
Deferred tax liabilities	2,023	1,163
Net defined benefit liability	228	216
Other	638	659
Total non-current liabilities	2,890	2,038
Total liabilities	8,484	7,257
Net assets		
Shareholders' equity		
Share capital	5,968	5,968
Capital surplus	6,134	6,151
Retained earnings	20,964	23,896
Treasury shares	(297)	(239)
Total shareholders' equity	32,770	35,777
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,094	3,040
Foreign currency translation adjustment	2,620	2,893
Accumulated remeasurements of defined benefit plans	963	884
Total accumulated other comprehensive income	8,678	6,818
Stock acquisition rights	79	61
Non-controlling interests	82	78
Net assets	41,609	42,736
Total liabilities and net assets	50,093	49,994

2) Consolidated statements of income and comprehensive income

Consolidated statement of income

	(million yen)			
	Previous fiscal year (April 1, 2023 to March 31, 2024)		Current fiscal year (April 1, 2024 to March 31, 2025)	
Net sales	*1	35,080	*1	38,698
Cost of sales	*2	14,084	*2	15,706
Gross profit		20,995		22,991
Selling, general and administrative expenses	*3, *4	16,286	*3, *4	17,599
Operating profit		4,709		5,392
Non-operating income				
Interest income		66		96
Dividend income		185		187
Foreign exchange gains		225		-
Membership fee income		136		145
Other		221		247
Total non-operating income		834		677
Non-operating expenses				
Interest expenses		22		17
Membership fee		291		295
Net foreign exchange losses		-		110
Share of loss of entities accounted for using equity method		7		7
Other		104		116
Total non-operating expenses		425		546
Ordinary profit		5,118		5,523
Extraordinary gains				
Gain on sales of investment securities		285		681
Recovery from wire fraud at overseas subsidiary		52		-
Total extraordinary income		337		681
Extraordinary losses				
Impairment loss	*5	173		-
Loss on retirement of non-current assets		-	*6	50
Total extraordinary losses		173		50
Net income before income taxes		5,282		6,154
Income taxes - current		1,698		1,764
Income taxes - deferred		(93)		54
Income taxes		1,604		1,819
Net income		3,677		4,335
Net income attributable to non-controlling interests		21		17
Net income attributable to owners of parent		3,655		4,317

Consolidated statement of comprehensive income

	(million yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net income	3,677	4,335
Other comprehensive income		
Valuation difference on available-for-sale securities	1,893	(2,053)
Foreign currency translation adjustment	1,277	269
Remeasurements of defined benefit plans	308	(78)
Total other comprehensive income	*1 3,479	*1 (1,863)
Comprehensive income	7,157	2,471
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,130	2,457
Comprehensive income attributable to noncontrolling interests	27	13

3) Consolidated statement of changes in net assets

Previous fiscal year (April 1, 2023 to March 31, 2024)

(million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,968	6,142	18,406	(379)	30,138
Changes of items during period					
Dividends of surplus			(1,098)		(1,098)
Net income attributable to owners of parent			3,655		3,655
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(8)		83	74
Net changes in items other than shareholders' equity					
Total changes during period	-	(8)	2,557	82	2,631
Balance at end of period	5,968	6,134	20,964	(297)	32,770

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	3,201	1,348	655	5,204	99	73	35,515
Changes of items during period							
Dividends of surplus							(1,098)
Net income attributable to owners of parent							3,655
Purchase of treasury shares							(1)
Disposal of treasury shares							74
Net changes in items other than shareholders' equity	1,893	1,272	308	3,474	(19)	8	3,462
Total changes during period	1,893	1,272	308	3,474	(19)	8	6,094
Balance at end of period	5,094	2,620	963	8,678	79	82	41,609

Current fiscal year (April 1, 2024 to March 31, 2025)

(million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,968	6,134	20,964	(297)	32,770
Changes of items during period					
Dividends of surplus			(1,385)		(1,385)
Net income attributable to owners of parent			4,317		4,317
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		17		59	76
Net changes in items other than shareholders' equity					
Total changes during period	-	17	2,932	57	3,007
Balance at end of period	5,968	6,151	23,896	(239)	35,777

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	5,094	2,620	963	8,678	79	82	41,609
Changes of items during period							
Dividends of surplus							(1,385)
Net income attributable to owners of parent							4,317
Purchase of treasury shares							(1)
Disposal of treasury shares							76
Net changes in items other than shareholders' equity	(2,053)	272	(78)	(1,859)	(17)	(3)	(1,880)
Total changes during period	(2,053)	272	(78)	(1,859)	(17)	(3)	1,126
Balance at end of period	3,040	2,893	884	6,818	61	78	42,736

4) Consolidated statement of cash flows

	(million yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Cash flows from operating activities		
Net income before income taxes	5,282	6,154
Depreciation	1,168	1,059
Impairment loss	173	-
Increase (decrease) in allowance for doubtful accounts	(4)	140
Increase (decrease) in retirement benefit liability	(101)	(168)
Interest and dividend income	(251)	(284)
Interest expenses	22	17
Foreign exchange losses (gains)	(41)	(118)
Loss (gain) on sale of investment securities	(285)	(681)
Share of loss (profit) of entities accounted for using equity method	7	7
Recovery from wire fraud at overseas subsidiary	(52)	-
Decrease (increase) in trade receivables	(834)	369
Decrease (increase) in inventories	(1,302)	(1,203)
Increase (decrease) in trade payables	78	(147)
Other	396	(352)
Subtotal	4,255	4,792
Interest and dividend income received	346	368
Interest expenses paid	(22)	(16)
Income taxes paid	(1,584)	(1,739)
Settlement received	42	42
Recovery of remittance fraud at overseas subsidiary received	52	-
Cash flows from operating activities	3,089	3,447
Cash flows from investing activities		
Payments into time deposits	(701)	(791)
Proceeds from withdrawal of time deposits	759	891
Purchase of securities	-	(243)
Purchase of property, plant and equipment	(1,616)	(1,229)
Proceeds from sales of property, plant and equipment	3	20
Purchase of intangible assets	(95)	(88)
Purchase of investment securities	-	(320)
Proceeds from sales of investment securities	405	869
Payments of loans receivable	(6)	(1)
Collection of loans receivable	10	7
Other	(54)	(30)
Cash flows from investing activities	(1,295)	(914)
Cash flows from financing activities		
Repayments of lease obligations	(13)	(98)
Repayments of long-term loans payable	(964)	(281)
Decrease (increase) in treasury shares	(1)	(0)
Cash dividends paid	(1,098)	(1,385)
Dividends paid to non-controlling interests	(18)	(17)
Proceeds from exercise of share options	0	0
Cash flows from financing activities	(2,096)	(1,783)
Effect of exchange rate change on cash and cash equivalents	496	287
Net increase (decrease) in cash and cash equivalents	193	1,037
Cash and cash equivalents at beginning of period	8,830	9,024
Cash and cash equivalents at end of period	*1 9,024	*1 10,061

Notes to consolidated financial statements

(Basis of presenting consolidated financial statements)

1 Scope of consolidation

(1) Number of consolidated subsidiaries: 19

The names of consolidated subsidiaries are omitted because they are stated in "1. Overview of the Company, 4. Status on subsidiaries and affiliates.

SHOFU Products Changzhou Co., Ltd. has been included in the scope of consolidation, as it was newly established during the current consolidated fiscal year.

(2) Name(s) of main non-consolidated subsidiary(ies)

SHOFU Mexico S.de R.L.de C.V.

Reason for exclusion from the scope of consolidation

The non-consolidated subsidiary(ies) are small, and it/their total assets, net sales, current period profit or loss (the amount proportional to the Company's equity) and retained earnings (the amount proportional to the Company's equity) do not have a material impact on the consolidated financial statements.

2 Application of equity method

(1) Number of affiliates accounted for by the equity method 1

Sun Medical Co., Ltd.

(2) Names of non-consolidated subsidiaries not accounted for by the equity method

SHOFU Mexico S.de R.L.de C.V.

Reason for exclusion from the scope of consolidation

The companies which are not accounted for by the equity method are excluded from the scope of application of the equity method because the impact on the consolidated financial statements is minor, and even if they are excluded from the scope of application of the equity method in light of the current period net income (the amount proportional to the Company's equity) and retained earnings (the amount proportional to the Company's equity), etc., and they have no significance as a whole.

3 Accounting periods of consolidated subsidiaries

Of the consolidated subsidiaries, Shanghai SHOFU Dental Material Co., Ltd., SHOFU Dental Trading (Shanghai) Co., Ltd., and SHOFU Products Changzhou Co., Ltd. have a business year ending December 31. In preparing consolidated financial statements, financial statements for the business year of the consolidated subsidiaries are utilized. However, necessary adjustments for consolidation are made for significant transactions that occur between the end of the business year of these subsidiaries and the consolidated fiscal year end date.

4 Matters related to accounting policies

(1) Valuation methods for assets

1) Securities

Other securities

Shares, etc. excluding those without market price

Market value method (unrealized gains and losses are accounted for as a component of net assets, and the cost of securities sold is calculated mainly by the moving average method)

Shares, etc. without market price

... Mainly stated at cost by the moving-average method

2) Inventories

Mainly stated at cost determined by the first-in first-out method (cost of inventories is written-down when their carrying amounts become unrecoverable)

3) Derivatives

Market value method

(2) Depreciation method for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The straight-line method is applied.

The main useful lives are summarized as follows:

Buildings and structures 2 to 60 years

Machinery, equipment and vehicles: 3 to 17 years

2) Intangible assets (excluding leased assets):

Straight-line method

However, software (for internal use) is amortized by the straight-line method based on the internal usable period (5 years).

3) Leased assets

Leased assets for finance lease transaction other than title transfer

The straight-line method is used with the lease period as the useful life and the residual value as zero.

The financial statements of overseas consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards, and International Financial Reporting Standard 16 "Leases" (hereinafter referred to as "IFRS 16") is applied. In accordance

with IFRS 16, in principle, all leases are accounted for as assets and liabilities in the balance sheet, and capitalized right-of-use assets are depreciated using the straight-line method.

(3) Accounting policy for significant reserves

1) Allowance for doubtful accounts

To prepare for possible losses on bad debts such as trade receivables and loans receivable, an allowance is provided for general receivables based on past experience, and for specific receivables such as doubtful receivables based on an individual assessment of their collectability.

2) Provision for directors' bonuses

To prepare for the payment of directors' bonuses, an allowance is provided based on the estimated amount to be paid in the current consolidated fiscal year.

(4) Accounting policy for retirement benefits

1) Attributing projected retirement benefits to periods of service

When calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to the periods until the end of the current consolidated fiscal year.

2) Amortization of actuarial gain and loss and past service costs

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year, starting from the consolidated fiscal year following the fiscal year in which they occur.

Prior service cost is amortized by the straight-line method over a certain number of years (7 years) within the average remaining service period of employees at the time of occurrence.

Overseas consolidated subsidiaries have adopted defined benefit and defined contribution plans.

(5) Reporting of significant revenue and expenses

The details of major performance obligations in major businesses related to revenue from contracts with customers of the Company and its consolidated subsidiaries and the normal time when the performance obligations are satisfied (normal time when revenue is recognized) are as follows.

1) Dental Business

The Company manufactures and sells dental materials and equipment, including artificial teeth, abrasive products, chemical products, cement products, metal products, and machinery and equipment, which are used in dental treatment and the production of dental laboratory equipment. With respect to the sale of such goods and products, the Company judges that the customer obtains control of the goods and products, and the performance obligation is satisfied when the goods and products are delivered to the customer. For sales in Japan, if the period from the time of shipment to the time when control of the goods and products is transferred to the customer is an ordinary period, revenue is recognized at the time of shipment by applying the alternative treatment set forth in Article 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition." For export sales, revenue is recognized at the time of shipment of goods and products when the shipment of goods and products is completed based on the trade terms and conditions, as control over the goods and products is transferred to the customer and performance obligations are satisfied.

2) Nail Care Business

The Group manufactures and sells nail care products and equipment. With respect to the sale of such goods and products, the Company judges that the customer obtains control of the goods and products, and the performance obligation is satisfied when the goods and products are delivered to the customer. For sales in Japan, if the period from the time of shipment to the time when control of the goods and products is transferred to the customer is an ordinary period, revenue is recognized at the time of shipment by applying the alternative treatment set forth in Article 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition." For export sales, revenue is recognized at the time of shipment of goods and products when the shipment of goods and products is completed based on the trade terms and conditions, as control over the goods and products is transferred to the customer and performance obligations are satisfied.

3) Other Businesses

The Company manufactures and sells industrial materials. With respect to the sale of such goods and products, the Company judges that the customer obtains control of the goods and products, and the performance obligation is satisfied when the goods and products are delivered to the customer. For sales in Japan, if the period from the time of shipment to the time when control of the goods and products is transferred to the customer is an ordinary period, revenue is recognized at the time of shipment by applying the alternative treatment set forth in Article 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition." Revenue from the sale of such goods and products is recognized when they are delivered to customers.

(6) Basis of translating significant assets or liabilities denominated in foreign currencies into Japanese yen adopted for the preparation of the consolidated company's financial statements

Foreign currency-denominated monetary claims and obligations are translated into Japanese yen at the spot exchange rate on the consolidated closing date, and the translation difference is accounted for as profit or loss. The assets and liabilities of overseas subsidiaries, etc. are converted into Japanese yen at the spot exchange rate on the consolidated closing date, and the revenue and expenses are converted into Japanese yen at the average rate during the period, and the conversion difference is included in the foreign currency translation adjustment and non-controlling interests in the net assets section.

(7) Amortization method and amortization period of goodwill

The investment difference arising from the application of the equity method is amortized using the straight-line method over 11 years

after the occurrence.

(8) Cash and cash equivalents in the consolidated statements of cash flows

Cash on hand, deposits that can be withdrawn on demand and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible into cash and exposed to insignificant risk of changes in value.

(9) Other significant matters for the preparation of consolidated financial statements

1) Accounting for non-deductible consumption taxes on assets

Non-deductible consumption taxes and local consumption taxes on assets are accounted for as expenses in that consolidated accounting year.

2) Application of the group tax sharing system

The Company and certain consolidated subsidiaries have adopted the group tax sharing system.

(Changes in accounting policies)

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

(Change in depreciation method for property, plant and equipment)

Previously, the Company and its domestic consolidated subsidiaries primarily used the declining-balance method for the depreciation of property, plant and equipment (excluding leased assets); however, the straight-line method was applied to facilities attached to buildings and structures, acquired on or after April 1, 2016. Beginning with the current consolidated fiscal year, the depreciation method has been changed to the straight-line method.

While maintaining and strengthening the foundation of our domestic business, the Group is shifting the allocation of management resources overseas, promoting the expansion of our overseas business and the globalization of our overall management. In the newly formulated Fifth Medium-Term Management Plan (fiscal years ending March 2025 to March 2028), we are planning to reorganize our production bases, including those overseas. In conjunction with this, we have reviewed the depreciation method for property, plant and equipment. As a result, we have determined that, by optimizing the overall production system across the Group, property, plant and equipment are expected to be operated and utilized in a stable manner over the long term, with investment effects realized on an average basis. Therefore, we have concluded that adopting the straight-line method for the depreciation of property, plant and equipment is reasonable from the perspective of cost allocation and more appropriately reflects the economic reality.

As a result of this change, depreciation for the current consolidated fiscal year decreased by ¥173 million compared to the previous method. Consequently, operating profit increased by ¥150 million, and both ordinary profit and net income before income taxes increased by ¥151 million, respectively.

(Unapplied new accounting standards)

Accounting standards for leases, etc.

- "Accounting standards for leases" (ASBJ Statement No. 34 September 13, 2024)
- "Implementation guidance on accounting standards for leases" (ASBJ Guidance No. 33 September 13, 2024), etc.

(1) Overview

As part of efforts by the Accounting Standards Board of Japan to align Japanese standards with international practices, deliberations have been conducted, based on international accounting standards, regarding the development of accounting standards for leases that require lessees to recognize assets and liabilities for all leases. As a basic policy, while the single accounting model under IFRS 16 serves as the foundation, only the principal provisions of IFRS 16 have been adopted, rather than all of its requirements. This approach aims to establish simplified and user-friendly lease accounting standards, such that, even when the requirements of IFRS 16 are applied to individual financial statements, no significant adjustments will generally be necessary. These lease accounting standards and related pronouncements have now been issued.

For lessee accounting, as with IFRS 16, a single accounting model is applied to all leases, regardless of whether the lease is classified as a finance lease or an operating lease. Under this model, depreciation related to right-of-use assets and interest expense related to lease liabilities are recognized.

(2) Scheduled date of application

It is scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the accounting standards

The effect of the application of the Accounting Standards for Leases on the consolidated financial statements is currently being evaluated.

(Notes to consolidated balance sheet)

*1 Investments in non-consolidated subsidiaries and affiliates are as follows:

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Investment securities (shares)	2,633 million yen	2,541 million yen

2 Commitment line agreements

The Company has entered into commitment line agreements with four financial institutions in order to establish a flexible and stable fund procurement system.

The balance of unused lines of credit based on these agreements at the end of the consolidated fiscal year is as follows:

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Total amount of commitment line	2,000 million yen	2,000 million yen
Outstanding balance	- million yen	- million yen
Balance	2,000 million yen	2,000 million yen

(Notes to consolidated statement of income)

*1 Revenue from contracts with customers

For net sales, revenue arising from contracts with customers and other revenue are not separately stated. The amount of revenue from contracts with customers is stated in Notes (Revenue recognition) 1. Breakdown of revenue from contracts with customers of the consolidated financial statements.

*2 The ending inventory is the amount after reducing the book value due to the decline in profitability, and the following loss on valuation of inventories is included in the cost of sales.

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
	130 million yen	74 million yen

*3 Research and development expenses included in general and administrative expenses are as follows.

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
	1,927 million yen	1,985 million yen

*4 Major items and amounts of selling, general and administrative expenses are as follows.

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
Officer compensation and salaries	5,299 million yen	5,670 million yen
Research and development expenses	1,927 million yen	1,985 million yen

*5 Impairment loss

Previous fiscal year (April 1, 2023 to March 31, 2024)

In this consolidated fiscal year, the Group recorded impairment losses on the following asset groups.

Company	Usage	Location	Type	Amount
Merz Dental GmbH	Dental Business asset	Germany	Construction in progress	173 million yen

(1) Background to recognition of impairment loss

As a result of the decision to partially suspend the development of manufacturing equipment, the carrying amount of the asset was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss under extraordinary losses.

(2) Method of grouping assets

In applying impairment accounting, assets are grouped by the smallest unit that generates generally independent cash flows based on the reporting segment, and idle assets and assets to be disposed of are individually grouped.

(3) Method of calculating the recoverable amount

The recoverable amount of the asset group is calculated as zero because value based on future cash flows and the net selling price are not expected.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

Not applicable

*6 Components of loss on retirement of fixed assets

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
Buildings and structures	- million yen	50 million yen

(Notes to consolidated statement of comprehensive income)

*1 Reclassification adjustments, income taxes and tax effects concerning other comprehensive income

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
Valuation difference on available-for-sale securities		
Amount arising during the period	3,010 million yen	(2,202) million yen
Reclassification adjustments	(285) million yen	(681) million yen
Before income taxes and tax effect adjustment	2,725 million yen	(2,884) million yen
Income taxes and tax effect amount	(832) million yen	830 million yen
Valuation difference on available-for-sale securities	1,893 million yen	(2,053) million yen
Foreign currency translation adjustment		
Amount arising during the period	1,277 million yen	269 million yen
Reclassification adjustments	- million yen	- million yen
Before income taxes and tax effect adjustment	1,277 million yen	269 million yen
Income taxes and tax effect amount	- million yen	- million yen
Foreign currency translation adjustment	1,277 million yen	269 million yen
Remeasurements of defined benefit plans		
Amount arising during the period	567 million yen	61 million yen
Reclassification adjustments	(122) million yen	(161) million yen
Before income taxes and tax effect adjustment	444 million yen	(100) million yen
Income taxes and tax effect amount	(135) million yen	21 million yen
Remeasurements of defined benefit plans	308 million yen	(78) million yen
Total other comprehensive income	3,479 million yen	(1,863) million yen

(Notes to consolidated statement of changes in equity)

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

1 Matters related to the class and total number of shares issued and the class and number of treasury shares

Class of shares	Number of shares at the beginning of the consolidated fiscal year (thousand shares)	Increase in number of shares during the consolidated fiscal year (thousand shares)	Decrease in number of shares during the consolidated fiscal year (thousand shares)	Number of shares at the end of the consolidated fiscal year (thousand shares)
Total number of shares issued	17,894	-	-	17,894
Common stock				
Treasury shares	192	0	42	151
Common stock				

Notes: 1. The increase of 0 thousand shares in the number of treasury shares of common stock is due to the purchase of shares less one standard one unit.

2. The decrease in the number of treasury shares of common stock of 42 thousand shares was due to the disposal of treasury shares as restricted stock compensation of 23 thousand shares and the exercise of stock options of 18 thousand shares.

2 Matters related to share subscription rights and treasury share subscription rights

Company	Description	Class of shares to be issued	Number of shares to be issued (thousand shares)				Balance at the end of the consolidated fiscal year (million yen)
			Beginning of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year	
The Company	Share subscription rights as stock option	-	-	-	-	-	79
Total			-	-	-	-	79

3. Matter related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
May 19, 2023 Board of Directors	Common stock	743	42.00	March 31, 2023	June 7, 2023
November 2, 2023 Board of Directors	Common stock	354	20.00	September 30, 2023	November 30, 2023

Note: The dividend per share of ¥42.00 includes a commemorative dividend of ¥10.00 for the 100th anniversary of the founding of the Company.

(2) Dividends for which the date of record was in the current consolidated fiscal year and the effective date of which is in the next consolidated fiscal year

Resolution	Class of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
May 17, 2024 Board of Directors	Common stock	745	Retained earnings	42	March 31, 2024	June 5, 2024

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

1 Matters related to the class and total number of shares issued and the class and number of treasury shares

Class of shares	Number of shares at the beginning of the consolidated fiscal year (thousand shares)	Increase in number of shares during the consolidated fiscal year (thousand shares)	Decrease in number of shares during the consolidated fiscal year (thousand shares)	Number of shares at the end of the consolidated fiscal period (thousand shares)
Issued shares	17,894	17,894	-	35,788
Common stock				
Treasury shares	151	121	29	242
Common stock				

Notes: 1 On October 1, 2024, a two-for-one stock split of common stock was conducted. The increase of 17,894 thousand shares of common stock is attributable to this stock split.

2 The increase of 121 thousand shares in the number of treasury shares of common stock consists of an increase of 0 thousand

shares from the purchase of shares less than one standard unit conducted before the stock split and an increase of 121 thousand shares from the stock split.

- 3 The decrease of 29 thousand shares in the number of treasury shares of common stock consists of a decrease of 13 thousand shares from the disposal of treasury shares as restricted stock compensation conducted before the stock split, a decrease of 16 thousand shares from the exercise of stock options conducted before the stock split, and a decrease of 0 thousand shares from the purchase of shares less than one standard unit conducted after the stock split.

2 Matters related to share subscription rights and treasury share subscription rights

Company	Description	Class of shares to be issued	Number of shares to be issued (thousand shares)				Balance at the end of the consolidated fiscal year (million yen)
			Beginning of the consolidated fiscal year	Increase	Decrease	End of the consolidated fiscal year	
The Company	Share subscription rights as stock option	-	-	-	-	-	61
Total			-	-	-	-	61

3. Matter related to dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
May 17, 2024 Board of Directors	Common stock	745	42.00	March 31, 2024	June 5, 2024
November 6, 2024 Board of Directors	Common stock	639	36.00	September 30, 2024	November 29, 2024

Note: Although a two-for-one stock split of common stock was conducted on October 1, 2024, the dividend per share is stated at the amount prior to the stock split.

(2) Dividends for which the date of record was in the current consolidated fiscal year and the effective date of which is in the next consolidated fiscal year

Resolution	Class of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
May 21, 2025 Board of Directors	Common stock	1,101	Retained earnings	31.00	March 31, 2025	June 5, 2025

(Note to consolidated statement of cash flows)

*1 Relationship between the consolidated of cash and cash equivalents at the end of the consolidated fiscal year and the amount in shown in the consolidated balance sheet

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
Cash and deposits	9,716 million yen	10,653 million yen
Time deposits with maturities of more than three months	(692) million yen	(592) million yen
Cash and cash equivalents	9,024 million yen	10,061 million yen

(Notes to lease transactions)

Finance lease transaction

Finance lease transactions without transfer of ownership

(1) Details of lease assets

- Property, plant and equipment

This is mainly vehicles, tools, furniture and fixtures in the Dental Business.

- Intangible assets

Software.

(2) Depreciation method for leased assets

Please refer to 4. Matters related to accounting policies, (2) Depreciation method for significant depreciable assets of Basis of presenting consolidated financial statements

(Financial instruments)

1 Financial instruments

(1) Policies on financial instruments

The Group mainly invests in short-term deposits, etc. and procures funds through borrowings from banks and other financial institutions. Derivative transactions are foreign exchange forward contracts for the purpose of avoiding the risks described below, and it is the Company's policy not to conduct speculative transactions.

(2) Description of financial instruments, related risks and the risk management system

Trade receivables, such as trade notes or accounts receivable, are exposed to the customer's credit risk. These risks are mitigated in accordance with our sales management regulations, etc.

Securities are negotiable certificates of deposit and are exposed to the credit risk of the issuer. Investment securities consist mainly of stocks of companies with which we have business relationships, and while they are exposed to market price fluctuation risk, their fair values, which are monitored monthly, are regularly reported to the members of the Managing Executive Board every month.

Accounts payable, which are trade payables, have due dates within one year.

Although trade payables and borrowings are exposed to liquidity risk, the Group manages them by means such as preparing a cash plan/result table on a monthly basis. In addition, the Company has entered into commitment line agreements with financial institutions in preparation for unforeseen circumstances.

Derivative transactions are foreign exchange forward contracts mainly for the purpose of hedging foreign exchange fluctuation risks related to trade receivables denominated in foreign currencies.

(3) Supplementary explanation of the fair value of financial instruments

Since the calculation of the fair value of financial instruments incorporates variable factors, the value may fluctuate by adopting different assumptions, etc. The contract value for derivatives in the note titled "Derivatives" does not show the market risk for the derivatives.

2 Fair value of financial instruments

The consolidated balance sheet values, market values and the difference between them are as shown below. Financial instruments whose fair value is deemed extremely difficult to recognize are not included in the following table (Please refer to (* 2)).

Previous consolidated fiscal year (March 31, 2024)

	Amount recorded on the consolidated balance sheet (*) (million yen)	Fair value (*) (million yen)	Difference (million yen)
(1) Notes receivable - trade	222	222	-
(2) Accounts receivable - trade	4,316	4,316	-
(3) Investment securities			
Other securities	8,899	8,899	-
(4) Accounts payable - trade	(1,378)	(1,378)	-
(5) Long-term loans payable (including the current portion of long-term loans payable)	(281)	(280)	(0)
(6) Derivatives	(40)	(40)	-

(*) Figure in parentheses are recorded as liabilities.

(* 1) Cash and deposits are omitted because they are cash and deposits settled in a short period of time, and their fair value almost equals their book value.

(* 2) Stocks, etc. without market prices are not included in "(3) Investment securities." The carrying amounts of these financial instruments on the consolidated balance sheets are as follows:

(million yen)	
Category	March 31, 2024
Shares of subsidiaries and affiliates	2,633
Unlisted shares	20

Equity method affiliates are included in shares of affiliated companies.

(* 3) Hedge accounting is not applied to derivatives. Net claims and obligations are presented on a net basis.

Current consolidated fiscal year (March 31, 2025)

	Amount recorded on the consolidated balance sheet (*) (million yen)	Fair value (*) (million yen)	Difference (million yen)
(1) Notes receivable - trade	166	166	-
(2) Accounts receivable -trade	3,993	3,993	-
(3) Securities and investment securities			
Other securities	6,386	6,386	-
(4) Accounts payable -trade	(1,231)	(1,231)	-
(5) Long-term loans payable (including the current portion of long-term loans payable)	-	-	-
(6) Derivatives	5	5	-

(*) Figure in parentheses are recorded as liabilities.

(* 1) Cash and deposits are omitted because they are cash and deposits settled in a short period of time, and their fair value almost equals their book value.

(* 2) Stocks, etc. without market prices are not included in "(3) Investment securities." The carrying amounts of these financial instruments on the consolidated balance sheet are as follows:

(million yen)	
Category	March 31, 2025
Shares of subsidiaries and affiliates	2,541
Unlisted shares	20

Equity method affiliates are included in shares of affiliated companies.

(* 3) Hedge accounting is not applied to derivatives. Net claims and obligations are presented on a net basis.

Note: 1) Scheduled redemption amount of monetary claims and securities with maturity after the consolidated balance sheet date

Previous consolidated fiscal year (March 31, 2024)

	Within one year (million yen)	Over one year but within five years (million yen)	Over five years but within ten years (million yen)	Later than ten years (million yen)
Cash and deposits	9,716	-	-	-
Notes receivable - trade	222	-	-	-
Accounts receivable - trade	4,316	-	-	-
Total	14,255	-	-	-

Current consolidated fiscal year (March 31, 2025)

	Within one year (million yen)	Over one year but within five years (million yen)	Over five years but within ten years (million yen)	Later than ten years (million yen)
Cash and deposits	10,653	-	-	-
Notes receivable - trade	166	-	-	-
Accounts receivable - trade	3,993	-	-	-
securities and investment securities				
Other securities with maturity (negotiable certificates of deposit)	239	-	-	-
Total	15,052	-	-	-

Note: 2) Long-term loans payable scheduled to be repaid after consolidated balance sheet date

Previous consolidated fiscal year (March 31, 2024)

	Within one year (million yen)	Over one year but within two years (million yen)	Over two years but within three years (million yen)	Over three years but within four years (million yen)	Over four years but within five years (million yen)	Over five years (million yen)
Long-term loans payable (including current portion of long-term loans payable)	281	-	-	-	-	-
Total	281	-	-	-	-	-

Current consolidated fiscal year (March 31, 2025)

Not applicable

3. Fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and importance of the inputs for calculating the fair value.

Level 1 fair value: Fair value of the asset or liability is determined based on the quoted price of an asset or liability that is formed in an active market from among observable inputs

Level 2 fair value: Fair value determined using observable inputs to fair value measurement other than Level 1 inputs

Level 3 fair value: Fair value determined using unobservable inputs

When multiple inputs that have a significant influence on the calculation of the market value are used, the market value is classified into the level with the lowest priority in the calculation of the market value among the levels to which each of those inputs belongs.

(1) Financial instruments with fair value recorded in consolidated balance sheet

Previous consolidated fiscal year (March 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	8,899	-	-	8,899
Total assets	8,899	-	-	8,899
Derivatives				
Currency-related transactions	-	40	-	40
Total liabilities	-	40	-	40

Current consolidated fiscal year (March 31, 2025)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Stocks	6,146	-	-	6,146
Derivatives				
Currency-related transactions	-	5	-	5
Total assets	6,146	5	-	6,152

(2) Financial instruments other than those recorded on the consolidated balance sheet at fair value

Previous consolidated fiscal year (March 31, 2024)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	-	222	-	222
Accounts receivable - trade	-	4,316	-	4,316
Total assets	-	4,539	-	4,539
Accounts payable -trade	-	1,378	-	1,378
Long-term loans payable (including current portion of long-term loans payable)	-	280	-	280
Total liabilities	-	1,659	-	1,659

Current consolidated fiscal year (March 31, 2025)

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Notes receivable - trade	-	166	-	166
Accounts receivable - trade	-	3,993	-	3,993
Securities and investment securities				
Other securities				
Negotiable certificates of deposit	-	239	-	239
Total assets	-	4,398	-	4,398
Accounts payable - trade	-	1,231	-	1,231
Long-term loans payable (including current portion of long-term loans payable)	-	-	-	-
Total liabilities	-	1,231	-	1,231

Note: Explanation of valuation techniques used, and inputs related to the calculation of fair value Investment securities

Investment securities

Listed stocks are valued using market prices. As listed stocks are traded in active markets, fair values are classified as Level 1 fair value.

Derivatives

The fair value of foreign exchange forward contracts is assessed based on the forward market prices and classified as Level 2 fair value.

Notes receivable - trade, Accounts receivable - trade, Accounts payable - trade

Since these are settled in a short period of time and their fair values are close to their book values, they are classified as Level 2 fair values based on their book values.

Negotiable certificates of deposit

Negotiable certificates of deposit are settled within a short period, and since their fair value approximates their book value, the book value is used as the fair value and is classified as a level 2 fair value.

(Securities)

1 Other securities

Previous consolidated fiscal year (March 31, 2024)

Category	Consolidated carrying amount on balance sheet date (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities with carrying value exceeding acquisition cost			
1) Stocks	8,899	1,604	7,294
2) Other	-	-	-
Subtotal	8,899	1,604	7,294
Securities with market value not exceeding acquisition cost			
1) Stocks	-	-	-
2) Other	-	-	-
Subtotal	-	-	-
Total	8,899	1,604	7,294

Current consolidated fiscal year (March 31, 2025)

Category	Consolidated carrying amount on balance sheet date (million yen)	Acquisition cost (million yen)	Difference (million yen)
Securities with carrying value exceeding acquisition cost			
1) Stocks	5,862	1,416	4,446
2) Other	-	-	-
Subtotal	5,862	1,416	4,446
Securities with market value not exceeding acquisition cost			
1) Stocks	284	320	(36)
2) Other Note	239	239	-
Subtotal	523	559	(36)
Total	6,386	1,975	4,410

Note: 'Other' includes negotiable certificates of deposit.

2 Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

Category	Proceeds from sales (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Stocks	405	285	-
Total	405	285	-

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

Category	Proceeds from sales (million yen)	Total gain on sales (million yen)	Total loss on sales (million yen)
Stocks	869	681	-
Total	869	681	-

3 Securities for which an impairment loss was recognized

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

Not applicable

Current consolidated fiscal year (from April 1, 2024 to March 31, 2025)

Not applicable

(Derivative transactions)

1. Derivative transactions for which hedge accounting is not adopted

Currency-related transactions

Previous consolidated fiscal year (March 31, 2024)

	Type	Contract or notional amount (million yen)	Portion due after one year included herein (million yen)	Fair value (million yen)	Valuation gain or loss (million yen)
Non-market transactions	Forward foreign exchange contracts sold				
	USD	581	-	(23)	(23)
	EUR	336	-	(11)	(11)
	CNY	353	-	(6)	(6)
Total		1,272	-	(40)	(40)

Current consolidated fiscal year (March 31, 2025)

	Type	Contract or notional amount (million yen)	Portion due after one year included herein (million yen)	Fair value (million yen)	Valuation gain or loss (million yen)
Non-market transactions	Forward foreign exchange contracts sold				
	USD	412	-	7	7
	EUR	397	-	(4)	(4)
	CNY	190	-	2	2
Total		1,000	-	5	5

2. Derivative transactions for which hedge accounting is adopted

Previous consolidated fiscal year (March 31, 2024)

Not applicable

Current consolidated fiscal year (March 31, 2025)

Not applicable

Retirement benefits

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

1. Description of retirement benefit plans adopted

The Company and certain domestic consolidated subsidiaries have adopted a lump-sum retirement allowance plan and a defined benefit pension plan as defined benefit plans, while certain subsidiaries have a defined contribution pension plan as a defined contribution plan.

Defined benefit corporate pension plans and lump-sum retirement allowance plans adopted by certain consolidated subsidiaries calculate retirement benefit obligations and retirement benefit expenses using a simplified method.

Overseas consolidated subsidiaries have adopted defined benefit and defined contribution plans.

One of the consolidated subsidiaries participates in a multi-employer pension plan, and the amount of pension assets corresponding to the Company's contribution cannot be reasonably calculated, so it is accounted for in the same way as a defined contribution plan.

Multi-employer pension plan

The required amount of contribution to the multi-employer pension plan, which is accounted for in the same manner as a defined contribution plan, was ¥7 million.

(1) Most recent funding update of multi-employer pension plan (as of March 31, 2023)

Total pension assets	3,791 million yen
Actuarial liabilities for pension obligation	3,902 million yen
Balance	(110) million yen

(2) Ratio of the Group's contributions to total contributions to the multi-employer pension plan (from April 1, 2022 to March 31, 2023) 2.534%

(3) Supplementary explanation

The main factor for the difference in (1) above is a separate reserve (¥110) million for the consolidated fiscal year).

The ratio set forth in the above-mentioned (2) is not consistent with the actual payment of the Group.

2. Defined benefit plans (excluding plans for which a simplified method is adopted)

(1) Reconciliation of the beginning and ending balances of retirement benefit obligations

Retirement benefit obligations at beginning of year	3,625 million yen
Service cost	190 million yen
Interest cost	40 million yen
Actuarial gains (losses)	(66) million yen
Retirement benefits paid	(230) million yen
Effects of foreign exchange translation	18 million yen
Retirement benefit obligations at end of year	3,577 million yen

(2) Reconciliation of the beginning and ending balances of pension assets

Pension assets at beginning of year	4,872 million yen
Expected return on plan assets	47 million yen
Actuarial gains (losses)	499 million yen
Contribution from employers	163 million yen
Retirement benefits paid	(230) million yen
Effects of foreign exchange translation	9 million yen
Pension assets at end of year	5,362 million yen

(3) Reconciliation of ending balance of retirement benefit obligations and pension assets to net defined benefit liability and net defined benefit asset recorded on consolidated balance sheets

Retirement benefit obligations for funded plans	3,577 million yen
Pension assets	(5,362) million yen
Net liabilities and assets recorded on the consolidated balance sheets	(1,785) million yen
Net defined benefit liability	90 million yen
Retirement benefit asset	(1,875) million yen
Net liabilities and assets recorded on the consolidated balance sheets	(1,785) million yen

(4) Breakdown of retirement benefit expenses

Service cost	190 million yen
Interest cost	40 million yen
Expected return on plan assets	(47) million yen
Net actuarial gains (losses) recognized for the year	(122) million yen
Amortization of past service costs	— million yen
Retirement benefit expenses related to defined benefit plans	59 million yen

(5) Remeasurements of defined benefit plans

Breakdown of items reported as remeasurements of defined benefit plans before related tax effects is as follows:

Prior service cost	— million yen
Actuarial gains (losses)	443 million yen
Total	443 million yen

(6) Accumulated remeasurements of defined benefit plans

Breakdown of accumulated items reported as remeasurements of defined benefit plans before related tax effects is as follows:

Unrecognized prior service cost	— million yen
Unrecognized actuarial gains (losses)	(1,339) million yen
Total	(1,339) million yen

(7) Matters related to pension assets

1) Major components of pension assets

The ratio of each major category to total pension assets is as follows:

Bonds	45%
Stocks	32%
Life insurance general accounts	21%
Other	2%
Total	100%

2) Method for determining the long-term expected return on plan assets

In order to determine the long-term expected return on pension plan assets, the distribution of the assets at present and in the future, as well as the long-term forecast rate of return at present and in the future from the various assets that constitute the pension assets, are taken into consideration.

(8) Assumptions used in actuarial calculations

Principal actuarial assumptions used in calculations at the end of the consolidated fiscal year (weighted average)

Discount rate	1.0%
Expected long-term return on plan assets	1.0%
Forecast salary increase	2.7%

3. Defined-benefit pension plans using a simplified method

(1) Reconciliation of the beginning and ending balances of retirement benefits for plans adopting a simplified method

Retirement benefit obligations at beginning of year	137 million yen
Retirement benefit expenses	22 million yen
Retirement benefits paid	(10) million yen
Contributions to plans	(11) million yen
Retirement benefit obligations at end of year	138 million yen

(2) Reconciliation of ending balance of retirement benefit obligations and pension assets to net defined benefit liability and net defined benefit asset recorded on consolidated balance sheets

Retirement benefit obligations for funded plans	285 million yen
Pension assets	(146) million yen
Net liabilities and assets recorded on the consolidated balance sheets	138 million yen
Net defined benefit liability	138 million yen
Net liabilities and assets recorded on the consolidated balance sheets	138 million yen

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method	22 million yen
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4. Defined contribution plans

The required amount of contribution to the Group's defined contribution plans was ¥103 million.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

1. Description of retirement benefit plans adopted

The Company and certain domestic consolidated subsidiaries have adopted a lump-sum retirement allowance plan and a defined benefit pension plan as defined benefit plans, while certain subsidiaries have a defined contribution pension plan as a defined contribution plan.

Defined benefit corporate pension plans and lump-sum retirement allowance plans adopted by certain consolidated subsidiaries calculate retirement benefit obligations and retirement benefit expenses using a simplified method.

Overseas consolidated subsidiaries have adopted defined benefit and defined contribution plans.

One of the consolidated subsidiaries participates in a multi-employer pension plan, and the amount of pension assets corresponding to the Company's contribution cannot be reasonably calculated, so it is accounted for in the same way as a defined contribution plan.

Multi-employer pension plan

The required amount of contribution to the multi-employer pension plan, which is accounted for in the same manner as a defined contribution plan, was ¥7 million.

(1) Most recent funding update of multi-employer pension plan (as of March 31, 2024)

Total pension assets	3,942 million yen
Actuarial liabilities for pension obligation	3,910 million yen
Balance	31 million yen

(2) Ratio of the Group's contributions to total contributions to the multi-employer pension plan (from April 1, 2023 to March 31, 2024)
2.729%

(3) Supplementary explanation

The main factor for the difference in (1) above is a separate reserve (¥31 million for the consolidated fiscal year).

The ratio set forth in the above-mentioned (2) is not consistent with the actual payment of the Group.

2. Defined benefit plans (excluding plans for which a simplified method is adopted)

(1) Reconciliation of the beginning and ending balances of retirement benefit obligations

Retirement benefit obligations at beginning of year	3,577 million yen
Service cost	184 million yen
Interest cost	51 million yen
Actuarial gains (losses)	(214) million yen
Retirement benefits paid	(268) million yen
Effects of foreign exchange translation	(1) million yen
Retirement benefit obligations at end of year	3,328 million yen

(2) Reconciliation of the beginning and ending balances of pension assets

Pension assets at beginning of year	5,362 million yen
Expected return on plan assets	52 million yen
Actuarial gains (losses)	(154) million yen
Contribution from employers	161 million yen
Retirement benefits paid	(268) million yen
Effects of foreign exchange translation	(0) million yen
Pension assets at end of year	5,153 million yen

(3) Reconciliation of ending balance of retirement benefit obligations and pension assets to net defined benefit liability and net defined benefit asset recorded on consolidated balance sheets

Retirement benefit obligations for funded plans	3,328 million yen
Pension assets	(5,153) million yen
Net liabilities and assets recorded on the consolidated balance sheets	(1,825) million yen
Net defined benefit liability	85 million yen
Retirement benefit asset	(1,910) million yen
Net liabilities and assets recorded on the consolidated balance sheets	(1,825) million yen

(4) Breakdown of retirement benefit expenses

Service cost	184 million yen
Interest cost	51 million yen
Expected return on plan assets	(52) million yen
Net actuarial gains (losses) recognized for the year	(161) million yen
Amortization of past service costs	— million yen
Retirement benefit expenses related to defined benefit plans	22 million yen

(5) Remeasurements of defined benefit plans

Breakdown of items reported as remeasurements of defined benefit plans before related tax effects is as follows:

Prior service cost	— million yen
Actuarial gains (losses)	(100) million yen
Total	(100) million yen

(6) Accumulated remeasurements of defined benefit plans

Breakdown of accumulated items reported as remeasurements of defined benefit plans before related tax effects is as follows:

Unrecognized prior service cost	— million yen
Unrecognized actuarial gains (losses)	(1,238) million yen
Total	(1,238) million yen

(7) Matters related to pension assets

1) Major components of pension assets

The ratio of each major category to total pension assets is as follows:

Bonds	46%
Stocks	31%
Life insurance general accounts	21%
Other	2%
Total	100%

2) Method for determining the long-term expected return on plan assets

In order to determine the long-term expected return on pension plan assets, the distribution of the assets at present and in the future, as well as the long-term forecast rate of return at present and in the future from the various assets that constitute the pension assets, are taken into consideration.

(8) Assumptions used in actuarial calculations

Principal actuarial assumptions used in calculations at the end of the consolidated fiscal year (weighted average)

Discount rate	2.0%
Expected long-term return on plan assets	1.0%
Forecast salary increase	2.7%

3. Defined-benefit pension plans using a simplified method

(1) Reconciliation of the beginning and ending balances of retirement benefits for plans adopting a simplified method

Retirement benefit obligations at beginning of year	138 million yen
Retirement benefit expenses	27 million yen
Retirement benefits paid	(23) million yen
Contributions to plans	(11) million yen
Retirement benefit obligations at end of year	130 million yen

(2) Reconciliation of ending balance of retirement benefit obligations and pension assets to net defined benefit liability and net defined benefit asset recorded on consolidated balance sheets

Retirement benefit obligations for funded plans	273 million yen
Pension assets	(143) million yen
Net liabilities and assets recorded on the consolidated balance sheets	130 million yen
Net defined benefit liability	130 million yen
Net liabilities and assets recorded on the consolidated balance sheets	130 million yen

(3) Retirement benefit expenses

Retirement benefit expenses calculated using the simplified method	27 million yen
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4. Defined contribution plans

The required amount of contribution to the Group's defined contribution plans was ¥102 million.

(Stock options, etc.)

1 Account and amount recorded as expenses

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
Cost of sales	- million yen	- million yen
Selling, general and administrative expenses	- million yen	- million yen

2 Description, size and other changes of stock options

(1) Description of stock options

Company	The Company
Date of resolution	June 28, 2011
Category and number of grantees	Directors of the Company: 6 Executive, Officers of the Company: 11
Type and number of granted shares Note 1	Common stock 70,000 shares Note 2
Date of grant	July 14, 2011
Vesting conditions	No vesting conditions are attached. If a director retires prior to the date of the Ordinary Shareholders' Meeting in June 2012, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2011 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. In addition, if an executive officer retires on or before the last day of March 2012, he or she may only exercise stock acquisition rights in the number obtained by dividing by nine the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2011 to the month including the date of retirement, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 15, 2011–July 14, 2041

Company	The Company
Date of resolution	June 27, 2012
Category and number of grantees	Directors of the Company: 7 Executive, Officers of the Company: 8
Type and number of granted shares Note 1	Common stock 66,600 shares Note 2
Date of grant	July 13, 2012
Vesting conditions	No vesting conditions are attached. If a director retires prior to the date of the Ordinary Shareholders' Meeting in June 2013, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2012 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. In addition, if an executive officer retires on or before the last day of March 2013, he or she may only exercise stock acquisition rights in the number obtained by dividing by nine the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2012 to the month including the date of retirement, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 14, 2012–July 13, 2042

Company	The Company
Date of resolution	June 26, 2013
Category and number of grantees	Directors of the Company: 7 Executive, Officers of the Company: 10
Type and number of granted shares Note 1	Common stock 65,000 shares Note 2
Date of grant	July 17, 2013
Vesting conditions	No vesting conditions are attached. If a director retires prior to the date of the Ordinary Shareholders' Meeting in June 2014, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2013 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. In addition, if an executive officer retires on or before the last day of March 2014, he or she may only exercise stock acquisition rights in the number obtained by dividing by nine the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2013 to the month including the date of retirement, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 18, 2013–July 17, 2043

Company	The Company
Date of resolution	June 26, 2014
Category and number of grantees	Directors of the Company: 7 Executive, Officers of the Company: 8
Type and number of granted shares Note 1	Common stock 60,600 shares Note 2
Date of grant	July 15, 2014
Vesting conditions	No vesting conditions are attached. If a director retires prior to the date of the Ordinary Shareholders' Meeting in June 2015, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2014 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. In addition, if an executive officer retires on or before the last day of March 2015, he or she may only exercise stock acquisition rights in the number obtained by dividing by nine the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2014 to the month including the date of retirement, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 16, 2014–July 15, 2044

Company	The Company
Date of resolution	June 25, 2015
Category and number of grantees	Directors of the Company: 6 Executive, Officers of the Company: 9
Type and number of granted shares Note 1	Common stock 38,000 shares Note 2
Date of grant	July 14, 2015
Vesting conditions	No vesting conditions are attached. If a director or executive officer retires before the date of the Ordinary Shareholders' Meeting in June 2016, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2015 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 15, 2015–July 14, 2045

Company	The Company
Date of resolution	June 28, 2016
Category and number of grantees	Directors of the Company (excluding outside directors): 6 Executive, Officers of the Company (not concurrently serving as directors): 9
Type and number of granted shares (Note 1)	Common stock 32,800 shares (Note 2)
Date of grant	July 20, 2016
Vesting conditions	No vesting conditions are attached. If a director or executive officer retires before the date of the Ordinary Shareholders' Meeting in June 2017, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2016 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 21, 2016–July 20, 2046

Company	The Company
Date of resolution	June 27, 2017
Category and number of grantees	Directors of the Company (excluding outside directors): 6 Executive, Officers of the Company (not concurrently serving as directors): 8
Type and number of granted shares Note 1	Common stock 35,400 shares Note 2
Date of grant	July 19, 2017
Vesting conditions	No vesting conditions are attached. If a director or executive officer retires before the date of the Ordinary Shareholders' Meeting in June 2018, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2017 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 20, 2017–July 19, 2047

Company	The Company
Date of resolution	June 26, 2018
Category and number of grantees	Directors of the Company (excluding outside directors): 6 Executive, Officers of the Company (not concurrently serving as directors): 7
Type and number of granted shares Note 1	Common stock 33,200 shares Note 2
Date of grant	July 18, 2018
Vesting conditions	No vesting conditions are attached. If a director or executive officer retires before the date of the Ordinary Shareholders' Meeting in June 2019, he or she may only exercise the number of stock acquisition rights obtained by dividing the number obtained by multiplying the number of stock acquisition rights granted by the number of months in office from July 2018 to the month including the date of retirement by 12, and the remaining stock acquisition rights must be forfeited. Other details are provided in the "Stock Acquisition Rights Allotment Agreement" entered into between the Company and the grantees.
Years of service covered	There is no requisite service period.
Exercise period	July 19, 2018-July 18, 2048

Notes: 1. This is stated in terms of the number of shares.

2. The figures are presented based on the number of shares after the stock split (two-for-one) effective October 1, 2024.

(2) Changes in the size of stock options

1) Number of stock options

Company	The Company	The Company	The Company
Date of resolution	June 28, 2011	June 27, 2012	June 26, 2013
Unvested			
End of the previous consolidated fiscal year (shares)	-	-	-
Granted (shares)	-	-	-
Forfeited (shares)	-	-	-
Vested (shares)	-	-	-
Unvested balance (shares)	-	-	-
Vested			
End of the previous consolidated fiscal year (shares)	11,800	16,400	21,800
Vested (shares)	-	-	-
Exercised (shares)	-	4,600	5,200
Forfeited (shares)	-	-	-
Unexercised balance (shares)	11,800	11,800	16,600

Company	The Company	The Company	The Company
Date of resolution	June 26, 2014	June 25, 2015	June 28, 2016
Unvested			
End of the previous consolidated fiscal year (shares)	-	-	-
Granted (shares)	-	-	-
Forfeited (shares)	-	-	-
Vested (shares)	-	-	-
Unvested balance (shares)	-	-	-
Vested			
End of the previous consolidated fiscal year (shares)	21,800	18,800	18,000
Vested (shares)	-	-	-
Exercised (shares)	5,200	4,400	4,200
Forfeited (shares)	-	-	-
Unexercised balance (shares)	16,600	14,400	13,800

Company	The Company	The Company
Date of resolution	June 27, 2017	June 26, 2018
Unvested		
End of the previous consolidated fiscal year (shares)	-	-
Granted (shares)	-	-
Forfeited (shares)	-	-
Vested (shares)	-	-
Unvested balance (shares)	-	-
Vested		
End of the previous consolidated fiscal year (shares)	22,800	21,400
Vested (shares)	-	-
Exercised (shares)	5,000	4,800
Forfeited (shares)	-	-
Unexercised balance (shares)	17,800	16,600

Note: The figures are presented based on the number of shares after the stock split (two-for-one) effective October 1, 2024.

2) Per share prices

Company	The Company	The Company	The Company
Date of resolution	June 28, 2011	June 27, 2012	June 26, 2013
Exercise price (yen)	1	1	1
Average share price at exercise (yen)	-	1,821.5	1,821.5
Fair value at grant date (yen)	335	382.5	399.5

Company	The Company	The Company	The Company
Date of resolution	June 26, 2014	June 25, 2015	June 28, 2016
Exercise price (yen)	1	1	1
Average share price at exercise (yen)	1,821.5	1,821.5	1,821.5
Fair value at grant date (yen)	424.5	607.5	662.5

Company	The Company	The Company
Date of resolution	June 27, 2017	June 26, 2018
Exercise price (yen)	1	1
Average share price at exercise (yen)	1,821.5	1,821.5
Fair value at grant date (yen)	619.5	642.5

Note: The figures are presented based on the number of shares after the stock split (two-for-one) effective October 1, 2024.

3 Method to estimate the number of vested stock options

Since no vesting conditions are attached, the number of granted rights will be the number of vested rights.

(Tax effect accounting)

1 Significant components of deferred tax assets and liabilities

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Deferred tax assets		
Allowance for doubtful accounts	4 million yen	40 million yen
Accrued expenses	210 million yen	214 million yen
Net defined benefit liability	42 million yen	40 million yen
Directors' retirement benefits	43 million yen	40 million yen
Unrealized earnings on inventories	691 million yen	775 million yen
Loss on valuation of shares	27 million yen	27 million yen
Other	735 million yen	663 million yen
Total gross deferred tax assets	1,755 million yen	1,803 million yen
Valuation allowance	(252) million yen	(112) million yen
Total deferred tax assets	1,502 million yen	1,691 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,200) million yen	(1,369) million yen
Deferred gain on sales of non-current assets	(44) million yen	(43) million yen
Reserve for advanced depreciation of non-current assets	(3) million yen	(3) million yen
Retirement benefit asset	(572) million yen	(600) million yen
Retained earnings of foreign subsidiaries	(448) million yen	(537) million yen
Other	(98) million yen	(140) million yen
Total gross deferred tax liabilities	(3,367) million yen	(2,695) million yen
Net deferred tax assets (liabilities)	(1,864) million yen	(1,003) million yen

2 Reconciliation between the statutory tax rate and the effective tax rate after the application of tax-effect accounting by major item

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Entertainment expenses and other permanently non-deductible expenses	0.3%	0.1%
Dividends received and other permanently non-taxable income	(0.9)%	(0.6)%
Items that are permanently non-deductible such as directors' bonuses	0.5%	0.4%
Per capita inhabitant tax, etc.	0.3%	0.3%
Tax credits for research and development expenses	(3.0)%	(1.9)%
Increase in valuation allowance	3.7%	0.2%
Retained earnings of foreign subsidiaries	1.5%	1.5%
Difference in applicable tax rates of consolidated subsidiaries	(3.5)%	(3.2)%
Increase in deferred tax liabilities at the end of period due to change in tax rate	—	(0.0)%
Other	1.0%	2.1%
Effective tax rate after the application of tax-effect accounting	30.4%	29.6%

3 Accounting for corporate, local corporate income taxes and related tax-effect accounting

The Company and some of its domestic consolidated subsidiaries apply the group tax sharing system. Also, corporate, local corporate income taxes and related tax-effect accounting are accounted for and disclosed in accordance with “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021).

4. Amendments to deferred tax assets and deferred tax liabilities due to changes in income tax rates

With the promulgation of the “Act for Partial Amendment of the Income Tax Act” on March 31, 2025, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in consolidated fiscal years beginning on or after April 1, 2026, has been changed from 30.5% in the previous consolidated fiscal year to 31.4%.

As a result, the amount of deferred tax liabilities (net of deferred tax assets) increased by ¥45 million, income taxes - deferred (debit) recorded in the current consolidated fiscal year increased by ¥6 million, and valuation difference on available-for-sale securities (credit) decreased by ¥38 million.

(Revenue recognition)

1 Breakdown of revenue from contracts with customers

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

(million yen)

	Reportable segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Japan	14,138	1,367	81	15,588
North America & Latin America	4,023	218	-	4,241
Europe	7,492	-	-	7,492
Asia	6,970	787	-	7,758
Revenue from contracts with customers	32,624	2,373	81	35,080
Other revenue	-	-	-	-
Net sales to external customers Note:	32,624	2,373	81	35,080

Note: Net sales to external customers are classified by country or region based on the location of the Company and its consolidated subsidiaries.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

(million yen)

	Reportable segments			Total
	Dental Business	Nail Care Business	Other Businesses	
Japan	15,366	1,316	97	16,780
North America & Latin America	4,699	188	-	4,888
Europe	8,310	-	-	8,310
Asia	7,980	738	-	8,718
Revenue from contracts with customers	36,356	2,243	97	38,698
Other revenue	-	-	-	-
Net sales to external customers Note:	36,356	2,243	97	38,698

Note: Net sales to external customers are classified by country or region based on the location of the Company and its consolidated subsidiaries.

2 Information that provides a basis for understanding revenue from contracts with customers

Please refer to (5) Reporting of significant revenue and expenses of 4. Matters related to accounting policies.

3 Information on the relationship between the satisfaction of performance obligations based on contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the following consolidated fiscal year from contracts with customers that existed at the end of the current consolidated fiscal year

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

(1) Balance of receivables and contractual liabilities from contracts with customers

	Consolidated fiscal year	
	Opening balance	Closing balance
Receivables from contracts with customers	3,493 million yen	4,539 million yen
Contract liabilities	6 million yen	75 million yen

Contract liabilities are mainly advances received from customers based on payment terms before fulfilling performance obligations and are reversed when revenue is recognized. Of the revenue recognized in the consolidated fiscal year, the amount included in the balance of contractual liabilities at the beginning of the fiscal year was ¥6 million. The Company and its consolidated subsidiaries do not have contract assets.

(2) Transaction price allocated to remaining performance obligation

The Company and its consolidated subsidiaries have adopted a practical expedient to note the transaction prices allocated to the remaining performance obligations and do not include contracts with an initial expected term of one year or less. As of the end of this consolidated fiscal year the Group had ¥75 million in performance obligations that were not satisfied. Such performance obligations are mainly advances received from customers based on payment terms and are expected to be recognized as revenue within one year.

There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

(1) Balance of receivables and contractual liabilities from contracts with customers

	Consolidated fiscal year	
	Opening balance	Closing balance
Receivables from contracts with customers	4,539 million yen	4,159 million yen
Contract liabilities	75 million yen	63 million yen

Contract liabilities are mainly advances received from customers based on payment terms before fulfilling performance obligations and are reversed when revenue is recognized. Of the revenue recognized in the consolidated fiscal year, the amount included in the contractual liabilities balance at the beginning of the year was ¥75 million. The Company and its consolidated subsidiaries do not have contract assets.

(2) Transaction price allocated to remaining performance obligation

The Company and its consolidated subsidiaries have adopted a practical expedient to note the transaction prices allocated to the remaining performance obligations and do not include contracts with an initial expected term of one year or less. As of the end of this consolidated fiscal year the Group had ¥63 million in performance obligations that were not satisfied. Such performance obligations are mainly advances received from customers based on payment terms and are expected to be recognized as revenue within one year.

There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Segment information, etc.)

Segment information

1 Overview of reportable segments

The Group's reportable segments are components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing performance. The Group's businesses consist of the Dental Business, the Nail Care Business, and Other Businesses (manufacture and sale of industrial materials). Each business unit formulates comprehensive strategies for Japan and overseas and develops business activities. Accordingly, the Company's reportable segments consist of the Dental Business, Nail Care Business, and Other Businesses. The Dental Business is engaged in the manufacture, sale and repair services of materials and equipment related to dentistry. The Nail Care Business is engaged in the manufacture, sale and repair services of beauty and health equipment and cosmetics related to nails. The Other Businesses segment manufactures and sells industrial materials.

2 Calculation method of net sales, profits or losses, assets and other items by reportable segments

In principle, the accounting method for the reportable segments is the same as that described in "Basis of presenting consolidated financial statements".

Reportable segment profits are based on operating profit. Inter-segment sales and transfers are mainly based on market prices.

(Change in depreciation method for property, plant and equipment)

As stated in "Changes in accounting policies which are difficult to distinguish from changes in accounting estimates," the depreciation method for property, plant and equipment (excluding leased assets), which had previously been primarily the declining-balance method at the Company and its domestic consolidated subsidiaries, has been changed to the straight-line method from the current consolidated fiscal year.

As a result, compared to the previous method, segment profit for the current consolidated fiscal year increased by ¥146 million in the Dental Business and by ¥1 million in Other Businesses. In addition, segment profit for the current consolidated fiscal year in the Nail Care Business showed a decrease in loss of ¥2 million.

3 Net sales, profits or losses, assets and other items by reportable segment

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

	Reportable segments				Adjustments Note 1	(million yen) Amount recorded on consolidated financial statements Note 2
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Net sales to external customers	32,624	2,373	81	35,080	-	35,080
Inter-segment sales or transfers	-	-	6	6	(6)	-
Total	32,624	2,373	87	35,086	(6)	35,080
Segment profit	4,685	5	12	4,703	6	4,709
Segment assets	39,250	1,812	98	41,161	8,932	50,093
Other items						
Depreciation	1,131	34	3	1,168	-	1,168
Equity in earnings (losses) of affiliates	(7)	-	-	(7)	-	(7)
Impairment loss Note 3	173	-	-	173	-	173
Investments in entities accounted for using equity method	2,633	-	-	2,633	-	2,633
Increase in property, plant and equipment and intangible assets	1,266	13	2	1,282	-	1,282

Notes: 1. (1) The ¥6 million adjustment to segment profit is due to elimination of intersegment transactions.

(2) The ¥8,932 million adjustment to segment assets includes corporate assets that have not been allocated to each segment. These assets mainly include the Company's surplus funds (cash and deposits) and long-term investment assets (investment securities, etc.).

2. Segment profit is reconciled to consolidated operating profit.
3. The Group's Merz Dental GmbH subsidiary has decided to partially suspend the development of manufacturing facilities. As a result, the carrying amount of the asset was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss of ¥173 million under extraordinary losses.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

(million yen)

	Reportable segments				Adjustments Note 1	Amount recorded on consolidated financial statements Note 2
	Dental Business	Nail Care Business	Other Businesses	Total		
Net sales						
Net sales to external customers	36,356	2,243	97	38,698	-	38,698
Inter-segment sales or transfers	-	-	4	4	(4)	-
Total	36,356	2,243	102	38,702	(4)	38,698
Segment profits or losses	5,438	(66)	14	5,386	5	5,392
Segment assets	41,765	1,699	121	43,587	6,407	49,994
Other items						
Depreciation	1,012	41	5	1,059	-	1,059
Equity in earnings (losses) of affiliates	(7)	-	-	(7)	-	(7)
Impairment loss	-	-	-	-	-	-
Investments in entities accounted for using equity method	2,541	-	-	2,541	-	2,541
Increase in property, plant and equipment and intangible assets	1,415	30	-	1,445	-	1,445

Notes: 1. (1) The ¥5 million adjustment to segment profit is due to elimination of intersegment transactions.

(2) The ¥6,407 million adjustment to segment assets includes corporate assets that have not been allocated to each segment. These assets mainly include the Company's surplus funds (cash and deposits) and long-term investment assets (investment securities, etc.).

2. Segment profit is reconciled to consolidated operating profit.

Related information

Previous consolidated fiscal year (from April 1, 2023 to March 31, 2024)

1. Information by product or service

This is omitted as comparable information is disclosed in segment information.

2. Information by region

(1) Net sales

(million yen)

Japan	North America & Latin America	Europe	Asia, Oceania, etc.	Total
15,588	4,241	7,492	7,758	35,080

Notes: 1. Net sales are classified by country or region based on the location of the Company and its consolidated subsidiaries.

2. North America & Latin America, Europe and Asia, Oceania, etc. are managed as single segments, and the amount by country is not stated.

(2) Property, plant and equipment

(million yen)

Japan	Germany	North America & Latin America	Europe	Asia, Oceania, etc.	Total
6,211	1,991	232	487	1,312	10,234

3 Information by major customer

No information is provided because there were no customers who accounted for 10% or more of the net sales to external customers in the consolidated statement of income.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

1. Information by product or service

This is omitted as comparable information is disclosed in segment information.

2. Information by region

(1) Net sales

(million yen)

Japan	United States	Germany	China	Other	Total
16,011	4,271	3,883	5,689	8,843	38,698

Notes: 1. Net sales are classified by country or region based on the location of the Company and its consolidated subsidiaries.

(2) Property, plant and equipment

(million yen)

Japan	Germany	North America & Latin America	Europe	Asia, Oceania, etc.	Total
6,731	1,929	224	489	1,227	10,603

3 Information by major customer

No information is provided because there were no customers who accounted for 10% or more of the net sales to external customers in the consolidated statement of income.

Information on impairment losses on non-current assets by reportable segment

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

This is omitted as comparable information is disclosed in segment information.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

Not applicable

Information on amortization and unamortized balance of goodwill by reportable segment

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

Not applicable

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

Not applicable

Information on gains on negative goodwill by reportable segment

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

Not applicable

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

Not applicable

Information of related parties

Transactions with related parties

Transactions between the Company submitting consolidated financial statements and its related parties

Officers and major shareholders (limited to individuals), etc., of the Company submitting consolidated financial statements

Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)

Type	Name of the company, etc. or person	Location	Share capital or investment (million yen)	Business or occupation	Percentage of voting rights owned (held)	Relationship	Details of transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Officer	Noriyuki Negoro	—	—	Representative Director & Chairman	(Owned) Direct 0.53%	—	In-kind consideration of monetary compensation claims Note	11	-	—

Note: This is due to the in-kind consideration of monetary compensation claims associated with the restricted stock compensation system.

Current consolidated fiscal year (April 1, 2024 to March 31, 2025)

Type	Name of the company, etc. or person	Location	Share capital or investment (million yen)	Business or occupation	Percentage of voting rights owned (held)	Relationship	Details of transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Officer	Noriyuki Negoro	—	—	Representative Director & Chairman	(Owned) Direct 0.54%	—	In-kind consideration of monetary compensation claims Note	12	-	—
Officer	Tetsuo Takami	—	—	Representative Director & President	(Owned) Direct 0.22%	—	In-kind consideration of monetary compensation claims Note	10	-	-

Note This is due to the in-kind consideration of monetary compensation claims associated with the restricted stock compensation system.

(Per share information)

	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
Net assets per share	1,168.02 yen	1,198.37 yen
Net income per share	103.09 yen	121.52 yen
Diluted net income per share	102.62 yen	121.09 yen

Notes: 1. On October 1, 2024, a two-for-one stock split of common stock was conducted. Net assets per share, earnings per share, and diluted net income per share have been calculated on the assumption that this stock split was carried out at the beginning of the previous consolidated fiscal year.

2. The basis for calculating net income per share and diluted net income per share is as follows.

Item	Previous consolidated fiscal year (April 1, 2023 to March 31, 2024)	Current consolidated fiscal year (April 1, 2024 to March 31, 2025)
Net income per share		
Net income attributable to owners of parent (million yen)	3,655	4,317
Amount not attributable to common stockholders (million yen)	-	-
Net income attributable to owners of parent related to common stock (million yen)	3,655	4,317
Average number of shares of common stock (thousand shares)	35,463	35,529
Diluted net income per share		
Net income attributable to owners of parent adjustment (million yen)	-	-
Increase in common stock (thousand shares)	161	127
(of which stock acquisition rights (thousand shares))	(161)	(127)
Outline of the diluted shares being not included in the calculation of diluted net income per share due to no dilutive effect		-

3. The basis for calculating net assets per share is as follows.

Item	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal year (March 31, 2025)
Net assets (million yen)	41,609	42,736
Amounts deducted from total net assets (million yen)	161	140
(of which stock acquisition rights (million yen))	(79)	(61)
(of which non-controlling interests (million yen))	(82)	(78)
Net assets attributable to common stock at year end (million yen)	41,448	42,596
Number of shares of common stock at year end used for calculating net assets per share (thousand shares)	35,485	35,545

(Significant events after reporting period)

Not applicable

5) Consolidated supplementary schedules

Schedule of bonds payable

Not applicable

Schedule of loans payable

Category	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (%)	Repayment deadline
Long-term loans payable due within one year	281	-	-	-
Lease obligations due within one year	70	85	-	-
Long-term loans payable (excluding current portion)	-	-	-	-
Lease obligations (excluding current portion)	106	128	-	2026-2031
Total	459	213	-	-

Notes: 1. The average interest rate of lease obligations is not stated because lease obligations are recorded in the consolidated balance sheet at the amount before deducting the amount equivalent to interest included in the total lease payments, or the amount equivalent to interest included in the total lease payments is allocated to each consolidated fiscal year using the straight-line method.

2. The scheduled repayment amount per year of lease obligations (excluding current portions) within five years after the consolidated balance sheet date is as follows:

Category	Due after one year but within two years (million yen)	Due after two years but within three years (million yen)	Due after three years but within four years (million yen)	Due after four years but within five years (million yen)
Long-term loans payable	-	-	-	-
Lease obligations	65	33	19	7

Schedule of asset retirement obligations

Not applicable

(2) Other

Quarterly information for the current consolidated fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Net sales (million yen)	9,457	18,887	28,845	38,698
Net income before income taxes (million yen)	1,812	3,385	4,869	6,154
Net income attributable to owners of parent (million yen)	1,120	2,364	3,484	4,317
Net income per share (yen)	31.56	66.58	98.08	121.52

(By quarter)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (yen)	31.56	35.01	31.51	23.44

Notes: 1. Review of financial information for first quarter consolidated cumulative period and the third quarter consolidated cumulative period: None

2. The Company conducted a two-for-one stock split of its common stock effective October 1, 2024. Net income per share for the current consolidated fiscal year has been calculated on the assumption that this stock split was conducted at the beginning of the fiscal year.

2. Financial statements

(1) Financial statements

1) Balance sheet

	(million yen)	
	Previous fiscal year (as of March 31, 2024)	Current fiscal year (as of March 31, 2025)
Assets		
Current assets		
Cash and deposits	2,702	3,244
Notes receivable - trade	216	158
Accounts receivable -trade	*1 5,365	*1 4,514
Merchandises and finished goods	3,035	4,086
Work in process	749	917
Raw materials and supplies	763	929
Prepaid expenses	167	225
Other	*1 312	*1 1,207
Allowance for doubtful accounts	(4)	(36)
Total current assets	13,308	15,246
Non-current assets		
Property, plant and equipment		
Buildings	2,442	2,341
Structures	149	146
Machinery and equipment	340	353
Vehicles	0	0
Tools, furniture and fixtures	428	586
Land	1,614	1,647
Leased assets	-	3
Construction in progress	58	344
Total property, plant and equipment	5,033	5,423
Intangible assets		
Software	137	161
Other	6	6
Total Intangible assets	143	167
Investments and other assets		
Investment securities	8,920	6,167
Shares of subsidiaries and affiliates	11,053	11,416
Long-term loans receivable from subsidiaries and affiliates	*1 1,486	*1 469
Long-term loans receivable from employees	10	5
Guarantee deposits	16	17
Retirement benefit asset for directors	29	21
Prepaid pension expense	597	754
Other	73	156
Allowance for doubtful accounts	(6)	(97)
Total investments and other assets	22,182	18,912
Total non-current assets	27,359	24,504
Total assets	40,667	39,750

	(million yen)	
	Previous fiscal year (as of March 31, 2024)	Current fiscal year (as of March 31, 2025)
Liabilities		
Current liabilities		
Accounts payable -trade	*1 1,327	*1 1,198
Short-term loans payable	326	-
Current portion of long-term loans payable	281	792
Lease obligations	-	0
Accounts payable-other	*1 547	*1 522
Accrued expenses	869	896
Income taxes payable	471	483
Contract liabilities	5	6
Deposits received	33	35
Provision for directors' bonuses	63	66
Other	144	170
Total current liabilities	4,071	4,172
Non-current liabilities		
Long-term loans payable to subsidiaries and associates	*1 802	-
Lease obligations	-	2
Long-term guarantee deposited	323	322
Long-term accounts payable-other	120	104
Deferred tax liabilities	1,797	982
Total non-current liabilities	3,043	1,412
Total liabilities	7,114	5,585
Net assets		
Shareholders' equity		
Share capital	5,968	5,968
Capital surplus		
Legal capital surplus	6,071	6,071
Other capital surplus	63	80
Total capital surplus	6,134	6,151
Retained earnings		
Legal reserve	1,118	1,118
Other retained earnings		
Reserve for dividends	260	260
Reserve for advanced depreciation of non-current assets	7	7
General reserve	740	740
Unappropriated retained earnings	14,447	17,056
Total retained earnings	16,573	19,182
Treasury shares	(297)	(239)
Total shareholders' equity	28,379	31,062
Valuation, translation adjustments and others		
Valuation difference on available-for-sale securities	5,094	3,040
Total valuation, translation adjustments and others	5,094	3,040
Stock acquisition rights	79	61
Net assets	33,552	34,165
Total liabilities and net assets	40,667	39,750

2) Statement of income

	(million yen)	
	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net sales		
Net sales of finished goods	8,551	8,953
Net sales of merchandise	12,722	14,019
Total net sales	*1 21,273	*1 22,973
Cost of sales		
Inventories at beginning of period	469	523
Cost of finished goods manufactured	3,305	3,715
Finished goods transfers	35	36
Total	3,739	4,202
Inventories at end of period	523	841
Cost of finished goods sold	3,215	3,361
Inventories at beginning of period	1,852	2,511
Cost of purchased merchandise	8,991	9,876
Merchandise transfers	392	405
Total	10,451	11,983
Inventories at end of period	2,511	3,244
Cost of merchandise sold	7,939	8,738
Total cost of sales	*1 11,155	*1 12,099
Gross profit	10,118	10,873
Selling, general and administrative expenses		
Freight and packing expenses	214	245
Sales promotion expenses	2	-
Compensation and salaries for directors	2,095	2,176
Bonuses	699	737
Provision for bonuses for directors	63	66
Welfare expenses	624	615
Retirement benefit expenses	61	38
Depreciation	216	168
Taxes and public dues	208	236
Rent expenses	97	97
Commission expenses	869	977
Travel and transportation expenses	285	329
Advertising expenses	390	433
Research and development expenses	1,735	1,729
Other expenses	871	998
Total selling, general and administrative expenses	*1 8,436	*1 8,850
Operating profit	1,681	2,023

	(million yen)			
	Previous fiscal year		Current fiscal year	
	(April 1, 2023 to March 31, 2024)		(April 1, 2024 to March 31, 2025)	
Non-operating income				
Interest income		57		59
Dividend income		2,252		2,381
Membership fee income		129		131
Technical support fee		169		144
Foreign exchange gains		241		-
Other		119		117
Total non-operating income	*1	2,970	*1	2,834
Non-operating expenses				
Interest expenses		58		46
Membership fee		280		281
Net foreign exchange losses		-		109
Other		87		92
Total non-operating expenses	*1	425	*1	529
Ordinary profit		4,226		4,328
Extraordinary gains				
Gain on sales of investment securities		285		681
Total extraordinary income		285		681
Extraordinary losses				
Loss on retirement of non-current assets		-		50
Loss on valuation of shares of subsidiaries and affiliates	*2	286	*2	185
Total extraordinary losses		286		235
Net income before income taxes		4,225		4,773
Income taxes - current		723		764
Income taxes - deferred		(3)		15
Income taxes		719		780
Net income		3,506		3,993

3) Statement of changes in net assets

Previous fiscal year (April 1, 2023 to March 31, 2024)

(million yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Unappropriated retained earnings	
Balance at beginning of period	5,968	6,071	71	6,142	1,118	260	7	740	12,039	14,165
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	-
Dividends of surplus									(1,098)	(1,098)
Purchase of treasury shares										
Disposal of treasury shares			(8)	(8)						
Net income									3,506	3,506
Net changes in items other than shareholders' equity										
Total changes during period	-	-	(8)	(8)	-	-	(0)	-	2,408	2,407
Balance at end of period	5,968	6,071	63	6,134	1,118	260	7	740	14,447	16,573

	Shareholders' equity		Valuation, translation adjustments and others		Stock acquisition rights	Net assets
	Treasury shares	Total shareholder's equity	Valuation difference on available-for-sale securities	Total valuation, translation adjustments and others		
Balance at beginning of period	(379)	25,897	3,201	3,201	99	29,197
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets		-				-
Dividends of surplus		(1,098)				(1,098)
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	83	74				74
Net income		3,506				3,506
Net changes in items other than shareholders' equity			1,893	1,893	(19)	1,873
Total changes during period	82	2,481	1,893	1,893	(19)	4,355
Balance at end of period	(297)	28,379	5,094	5,094	79	33,552

Current fiscal year (April 1, 2024 to March 31, 2025)

(million yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Unappropriated retained earnings	
Balance at beginning of period	5,968	6,071	63	6,134	1,118	260	7	740	14,447	16,573
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	-
Dividends of surplus									(1,385)	(1,385)
Purchase of treasury shares										
Disposal of treasury shares			17	17						
Net income									3,993	3,993
Net changes in items other than shareholders' equity										
Total changes during period	-	-	17	17	-	-	(0)	-	2,608	2,608
Balance at end of period	5,968	6,071	80	6,151	1,118	260	7	740	17,056	19,182

	Shareholders' equity		Valuation, translation adjustments and others		Stock acquisition rights	Net assets
	Treasury shares	Total shareholder's equity	Valuation difference on available-for-sale securities	Total valuation, translation adjustments and others		
Balance at beginning of period	(297)	28,379	5,094	5,094	79	33,552
Changes of items during period						
Reversal of reserve for advanced depreciation of non-current assets		-				-
Dividends of surplus		(1,385)				(1,385)
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	59	76				76
Net income		3,993				3,993
Net changes in items other than shareholders' equity			(2,053)	(2,053)	(17)	(2,071)
Total changes during period	57	2,683	(2,053)	(2,053)	(17)	612
Balance at end of period	(239)	31,062	3,040	3,040	61	34,165

Notes to financial statements

(Significant accounting policies)

1 Valuation methods for securities

Equity in subsidiaries and affiliates

... Stated at cost by the moving-average method

Other securities

Shares, etc. excluding those without market price

Market value method (unrealized gains and losses are accounted for as a component of net assets, and the cost of securities sold is calculated mainly by the moving average method)

Shares, etc. without market price

... Stated at cost by the moving-average method

2 Valuation methods for derivative financial

Derivatives

Market value method

3 Valuation methods for inventories

Merchandise and finished goods, work in process, raw materials and supplies: Cost determined by the first-in first-out method (cost of inventories is written-down when their carrying amounts becomes unrecoverable)

4 Depreciation method for non-current assets

(1) Property, plant and equipment (excluding leased assets) ... Straight-line method

The main useful lives are summarized as follows:

Buildings	3 to 50 years
Structures	2 to 60 years
Machinery and equipment	3 to 17 years
Vehicles	4 years
Tools, furniture and fixtures	2 to 20 years

(2) Intangible assets (excluding leased assets) ... Straight-line method

However, software (for internal use) is amortized by the straight-line method based on the internal usable period (5 years).

(3) Leased assets for finance lease transaction other than title transfer

The straight-line method is used with the lease period as the useful life and the residual value as zero.

5 Basis for reserves

(1) Allowance for doubtful accounts

To prepare for possible losses on bad debts such as trade receivables and loans receivable, an allowance is provided for general receivables based on past experience, and for specific receivables such as doubtful receivables based on an individual assessment of their collectability.

(2) Provision for directors' bonuses

To prepare for the payment of directors' bonuses, an allowance is provided based on the estimated amount to be paid in the current fiscal year.

(3) Allowance for retirement benefits

To prepare for the payment of retirement benefits to employees, the amount considered to have accrued at the end of the current fiscal year is recorded based on the estimated amount of retirement benefit obligations and pension assets at the end of the current fiscal year.

However, since pension assets exceed retirement benefit obligations in the current fiscal year, the excess amount is recorded as net defined benefit asset.

When calculating retirement benefit obligations, the benefit formula basis is used to attribute the estimated amount of retirement benefits to the periods until the end of the current fiscal year.

Prior service cost is amortized by the straight-line method over a certain number of years (7 years) within the average remaining service period of employees at the time of occurrence.

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (10 years) within the average remaining service period of employees at the time of occurrence in each fiscal year and are accounted for as expenses from the fiscal year following the fiscal year in which they occur.

6 Reporting of significant revenue and expenses

The details of the major performance obligations in the major businesses related to revenue from contracts with customers of the Company and the normal time when performance obligations are satisfied (normal time when revenue is recognized) are as follows.

Dental Business

The Company manufactures and sells dental materials and equipment, including artificial teeth, abrasive products, chemical products, cement products, metal products, and machinery and equipment, which are used in dental treatment and the production of dental laboratory equipment. With respect to the sale of such goods and products, the Company judges that the customer obtains control of the goods and products, and the performance obligation is satisfied when the goods and products are delivered to the customer. For sales in Japan, if the period from the time of shipment to the time when control of the goods and products is transferred to the customer is an ordinary period, revenue is recognized at the time of shipment by applying the alternative treatment set forth in Article 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition." For export sales, revenue is recognized at the time of shipment of goods and products when the shipment of goods and products is completed based on the trade terms and conditions, as control over the goods and products is transferred to the customer and performance obligations are satisfied.

7. Hedge accounting

(1) Hedge accounting

In principle, deferred hedge accounting is applied. The allocation method is applied to foreign exchange contracts if the requirements for the allocation method are satisfied.

(2) Hedging instruments and hedged items

(Hedging instruments)

Forward exchange contracts

(Hedged items)

Foreign currency-denominated monetary claims

(3) Hedging policy

Foreign exchange fluctuation risks are hedged mainly based on the internal management regulations.

(4) Assessment of hedge effectiveness

The assessment of hedge effectiveness is omitted, as it is assumed that the exchange reservation of the same date is made corresponding to the amount denominated in foreign currency at the time of concluding the exchange reservation, and the market fluctuations are completely offset at the start of the hedge and continuously after that.

8 Other significant information

(1) Accounting for retirement benefits

The accounting methods of unrecognized actuarial gains and losses and unrecognized past service costs are different from those of the consolidated financial statements.

(2) Accounting for non-deductible consumption taxes on assets

Non-deductible consumption taxes and local consumption taxes on assets are accounted for as expenses in that fiscal year.

(3) Application of the Group tax sharing system

The group tax sharing system has been adopted.

(Changes in accounting policies)

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

(Change in depreciation method for property, plant and equipment)

Previously, the Company primarily used the declining-balance method for the depreciation of property, plant and equipment (excluding leased assets); however, for facilities attached to buildings, and structures, net, acquired on or after April 1, 2016, the straight-line method was applied. Beginning with the current fiscal year, the Company has changed to the straight-line method.

While maintaining and strengthening the foundation of our domestic business, the Group is reallocating management resources overseas and promoting the expansion of our overseas business as well as the globalization of our overall management. In the newly formulated Fifth Medium-Term Management Plan (fiscal years ending March 2025 to March 2028), we are planning to reorganize our production bases, including those overseas. In conjunction with this, we have reviewed the depreciation method for property, plant and equipment. As a result, we have determined that, by optimizing the overall production system across the Group, property, plant and equipment will be operated and utilized in a stable manner over the long term, and the effects of investment are expected to be realized evenly over time. Therefore, we have concluded that adopting the straight-line method for the depreciation of property, plant and equipment is reasonable from the perspective of cost allocation and will more appropriately reflect the economic reality.

As a result of this change, depreciation for the current fiscal year decreased by ¥135 million compared to the previous method. Consequently, operating profit (loss) increased by ¥118 million, and both ordinary profit and net income before taxes increased by ¥119 million.

(Notes to balance sheet)

*1 Notes related to affiliated companies

The major items related to affiliates included in each account (including those presented by category) are as follows.

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Short-term monetary receivables	3,403 million yen	3,568 million yen
Long-term monetary receivables	1,486 million yen	469 million yen
Short-term monetary payables	781 million yen	1,312 million yen
Long-term monetary payables	802 million yen	- million yen

2 Commitment line agreements

The Company has entered into commitment line agreements with four financial institutions in order to establish a flexible and stable fund procurement system

The balance of unused lines of credit based on these agreements is as follows.

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Total amount of commitment line	2,000 million yen	2,000 million yen
Outstanding balance	- million yen	- million yen
Balance	2,000 million yen	2,000 million yen

(Notes to statement of income)

*1 Notes related to affiliated companies

Major items from affiliated companies by item are as follows.

	Previous fiscal year (April 1, 2023 to March 31, 2024)	Current fiscal year (April 1, 2024 to March 31, 2025)
Net sales	7,551 million yen	8,023 million yen
Procurement	2,829 million yen	3,152 million yen
Selling, general and administrative expenses	31 million yen	32 million yen
Non-operating transactions	2,337 million yen	2,413 million yen

*2 Valuation loss on shares of subsidiaries and affiliates

Previous fiscal year (April 1, 2023 to March 31, 2024)

A valuation loss of ¥286 million was recorded on shares of Smart Dentistry Solutions Inc., a consolidated subsidiary of the Company.

Current fiscal year (April 1, 2024 to March 31, 2025)

A valuation loss of ¥185 million was recorded on shares of Smart Dentistry Solutions Inc., a consolidated subsidiary of the Company.

(Securities)

1. Investments in subsidiaries and affiliates

Previous fiscal year (March 31, 2024)

The fair value of shares of subsidiaries and affiliates is not stated because shares of subsidiaries and affiliates do not have market prices.

Amount recorded on the balance sheet of shares of subsidiaries and affiliates without market prices are as follows.

Category	Previous fiscal year (million yen)
Shares of subsidiaries	8,164
Shares of affiliates	2,889
Total	11,053

Current fiscal year (March 31, 2025)

The fair value of shares of subsidiaries and affiliates is not stated because shares of subsidiaries and affiliates do not have market prices.

Amount recorded on the balance sheet of shares of subsidiaries and affiliates without market prices are as follows.

Category	Current fiscal year (million yen)
Shares of subsidiaries	8,527
Shares of affiliates	2,889
Total	11,416

2. Securities for which an impairment loss was recognized

Previous fiscal year (March 31, 2024)

The Company recorded a loss on valuation of shares of affiliates of ¥286 million. Upon recognition of impairment losses, the Company recognizes impairment losses for the amount deemed necessary in consideration of the recoverability of the actual value of the shares.

Current fiscal year (March 31, 2025)

The Company recorded a loss on valuation of shares of affiliates of ¥185 million. Upon recognition of impairment losses, the Company recognizes impairment losses for the amount deemed necessary in consideration of the recoverability of the actual value of the shares.

(Tax effect accounting)

1 Significant components of deferred tax assets and liabilities

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Deferred tax assets		
Allowance for doubtful accounts	3 million yen	40 million yen
Accrued expenses	179 million yen	183 million yen
Loss on valuation of shares	385 million yen	443 million yen
Directors' retirement benefits	39 million yen	34 million yen
Excess depreciation	89 million yen	88 million yen
Other	357 million yen	362 million yen
Total gross deferred tax assets	1,055 million yen	1,154 million yen
Valuation allowance	(466) million yen	(527) million yen
Total deferred tax assets	588 million yen	627 million yen
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,200) million yen	(1,369) million yen
Reserve for advanced depreciation of non-current assets	(3) million yen	(3) million yen
Prepaid pension expense	(182) million yen	(237) million yen
Total gross deferred tax liabilities	(2,385) million yen	(1,609) million yen
Net deferred tax assets (liabilities)	(1,797) million yen	(982) million yen

2 Reconciliation between the statutory tax rate and the effective tax rate after the application of tax-effect accounting by major item

	Previous fiscal year (March 31, 2024)	Current fiscal year (March 31, 2025)
Statutory tax rate	30.5%	30.5%
(Reconciliation)		
Entertainment expenses and other permanently non-deductible expenses	0.4%	0.1%
Dividends received and other permanently non-taxable income	(12.7)%	(12.9)%
Items that are permanently non-deductible such as directors' bonuses	0.6%	0.5%
Per capita inhabitant tax, etc.	0.3%	0.3%
Tax credits for research and development expenses	(3.8)%	(2.3)%
Increase in valuation allowance	2.1%	0.9%
Increase in deferred tax liabilities at the end of period due to change in tax rate	—	(0.0) %
Other	(0.4)%	(0.8)%
Effective tax rate after the application of tax-effect accounting	17.0%	16.5%

3 Accounting for corporate, local corporate income taxes and related tax-effect accounting

The Company and some of its domestic consolidated subsidiaries apply the group tax sharing system. Also, corporate, local corporate income taxes and related tax-effect accounting are accounted for and disclosed in accordance with “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021)

4 Accounting for corporate, local corporate income taxes and related tax-effect accounting

With the promulgation of the “Act for Partial Amendment of the Income Tax Act” on March 31, 2025, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in fiscal years beginning on or after April 1, 2026, has been changed from 30.5% in the previous fiscal year to 31.4%.

As a result, the amount of deferred tax liabilities (net of deferred tax assets) increased by ¥40 million, income taxes - deferred (debit) recorded in the current fiscal year increased by ¥1 million, and valuation difference on available-for-sale securities (credit) decreased by ¥38 million.

(Revenue recognition)

Information to understand the revenue from contracts with customers is the same as that described in "Notes Revenue Recognition" of the consolidated financial statements, so the notes are omitted.

(Significant events after reporting period)

Not applicable

4) Supplementary schedules

Detailed schedule of property, plant and equipment, etc.

Class of assets	Balance at beginning of period (million yen)	Increase during year (million yen)	Decrease during year (million yen)	Balance at end of period (million yen)	Accumulated depreciation or amortization at end of current year (million yen)	Depreciation or amortization for current year (million yen)	Balance at end of current year (million yen)
Property, plant and equipment							
Buildings	6,402	68	98	6,372	4,030	167	2,341
Structures	549	9	11	547	400	10	146
Machinery and equipment	2,422	104	127	2,399	2,045	81	353
Vehicles	0	0	-	1	1	0	0
Tools, furniture and fixtures	2,701	339	136	2,904	2,318	150	586
Land	1,614	32	-	1,647	-	-	1,647
Leased assets	-	3	-	3	0	0	3
Construction in progress	58	503	217	344	-	-	344
Property, plant and equipment Total	13,749	1,061	590	14,220	8,796	410	5,423
Intangible assets							
Trademark rights	1	-	-	1	1	-	-
Software	204	11	2	212	140	37	72
Telephone subscription rights	6	-	-	6	-	-	6
Software in progress	38	53	3	88	-	-	88
Intangible assets Total	251	65	6	309	142	37	167

Notes: 1. The balance at the beginning of the current year and the balance at the end of the current year are based on the acquisition price.

2. The main items included in the increase during the year are as follows.

Construction in progress: Factory reconstruction costs at the Kyoto head office ¥213 million

Detailed schedule of allowances

Category	Balance at beginning of period (million yen)	Increase during year (million yen)	Decrease during year (used for objective) (million yen)	Decrease during year (other) (million yen)	Balance at end of period (million yen)
Allowance for doubtful accounts	11	123	1	0	133
Provision for directors' bonuses	63	66	63	-	66

Note: The decrease during year (other) in the allowance for doubtful accounts represents the amount reversed due to collection of receivables.

(2) Details of major assets and liabilities

Omitted as consolidated financial statements were prepared.

(3) Other

Not applicable

6 Information on Administration of the Company's Shares

Business year	From April 1 to March 31
Ordinary Shareholders' Meeting	In June
Record date	March 31
Record date for dividends of surplus	September 30, March 31
Minimum trading unit	100 shares
Repurchase of shares less than one standard unit	<p>Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Ltd., 4-5-33 Kitahama, Chuo-ku, Osaka</p> <p>Sumitomo Mitsui Trust Bank, Ltd., 1-4-1 Marunouchi, Chiyoda-ku, Tokyo</p> <p>-</p> <p>Free</p>
Handling office	
Administrator of shareholder register	
Offices available for repurchase	
Fees for repurchase	
Method of public notice	Public notices of the Company shall be given by way of electronic public notices, however that in the event of an accident or other unavoidable circumstances that might preclude electronic public notice, public notices will be posted in the Nihon Keizai Shimbun. URL for public notices https://www.shofu.co.jp/ir/contents/hp1309/index.php?No=905&CNo=1309
Special benefits to shareholders	<p>Shareholders holding 100 shares or more as of March 31 : Free provision of own products (medicated toothpaste)</p> <p>All shareholders as of March 31 : Sales of own products (denture cleanser, medicated liquid toothpaste, medicated toothpaste, foam toothpaste for dentures) at preferential prices</p> <p>All shareholders as of September 30 : Sales of owns products (nail care products) at preferential prices.</p>

Note: Shareholders of less than one unit of the Company may not exercise any rights other than those listed below.

- 1) Rights that cannot be restricted even by the Articles of Incorporation due to laws and regulations
- 2) The right to receive the allotment of offered shares and offered stock acquisition rights by way of a shareholder allotment
- 3) The right to request purchase of shares less than one unit

7 Reference Information on the Company

1. Information on the parent company, etc. of the Company

The Company has no parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The following documents were submitted between the start date of this fiscal year and the filing date of this Annual Securities Report.

(1)	Annual Securities Report, Attachments and Confirmation Note	Fiscal year (152nd)	April 1, 2023 to March 31, 2024	Submitted to the Director-General of the Kanto Local Finance Bureau on June 25, 2024
(2)	Internal Control Report	Fiscal year (152nd)	April 1, 2023 to March 31, 2024	Submitted to the Director-General of the Kanto Local Finance Bureau on June 25, 2024
(3)	Semi-annual Securities Report and Confirmation Note	Fiscal year (During the 153rd)	April 1, 2024 to September 30, 2024	Submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2024
(4)	Extraordinary Report	Extraordinary report pursuant to Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at the Ordinary Shareholders' Meeting) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.		Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2024

Part II Information on Guarantors for the Company

Not applicable