



## **SHOFU INC.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 22, 2023

## Event Summary

---

<b>[Company Name]</b>	SHOFU INC.
<b>[Company ID]</b>	7979-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Q2 Financial Results Briefing for the Fiscal Year Ending March 2024
<b>[Fiscal Period]</b>	FY2024 Q2
<b>[Date]</b>	November 22, 2023
<b>[Number of Pages]</b>	34
<b>[Time]</b>	16:00 – 16:59 (Total: 59 minutes, Presentation: 54 minutes, Q&A: 14 minutes)
<b>[Venue]</b>	Webcast
<b>[Venue Size]</b>	
<b>[Participants]</b>	
<b>[Number of Speakers]</b>	2
	Tetsuo Takami                      President & COO
	Fumitaka Yamazaki              Director, Senior Managing Executive Officer, Production and Corporate Planning

---

### Support

Japan            050.5212.7790  
Tollfree        0120.966.744

North America    1.800.674.8375  
Email Support    support@scriptasia.com



## Presentation

---

**Moderator:** It is now time to start. Welcome to the financial results briefing of SHOFU INC. for Q2 of the fiscal year ending March 2024.

We would like to thank you for your participation in the financial results briefing today, despite your busy schedules. First, I would like to make requests and announcements in connection with the event. We will have a presentation on the financial results, followed by a question-and-answer session.

We will move to the question-and-answer session at approximately 4:40 PM and read and answer questions we receive. We may not be able to answer all of your questions due to time constraints. We kindly ask for your understanding.

Now, Mr. Tetsuo Takami, President and COO, will present the financial results for Q2 of the fiscal year ending March 2024.

## Agenda

---



- Consolidated Financial Results for 2Q FY March 2024
- Financial Forecasts for FY March 2024
- Future Business Environment and Medium and Long-term Business Strategies
- Topics

## Appendix

**Takami:** Thank you very much for attending today's financial results briefing of SHOFU INC. My name is Takami, President and COO of the Company. Thank you very much.

Today, I will give an overview of our business results for Q2 of the fiscal year ending March 2024 and then discuss our full-year forecast for the fiscal year ending March 2024, the future business environment, our mid- to long-term strategy, and some recent topics.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Highlights

### Financial Results for 2Q FY March 2024

**Net sales ¥16,447 mn (Overseas sales ratio 57.6%)**

**Operating income ¥2,511 mn**

#### 【YoY】

- Increased due to the launch of next generation digital cameras, sales growth of existing products overseas, and forex effects
- SG&A was expected to increase significantly from the previous year due to upfront investments in R&D and active recruitment of human resources in Japan and overseas, as well as strengthened sales and marketing activities, but progress was somewhat slower.

#### 【 Achievement rate compared to FY March 2024 Forecasts 】

- Full-year forecasts were revised on October 24; expecting record-high sales and income for the third consecutive year
- The achievement rate (vs the initial plan) of sales and operating income for 2Q was +0.2% and +15.4% respectively.
- The achievement rate (vs the revised plan) of sales and operating income for full-year forecast is 47.1% and 50.0% respectively.
- Product supply shortage and order backlogs for chemical products, which had been an issue since the previous fiscal year, are expected to be resolved by the end of the year. While accelerating efforts to improve profitability by capturing steady overseas demand, focus on sales and expansion of new product lineups in the preventive dentistry field in Japan.

I will now first provide an overview of the Q2 results for the fiscal year ending March 2024. First is the financial summary.

Net sales were JPY16.447 billion, and operating income was JPY2.155 billion. Three points can be mentioned as characteristics: the ratio of overseas sales to total sales reached 57.6%, a new record high; the expansion of overseas sales was supplemented by an increase in revenue due to the yen's depreciation; on the other hand, progress in SG&A expenses was slightly slower than planned at the beginning of the fiscal year.

As a result, the overall results were higher than the initial plan announced on May 10 of this year.

I would like to discuss the progress of the full-year plan. Prior to the announcement of the Q2 financial results on November 2, we revised our financial results upward on October 24, based on our past performance, the current supply and demand situation, and our future outlook.

In terms of progress toward the revised full-year plan, we are making very solid progress, with 47.1% of net sales and 50% of operating income achieved in Q2. We expect to reach the target by the end of this year, thanks to our efforts to strengthen production and improve efficiency, which have been successful in addressing the supply constraints and backlog of orders for chemical products—these had been a concern since the previous fiscal year.

From H2 of the fiscal year onward, we intend to achieve further growth in business performance by ensuring that we not only conduct aggressive sales activities in the domestic market but also capture the current solid expansion of demand, especially in overseas markets.

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Summary of Business Performance for the Current Period



Units: ¥mn, %

	2Q FY3/23 Actual (% of sales)	2Q FY3/24 Actual (% of sales)	Change From Previous Period (% change)	Initial plan	Revised plan
				May 10, 2023	October 24, 2023
	2Q FY3/24 Forecast (% of sales)	FY3/24 Forecast (% of sales)			
<b>Net sales</b>	15,831 (100.0)	16,447 (100.0)	615 (3.9)	16,408 (100.2)	34,888 (47.1)
(Domestic sales)	7,260 (45.9)	6,977 (42.4)	- 283 (-3.9)	7,386 (94.5)	14,851 (47.0)
(Overseas sales)	8,571 (54.1)	9,470 (57.6)	899 (10.5)	9,021 (105.0)	20,037 (47.3)
<b>Gross profit</b>	9,200 (58.1)	9,936 (60.4)	735 (8.0)	9,720 (102.2)	20,614 (48.2)
( SG&A expenses )	6,963 (44.0)	7,781 (47.3)	818 (11.8)	7,852 (99.1)	16,306 (47.7)
<b>Operating income</b>	2,237 (14.1)	2,155 (13.1)	- 82 (-3.7)	1,868 (115.4)	4,308 (50.0)
<b>Ordinary income</b>	2,745 (17.3)	2,387 (14.5)	- 357 (-13.0)	2,004 (119.1)	4,572 (52.2)
<b>Net income</b>	2,133 (13.5)	1,559 (9.5)	- 574 (-26.9)	1,312 (119)	3,204 (48.7)
Net income per share	119.77	87.98	-31.79	74.17	180.70
Return on shareholders' equity	6.3%	4.2%	-2.0P	---	8.8%
<b>Forex</b>					
USD	133.46	141.31	7.85	130.00	141.31
EUR	138.79	153.51	14.72	140.00	153.51
RMB	18.98	19.47	0.49	19.00	19.65

\* Effect of forex fluctuations [Change from previous period]: Net sales +546  
[Change from Forecast]: Net sales +641

\* Net income in the table refers to "net income attributable to owners of parent".

SHOFU INC.

Page 5

I will now explain specific performance figures.

Sales increased 3.9% YoY to JPY16.447 billion. Domestic sales declined 3.9% to JPY6.977 billion, while overseas sales increased 10.5% to JPY9.47 billion.

Domestic sales decreased slightly from the previous year. This was due to the fact that the demand for new introduction of our CAD/CAM system, SHOFU S-WAVE, which had received strong inquiries in the previous fiscal year following the expansion of insurance coverage for CAD/CAM dental crowns and related machinery and devices, had run their course.

We also believe that the supply side restrictions placed on some of the resin blocks for CAD/CAM dental crowns had an impact, although this is now largely being resolved.

Meanwhile, overseas sales remained steady. We will provide more details by region later, but overall demand is recovering. We also recognize that exchange rate fluctuations due to the overall depreciation of the yen had a positive impact on this performance.

Despite the increased revenue and gross margin, profit shrank by JPY82 million YoY to JPY2.155 billion due to an increase in selling, general, and administrative expenses associated with the expansion of business scale, strengthening of sales activities, and future investments.

Ordinary income decreased by JPY357 million YoY to JPY2.387 billion, and net income decreased by JPY574 million YoY to JPY1.559 billion. Net income per share for Q2 was JPY87.98 and ROE was 4.2%.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

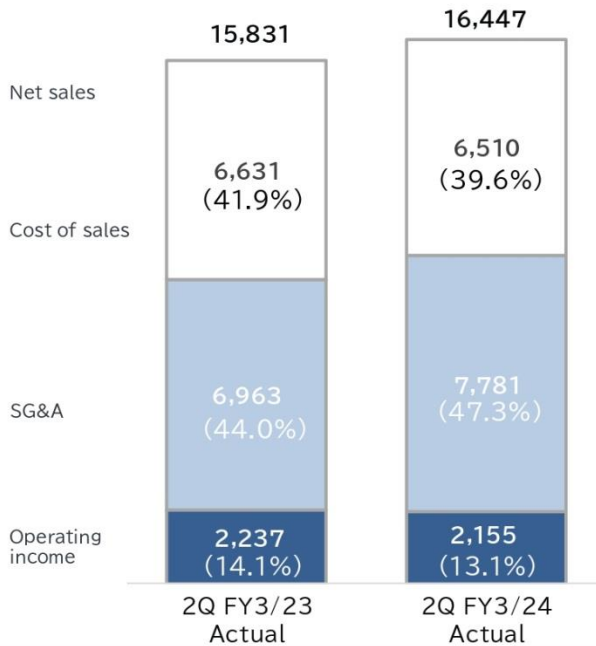
North America 1.800.674.8375  
Email Support support@scriptasia.com





## Income Structure <YoY Change>

Units: ¥mn, Composition ratio (%)



**Net sales: +¥615 mn 3.9%**  
Overseas sales growth and forex effects.

**Operating income: -82 mn -3.7%**  
Lower OPM due to higher SG&A, especially personnel expenses.

**Cost of sales ratio: -2.3pt**  
Favorable sales mix and yen depreciation.

**SG&A ratio: +3.3pt**  
Lower cost of sales due to favorable sales mix and yen depreciation.

SHOFU INC.

Page 6

Now, we will look again at the profit structure. This figure is shown in comparison with the previous year.

Sales were up 3.9% to JPY16.447 billion. This increase was mainly due to the expansion of overseas sales and the accompanying impact of foreign exchange rates.

On the profit side, selling, general, and administrative expenses increased due to business scale expansion, stronger sales activities, and future investments. On the other hand, the growth of SG&A expenses did not directly affect operating income because the cost-to-sales ratio improved, mainly due to a favorable turnaround in the sales mix resulting from a lower composition ratio of low-margin machinery and equipment, including CAD/CAM-related machinery, and lower costs in overseas operations due to the weaker yen.

As a result, the operating income margin was 13.1%, a slight decrease of one percentage point from the same period of the previous year, but still meeting the operating income margin target of 12% according to our mid-term business plan.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

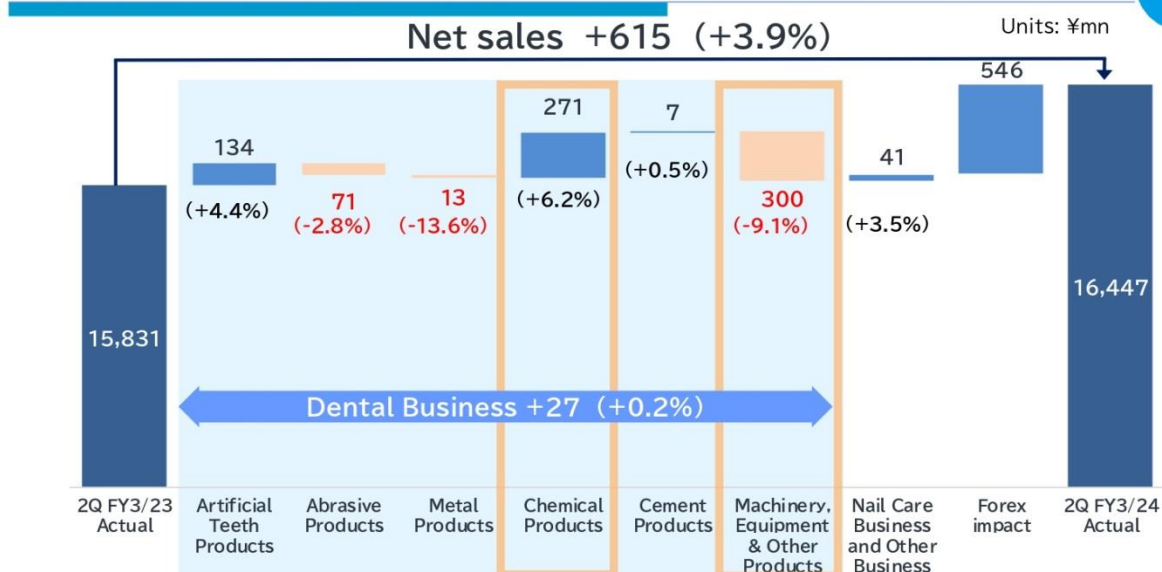
North America 1.800.674.8375  
Email Support support@scriptasia.com







## Sales by Product Category <YoY Change>



- ✓ Efforts underway to completely resolve supply constraints for chemical products.
- ✓ Special demand for new introduction of CAD/CAM equipment in Japan in the year earlier period ran its course.
- ✓ Favorable inquiries for new products such as “Eye-Special C-V” (in-house product: Machinery, Equipment & Other Products) which was released in June 2023.

Next, we will break down the sales situation compared to the same quarter of the previous fiscal year.

First, we will discuss sales by product category. Of the total revenue increase of JPY615 million, the positive impact of exchange rate fluctuations was JPY546 million. Excluding the above, the dental business is JPY27 million in essence. The nail care business increased by JPY49 million. Other businesses reported a decline of JPY8 million in revenues.

In the dental business, sales growth was mainly driven by chemical products, followed by artificial teeth. The main chemical products are dental filling and restorative materials made from resin materials and CAD/CAM resin blocks for the domestic market.

In the area of dental filling and restorative materials, efforts are underway to strengthen and streamline the production system in response to the supply constraints that have arisen since the previous fiscal year due to the surging demand in Japan and overseas. We recognize that these effects are being reflected in our business performance.

The supply constraints have not yet been completely resolved but are expected to be resolved within the year. We intend to continue taking measures to increase production. We also believe that the increase in sales of artificial teeth is due to the increasing demand for zirconia materials for CAD/CAM in Japan and overseas as well as for ceramic materials overseas.

**Support**

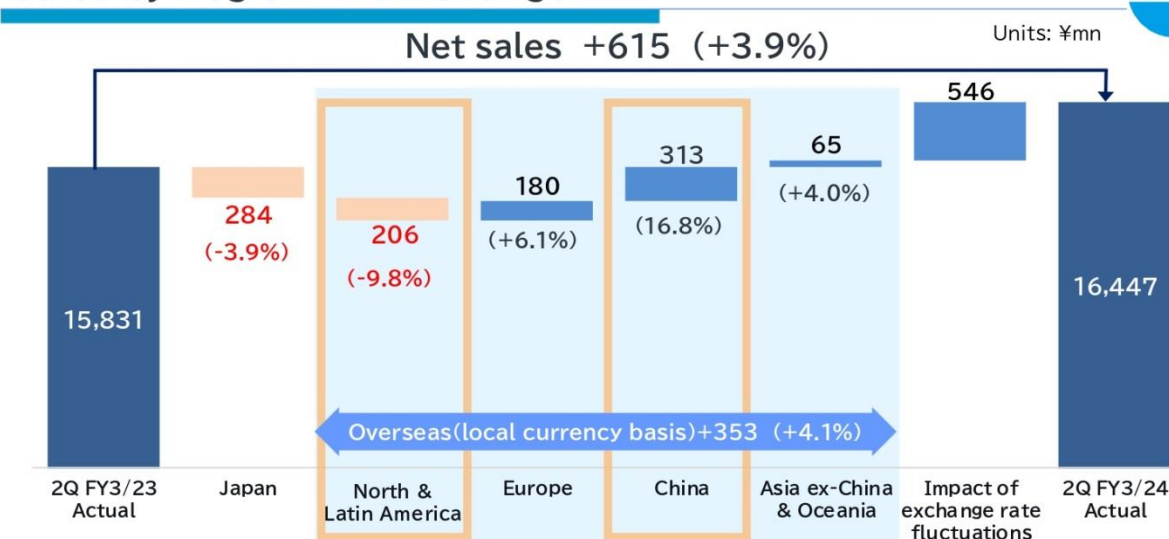
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Sales by Region <YoY Change>



- ✓ In North America and Latin America, there was a gap before the launch of next generation digital cameras (Eye-Special series) and adjustments of distribution inventory for some consumables, but there were signs of recovery from 2Q onward.
- ✓ Sales in China grew steadily from 2Q onward following the impact of lockdowns at the beginning of the year.
- ✓ Performance in Europe and Asia ex-China & Oceania, was strong from 1Q, contributing to the increase in overseas sales.

SHOFU INC.

Page 8

Next, we break down sales by region compared to the same period last year.

As I mentioned earlier in the summary, the main reason for the decline in domestic sales is that the special demand for newly introduced CAD/CAM systems in the same period of the previous year has run its course.

In addition, there were some restrictions on the supply of resin blocks for CAD/CAM, but as I mentioned earlier, these are now being resolved. The Q2 results were generally in line with expectations.

Overseas, as in Q1, sales in North America and Latin America declined from the same period of the previous year due to a gap period before the launch of the next model of digital cameras and distribution inventory adjustments of grinding materials. However, compared to the Q1 results, the decline in sales has narrowed.

This was due to the stabilization of the production and supply of filling and restoration materials, which had been difficult to actively promote in the previous fiscal year due to supply constraints, and the start of full-scale sales activities in the region.

And for China, this figure includes the effect of the lockdown at the beginning of the year due to the three-month difference in the fiscal year end. Although sales declined slightly YoY in Q1, demand recovered from Q2 onward, making a significant contribution to overseas sales.

Sales in Asia, excluding Europe and China, remained strong, contributing to revenue growth as well.

### Support

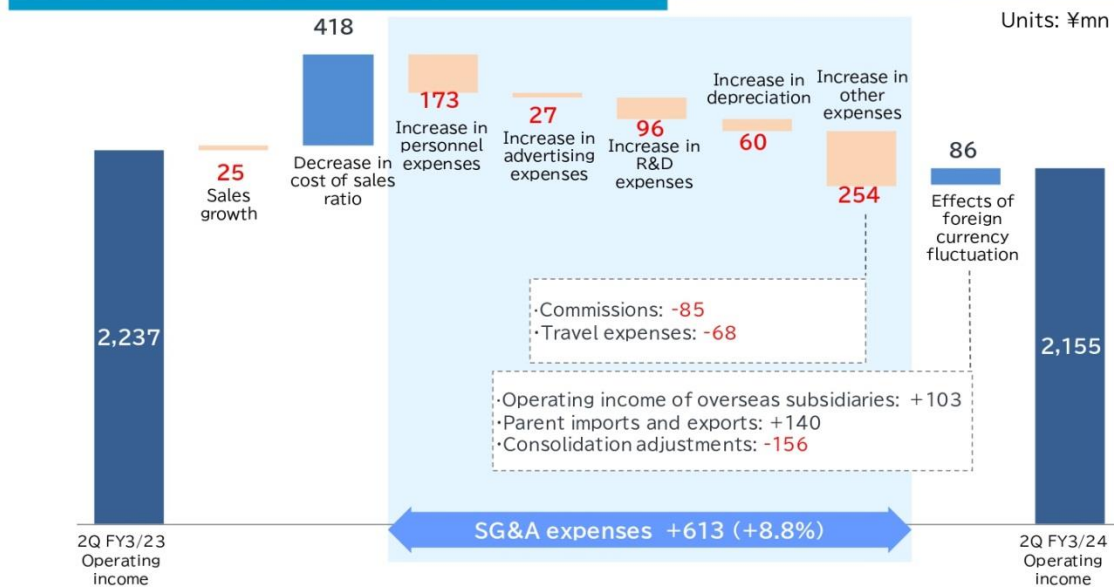
Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Contributors to Change in Operating Income <YoY Change>



- ✓ Better cost of sales ratio due to higher overseas sales ratio and favorable sales mix
- ✓ Ongoing upfront investments for growth, such as strengthening personnel and R&D activities to expand business

SHOFU INC.

Page 9

Next, we will explain the factors of YoY changes in operating income.

The cost-to-sales ratio declined due to a favorable turnaround in the sales mix, growth in overseas sales, and a reduction in overseas cost of sales due to the effect of the yen's depreciation. On the other hand, SG&A expenses increased by JPY818 million, or 11.8%, from the same period of the previous year due to aggressive investments for future business expansion, including personnel and R&D expenses.

As a result, operating income decreased by JPY82 million, or 3.7%, from the same period last year.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

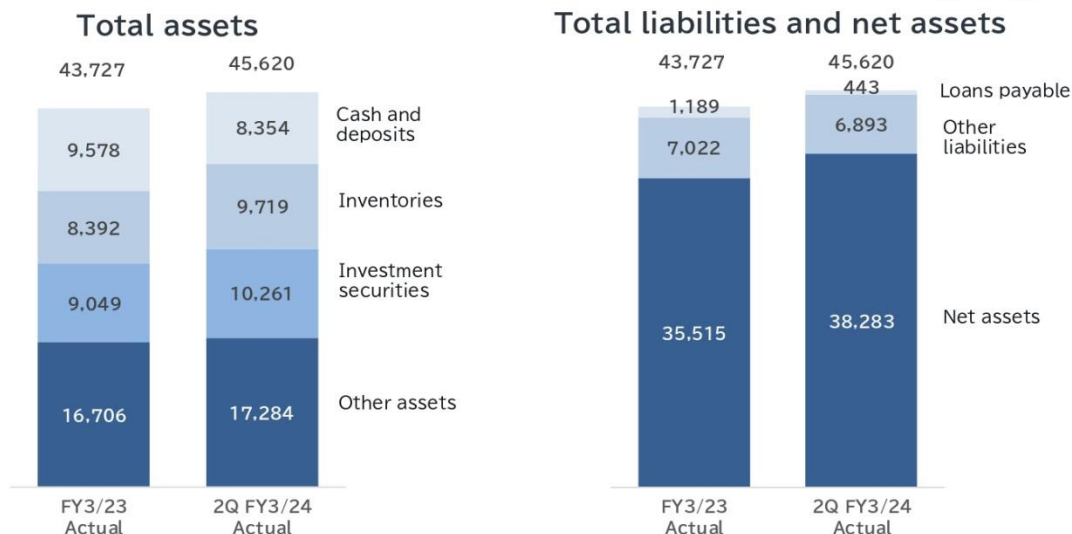


# Balance Sheet

Consolidated Financial Results for 2Q FY March 2024



Units: ¥mn



**Maintained financial strength and high equity ratio (83.6%)**

- ✓ Total assets (+1,893): Higher inventories and increase in investment securities due to rising market prices.
- ✓ Net assets (+2,767) : Higher valuation difference on securities and larger foreign currency translation adjustment.

SHOFU INC.

Page 10

Next, I will explain the balance sheet. In total assets, the main factors were an increase in inventories and an increase in investment securities due to higher market value.

Liabilities have decreased due to a decrease in accounts payable for equipment and borrowings. Net assets increased due to an increase in valuation difference on securities and foreign currency translation adjustments, in addition to retained earnings.

Financial soundness has remained strong, with an equity ratio of 83.6%. Based on this sound financial position, the Company sees the efficient use of capital to continuously increase corporate value as a major management issue.

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

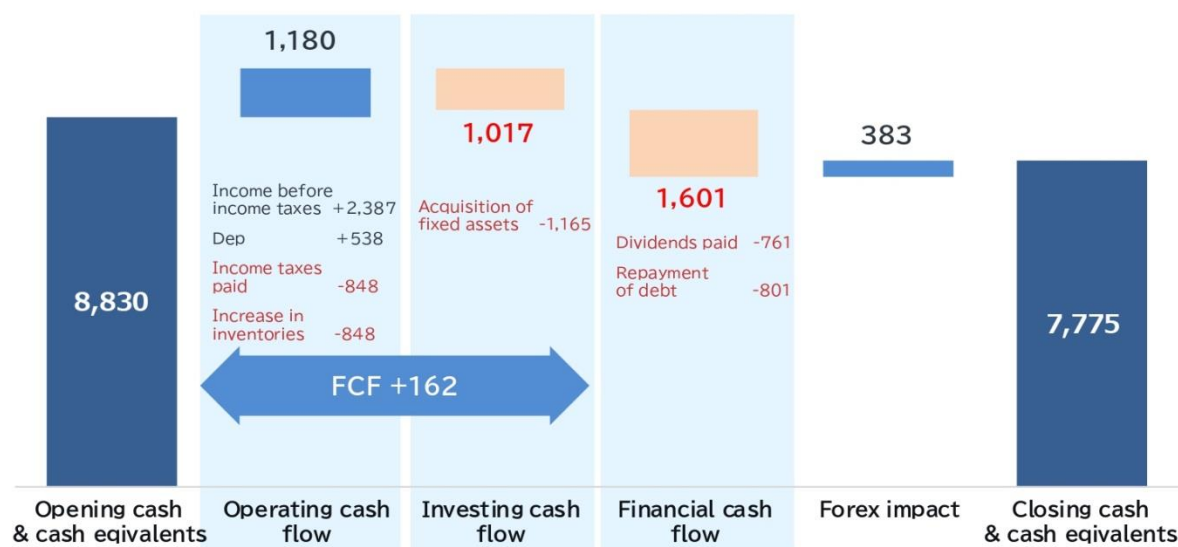


# Cash Flows

Consolidated Financial Results for 2Q FY March 2024



Units: ¥mn



- ✓ With regard to holding investment securities, confirming capital efficiency and synergy effects on business as appropriate
- ✓ Actively return profits to shareholders through dividend payments

SHOFU INC.

Page 11

Next, we will explain cash flow.

Operating cash flow increased to JPY1.18 billion, mainly due to higher profit despite higher income taxes paid and higher inventories. Investment cash flow decreased by JPY1.017 billion due to the acquisition of fixed assets, and free cash flow—the sum of operating and investment cash flow—increased by JPY163 million.

Financing cash flow decreased by JPY1.601 billion due to dividend payments and repayment of borrowings, resulting in cash and cash equivalents of JPY7.775 billion at the end of the period.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Summary of Full-Year Forecasts

- Global dental market expansion, strong demand expected mainly in emerging countries
- Expansion of overseas business and favorable sales mix
- Sales and income to reach a record high for the third consecutive year

- To enhance corporate value, aggressive investment in R&D, human resource development, and facilities
- Strengthening sales activities following normalization of global economic activity
- Higher costs due to rising raw material and energy prices
- Continue to invest for future business growth
- Measures to address high costs include improving production and sales efficiency and revising product prices.

- The backorders that arose in the previous fiscal year when production could not cope with the surge in demand are expected to be cleared in the current fiscal year.
- Establish a system to cope with future demand growth and business risks.

SHOFU INC.

Page 13

I will now explain the outlook for the full year.

For the full fiscal year ending March 2024, we expect to achieve a third consecutive year of growth in both sales and income, and a new record high. The dental market is expanding worldwide, and we expect strong demand to continue, especially in emerging countries. We will continue to aggressively pursue business development against the backdrop of a full-fledged recovery in global economic activities after the COVID-19 disaster.

To this end, the Company will promote research and development, train and actively recruit human resources, invest in new facilities and upgrade current facilities in anticipation of increased demand, and strengthen sales activities to increase corporate value in the future. These will be actively and continuously implemented.

In the business environment, there are issues such as high costs due to rising raw material and energy prices, which will be covered by improving production and sales efficiency and implementing product price revisions.

The sales of investment securities and settlements received, which are one-time positive impacts on earnings in the previous year that are not attributable to the core business, are not assumed in the current full-year results either. However, since the yen has weakened significantly compared to the initial assumption, the assumed exchange rate for the full-year forecast has been changed to the actual figure for Q2.

In addition, we have been working to eliminate the backlog of orders that occurred in the previous fiscal year when we were unable to respond to the sharp increase in demand by improving production efficiency.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



As a result, we expect to fully resolve the filling and restorative materials of the chemical products by the end of this year.

However, since demand for this product is expected to continue to grow in the future, we intend to actively invest in production facilities as well as develop a system and structure within the Group to avoid loss of business opportunities.

■ Financial Forecasts for FY March 2024

## Comparison of Major Indicators



Units: ¥mn, %

	FY3/23 Actual (% of sales)		FY3/24 Forecast (% of sales)		Change From Previous Period (% change)	
<b>Net sales</b>	31,678	(100.0)	34,888	(100.0)	3,209	(10.1)
(Domestic sales)	14,282	(45.1)	14,851	(42.6)	568	(4.0)
(Overseas sales)	17,396	(54.9)	20,037	(57.4)	2,641	(15.2)
<b>Gross profit</b>	18,699	(59.0)	20,614	(59.1)	1,914	(10.2)
( SG&A expenses )	14,874	(47.0)	16,306	(46.7)	1,431	(9.6)
<b>Operating income</b>	3,824	(12.1)	4,308	(12.3)	483	(12.6)
<b>Ordinary income</b>	4,238	(13.4)	4,572	(13.1)	333	(7.9)
<b>Net income</b>	3,135	(9.9)	3,204	(9.2)	68	(2.2)
Net income per share	176.10		180.70		4.60	
Return on shareholders' equity	9.2%		8.8%		-0.4P	
<b>Forex</b>						
USD	134.95		141.31		6.36	
EUR	141.24		153.51		12.27	
RMB	19.38		19.65		0.27	

\*Effect of forex fluctuations [Change from previous period]: Net sales 940

\*Net income in the table refers to "net income attributable to owners of parent".

SHOFU INC.

Page 14

I will now explain specific performance figures.

Net sales are expected to increase 10.1% from the previous year to JPY34.888 billion. Domestic sales are seen increasing by 4% to JPY14.851 billion and overseas sales by a substantial 15.2% to JPY20.037 billion.

The ratio of overseas sales to total sales is expected to rise to 57.4%.

Operating income is expected to be JPY4.308 billion, up 12.6% from the previous year.

Recurring profit is expected to increase by 7.9% YoY to JPY4.572 billion, mainly due to the increase in operating profit, although foreign exchange gains based on the current exchange rate assumption have been factored in. Although we do not expect one-time extraordinary gains such as gain on sales of investment securities and settlement income from the previous fiscal year, net income is expected to increase by 2.2% from the previous fiscal year to JPY3.204 billion on the back of increased operating income as in the case of ordinary income.

As a result, we expect net sales to reach a record high for the third consecutive year, operating income and ordinary income for the fifth consecutive year, and net income for the fourth consecutive year.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Forecast by Segment (Net sales and Operating income)



Units: ¥mn

		FY3/23 Actual	FY3/24 Forecast	Change from Previous Period
		Amount (% of sales)	Amount (% of sales)	
<b>Dental Business</b>	<b>Net sales</b>	29,238	32,325	3,087
	Operating income (Operating income margin)	3,719 ( 12.7)	—	—
<b>Nail Care Business</b>	<b>Net sales</b>	2,345	2,460	115
	Operating income (Operating income margin)	93 ( 4.0)	—	—
<b>Other Businesses</b>	<b>Net sales</b>	100	102	2
	Operating income (Operating income margin)	5 ( 5.4)	—	—
<b>Total before consolidation adjustment</b>	<b>Net sales</b>	31,684	34,888	3,204
	Operating income (Operating income margin)	3,818 ( 12.1)	—	—
<b>Consolidated</b>	<b>Net sales</b>	31,678	34,888	3,209
	Operating income (Operating income margin)	3,824 ( 12.1)	4,308 ( 12.3)	483 ( 0.3)

Next, this chart shows sales by business segment.

As in the past, the dental business accounts for about 93% of total sales.

Operating income is not detailed by segment but is expected to stem generally from the dental business, as is the sales ratio.

**Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

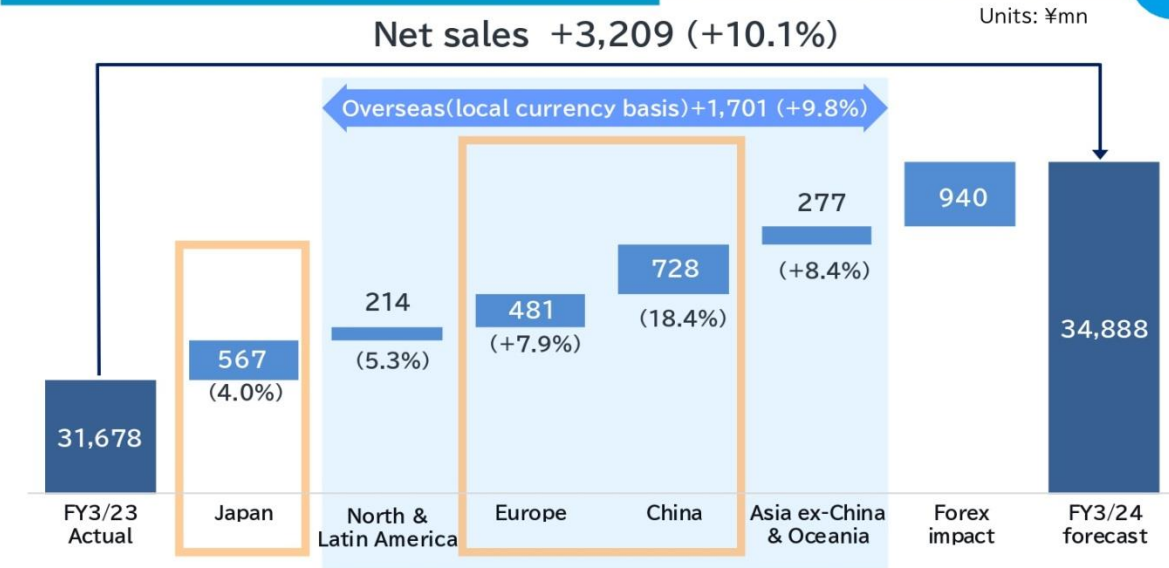
North America 1.800.674.8375  
Email Support support@scriptasia.com







## Sales by Region <YoY change>



- ✓ Domestic sales to remain solid under stable demand
- ✓ Overseas sales to grow organically (i.e., ex-forex) by ¥1,701 million (9.8%) YoY
- ✓ Demand recovery in China and growth in Europe (including Middle East) contributing to overseas sales

SHOFU INC.

Page 16

Next, we will break down the sales forecast by region.

As you can see, we expect organic growth in all regions, both domestically and internationally. As explained earlier in the Q2 results, we have been actively promoting and marketing chemical products, especially filling and restoration materials, since we were unable to fully meet demand in the previous fiscal year due to production constraints. The Company has been able to increase production to a certain extent.

Let's look at it by region. First, let's talk about domestic.

We expect demand for CAD/CAM-related products and filling and restoration materials to remain strong, continuing from the previous fiscal year.

In addition, the digital camera for dental use, which was launched in June, has been contributing to the Company's performance since the Q2 results. We also expect that the self-adhesive resin cement, which we launched in October and can be bonded to various prosthetic devices in Japan under the product name BeautyLink SA, and the toothpaste sold exclusively at dental clinics, Merssage Self-care Series, will contribute to our business performance in H2 of the fiscal year and beyond.

Overseas, we expect a lull in demand in India, where we temporarily built up distribution inventories in the previous fiscal year as part of our response to regulatory approval.

Meanwhile, in China, demand has recovered from the COVID-19 disaster and inquiries for artificial teeth and chemical products have been increasing. In North America and Latin America, where sales activities were restrained in the previous fiscal year due to supply constraints on chemical products, we expect sales to grow as inventory adjustments in the distribution of abrasive materials are winding down and new digital cameras go on sale this fall.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptsasias.com



In Europe, we expect sales to increase on the back of strong demand in Germany, Italy, and other countries, as well as an increase in demand for initial inventory due to the expansion of our distributor network handling our products in the Middle East.

In the current fiscal year, the yen is expected to remain weak, and we currently project a positive impact of JPY94 million from exchange rate fluctuations.

■ Financial Forecasts for FY March 2024

## Impact of Forex Fluctuations



FY3/24 Forecast

(Units: ¥mn)

	Forex rate		Consolidated earnings impact		Per yen of yen strength	
	FY3/23 Actual	FY3/24 Forecast	Sales	Operating income	Sales	Operating income
USD	134.95	141.31	255	132	-40	-17
EUR	141.24	153.51	517	221	-42	-17
RMB	19.38	19.65	64	10	-240	-150

- ✓ FY3/24 assumption is the 2Q FY3/23 actual rate (USD: ¥6.36 depreciation YoY)
- ✓ Overseas sales ratio is increasing, yen depreciation has a positive impact on earnings

**SHOFU INC.**

Page 17

This table on page 17 shows the impact of exchange rate fluctuations on the forecast for the current fiscal year by major currency.

The forecast exchange rates for the fiscal year ending March 2024 are JPY141.31 for the US dollar, JPY153.51 for the euro, and JPY19.65 for the Chinese yuan, which are the actual exchange rates for Q2. We assume that the yen will weaken compared to the previous year's results.

While the ratio of overseas production is 15%, overseas sales exceed 50% and are on a further upward trend. Currently, our business performance is positively affected when the yen depreciates, but we will continue to monitor trends closely as exchange rate fluctuations have a significant impact on our business performance.

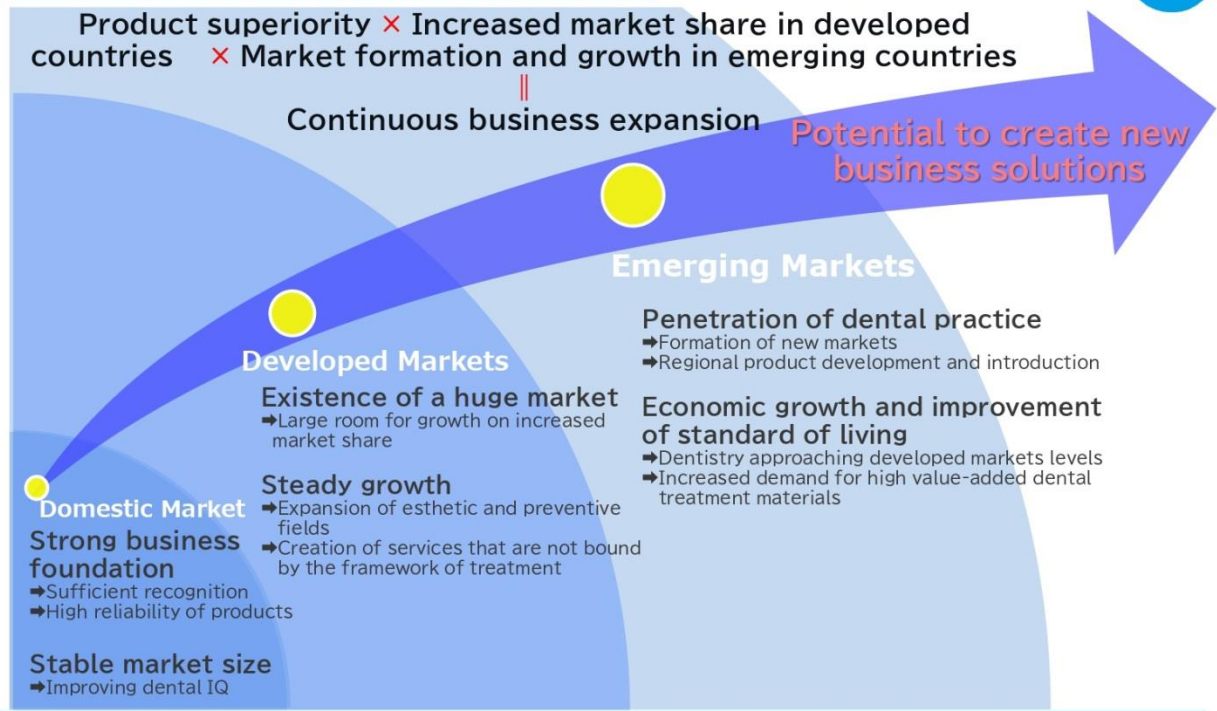
### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Business Environment and Future Prospects



SHOFU INC.

Page 19

I will continue with an explanation of the future business environment and our mid- to long-term strategy.

There are three key points to the story of our future growth. The first is to further strengthen the domestic business base and create new product services. The second is to expand the business scale or domain by increasing market share in developed countries such as Europe and the US through proprietary technologies and services that are not available from other global manufacturers. The third is to directly capture the growth of emerging markets. These are the three key points.

First, in Japan, the domestic dental market as a whole is expected to maintain a certain size due to the declining population and dental caries; it is difficult to expect significant growth in terms of treatment.

In Japan, however, there are new roles and expectations for dental care in terms of the relationship between teeth and overall health. Dental awareness, or dental IQ, is on the rise. In addition, dental checkups and treatment at an early age are also greatly assisted by legal aid, resulting in a decrease in dental caries and early treatment of minor dental caries.

With the recent policy theme of universal dental checkups, we recognize that there are many potential business opportunities in the domestic dental market, especially in the field of prevention.

Next, let us look at overseas markets. A huge market already exists in developed countries, especially in Europe. The dental market is expected to continue to expand, especially with the enhancement of preventive and cosmetic services.

Furthermore, in emerging countries, new markets are forming in areas where dental treatment itself has not yet prevailed. In these countries and regions, demand for high value-added treatment is expected to increase steadily, as in developed countries, due to future economic growth and improved living standards.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

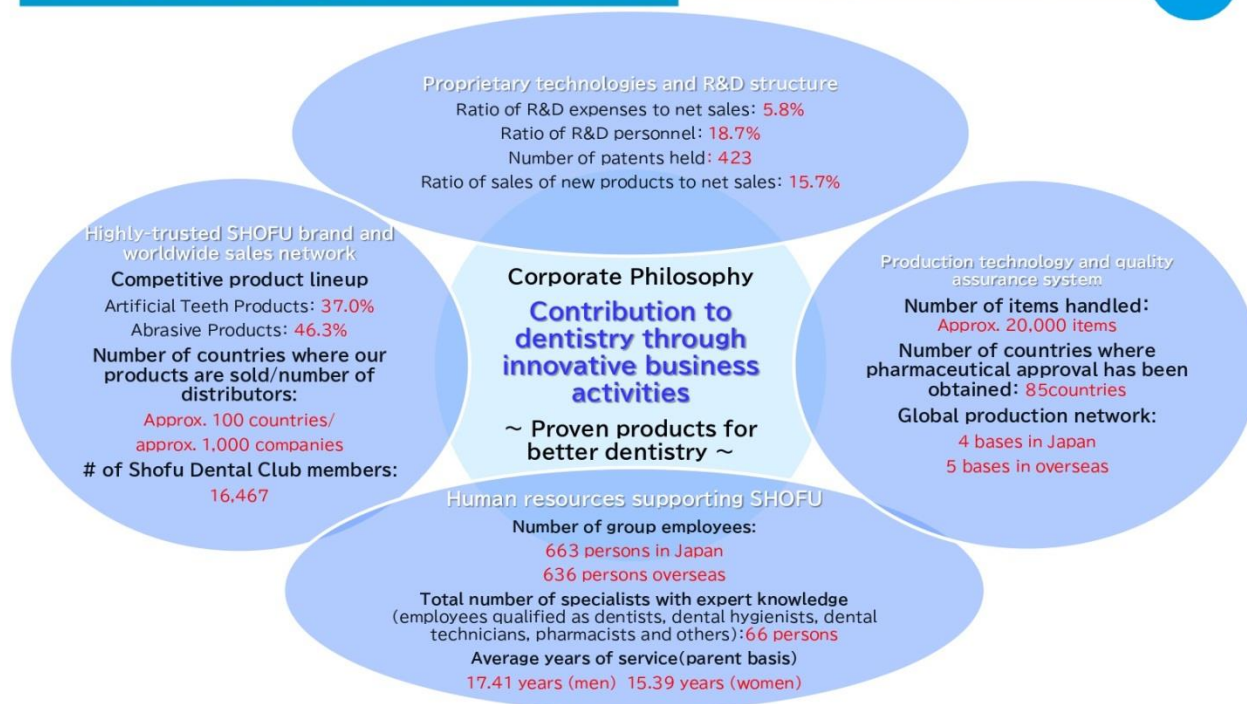


Therefore, the dental market is expected to grow significantly, even taking into account differences in price levels.

As we continue our research and development, academic networking, and marketing activities in the global dental market, we will always promote our business with an eye to creating new businesses and contribute to global dental care.

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

## Sources of Competitiveness and Corporate Value



SHOFU INC.

Page 20

In view of this business environment and future prospects, we always recognize how to improve our corporate value as an important management issue. The four perspectives shown here are particularly important to us because they embody our management philosophy of contributing to global dental care through our creative corporate activities.

Among these, human resources are the foundation of our corporate value. This is not limited to the dental industry, but the landscape has been changing at a dizzying pace in the past two to three years alone, with the pandemic of COVID-19, the acceleration of digitalization, and the rise of generative AI.

In this environment, we have been actively recruiting people who share our management philosophy, which is the foundation of our company. In other words, people who have high aspirations to provide better dental treatment and dental care to the world, people who are always alert to information, and people who are willing to think and act without fear of change.

In addition, many specialists such as dentists, dental hygienists, dental technicians, and pharmacists are active in Japan and overseas, and we are promoting mutual growth through personnel exchanges throughout our group.

### Support

Japan	050.5212.7790	North America	1.800.674.8375
Tollfree	0120.966.744	Email Support	support@scriptasia.com





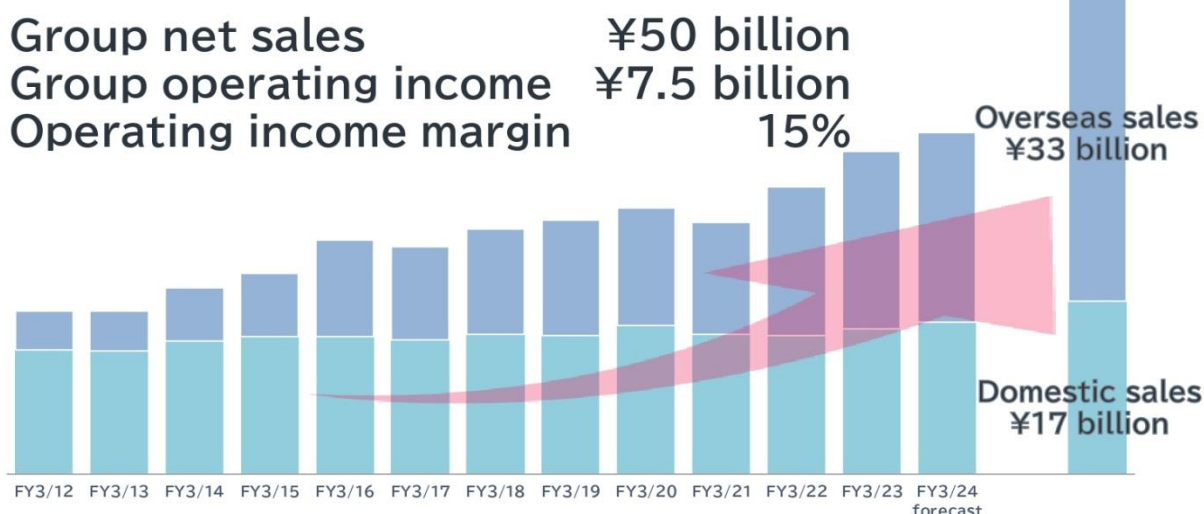
In addition, we take the time to develop human resources, provide opportunities and support for self-development, and take other measures to ensure that each employee can work with vitality and experience personal growth.

In addition to putting in place mechanisms and systems to improve employee engagement, we intend to measure the effectiveness of such systems and systems to promote human capital management and, ultimately, maximize corporate value for the group as a whole.

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

## Vision for Our Company: Medium-to Long-term Basic Policy

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



SHOFU INC.

Page 21

In light of the business environment and corporate value described above, I would like to discuss our company's mid- to long-term vision.

To reiterate, our corporate philosophy is to contribute to global dental care through creative corporate activities. However, the global dental equipment market is currently worth approximately JPY5.2 trillion, of which the dental materials market, our main business domain, is estimated to be worth approximately JPY1.6 trillion, and our contribution and presence in this market are still insufficient.

We believe that the barometer of our contribution is our sales, and the barometer of our presence is to be one of the top 10 companies in the world. As the first step toward this goal, we will first achieve group sales of JPY50 billion and operating income of JPY7.5 billion and increase our contribution to and presence in the global dental community.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com

 **SCRIPTS**  
Asia's Meetings, Globally

## Fiscal 2021 to 2023 Medium-term Management Plan



### Company-wide targets in the fiscal year ending March 2024

Group net sales	¥34.8 billion	+¥3.3 billion *
Overseas dental sales ratio	58.6%	+4.2pt *
Group operating income	¥4.30 billion	+¥30 million *
Operating profit margin	12.3%	+0.3pt *
ROE	8.8%	+0.8pt *

### Key issues to achieve goals

\*compared with the target of the Medium-term Management Plan

R&D	Development and introduction of new products that match local demand	<ul style="list-style-type: none"> <li>• Synergies from business tie-up with Mitsui Chemicals and Sun Medical</li> <li>• Promotion of M&amp;A</li> <li>• Establishment of group governance system</li> </ul>
Production	Reallocation of production sites and expansion of overseas production	
Sales	Improvement of our sales network/ realignment of sales offices Establishment of domestic and international academic networks	
HR	Development of and securing of global talent	
Finance	Capital procurement in response to increasing investment demands	

SHOFU INC.

Page 22

Here are the company-wide targets of the fourth mid-term management plan, which started in the fiscal year ended March 2022.

Our mid-term management plan is not rolled over on an annual basis but is formulated over a certain span of time. This fiscal year is the final year of the current mid-term management plan, and we expect to achieve all the goals set at the time of its formulation.

The issues we have been working on to achieve these goals cover a wide range of areas, including R&D, production, sales, human resources, and finance. Among these, I will explain R&D, production, sales, and collaboration with external parties.

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

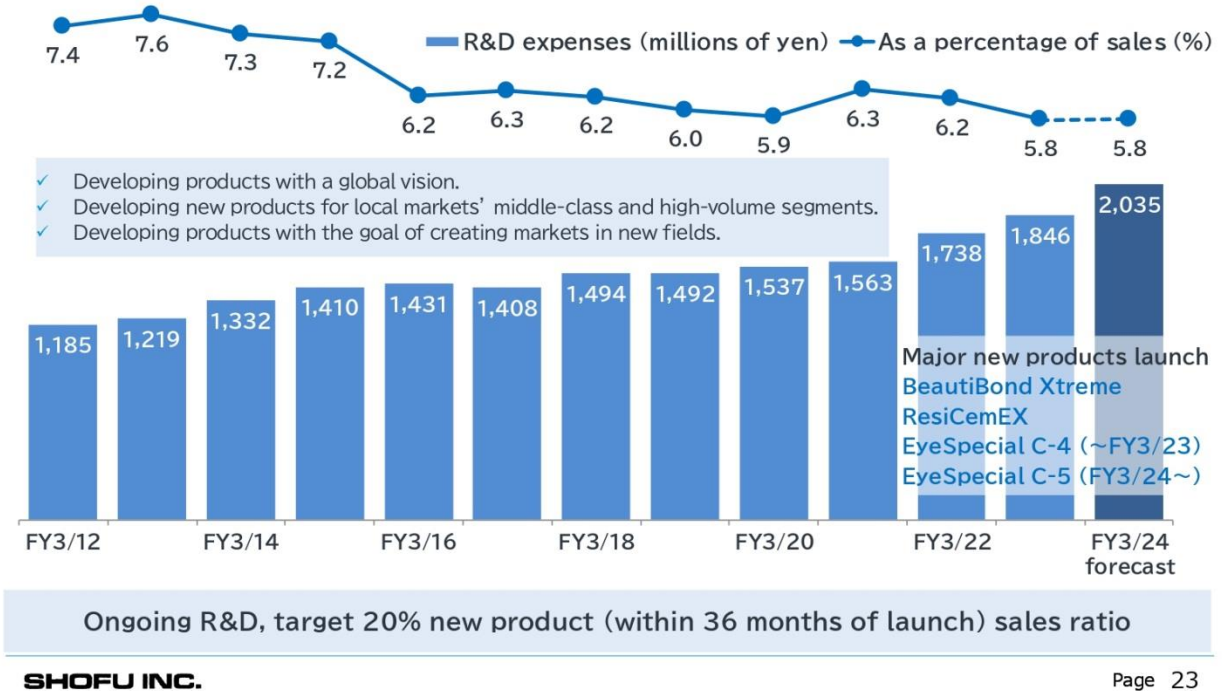
North America 1.800.674.8375  
Email Support support@scriptsasias.com







## Specific Initiatives – R&D



First are specific R&D efforts. We are an R&D-oriented company, and as a KPI and benchmark, with a target of 20% of new product sales as a percentage of total sales, we aim to create added value and develop new products that match the needs of each region.

Our research and development requires a wide range of technologies in organic chemistry, inorganic chemistry, metals, machinery, digital, electrical/electronics, biotechnology, etc. Our great strength is our accumulated technologies and our ability to conduct R&D through optimal integration.

We will continue to focus on product development from a global perspective to support global growth, product development adapted to each region, and research and development with a sense of speed to establish fields within dentistry and new markets that we have not yet fully addressed.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Specific Initiatives – Production

Aiming to strengthen international competitiveness by improving production and sales efficiency



SHOFU INC.

Page 24

Next, I would like to discuss specific initiatives related to production.

On the production side, the challenges are to increase production capacity and improve price competitiveness. We have promoted the effective utilization of our subsidiaries and the reallocation of production bases in Japan and overseas. Most recently, in 2021, we established a production company in Vietnam that started operation at the end of last year. SHOFU plans to increase its overseas production ratio by shifting production from Japan to overseas with a view to establishing production bases in the future.

As a major measure for the future, we are planning to rebuild part of our headquarters factory here in Kyoto, specifically the chemical products production factory. Construction will begin this quarter and the building will be constructed in two phases, with final completion scheduled for September 2026. The investment will be approximately JPY4 billion, including buildings and machinery and equipment.

The production capacity after completion will simply double that of the current production system, but since scale-up and automation will be promoted at the same time, the actual production capacity is expected to be increased by more than that.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Specific Initiatives – Sales

### Raise awareness of our products in the dental industry in Japan and overseas.

- Expansion sales network & Development of sales base
- Building domestic and overseas academic networks
- Holding seminars and participating in various exhibitions

#### Shofu Digital Denture Conferences 2023 (Feb. 2023 Tokyo)



#### IDS 2023 (March 2023 Germany)



SHOFU INC.

Page 25

Next, we would like to discuss specific initiatives related to sales.

The most important task in sales, both domestically and internationally, is to make our products, characteristics, and clinical superiority well known to dental professionals, who are our end customers. The first measure to achieve this goal is the development of sales bases and expansion of the sales network.

Establishing a new location apart from business expansion at an existing location is both time-consuming and costly, as it requires an increase in personnel. However, the effects of these efforts have been steadily manifested in the acquisition of new customers and sales growth in emerging markets. We will continue to gradually develop our sales network in key countries and regions.

Second, we are actively building an academic network by holding our own seminars with key opinion leaders, KOLs, or influential doctors in the field of dentistry, exhibiting at trade shows in Japan and overseas, and conducting hands-on seminars.

Through these sales activities, the Company will seek to increase recognition and promote the achievement of its management plan in line with the Company's mid- to long-term basic policy.

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Enhancement of Business and Capital Tie-up with Mitsui Chemicals and Sun Medical



<ul style="list-style-type: none"> <li>■ Capital tie-up</li> </ul>	<ul style="list-style-type: none"> <li>■ Shofu issued 1,780,000 new shares in a third-party allocation Mitsui Chemicals (MCI) received these charges (total value of ¥2,988 million)</li> <li>■ MCI's shareholdings increased from 11.17% to 20.01% (Shofu became an equity-method affiliate)</li> <li>■ Shofu acquired 20% of MCI's 70% shareholding in Sun Medical</li> <li>■ MCI's shareholding: 70.0%⇒50.0%</li> <li>■ Shofu's shareholding: 0.0%⇒20.0% (Sun Medical became Shofu's equity-method affiliate)</li> </ul>
<ul style="list-style-type: none"> <li>■ Business tie-up</li> </ul>	<ul style="list-style-type: none"> <li>■ New product development</li> <li>■ Expansion of product lineup</li> <li>■ Use of sales networks in Japan and overseas</li> <li>■ Augmentation and sharing of manufacturing functions</li> </ul>
<ul style="list-style-type: none"> <li>■ Exchange of personnel</li> </ul>	<ul style="list-style-type: none"> <li>■ MCI dispatched one non-executive director to Shofu's board</li> <li>■ Shofu dispatched one non-executive director to Sun Medical's board</li> </ul>

SHOFU INC.

Page 26

Here is an overview of the strengthening of the capital and business alliance with Mitsui Chemicals, Inc. and Sun Medical Company, Ltd.

In May 2020, we signed a capital and business alliance agreement with Mitsui Chemicals, Inc. and its subsidiary, Sun Medical Company, Ltd., a dental materials manufacturer. Our collaboration with Mitsui Chemicals, Inc. began in 2009 with the supply of materials such as low-shrinkage fillers and high-strength resin materials for chemical products.

Taking this a step further, a project team was formed among the three companies for the capital and business alliance with the addition of Sun Medical Company, Ltd. We are working to create synergies on a wide range of themes, including the promotion of product development that takes advantage of the respective strengths of each company, the expansion of product lineups accordingly, the complementation and sharing of production functions, and the utilization of sales networks.

This most recent achievement was the commencement of sales of Sun Medical's flagship product, Super Bond dental adhesive materials, in Brazil through the Company's Brazilian subsidiary. We will continue to report our results to you through disclosure and other means.

In addition to creating synergies through alliances with Mitsui Chemicals, Inc. and Sun Medical Company, Ltd., we also recognize the promotion of M&A and the establishment of a group governance structure as key issues in terms of achieving the goals of the mid-term management plan.

M&As may be used to strengthen dental-related business areas that we are not currently engaged in or product lines that are not competitive enough, or to make up for the areas outside our sales network. Under our mid- to long-term basic policy, we will consider such discontinuous measures from time to time.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

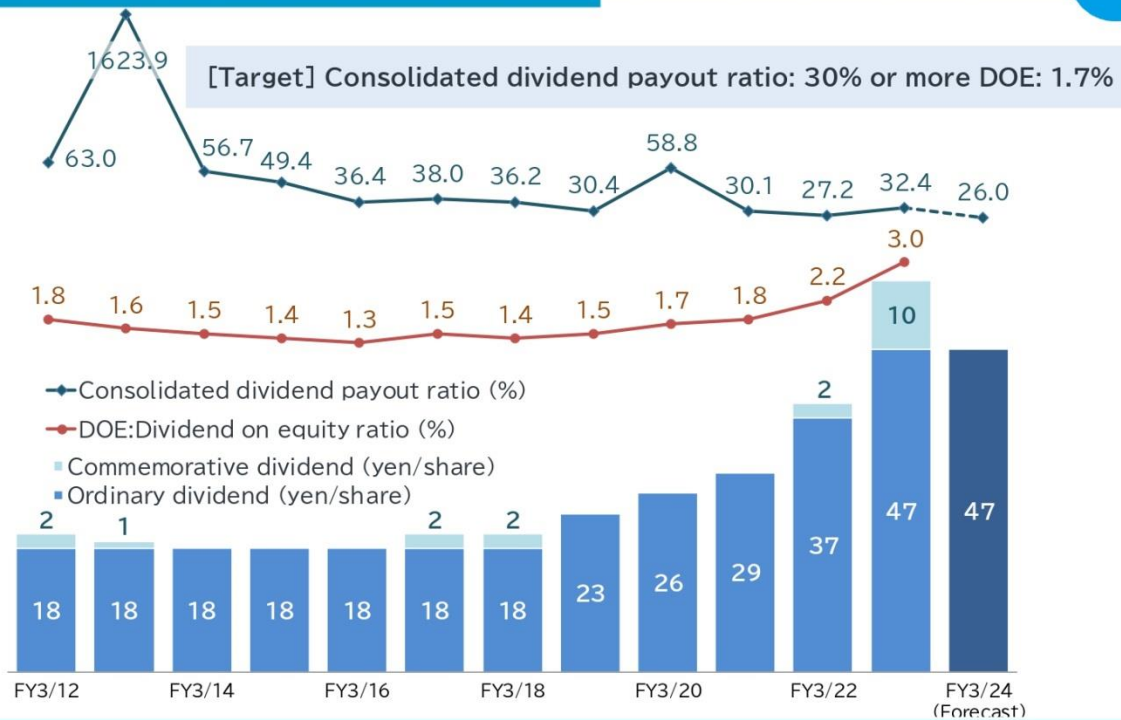
North America 1.800.674.8375  
Email Support support@scriptasia.com







## Dividend Policy



SHOFU INC.

Page 27

Next is the dividend policy.

Our dividend policy targets a consolidated dividend payout ratio of at least 30% and a ratio of dividends to net assets of 1.7%. The Company has maintained or increased the ordinary dividend and has paid a commemorative dividend in addition to the ordinary dividend every five years for two fiscal years.

For the fiscal year ended March 2023, we have decided to pay a commemorative dividend of JPY10 per share to celebrate our 100th anniversary in light of our record performance, resulting in an annual dividend of JPY57 per share.

The annual dividend for the current fiscal year is planned to be JPY47 per share, maintaining the regular dividend amount of the previous fiscal year.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



# Shofu's Sustainability



Based on its corporate philosophy of “Contribution to dentistry through innovative business activities,” the Shofu Group, in collaboration with its stakeholders, will work to solve social issues through its corporate activities and aim to achieve both the medium- to long-term enhancement of its corporate value and the realization of sustainable society.

Key theme	Material issues	Related SDGs
1. Contribution to people's higher QOL	<ul style="list-style-type: none"> <li>■ Quality assurance and stable supply of products</li> <li>■ Ensuring proper use of products</li> <li>■ Providing products and services that solve issues in dentistry</li> <li>■ Providing information for higher dental IQ</li> </ul>	
2. Promotion of corporate activities friendly to global environment	<ul style="list-style-type: none"> <li>■ Contribution to a recycling-based society</li> <li>■ Addressing climate change and contributing to a decarbonized society</li> <li>■ Preventing environmental pollution</li> </ul>	
3. Strengthening of the management base to support corporate value enhancement	<ul style="list-style-type: none"> <li>■ Respecting human rights</li> <li>■ Enforcing thorough compliance</li> <li>■ Promotion of risk management</li> <li>■ Strengthening corporate governance</li> <li>■ Disclosing information appropriately and having dialogue with stakeholders</li> </ul>	
4. Cultivation of a rewarding organizational culture and development of human resources	<ul style="list-style-type: none"> <li>■ Enhancing employees' health and ensuring safety in work environment</li> <li>■ Promotion of human resource development</li> <li>■ Promoting diversity and inclusion</li> <li>■ Realizing work-life balance</li> </ul>	

SHOFU INC.

Page 28

This is a list of our key sustainability themes and issues to be addressed.

The starting point of our company is our mission to create teeth for the Japanese people, and our management stance is to contribute to society by solving social issues through technology.

We believe that responding to the demands of society through dental care is the source of our raison d'etre and corporate value. We will continue to work on solving social issues through our corporate activities, aiming to increase our corporate value over the medium to long term and realize a sustainable society at the same time.

## Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptsasias.com







## New Product Information

### Toothpaste exclusively sold by dentists “Meressage Self-care”

The series has expanded to seven products with the addition of three new products.

#### These products focus on self-care to maintain the benefits of professional dental office care

Three new products (Released on October 23, 2023)



#### For Total Care Meressage Premium Care

Contains 8 medicated ingredients to provide a total solution for problems such as tooth decay, periodontal disease, bad breath, sensitivity symptoms, and stains.



#### For Esthetic Meressage Whitening Care

Lifts stains from the tooth surface, dissolving and removing stains. Gently removes stains with high cleaning silica by brushing.



#### For Periodontal Prevention Meressage Perio Care

Medicated ingredients reduce gum inflammation, the risk of periodontal, and inhibit the growth of causative bacteria that lead to periodontal. Low abrasiveness for gentle plaque control on tooth surfaces.

# Meressage

SHOFU INC.

Lastly, I would like to talk about topics.

First is the new product information. We have expanded our lineup of Meressage Self-care toothpastes, which are sold exclusively at dental clinics, and have renewed the series as Meressage Self-care, adding three new types to the four existing types.

As the series name indicates, these products are sold to the general public through dental clinics. In order to maintain the effectiveness of professional care at the dentist's office, it is very important to perform good self-care under the guidance of a specialist.

As I mentioned earlier regarding the business environment and future prospects, recently there has been a great increase in awareness of preventive and cosmetic dentistry, such as regular dental checkups and cleanings. We intend to focus on this point and continue to build a new revenue base by enhancing our products and services in the preventive and esthetic fields.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Exhibition/Event Information

The 9th WORLD DENTAL SHOW 2023 in YOKOHAMA (September 29 - October 1, 2023)



SHOFU INC.

Next is information on exhibitions and events.

The 9th World Dental Show 2023 was held at Pacifico Yokohama at the end of September this year, and we also exhibited at the show. In addition to our original S-PRG technology and related products, the CAD/CAM system, SHOFU S-WAVE, and the latest digital camera for oral use, Eye-Special C-V, which was launched in June of this year, and the Meressage Self-care Series, which I mentioned earlier, were displayed for the first time.

As you can see on this slide, a great many people were really interested and came to see these products. As we see this kind of scene, we are reminded of the high level of interest in preventive dentistry .

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





## Launch of “HA-I-KU” a dental education website for parents and children -For future generations and their families-



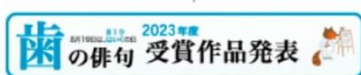
※ Japanese site only

Various information on dental treatment and oral health care, including a “Dental Web Picture Book” for parents and children to learn together, a “Parents’ Guide” that introduces key points for reading and understanding picture books, and “Dental Education” on topics such as tooth decay prevention. In addition, a photo contest on teeth is held once a year.



### Once a year, we invite “HAIKU” and “SENRYU” about dentistry.

Winning entries will be announced on the “Haiku” website and featured in ads on train straps in Kyoto City.



※ Japanese site only



SHOFU INC.

Page 32

Finally, I would like to introduce our social initiatives.

In order to raise awareness of the importance of dentistry among many people, we are actively engaged in educational activities on oral care with the cooperation of dentists. Our company's dental education website, haiku.com, provides easy-to-understand information on dental care and oral health.

We are also holding a photo contest on the theme of tooth replacement, and we are inviting haiku about teeth, and the winning haiku will be featured in ads on the train tracks in Kyoto City.

This concludes our presentation of the financial results for Q2. We place great importance on dialogue with our investors. We have received a great deal of suggestions through various meetings and company information sessions. We take these suggestions seriously and apply them to the formulation of future management strategies and plans, as well as to the enhancement of our investor relations activities.

We look forward to actively engaging in dialogue with all of you. Thank you very much for your participation until the end.

**Moderator:** Thank you very much, Mr. Takami.

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Question & Answer

---

**Moderator [M]:** We will now move on to the question-and-answer session. I will read out the question.

**Participant [Q]:** With regard to the current fiscal year, the forecast is revised with stronger figures than for the fiscal year ending March 2023; what is the basis for this? Also, please let us know if the numbers are conservative or not.

**Takami [A]:** There are three main possible bases for the forecast. The first are the eased and eliminated constraints on the supply of chemical products. There have been various restrictions on the supply of filling and restoration materials and resin blocks for CAD/CAM due to a greater-than-expected increase in demand.

This problem has been largely resolved with the exception of a few cases, thanks to efforts to increase production, and we expect to capture demand that had been missed until now.

Second, we expect a positive impact from new product launches and rebranding. We have been selling these products overseas since September of this year, including a dental digital camera that was first sold in Japan in June 2023, and this is a new product that is attracting a great deal of interest.

In addition, we have also renewed and rebranded the self-care dental toothpaste I mentioned earlier to enhance the lineup of both products, which we believe will contribute to sales.

And third and last, we have factored in the impact of exchange rate fluctuations. In addition to the foreign exchange effects, the positive effects on performance due to the sales mix and other factors have been factored in as foreign exchange rates have been revised and overseas sales continue to grow.

As to your question on whether the figures are conservative or not, our approach to formulating earnings forecasts is the same as it has been in the past. We recognize that we are preparing plans with a high degree of certainty based on comprehensive consideration of the inquiries we are currently receiving and the prospects for supply and demand, and we have revised our earnings forecasts based on these factors.

That is all from me.

**Moderator [M]:** I will read the next question.

**Participant [Q]:** What are your thoughts on shareholder return policy? In particular, regarding the dividend for this fiscal year, we did not revise the dividend, although the dividend payout ratio is expected to fall below your benchmark of 30% due to the recent earnings revision. I would like to know why and what is your plan for the future. Mr. Takami, please.

**Takami [M]:** Thank you very much. Mr. Yamazaki, our Senior Managing Executive Officer, will answer.

**Yamazaki [A]:** My name is Yamazaki, Senior Managing Executive Officer. Thank you for your question. As you have pointed out, the Company has a dividend payout ratio of 30% and a DOE of 1.7% and has never reduced its ordinary dividend before.

No change will be made to the dividend amount for this fiscal year at this time. The Company had determined that the amount needed to be examined more closely in light of future business performance. However, as you pointed out, the profit level has increased due to the recent earnings revision, and we will consider a review at the appropriate time.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





We also recognize that share repurchases are one of the measures to return profits to shareholders, and that it is also important from the perspective of the liquidity of our company's shares in the market. We will consider this matter flexibly, taking into account market trends, trends in policy shareholdings, the wishes of shareholders, and other factors.

That is all from me.

**Takami [A]:** As Yamazaki just mentioned, we are considering this issue.

**Moderator [M]:** I will read the next question.

**Participant [Q]:** What measures have you taken to address shortages in the supply of chemical products? Please provide as many details as possible. Is there a risk of similar problems in the future?

**Takami [M]:** Mr. Yamazaki will again answer this question as he is a director in charge of production.

**Yamazaki [A]:** This is Yamazaki. Thank you for your question. First, chemical products are currently produced at the Kyoto head office.

We work with the R&D, engineering departments, and other such technology-related departments to carry out production. In our production system, R&D will first develop the product, and then, our researchers work together to establish the production process and technology.

Because of these factors, it is difficult to make large capital investments in a short period of time. Our researchers, technical department, and such members are supporting us on holidays and after hours, and in that way, we try to extend the operating hours first.

In addition, we are promoting scale-up, which we call batch-up. We are trying to increase production efficiency by increasing the production volume per batch, for example, from 10 kilograms to 30 kilograms. First, we are now working to increase production. This is still going on.

In addition, we are planning to rebuild our headquarters factory, as already disclosed in our annual securities report, based on the idea that more drastic expansion is necessary for the future growth of this field.

Over the next three years, we plan to invest approximately JPY4 billion to build a production factory that will mainly produce chemical products.

The production capacity will approximately double that of the current production system. In conjunction with this, as I mentioned earlier, we will also promote scale-up and automation, so we expect to be able to more than double our production capacity.

That is all from me.

**Takami [A]:** We are aware of the production aspect as an issue. This issue had been apparent for a while, but measures are being implemented ahead of the original plan. At present, there was a large backlog of orders at one time, but this has been resolved. In the future, we plan to implement the new factory that was just mentioned.

**Participant [Q]:** One of the questions we received just now was whether there is a risk of similar problems occurring in the future. Could you also answer that?

---

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



**Yamazaki [A]:** Expanding production capacity will continue to be a major issue in the future, and I believe that chemical products are a field that will grow worldwide. Therefore, we would like to be proactive in expanding our production capacity to be able to respond to that growth, rather than addressing the risk.

That is all.

**Participant [Q]:** Next question.

I would like to ask you about the Chinese market. Are the effects of the economic downturn and the anti-corruption campaign of particular concern? Also, what is your company's view on the impact of new systems such as international preferences and centralized purchasing? Thank you.

**Takami [A]:** Thank you for your question. We are aware of the concerns you have raised. In particular, domestic preferences are for medical equipment and large machines. We have heard that the impact has already begun to be felt.

However, we have not yet been affected by any specific restrictions or price limits on our dental materials. However, there is a risk of this happening in the future, so we plan to make such preparations as soon as possible.

Currently, we have production facilities in China, but the majority of these are exported from China rather than consumed in China. Most of the products sold in China are imported from Japan, so there is an imbalance.

We believe that the expansion of production functions in China is an issue for us and that we must take measures as soon as possible. Does Mr. Yamazaki have any additional information? That is all from me.

**Moderator [M]:** Thank you very much. Now that the time for closing is approaching, we will conclude with the next question. I will read out the question.

**Participant [Q]:** Gross profit improved in Q2. What are the factors behind it? It also appears to be expected to decline in H2 of the year. What are the possibilities and factors behind this?

**Takami [A]:** I will answer your question.

In H1 of the year, the ratio of overseas sales to total sales increased, as we have mentioned earlier. As a result, the gross profit margin increased due in part to a favorable turnaround in the sales mix and in part to the sale of higher-margin items.

In H2 of the fiscal year, it is based on the plan established at the beginning of the fiscal year, and it is therefore lower than the results of H1. However, at this point, we do not see any particular reason for a decline in gross profit margin.

Therefore, there is a possibility that the gross profit margin will exceed the planned figure for H2 of the year due to the continuation of the positive cycle seen in H1 of the year. That is all from me.

**Moderator [M]:** Thank you very much. Thank you all for the many questions. This concludes the question-and-answer session.

We will continue to receive your messages through the survey, so please use it as well.

Finally, Mr. Takami, President, will say a few words.

---

#### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com





**Takami [M]:** Thank you all very much for your time today. We will continue to place importance on this kind of dialogue with our investors, and we would like to hear various opinions from you so that we can make the best use of them in our management. Thank you very much for your time today.

**Moderator [M]:** Now that our time is up, we will conclude the financial results briefing of SHOFU INC. for the fiscal year ending March 2024.

Thank you very much for watching and joining us to the end today.

**Takami [M]:** Thank you very much.

[END]

---

### **Document Notes**

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

---

### **Support**

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptasia.com



## Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2023 SCRIPTS Asia K.K. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

---

### Support

Japan 050.5212.7790  
Tollfree 0120.966.744

North America 1.800.674.8375  
Email Support support@scriptsasias.com

