SHOFU INC.

Financial Results Briefing for the Fiscal Year Ended March 2025

May 20, 2025

Event Summary

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[Participants]	
[Number of Speakers]	2

Tetsuo Takami	President and COO
Fumitaka Yamazaki	Director, Senior Managing Executive Officer, Corporate Planning

Presentation

Moderator: As it is time, we will now begin the financial results briefing for SHOFU INC. for the fiscal year ended March 2025. Thank you very much for taking the time out of your busy schedules to attend today's briefing.

First, let me introduce the Company representatives present today. Representing the Company are President and CEO, Tetsuo Takami, and Director and Senior Executive Officer, Fumitaka Yamazaki.

Today's presentation will proceed as follows. Mr. Yamazaki will begin by explaining the summary of the full year financial results for FY2025 and the earnings forecast for the current fiscal year. This will be followed by President Takami's update on the progress of the fifth medium-term management plan.

Before we begin, we would like to share a few announcements. This briefing includes a Q&A session. Questions will be accepted via the Q&A function on the control panel in text format until 4:10 PM.

Questions submitted will not be visible to other participants and will be read aloud by our staff.

If you prefer to remain anonymous, please indicate so when submitting your question. We will start the Q&A session around 4:10 PM, during which we will read and respond to the submitted questions. Please note that we may not be able to answer all questions due to time constraints. The chat function is disabled, so if you encounter any issues, please notify us via the Q&A function.

Now I would like to hand it over to Director and Senior Executive Officer Yamazaki for an overview of the FY2025 full year financial results and the earnings outlook for this fiscal year.

Yamazaki: Good afternoon, everyone. I am Fumitaka Yamazaki, Senior Executive Officer. Thank you very much for joining SHOFU's financial results briefing today.

As the moderator just explained, today's session is divided into two parts. In the first part, I will cover the overview of the financial results for FY2025 and the earnings forecast for FY2026.

Financial Summary

■ Financial Summary

FYE3/25 results

Net sales ¥38,698mn (Overseas sales 58.6%)
Operating income ¥5, 392mn

- Earnings were largely in line with the plan. Sales **increased 10.3%** YoY due to sales growth overseas in existing products, increased demand for *SHOFU Block PEEK* due to inclusion in health insurance coverage, and foreign exchange effects (weaker yen)
- Operating income **increased 14.5%** YoY, mainly driven by higher sales, which offset a sharp rise in SG&A expenses due to upfront investments and a bolstering of sales activities. Favorable foreign exchange rates (weaker yen) also contributed to the profit growth

FYE3/26 outlook

Net sales ¥40,876mn (Overseas sales 58.6%)
Operating income ¥4,800mn

- We expect sales to increase by 5.6% YoY due to continued sales growth in Japan and overseas in existing products (mainly filling and restoration materials and CAD/CAM materials), as in the previous period. Assumptions are premised on a stronger yen than current forex rates (Forex assumptions: ¥140.00/$, ¥150.00/€, ¥20.00/RMB)
- **Expect sales to reach a record high for the fifth consecutive FYE. We also expect profits to remain at a high level.**

Shareholder returns

Dividend policy: Payout ratio of 40%+ and DOE of 3.0%+ on a consolidated basis

- Dividend for FYE3/25:¥36 (interim) / ¥31 (year-end) per share (¥98 annual total on a pre-stock split basis)
- Dividend forecast for FYE3/26 :¥53/share (Up ¥8 from the previous year on a pre-stock split basis)

* A 2-for-1 stock split of the common shares was effected on October 1, 2024.

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Let me begin with the financial summary.

For FY2025, net sales were JPY38.698 billion and operating profit was JPY5.392 billion. We achieved both top line and bottom-line growth YoY, landing nearly in line with our expectations.

Sales remained solid both in Japan and overseas. The impact of foreign exchange, particularly the weaker yen, contributed positively to overseas sales, resulting in a 10.3% YoY increase in total sales.

On the profit side, although the gross profit margin declined by 0.4 percentage point and selling, general, and administrative expenses increased by JPY1.3 billion, the rise in revenue led to a 14.5% increase in operating profit. The impact of foreign exchange fluctuations on net sales was a positive JPY1.074 billion and on operating profit, a positive JPY444 million.

Moving on to the forecast for FY2026, we expect continued solid growth in both domestic and overseas sales. However, we have assumed a stronger yen in our forex assumptions, so nominal growth in sales appears moderate, but in real terms, we anticipate growth exceeding the previous year.

On the profit side, while revenue is expected to increase, SG&A expenses are also projected to rise, resulting in a forecasted 2.9% decrease in operating profit. The impact of foreign exchange fluctuations on net sales is expected to be negative JPY1.825 billion and on operating profit, negative JPY625 million.

As in the previous fiscal year, we plan to continue selling policy-holding shares, which will result in the posting of extraordinary gains and lead to an increase in net income.

Regarding shareholder returns, we revised our dividend policy starting FY2025 to a payout ratio of 40%. As a result, the dividend for FY2025 is planned at JPY98 per share, pre-stock split basis, and for FY2026, JPY106 per share.

■Consolidated Financial Results for FYE3/25

Key earnings highlights for FYE3/25

SHOFU

(¥mn, %)

	FYE 3/24 Actual	(% of sales)	FYE 3/25 Actual	(% of sales)	Change YoY	(% change)	FYE 3/25 Forecast	(% change)
Net sales	35,080	(100.0)	38,698	(100.0)	3,617	(10.3)	38,395	(100.8)
(Domestic sales)	14,892	(42.5)	16,012	(41.4)	1,120	(7.5)	15,912	(100.6)
(Overseas sales)	20,188	(57.5)	22,685	(58.6)	2,497	(12.4)	22,483	(100.9)
Gross profit	20,995	(59.8)	22,991	(59.4)	1,996	(9.5)	23,081	(102.6)
(SG&A)	16,286	(46.4)	17,599	(45.5)	1,312	(8.1)	17,787	(98.9)
Operating income	4,709	(13.4)	5,392	(13.9)	683	(14.5)	5,293	(101.9)
Ordinary income	5,118	(14.6)	5,523	(14.3)	404	(7.9)	5,604	(98.5)
Net income	3,655	(10.4)	4,317	(11.2)	661	(18.1)	4,434	(97.4)
EPS	103.09		121.52		18.43		124.87	
ROE	9.5%		10.3%		0.8ppt		10.4%	
Forex								
$	144.40		152.48		8.08		145.09	
€	156.80		163.62		6.82		155.65	
RMB	19.80		21.03		1.23		20.11	

Effect of forex fluctuations: Net sales +¥1,074mn (vs previous FYE)
Net income = net income attributable to owners of parent
FYE3/25 Forecast = revised plan announced on August 2, 2024.

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Next, I will provide a more detailed explanation of the FY2025 results.

This slide presents the FY2025 performance compared to the previous fiscal year, along with reference forecasts.

Net sales increased 10.3% YoY to JPY38.698 billion, with domestic sales up 7.5% and overseas sales up 12.4%. The impact of foreign exchange fluctuations was a positive JPY1.074 billion. Excluding this effect, overseas sales rose 7.1% on a local currency basis, and the combined domestic and overseas growth was 7.2%.

The main factor behind the increase in domestic sales was higher sales of CAD/CAM materials for molars, specifically PEEK BLOCKs, which were covered by insurance starting in December two years ago, along with increased sales of CAD/CAM-related equipment.

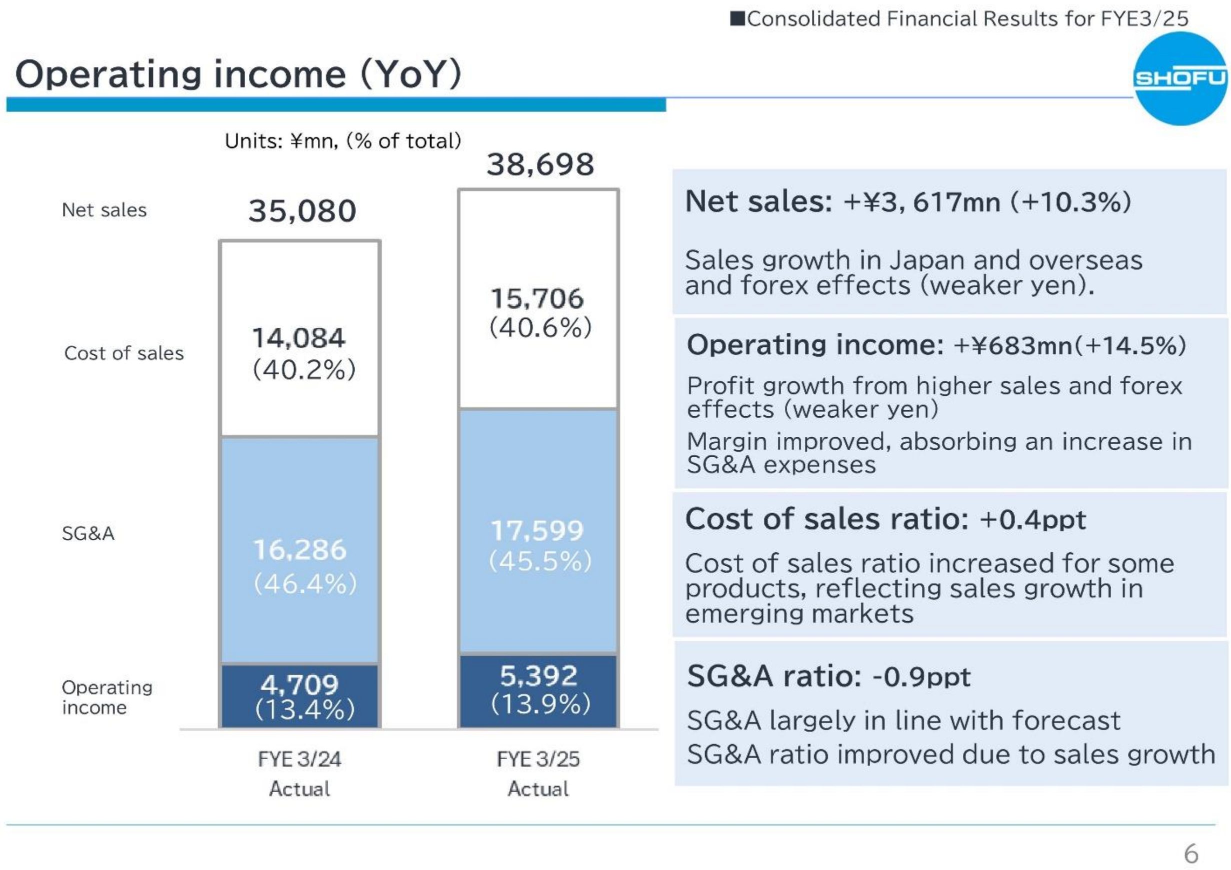
For overseas sales, processed products saw steady growth across all regions. Including this contribution, sales in China, North America, and Central and South America all posted double-digit growth in local currencies. Together with the positive impact of foreign exchange, overseas sales rose 12.4%.

Gross profit margin declined by 0.1 percentage point, despite positive factors, such as an increase in the proportion of overseas sales and processed products. This decline was due to expanding sales in emerging markets, decreased sales in the nail business, and a drop in resin tooth sales in China. Selling, general, and administrative expenses rose by approximately JPY1.3 billion, including foreign exchange effects. Excluding currency effects, the increase was 5.9%, which reflects a normal rise associated with business expansion activities. As a result, operating profit increased by 14.5%.

In nonoperating income and expenses, a foreign exchange gain of JPY225 million in the previous year turned into a loss of JPY110 million this year. Consequently, the increase in ordinary profit was narrower than that of operating profit. However, with the posting of a special gain of JPY661 million from the sale of policy-holding shares, net income rose by 18.1%.

Since both net sales and profits came in nearly as expected, I will omit further explanation on the forecast comparison.

Note that the earnings per share displayed on this page reflects the assumption that the two-for-one stock split conducted in October 2024 had occurred at the beginning of the previous fiscal year.

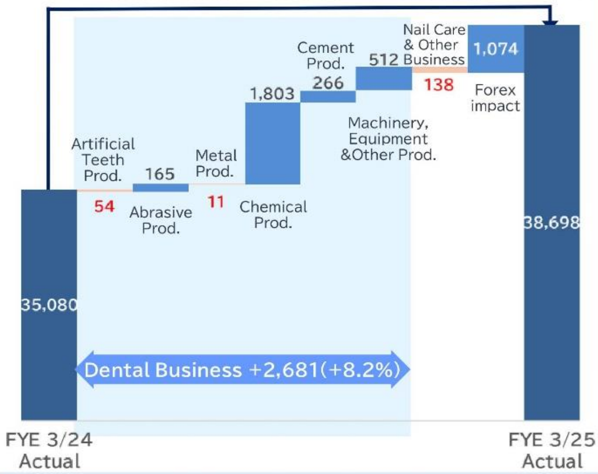


Next, I will speak about the earnings structure.

Against the JPY3.617 billion increase in net sales, operating profit rose by JPY683 million. Although the gross margin declined by 0.4 percentage point, the SG&A ratio improved by 0.9 percentage point. As a result, the operating margin rose by 0.5 percentage point to 13.9%, marking record highs in both value and ratio.

Net sales by product category (YoY)

Net sales +3,617 (+10.3%) (¥mn)



	FYE 3/25		Change YoY(%)	
	Actual	Composition	¥ basis	LCY basis
Artificial Teeth	7,043	18.2%	2.9%	-0.8%
Abrasive Products	5,592	14.5%	6.3%	3.1%
Metal Products	148	0.4%	-7.4%	-7.4%
Chemical Products	12,835	33.2%	21.2%	17.0%
Cement Products	3,487	9.0%	12.7%	8.6%
Machinery, Equipment & Other Products	7,248	18.7%	8.7%	7.7%
Dental Business total	36,356	93.9%	11.4%	8.2%
Other Business	2,341	6.1%	-4.6%	-5.6%
Total	38,698	100.0%	10.3%	7.2%

- **Artificial Teeth Products**
  CAD/CAM zirconia disks and ceramic materials remained strong overseas, while sales of some resin teeth slowed due to rising competition
- **Chemical Products (Filling/restorative materials, CAD/CAM resin blocks, crown materials)**
  Supply constraints resolved through enhanced procurement channels and expanded production; sharp YoY growth driven by resumption of aggressive overseas promotions
- **Machinery, Equipment & Other Products**
  Domestic CAD/CAM machines and EyeSpecial C-V (digital dental camera) sold well both in Japan and overseas

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Slide seven shows net sales by product category.

The growth in sales was driven by processed products, which performed steadily across all regions.

Domestically, sales were led by CAD/CAM resin blocks and PEEK materials. Overseas, sales were centered on filling and restorative materials, as well as hard resin materials for crowns and bridges.

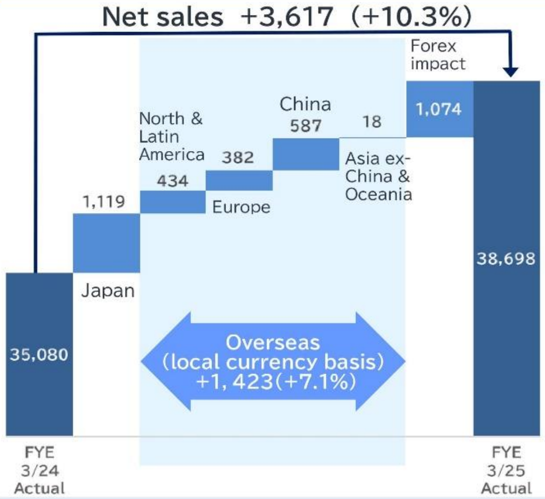
Regarding processed products, the expansion of raw material procurement channels and the establishment of a mass production framework resolved supply constraints, enabling the resumption of aggressive sales promotion activities, particularly overseas.

The CAD/CAM resin blocks and PEEK materials, which can now be used for all molars, became eligible for insurance coverage in December 2023. This means CAD/CAM resin block treatment is now covered by insurance for all tooth areas. Although there are 6 million cases eligible for treatment using PEEK, our sales volume remains at around 200,000 units. Moreover, the overall transition rate to CAD/CAM treatment is still just 20%, indicating significant growth potential in this field.

Other notable points are listed on the slide.

Net sales by region (YoY)

(¥mn)



	FYE 3/25		Change YoY(%)	
	Actual	Composition	¥ basis	LCY basis
Japan	16,012	41.4%	7.5%	7.5%
Overseas	22,685	58.6%	12.4%	7.1%
North & Latin America	5,002	12.9%	15.9%	10.1%
Europe	7,969	20.6%	10.2%	5.3%
China	5,689	14.7%	19.3%	12.3%
Asia ex-China & Oceania	4,025	10.4%	4.0%	0.5%
Total	38,698	100.0%	10.3%	7.2%

*Europe：Includes Middle East and Africa

▶ **Japan** Strong sales of CAD/CAM-related materials, especially SHOFU Block PEEK, and peripheral equipment

▶ **Overseas**
- Global : Restorative materials, mainly Giomer products, remained solid

➕

- North & Latin America : Sales of abrasive materials showing recovery
- Europe : Strong performance in CAD/CAM materials; business expansion progressing in the Middle East
- China : Some artificial teeth product sales slowed due to higher competition, but crown materials performed well
- Asia ex-China & Oceania : Surge in demand for materials in India has settled down

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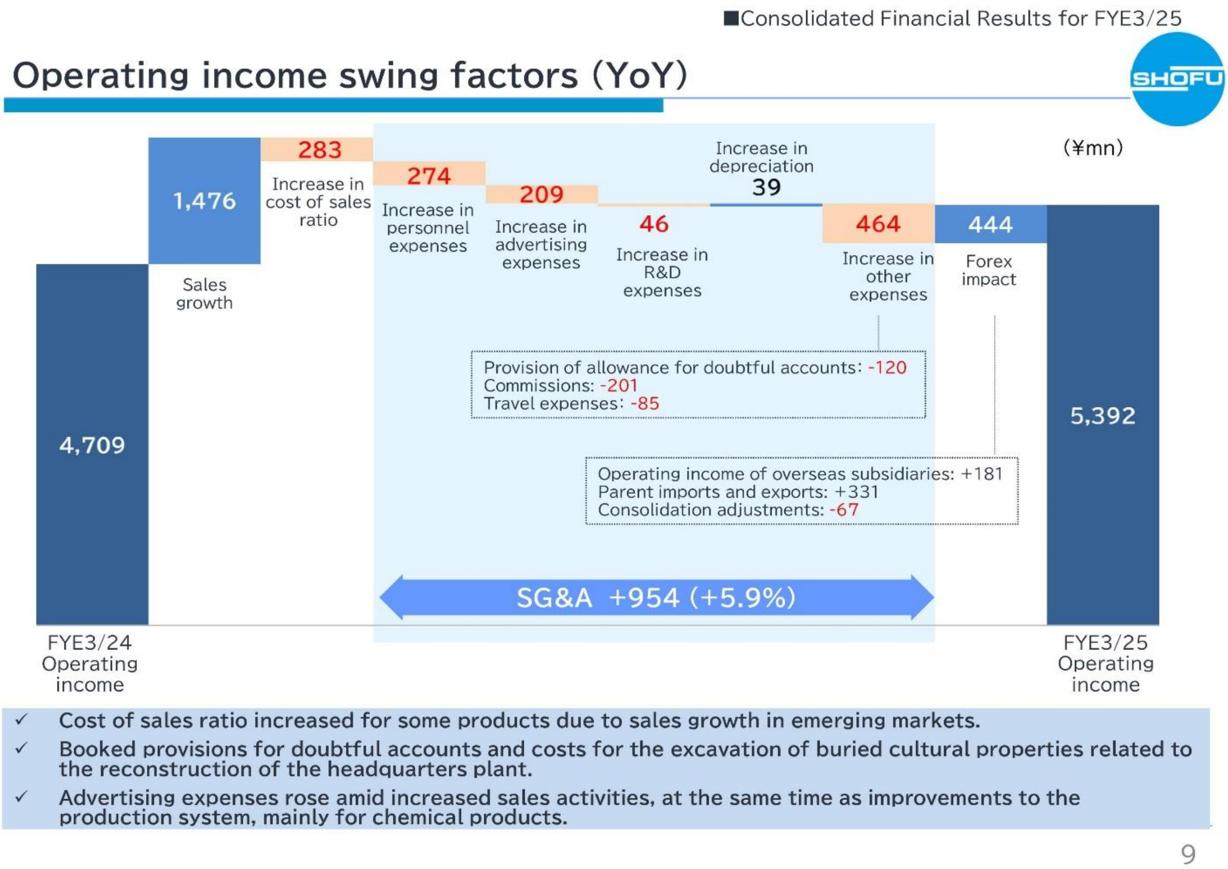
Slide eight shows sales by region.

In Japan, sales of CAD/CAM-related materials and peripheral devices, particularly SHOFU BLOCK PEEK, performed well.

Overseas, sales of filling and restorative materials were strong across all regions, resulting in double-digit growth on a local currency basis. Other notable items are as listed on the slide. Please note that the Europe and Other Asia regions include sales to the Middle East and Africa. Combined sales in these regions totaled JPY838 million, representing a 5.7% YoY increase on a local currency basis.



Slide nine illustrates the factors behind changes in operating profit.

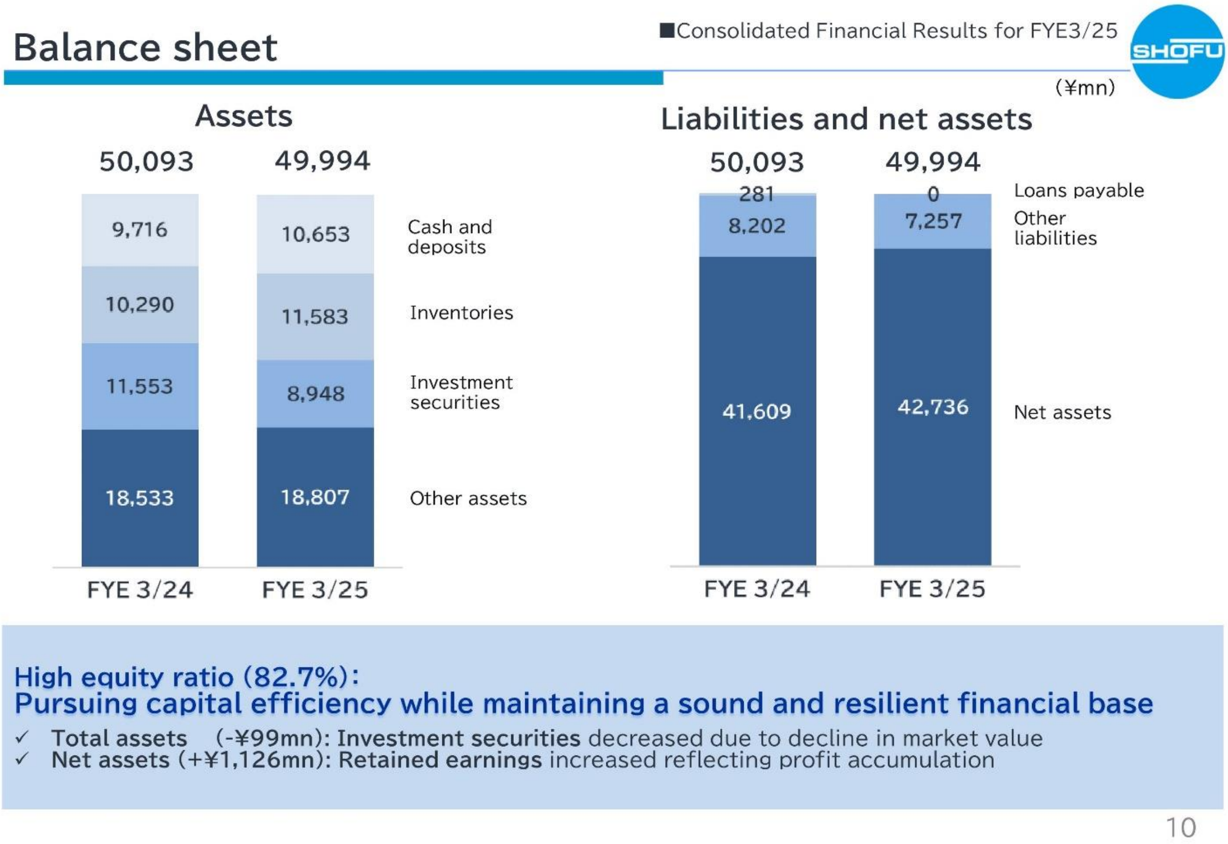
Positive factors included increased sales and the impact of foreign exchange fluctuations. Negative factors were the rise in the cost-of-sales ratio and the increase in SG&A expenses.

Regarding the rise in the cost-of-sales ratio, although there were positive factors, such as a higher proportion of overseas sales and processed products, it was affected by expanding sales in emerging markets, a decline in nail business revenue, and lower resin tooth sales in China.

SG&A expenses increased due to active business development and were also affected by temporary costs, such as provision for doubtful accounts and cultural heritage excavation expenses. Nevertheless, operating profit increased by 14.5%.

Although not shown in the slides, we have changed the depreciation method from the declining-balance method, to the straight-line method, starting this fiscal year. This change had a positive impact of JPY150 million on operating profit.

Among the effects of foreign exchange fluctuations, the portion labeled “consolidation adjustments” reflects changes due to an increase in unrealized gains on inventory, not related to actual goods movement. This profit, which is usually deducted, decreased this time.



Slide 10 shows the balance sheet.

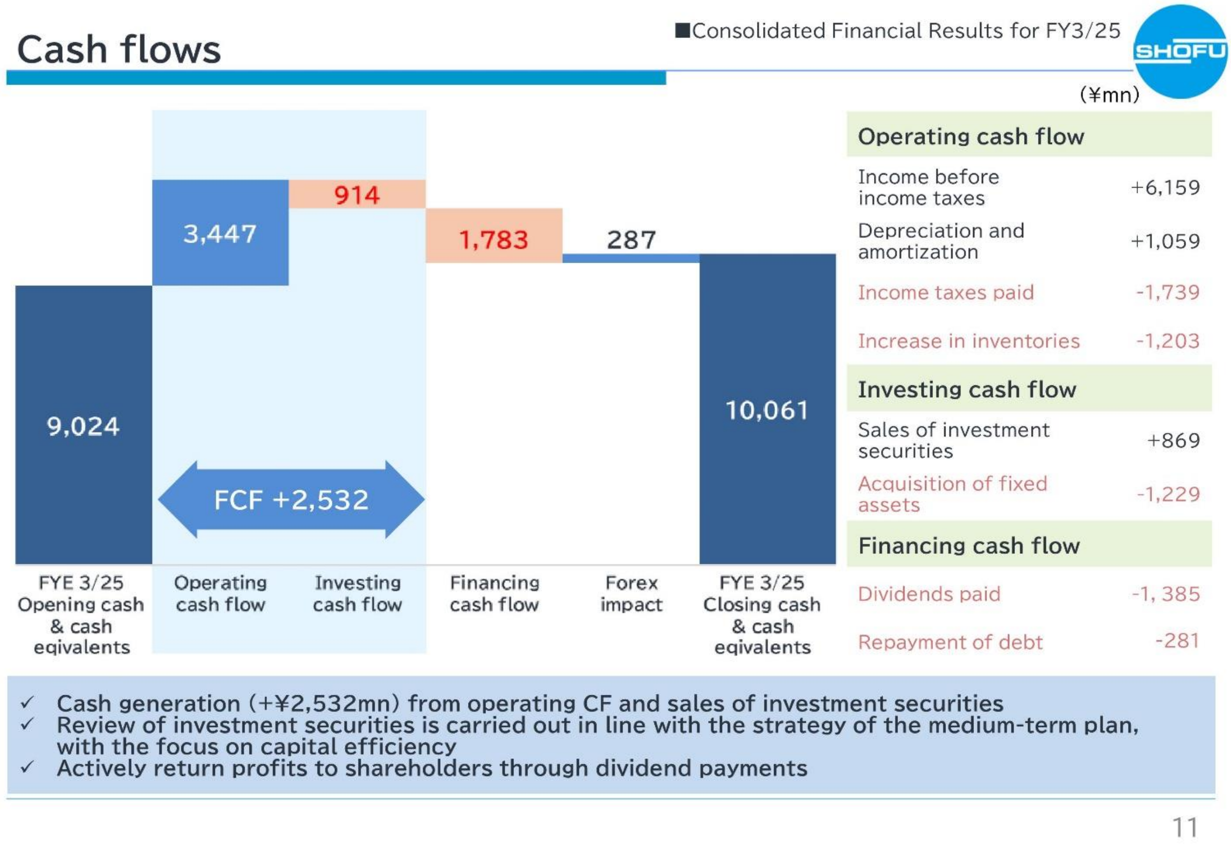
Total assets decreased due to a decline in the market value of investment securities. Liabilities also declined, primarily due to a decrease in deferred tax liabilities related to valuation differences on available-for-sale securities, following both the sale of securities and the decline in their prices. Borrowings were also reduced through ongoing repayments.

Net assets increased through retained earnings, while valuation differences on securities decreased, resulting in a net increase of JPY1.126 billion.

The increase in inventories was mainly due to a temporary rise in purchased goods under a supply agreement on a standalone basis. Overseas inventories remained roughly at the previous year's level despite expanding sales.

Among investment securities, we sold five policy-holding stocks during the year. Combined with a drop in share prices, the value of such holdings declined from JPY8.899 billion at the end of the previous year, to JPY6.146 billion at the end of this year. Their share of total net assets dropped to 14.4%.

Together with loan repayments, the equity ratio improved from 82.7% to 85.2% YoY.

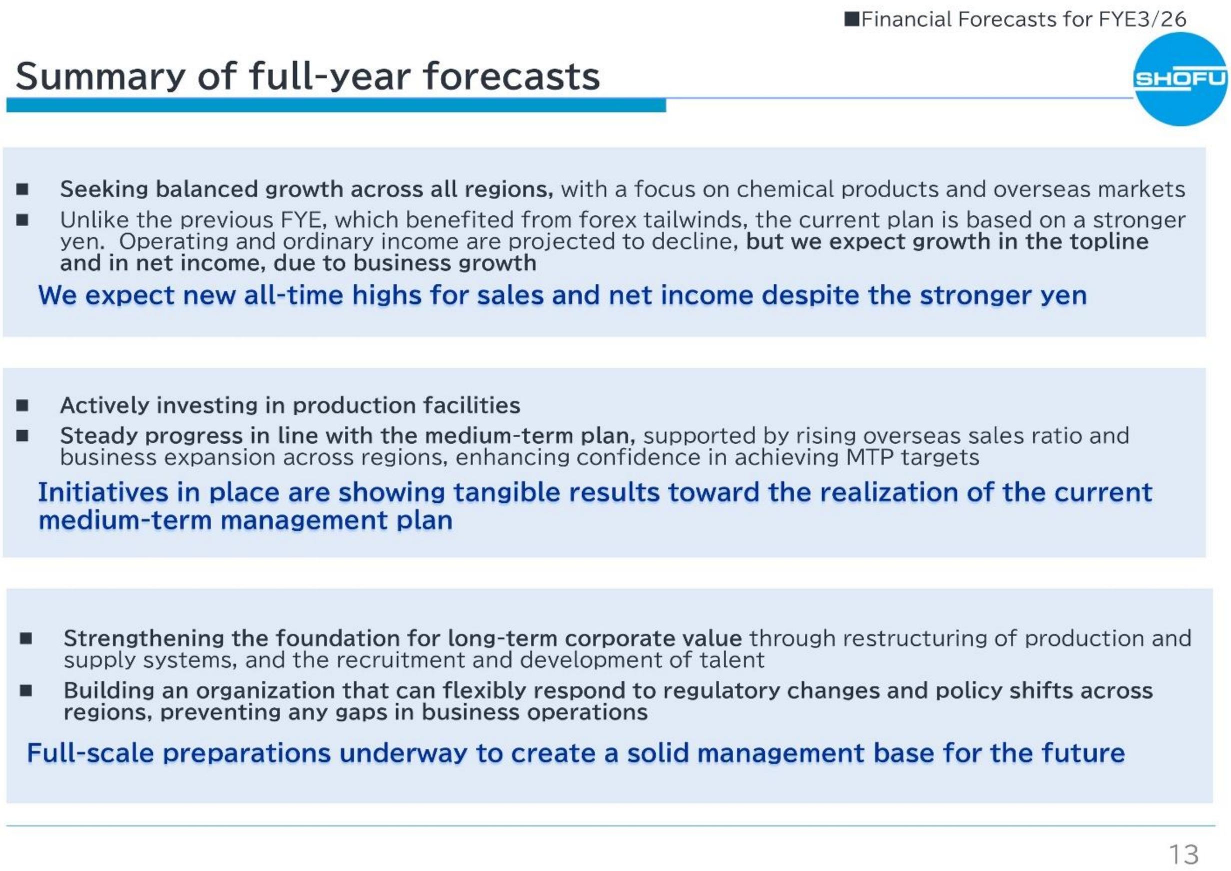


Slide 11 presents the cash flow.

Compared to the previous fiscal year, operating cash flow increased by JPY358 million due to a rise in income before income taxes and other factors. Investment cash flow increased by JPY381 million due to a decrease in purchases of property, plant, and equipment. As a result, free cash flow rose by JPY739 million.

We sold five policy-holding stocks, fully divesting four of them. The resulting gain of JPY869 million was used to increase dividend payments and repay borrowings.

The shareholder return ratio against free cash flow was 54.7%.



Next, I will explain the earnings outlook for FY2026.

This slide summarizes the qualitative factors and trends that form the basis of our full year forecast.

Net sales are expected to reach a new record high for the fifth consecutive year. Operating profit and ordinary profit are projected to decline due to an assumed appreciation of the yen. However, excluding the effects of foreign exchange, the underlying trend remains one of profit growth.

Net income is also expected to hit a record high for the sixth consecutive year, driven by continued sales of policy-holding shares, as in the previous fiscal year.

FY2026 marks the second year of the fifth medium-term management plan announced last year. Although sales are forecast to fall slightly short of the plan, profit is expected to exceed the target.

As for growth investments, our key products are progressing as planned, which supports our current assumptions, and we do not intend to revise the plan at this time. We will continue building a structure and system that can respond swiftly and flexibly to future changes in demand and business risks.

The impact of US tariffs is not reflected in our current forecast. As we have no production facilities in the US, we export from Japan, China, and Vietnam, and we expect to be affected to some extent.

However, while keeping an eye on competitors' pricing strategies, we are considering passing on some costs to customers. Furthermore, some US competitors manufacture outside the US, and if US firms lose competitiveness in China, this could strengthen our own competitive position.

In addition, our growth has not been overly dependent on the US. We have grown in a well-balanced manner across Europe, China, and other parts of Asia, which has strengthened our overall resilience to changes in national policies and economic conditions.

That said, many uncertainties remain, making it difficult to provide a highly reliable forecast at this point. Once more definitive information becomes available, we will assess its impact on our performance and revise the forecast if necessary.

■Financial Forecasts for FYE3/26

Comparison of key metrics

SHOFU

(¥mn, %)

	FYE 3/25 Actual	(% of sales)	FYE 3/26 Forecast	(% of sales)	Change YoY	(% change)
Net sales	38,698	(100.0)	40,876	(100.0)	2,178	(5.6)
(Domestic sales)	16,012	(41.4)	16,931	(41.4)	919	(5.7)
(Overseas sales)	22,685	(58.6)	23,945	(58.6)	1,259	(5.6)
Gross profit	22,991	(59.4)	24,253	(59.3)	1,261	(5.5)
(SG&A)	17,599	(45.5)	19,016	(46.5)	1,417	(8.1)
Operating income	5,392	(13.9)	5,236	(12.8)	- 156	(-2.9)
Ordinary income	5,523	(14.3)	5,363	(13.1)	- 159	(-2.9)
Net income	4,317	(11.2)	4,701	(11.5)	384	(8.9)
EPS	121.52		132.28		10.76	
ROE	10.3%		10.9%		0.6ppt	
Forex						
$	152.48		140.00		- 12.48	
€	163.62		150.00		- 13.62	
RMB	21.03		20.00		- 1.03	

*Effect of forex fluctuations (YoY): Net sales -¥1,825mn
*Net income = net income attributable to owners of parent

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Slide 14 presents our key financial indicators.

Net sales are expected to decline by JPY1.825 billion due to foreign exchange assumptions, making the top line forecast appear somewhat conservative. However, we anticipate steady performance in both domestic and overseas markets.

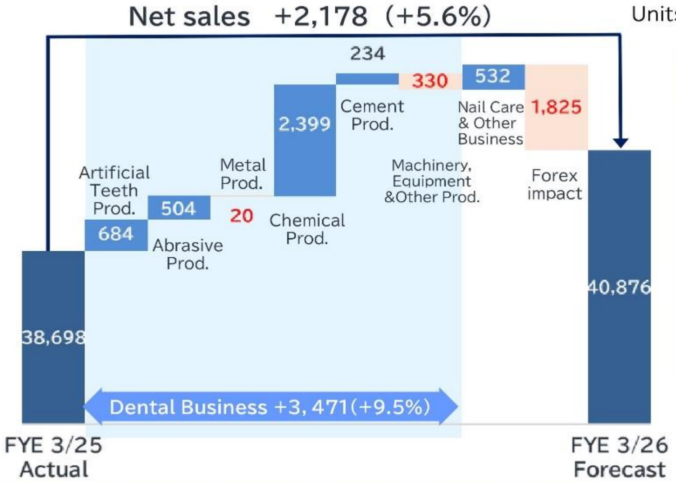
Gross profit margin is expected to decline by 0.1 percentage point YoY. SG&A expenses are projected to rise by JPY1.417 billion. Combined with foreign exchange effects, operating profit is expected to decrease by 2.9% YoY, with the operating margin falling to 12.8%. However, excluding the impact of foreign exchange fluctuations, the operating margin would be 13.7%.

Due to the decline in operating profit, ordinary profit is also expected to fall by a similar margin.

As mentioned earlier, we expect to record a special gain of JPY1.128 billion from the sale of investment securities, an increase of JPY446 million YoY. As a result, net income is projected to rise by 8.9%.

■Financial Forecasts for FYE3/26

Net sales by product category (YoY)



Units: ¥mn

	FYE 3/26		Change YoY(%)	
	Forecast	Composition	¥ basis	LCY basis
Artificial Teeth	7,304	17.9%	3.7%	9.7%
Abrasive Products	5,811	14.2%	3.9%	9.0%
Metal Products	128	0.3%	-13.8%	-13.8%
Chemical Products	14,538	35.6%	13.3%	18.7%
Cement Products	3,580	8.8%	2.7%	6.7%
Machinery, Equipment	6,783	16.6%	-6.4%	-4.6%
Dental Business total	38,146	93.3%	4.9%	9.5%
Other Business	2,730	6.7%	16.6%	22.7%
Total	40,876	100.0%	5.6%	10.3%

- ✓ Chemical products are expected to drive overall performance, **with the Dental Business projected to grow 9.5% year on year on a local currency basis**
- ✓ **Artificial teeth:** Strong CAD/CAM zirconia disc demand in Europe/US. In China, despite lower sales in some low-margin products from rising competition, we aim to expand share through strategic pricing while securing sufficient profitability.
- ✓ **Machinery, Equipment & Other Products:** Sales decline expected in a pullback from last year's demand surge for CAD/CAM crowns and intraoral scanners following inclusion in insurance coverage the previous FY but CAD/CAM market penetration is progressing. Demand remains firm, with sales fluctuations seen as typical for this product category.

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Slide 15 shows net sales by product category.

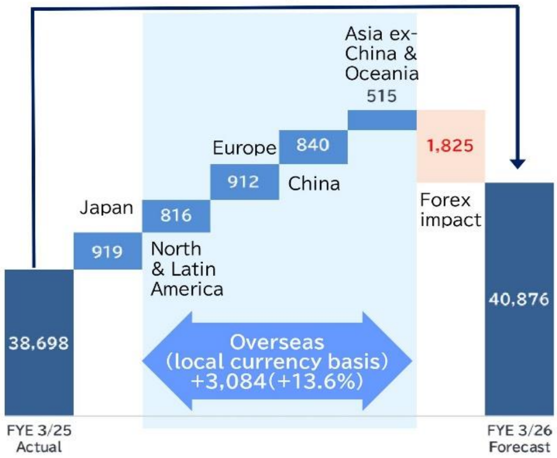
As in previous years, processed products are expected to continue driving growth. However, we also anticipate solid growth in materials, such as artificial teeth, abrasives, and cements.

For processed products, we expect growth of just under 10% on a local currency basis in North America, Central and South America, and Europe, while growth in China and Asia are projected to exceed 20%, reflecting a greater contribution from emerging markets.

■Financial Forecasts for FYE3/26

Net sales by region (YoY)

Net sales +2,178 (+5.6%)



Units: ¥mn

	FYE 3/26		Change YoY(%)	
	Forecast	Composition	¥ basis	LCY basis
Japan	16,931	41.4%	5.7%	5.7%
Overseas	23,945	58.6%	5.6%	13.6%
North & Latin America	5,345	13.1%	6.9%	16.3%
Europe	8,175	20.0%	2.6%	11.4%
China	6,210	15.2%	9.2%	14.8%
Asia ex-China & Oceania	4,214	10.3%	4.7%	12.8%
Total	40,876	100.0%	5.6%	10.3%

*Europe：Includes Middle East and Africa

- ✓ **Underlying growth expected in all regions**; overseas sales projected to grow over 10% ex. forex
- ✓ **Balanced growth expected in all regions**, led by Japan, Europe, and China; steady expansion in Asia
- ✓ **Closely monitoring US tariff policies and US-China trade tensions**; swift response planned if any impact materializes

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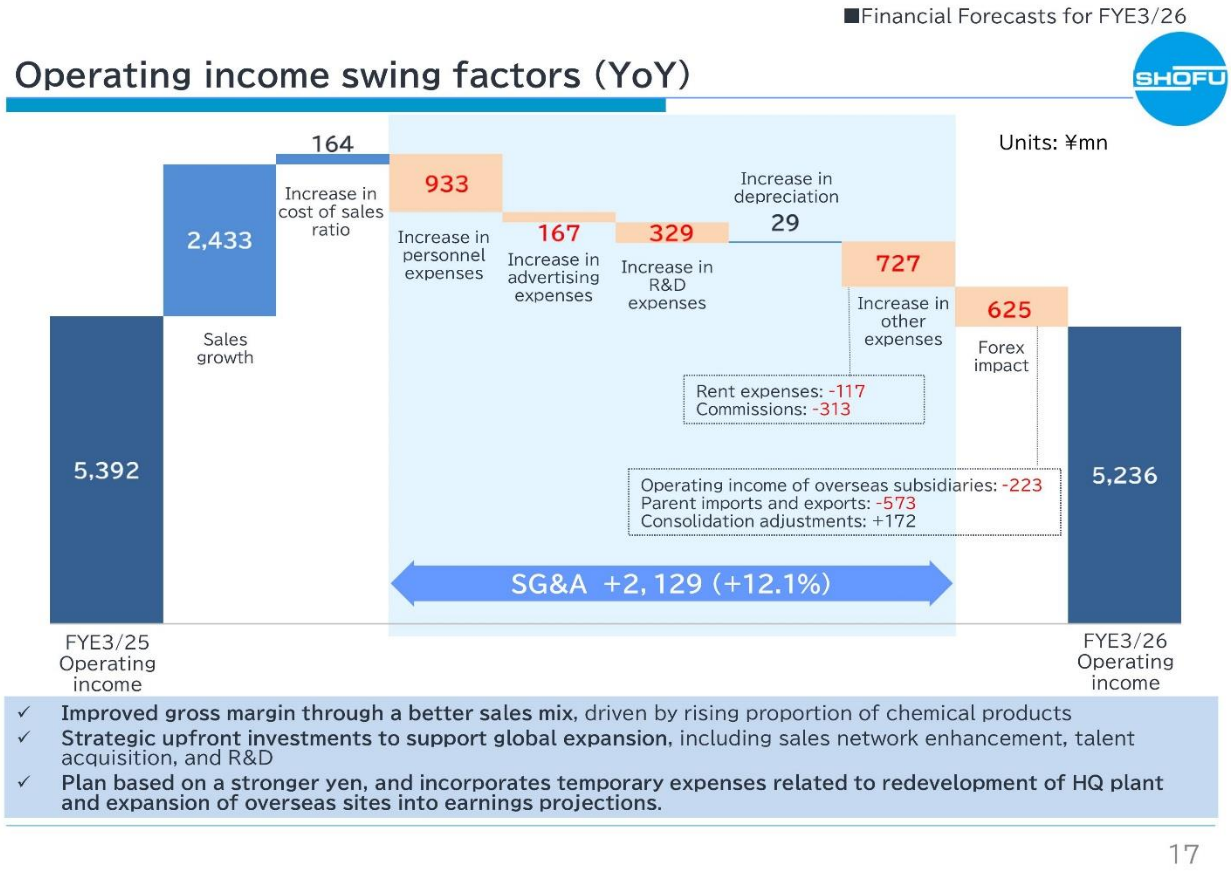
Slide 16 shows net sales by region.

In Japan, we anticipate expanding demand for resin blocks made from PEEK, applicable to molars, as well as growth in peripheral materials, such as bonding systems.

Overseas, we expect 10% growth across all regions in local currency terms.

As mentioned in Slide 15, we expect strong growth across all regions. In addition to this, we anticipate increased sales in North and Central/South America of artificial teeth, zirconia-based CAD/CAM materials, and abrasive materials, including Vietnam-made diamond abrasives. In Europe, we also expect growth in zirconia-based CAD/CAM materials and artificial teeth from Merz Dental. In Asia, we anticipate increased sales of porcelain materials from India, which are classified as artificial teeth, as well as Vietnam-made diamond abrasives.

As for the economic slowdown in China and the effects of domestic production incentives, we have not observed any significant impact at this time.



Slide 17 outlines the factors contributing to changes in operating profit.

Although we anticipate the positive effects of higher sales and a slight decrease in the cost-of-sales ratio, operating profit is expected to decline YoY. This is due to continued proactive efforts in market development and sales force enhancement, both domestically and internationally, as well as increased R&D investment, all of which will result in higher SG&A expenses. In addition, the negative impact of foreign exchange assumptions based on a stronger yen will also weigh on profits.

While there are positive factors for the cost-of-sales ratio, such as an increased proportion of processed products, personnel investments to adjust working arrangements due to delays in factory construction, as well as broader investments in workforce for future production system development have limited the extent of the decline in the cost-of-sales ratio.

As for the increase in SG&A expenses, the main driver of higher personnel costs is the strengthening of sales structures in various overseas regions, leading to an overall increase in personnel costs of approximately 11%.

■Financial Forecasts for FYE3/26

Forex impact

FYE 3/26 Forecast

Units: ¥mn

	Forex rate		Consolidated earnings impact		Per yen of ¥1 strength	
	FYE 3/25	FYE 3/26 Forecast	Sales	Operating income	Sales	Operating income
USD	152.48	140.00	-593	-278	-47	-22
EUR	163.62	150.00	-656	-254	-48	-18
RMB	21.03	20.00	-319	-220	-310	-195

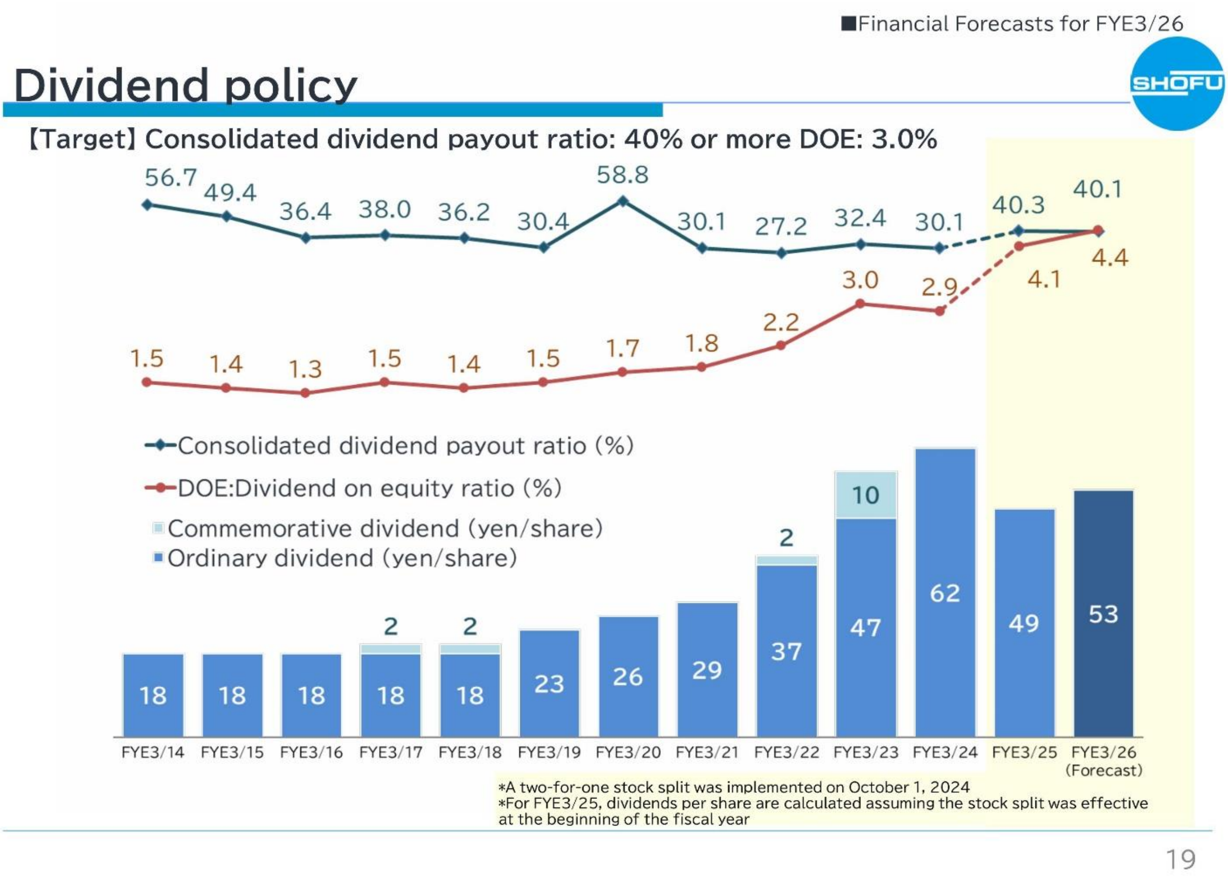
- ✓ FY3/26 guidance assumes YoY appreciation ($:¥12.48 appreciation YoY)
- ✓ Overseas sales ratio is on an upward trend; yen appreciation will have a negative impact on performance ($: Every ¥1 of yen appreciation against the yen drags down sales by ¥47 million and operating income by ¥22 million)

18

Slide 18 illustrates the impact of foreign exchange fluctuations.

For this fiscal year, our assumed exchange rates are JPY140 to the US dollar, JPY150 to the euro, and JPY20 to the yuan. The expected impact of these three currencies on operating profit totals JPY754 million, and the total impact of foreign exchange fluctuations on operating profit is expected to be JPY796 million.

A stronger yen is a negative factor. The impact of a JPY1 appreciation on both net sales and operating profit is shown on the slide.



To conclude the first half of this presentation, I will now explain our dividend policy.

Starting from FY2025, we revised our dividend policy, setting a target payout ratio of 40% or higher and a target DOE of 3%.

For FY2025, the dividend increased by JPY18 compared to the previous fiscal year on a post-stock split basis, from JPY31 to JPY49. For FY2026, we plan to increase the dividend by a further JPY4, bringing it to JPY53.

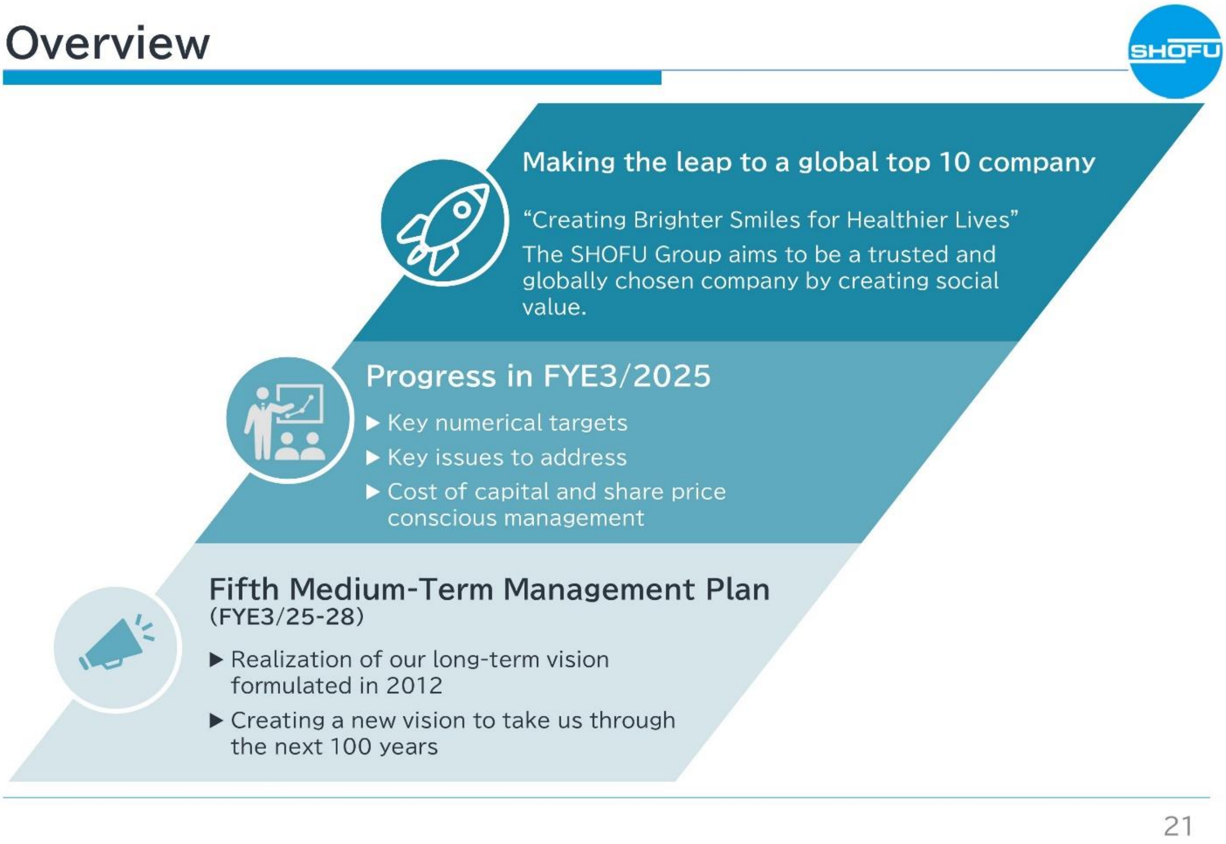
Regarding the repurchase of treasury stock, which we are frequently asked about by investors, we are not considering it at this time. The reasons are twofold. First, our shares have relatively low liquidity in the market, making share repurchase through market transactions inappropriate, and second, we are in a phase of actively investing for future growth, which requires capital.

That concludes the first part of our presentation. Thank you for your attention.

Next, President and CEO Takami will provide an update on the progress of the fifth medium-term management plan.

Takami: I am Tetsuo Takami, President and CEO of SHOFU. Once again, thank you very much for attending today's financial results briefing.

I would now like to explain the progress made in the first year of SHOFU Group's fifth medium-term management plan, which was announced on May 1 of last year.



Today’s explanation will cover an overview of the fifth medium-term management plan, our progress during the first year, and our ongoing initiatives toward realizing our long-term vision.

Let me begin with an outline of the current fifth medium-term management plan.

This slide summarizes the key points of the ongoing fifth medium-term management plan that we particularly wish to share with you.

First, we expect to achieve our long-term vision of “JPY50 billion in group net sales” during the period covered by this medium-term plan.

While our past medium-term plans were generally structured over a three-year period, this time we have set a four-year plan to ensure the firm achievement of this target.

The main pillar supporting this goal is active investment in production facilities. To strengthen our groupwide production capabilities and lay the foundation for future business expansion, we plan to make growth investments totaling JPY15.3 billion, the largest in our history.

The funding will come from a combination of operating cash flow, the sale of policy-holding shares, and appropriate debt financing, all executed under a sound capital structure.

At the same time, we are working to enhance shareholder returns. We have raised our target dividend payout ratio from 30% to 40%, and our target DOE from 1.7% to 3% or higher, aiming to balance sustainable corporate value creation with returns to our shareholders.

Key numerical targets

(¥mn)

	FYE3/25 Actual	vs. Initial Plan	FYE3/26 Forecasts	vs. Initial Plan	Medium-Term Management Plan FYE3/27	Medium-Term Management Plan FYE3/28
Net sales	★ 38,698	976 ↑	★ 40,876	-163 ↓	★ 45,151	★ 50,185
(YoY)	(10.3%)		(5.6%)		(10.5%)	(11.1%)
(Domestic sales) (YoY)	★ 16,012 (7.5%)	-158 ↓	★ 16,931 (5.7%)	139 ↑	★ 17,739 (4.8%)	★ 18,733 (5.6%)
(Overseas sales) (YoY)	★ 22,685 (12.4%)	1,134 ↑	★ 23,945 (5.6%)	-302 ↓	★ 27,411 (14.5%)	★ 31,452 (14.7%)
Operating income	★ 5,392	592 ↑	5,236	105 ↑	★ 6,325	★ 7,531
(% of sales)	(13.9%)		(12.8%)		(14.0%)	(15.0%)
Ordinary income	★ 5,523	629 ↑	5,363	108 ↑	★ 6,450	★ 7,663
(% of sales)	(14.3%)		(13.1%)		(14.3%)	(15.3%)
Net income	★ 4,317	478 ↑	★ 4,701	196 ↑	★ 5,488	★ 6,734
(% of sales)	(11.2%)		(11.5%)		(12.2%)	(13.4%)
Dental business overseas sales ratio	★ 59.8%		★ 60.1%		★ 62.1%	★ 64.0%

★ Record highs

25

Next, I will explain the progress made in the first year of the medium-term management plan.

This slide shows the previous fiscal year's actual results, the first year, the current fiscal year's outlook, and the targets set for FY2027 and FY2028 at the time the plan was formulated.

As Mr. Yamazaki mentioned earlier, despite some variances due to exchange rates, both the previous year's results and the current year's forecast are progressing generally in line with the medium-term plan. We will continue to make flexible and agile management decisions to ensure that we meet our targets.

In terms of cumulative numerical targets over the plan period, we project average annual growth of over 9% in net sales and over 11% in overseas sales. Overseas operations will continue to drive overall performance, while domestic operations are expected to achieve steady growth, backed by a stable business foundation.

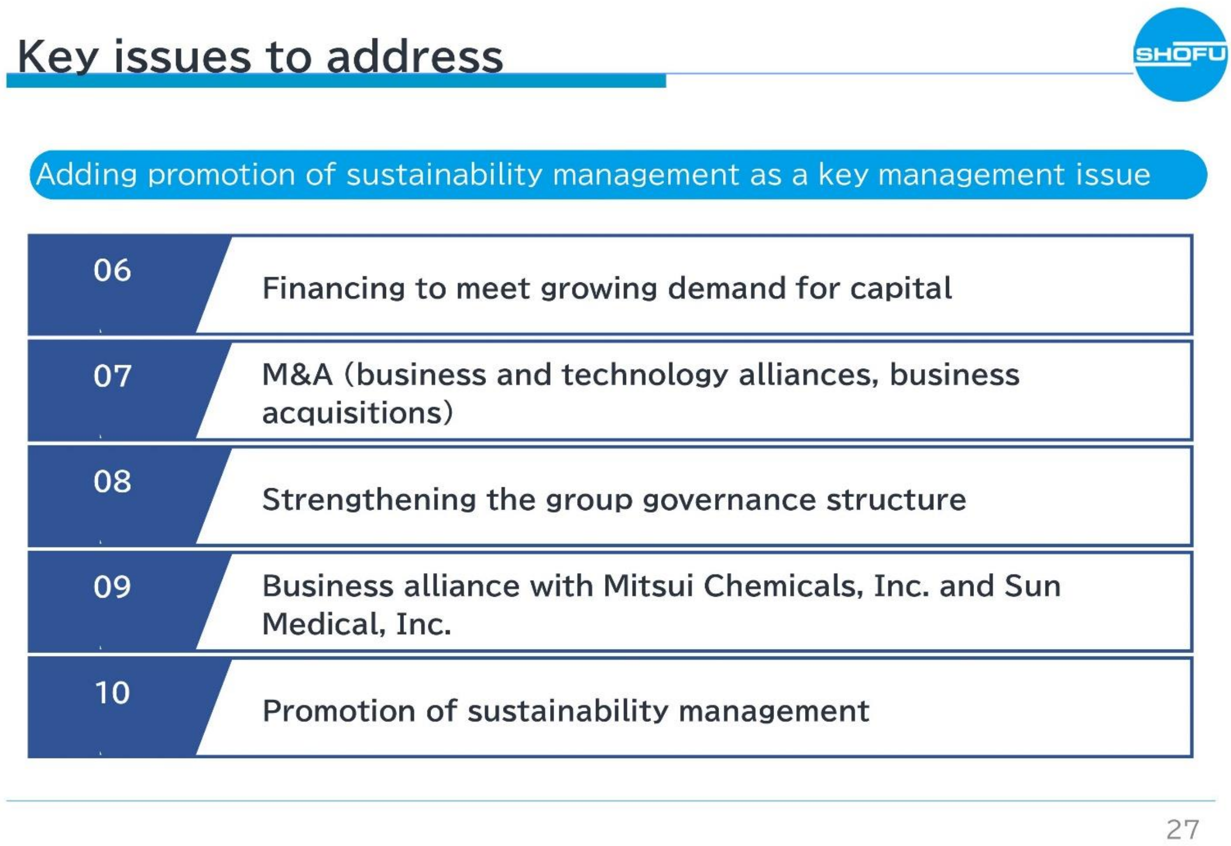
Profits are also expected to trend upward. With improvements in the gross profit margin and a relatively moderate increase in SG&A expenses compared to sales growth, we forecast an operating margin of 15% in the final year of the plan.

Key issues to address

Further progress with initiatives from the previous plan

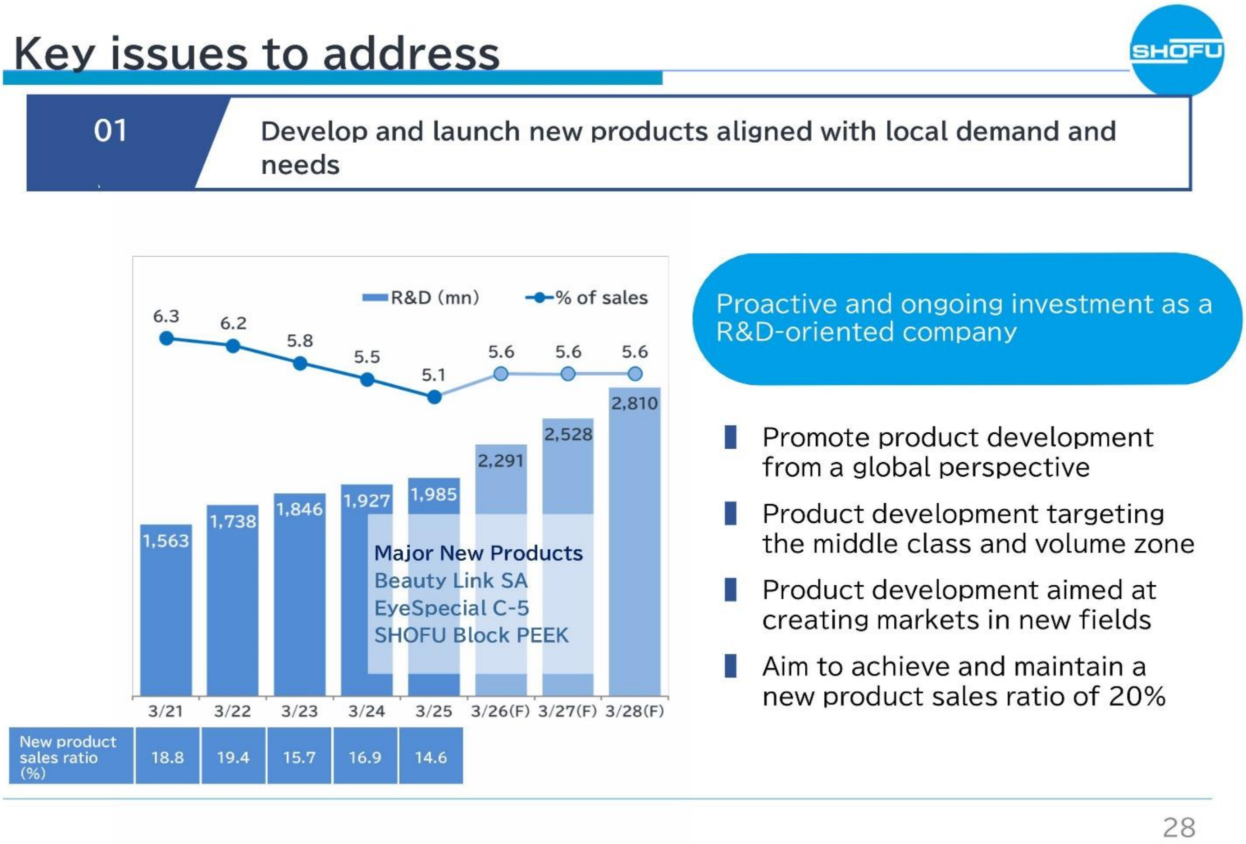
01	Develop and launch new products aligned with local demand and needs
02	Development of sales network and sales offices
03	Develop domestic and international academic networks (create a structure through which we can directly promote products to users)
04	Cost reductions, reallocation of production sites to allow increased production volumes, expansion of overseas production
05	Attracting and training talent for the proactive development of our overseas business

26



Achieving this plan requires overcoming several challenges. As listed on this slide, these include initiatives in R&D, sales, production, and human resources. Additionally, we have newly added the promotion of sustainability-focused management as a key management issue.

Now I will highlight the challenges that require particular focus and discuss our progress in the first year.



This slide explains our initiatives in research and development.

As a development-driven company, we position ongoing and active R&D investment as a core management pillar.

Our product development policy focuses on three key areas, global-oriented development, product offerings for the middle-income and volume zones, and entering new fields that lead to the creation of new markets. At the same time, we are also working on improving existing products.

Recent new product groups include the self-adhesive resin cement “BeautiLink SA,” the dental digital camera “EyeSpecial C-V,” CAD/CAM crown materials now covered by insurance for molars, and SHOFU BLOCK PEEK. All of these have been receiving favorable market response.

In FY2025, the first year of the plan, the ratio of new product sales was 14.6%, unfortunately falling short of the previous year’s level.

This decline was partly due to the fact that, under our definition of new products as those launched within the past 36 months, some previously high-selling items no longer qualified.

Additionally, newer products have yet to reach full market maturity. Within the R&D division, we recognize the need to accelerate development timelines, while the sales division is focused on speeding up market penetration.

That said, the creation of new products remains a central initiative supporting our growth. We will maintain our target of achieving a 20% new product sales ratio and continue treating this as a key strategic priority.

Going forward, we will work to launch new products in overseas markets and accelerate sales efforts, both domestically and internationally, to achieve our 20% target.

Next, I would like to explain our key initiatives in the sales domain.

Starting with the domestic market, in fields such as artificial teeth and abrasives, our brand recognition is high, thanks to years of consistent efforts, and we continue to maintain the top market share.

On the other hand, in areas, such as filling and restorative materials, and CAD/CAM materials, we believe there is still significant room for growth. We therefore consider these to be priority areas for future expansion.

Traditionally, dental care has been strongly associated with treatment. However, in recent years, societal awareness has been shifting toward recognizing the broader role of dentistry, including prevention and daily self-care.

Discussions have begun around implementing nationwide dental checkups in Japan, and we believe the preventive dentistry market is certain to expand moving forward.

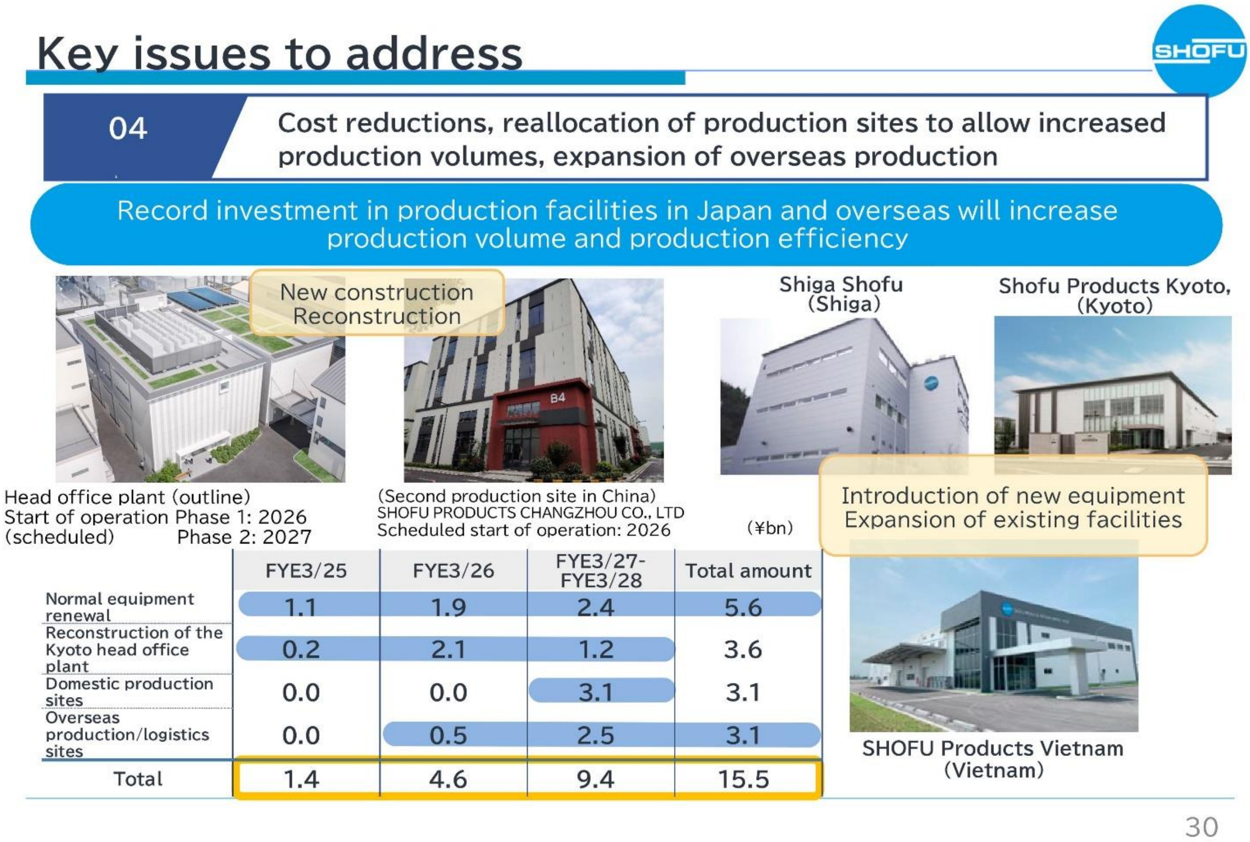
Against this backdrop, we have renewed our dental care brand, MERSSAGE, and significantly expanded our lineup of toothpaste products.

These products are designed to maximize their effectiveness when used under the guidance of dental professionals, and we aim to contribute to public oral health by promoting their use through dental clinics.

In overseas markets, we recognize that our brand awareness remains limited. However, we are confident that the quality of our products and level of service are fully competitive with other players in the market, and we see significant growth potential.

Accordingly, we are expanding our presence and strengthening our academic sales force in each country and region.

Additionally, in Europe, the Middle East, and Africa, we are working to expand our distributor network and establish a structure that enables faster delivery of our products.



Next, I will explain our efforts to strengthen our production system.

Currently, demand for our products is very strong, and the business environment remains highly favorable. For this reason, it is no exaggeration to say that future business expansion hinges on how effectively we can establish and enhance our production and supply systems.

In this medium-term management plan, we are targeting JPY50 billion in net sales for FY2028, the final year of the plan. This represents approximately 1.3 times the JPY38.6 billion in sales achieved in FY2025.

To reach this level, strengthening our production capacity is essential, and we are committed to making proactive and sustained investments to achieve it.

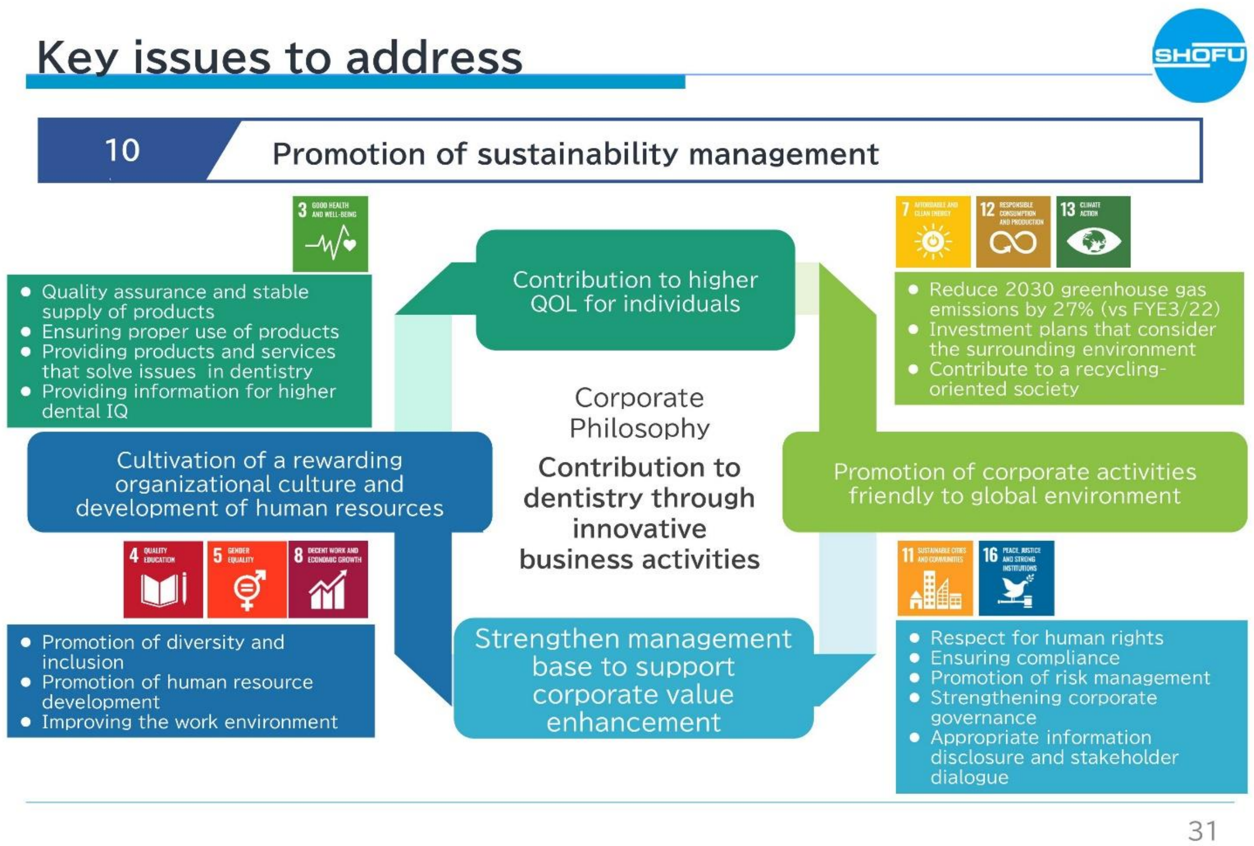
Specifically, over the four years, from FY2025 to FY2028, we plan to invest approximately JPY9 billion in domestic and overseas production facilities, the largest such investment in our history. In the field of processed products, in particular, we plan to rebuild two buildings at our headquarters factory to approximately double our current production capacity. We will also pursue greater efficiency and automation to establish an even larger-scale production system.

In China, we have established a new production base in Changzhou to serve as a supply hub for local market products.

At our domestic subsidiaries, we are proceeding with the transfer of certain products and processes from our headquarters factory. Together with our Vietnam facility, we will build an efficient global production network through optimal allocation.

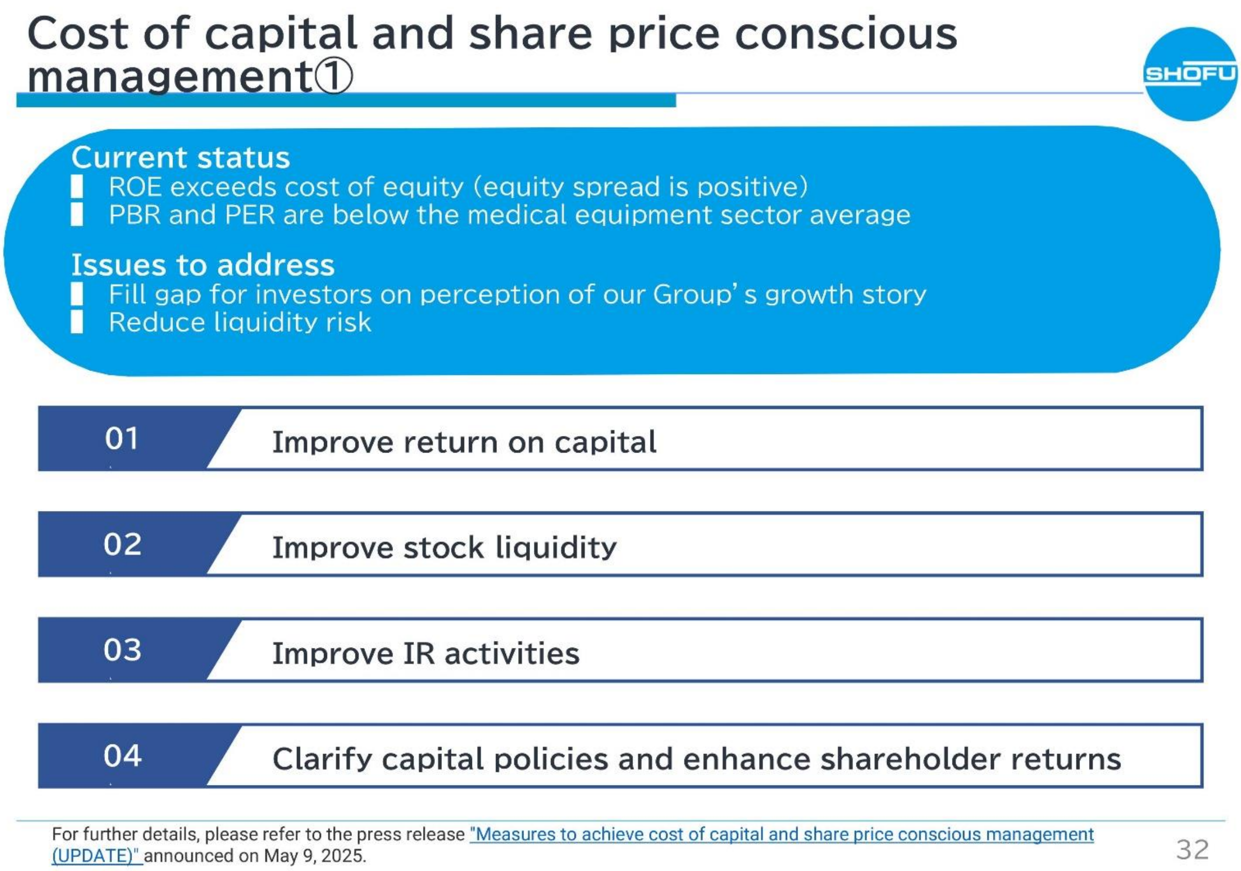
Regarding the reconstruction of our headquarters factory, archaeological surveys of buried cultural assets by the City of Kyoto are required, which has caused some delays in certain processes. However, we expect to complete all work within the timeframe of the current medium-term management plan.

Through these initiatives, we aim to ensure a stable supply, achieve steady top line growth, and build a production foundation that will support further future expansion.



We also recognize sustainability-oriented management as a key issue.

SHOFU has already established a basic sustainability policy and identified materiality issues as part of our commitment to building a sustainable society. We have been working toward the achievement of these goals, and going forward, we will continue to operate under this policy to realize our corporate philosophy.



Next, I would like to explain our views and initiatives regarding management that takes capital cost and stock price into consideration. For further details, please refer to the press release published on May 9 titled, “Actions Toward Management Conscious of Capital Cost and Stock Price.”

To begin with a current assessment, while our ROE exceeds the cost of shareholders’ equity, our PBR and PER remain below the sector average, which we recognize as a serious issue. This implies a significant gap between our growth story and how it is perceived by the market. Bridging this gap is essential from the perspective of stock valuation.

In our conversations with investors, we have also frequently received comments on the low liquidity of our stock. We recognize that reducing liquidity risk is essential for achieving appropriate stock valuation.

Now I will outline our approach to implementing management that is conscious of capital cost and stock price.

Cost of capital and share price conscious management②

SHOFU

01 Improve return on capital

▌ Increase return on capital by improving return on sales

*↑/↓ indicate comparison to the initial plan

	FYE3/24 Actual	FYE3/25 Actual	FYE3/26 forecast	FYE3/27 Plan	FYE3/28 Plan
ROE	9.5%	10.3% ↑	10.9% ↑	11.8%	13.5%

02 Improve stock liquidity

▶ Recognition of Issues at the Time of Medium-Term Plan Formulation

- In FYE3/24, the average daily trading value was ¥65 million, with an annual turnover ratio of 0.37x. Among Prime Market-listed companies, we ranked 1,428th (bottom 15%).
- Recognizing that our relatively low liquidity has led to a liquidity risk premium being added to our capital cost, we identified improving market liquidity as a priority issue.

▶ Initiatives in FYE3/25

- Implemented a 2-for-1 stock split of common shares (effective October 1, 2024)
- Conducted overseas IR roadshows (Europe: UK, France, Switzerland, Germany, Sweden)
- Enhanced IR practices, including simultaneous Japanese-English disclosures

▶ Improvement Status as of End of FYE/25

- In FYE3/25, the average daily trading value increased to ¥215 million, with an annual turnover ratio of 0.77x. We ranked 963rd among Prime Market-listed companies (top 59%).
- The number of shareholders at end FYE3/25 was 18,718, an increase of 4,945 compared to end FYE3/24.

Progress in improving liquidity —an essential step toward reducing capital costs. Efforts will continue.

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First, regarding improvement in capital efficiency, in FY2024, the final year of the previous medium-term management plan, our ROE was 9.5%. Under the current plan, we had projected 9.1% for FY2025 and 10.2% for FY2026. However, actual results and updated forecasts are now 10.3% and 10.9%, respectively, both exceeding initial expectations.

We aim to maintain this upward trend and achieve an ROE of 13.5% in FY2028, the final year of the plan. This improvement in ROE will come from better net profit margins, not from reducing equity. We will continue to work toward increasing capital efficiency through improved profitability.

Next, regarding improved stock liquidity. As of FY2024, SHOFU ranked in the bottom 15% of companies listed on the Prime Market in terms of average daily trading value and annual turnover rate.

This low liquidity has likely resulted in a liquidity risk premium being added to our capital cost, and we recognize the urgency of addressing this issue.

In response, we carried out a two-for-one stock split effective September 30, 2024. By lowering the minimum investment amount, we aim to reduce barriers for individual investors and encourage those who already use our products to also support us as shareholders.

In addition, we are enhancing our global investor relations efforts, including simultaneous English-language disclosures and overseas roadshows, to improve awareness among international investors.

As a result of these efforts, both average daily trading value and turnover rate improved in FY2025, and SHOFU's position rose to the top 59% among Prime Market-listed companies. We will continue these efforts to reduce our capital cost and enhance corporate value.

Cost of capital and share price conscious management③

03 Improve IR activities

▶ Efforts to date for promote dialogue with investors ▶ Future policy	**【Efforts to date 】** • Hold results briefings for analysts and institutional investors (twice a year: Q2 and full-year results) • 1-on-1 meetings are mainly with the executives in charge of Corporate Planning (98 meetings in FYE3/24, including 34 with foreign investors) **【Future policy】** • President & COO to attend more 1-on-1 meetings • Exploring participation of outside directors in investor engagement • Strengthen the functions of the department in charge of IR • Strengthen approach to foreign investors by holding overseas roadshows, etc. • Timely disclosure to foreign investors enhanced through simultaneous release of Japanese and English materials.
▶ Initiatives During FYE3/2025	• **Conducted overseas roadshows (Europe, twice; total 8 days; 23 institutions)** • Held **technical briefings** for institutional investors (small-group meetings) • **President actively participated** in 1-on-1 meetings • **Disclosed supplementary presentation materials for 1Q and 3Q**, for which no earnings briefings are held
▶ Key Changes in FYE3/2025	• **Held 262 1-on-1 meetings (incl. 112 with foreign investors)**, approx. 3x vs the previous FYE • **Foreign ownership ratio increased to 13.4% (up 0.76 percentage points year on year)** • **Increased analyst coverage, with coverage started at two new** firms: Mizuho Securities and Nomura Securities
▶ Initiative Plans Beyond FYE3/2026	• **Quarterly earnings briefings** held for analysts and institutional investors • English disclosures of the Annual Securities Report and Corporate Governance Report • English mirror version of the Japanese IR website planned • Regular overseas roadshows planned (including the US, Europe, and Asia) • Dialogue planned between investors and outside directors

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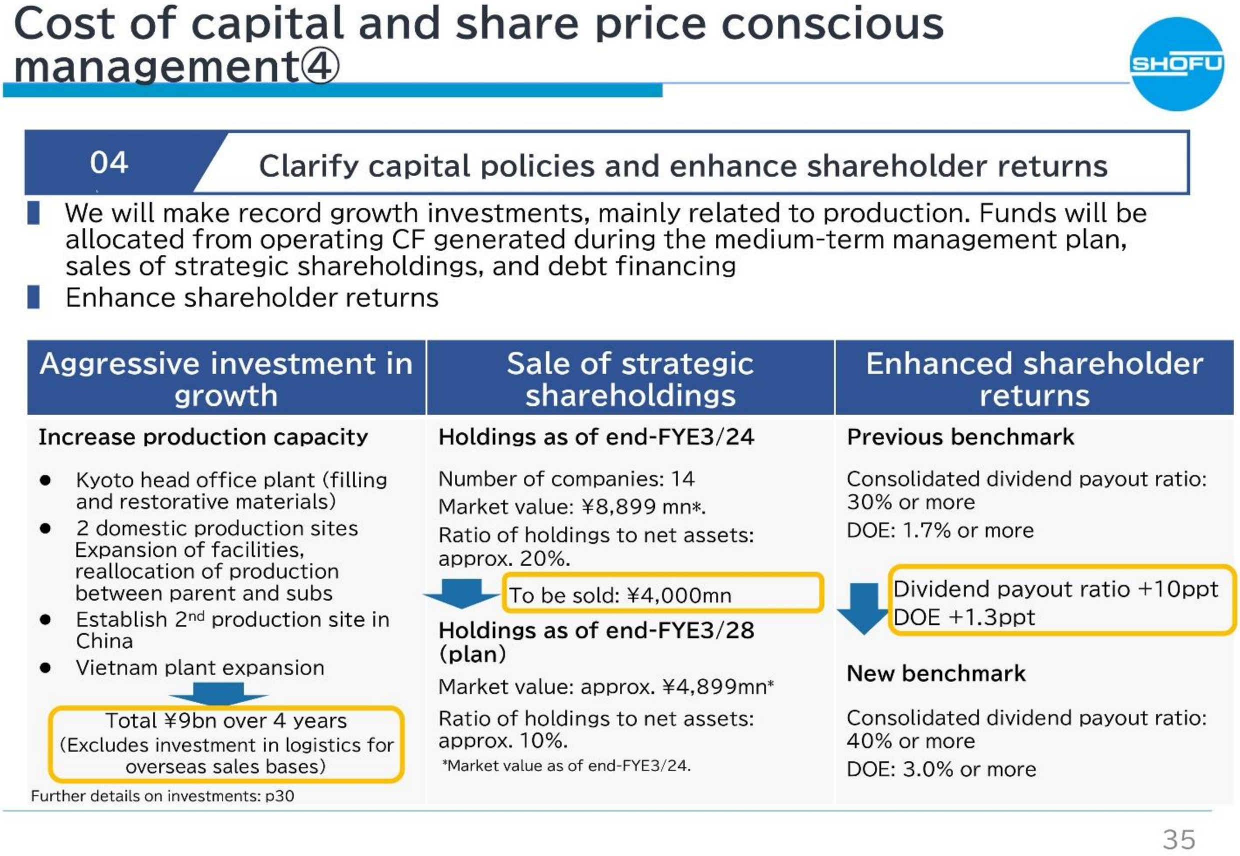
Through ongoing dialogue with investors, we are also reinforcing our IR activities. In FY2025, the number of one-on-one meetings with institutional investors increased nearly threefold compared to the previous year. Notably, we had many opportunities to engage with overseas investors, and we are experiencing a clear expansion in interest toward SHOFU.

Additionally, coverage by sell-side analysts has increased, creating a broader environment in which more investors can access information about our company.

We will continue to actively create such opportunities for dialogue.

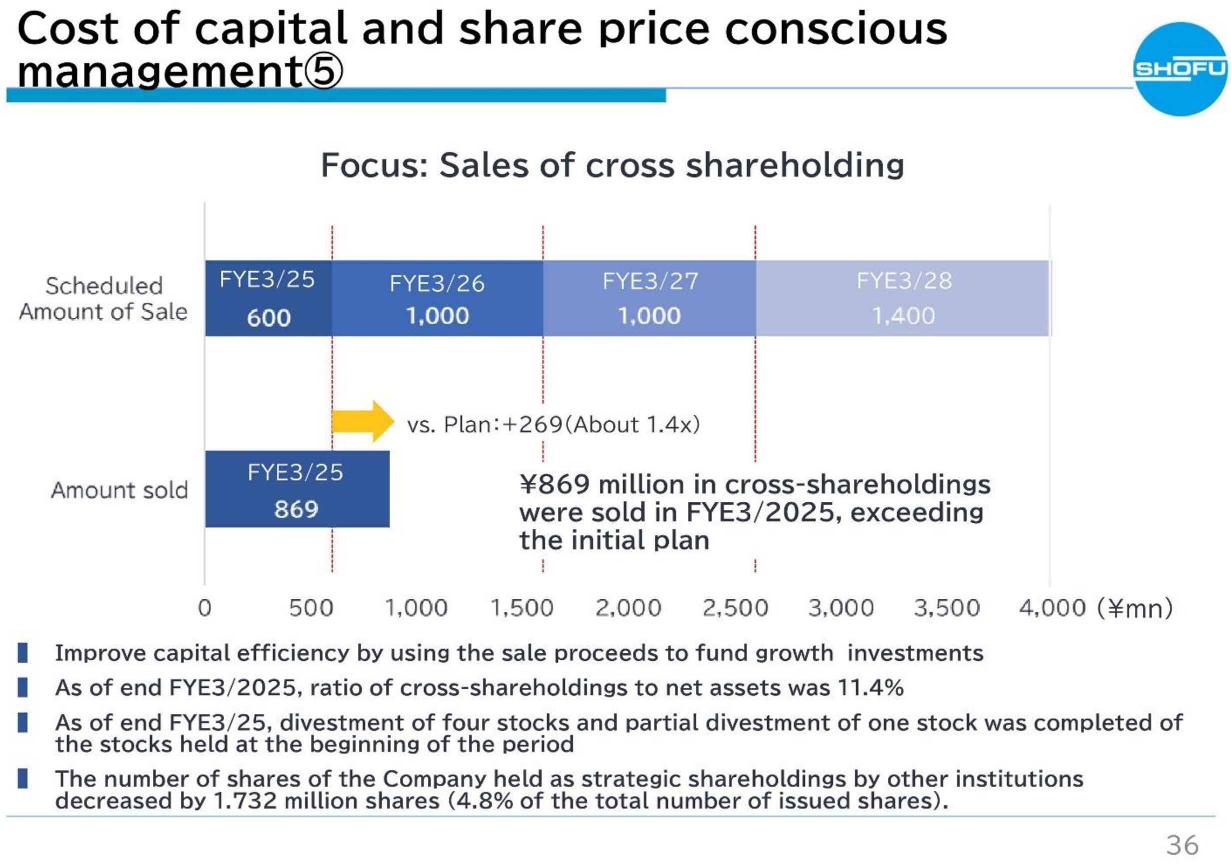
As President and CEO, I will personally take the lead in engaging in open and constructive conversations with all stakeholders, with the goal of further enhancing our corporate value.



Clarifying our capital policy and enhancing shareholder returns is one of the most important messages we wish to convey today.

Based on feedback from our dialogues with investors regarding the level of our equity capital, we are aiming to optimize our capital structure and achieve sustainable enhancement of corporate value by allocating capital, with a balanced focus on growth investment, shareholder returns, and strengthening of the management foundation.

In this medium-term management plan, we are particularly focusing on three pillars to improve capital efficiency, capital investment for growth, the sale of policy-holding shares, and the enhancement of shareholder returns.



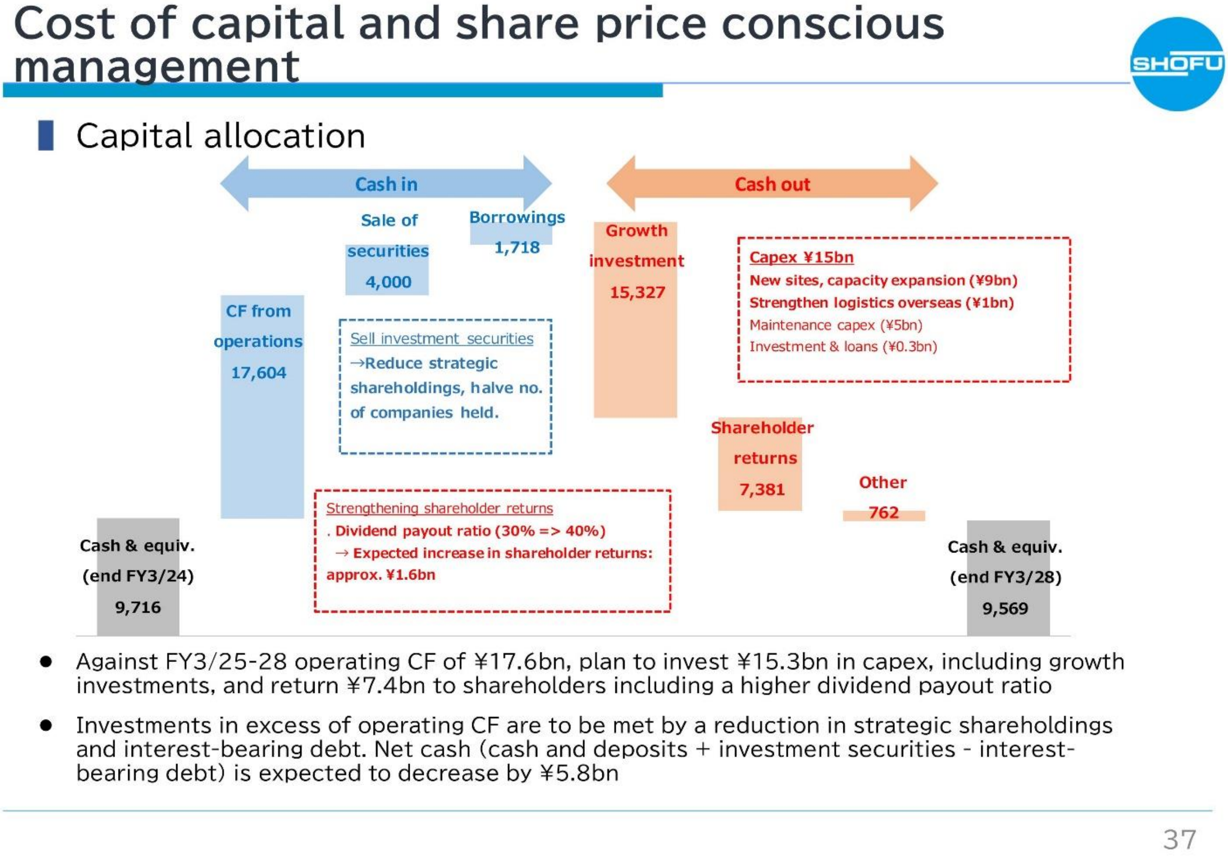
Now let me provide a deeper look into our progress on the sale of policy-holding shares in the first year.

In FY2025, the actual proceeds from the sale of such shares amounted to JPY869 million, significantly exceeding our initial target of JPY600 million.

Specifically, we sold all shares in four holdings and partially sold one additional holding. As a result, the ratio of policy-holding shares to net assets dropped to 14.4% as of the end of the fiscal year, indicating steady progress toward our medium-term goal of reducing this ratio to around 10%.

Additionally, shares of SHOFU held by counterparties declined by 4.8% of total issued shares, showing tangible progress in dissolving cross-shareholdings.

We will continue to review and act accordingly, as part of our efforts to manage with capital efficiency and capital cost in mind.

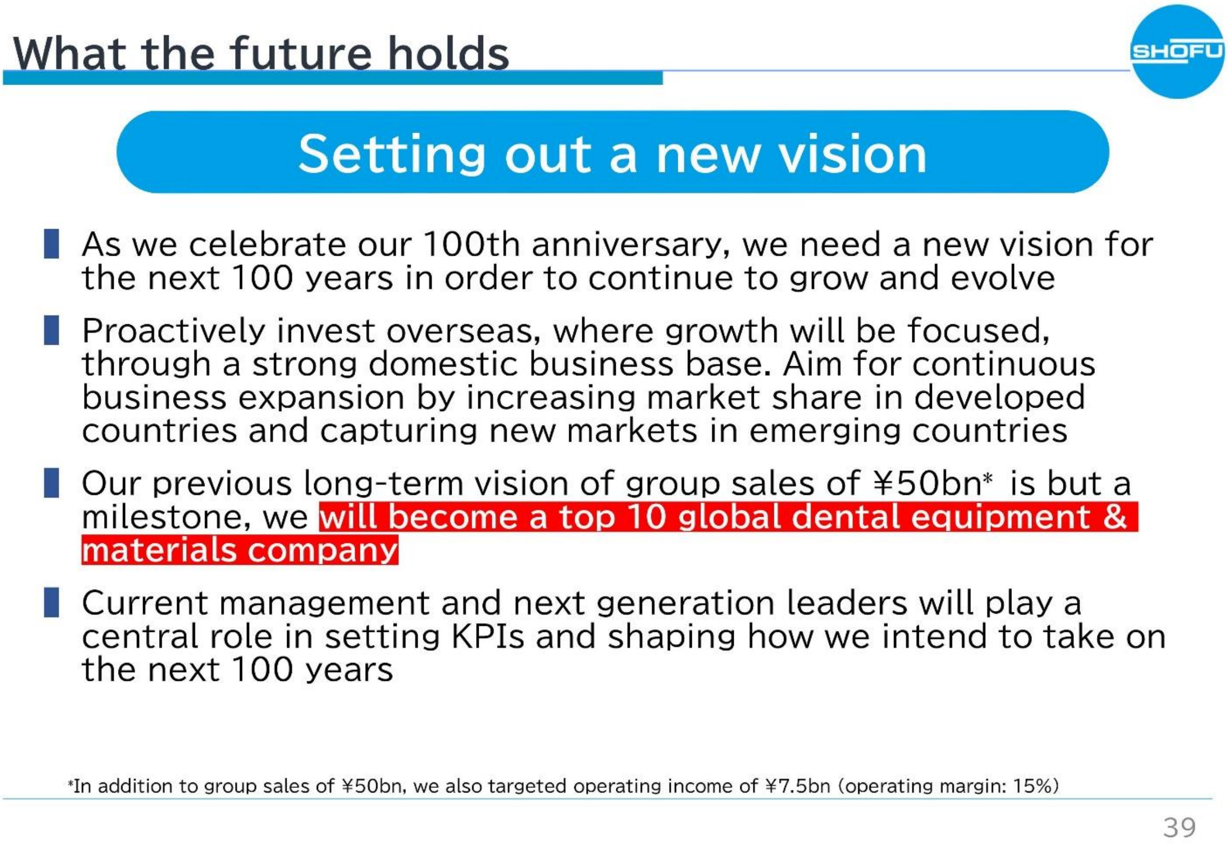


This chart shows an overview of our capital allocation, from FY2024 through FY2028.While operating cash flow will be our primary funding source, we will also combine proceeds from the sale of policy-holding shares and appropriate debt financing to allocate funds for growth investments and shareholder returns.

Over this period, we project cumulative operating cash flow of approximately JPY17.6 billion. Adding approximately JPY4 billion from the sale of policy-holding shares and debt financing, we expect to manage a total of around JPY23 billion in capital.

As a result, net cash is expected to decline by about JPY5.8 billion. However, this is a strategic allocation aimed at improving capital efficiency, and we believe our financial soundness will remain well within an acceptable range.

We also plan to reduce excess cash-on-hand, which we had maintained somewhat conservatively in the past, to around 2 to 2 1/2 months' worth of monthly sales by the final year of the plan. This will help raise ROE and capital efficiency.



Finally, I would like to touch on our initiatives toward formulating our next long-term vision.

Under the current medium-term management plan, we have focused on achieving the long-term vision formulated in 2024, our "JPY50 billion Concept," and laying the groundwork for sustainable business expansion beyond that milestone.

Now as we stand at this turning point, we have begun work on a new vision for the future. Our executive team, along with a new generation of future leaders, is engaging in serious discussions about the future direction of the Company.

Our shared ambition is to become one of the top 10 companies in the global dental equipment market.

With a clear focus on our global market positioning, we are committed to further enhancing the competitiveness of our products and the value we provide.

While we had hoped to present the full picture of this new vision today, we have decided to proceed with caution in light of recent uncertainty and rapid environmental change. We will share the full details with you once preparations are complete.

To all our investors, we sincerely hope you will look forward to SHOFU's continued evolution and growth. We also ask for your ongoing candid feedback and constructive dialogue.

That concludes my presentation. Thank you very much for your attention throughout.

Moderator: Thank you very much.

Question & Answer

Moderator [M]: We will now move on to the Q&A session. The following question will be read aloud. As the participant has requested anonymity, we will read only the question itself.

Participant [Q]: Regarding the nail business, it recorded operating losses for five consecutive quarters, from Q3 FY2024 through Q3 FY2025, and although it returned to profitability in Q4, the business appears to have a fragile foundation. Since you are promoting management that is conscious of capital cost and stock price, and have declared a policy to sell policy-holding shares, could you please share your thoughts on the future direction of the nail business?

Takami [A]: Thank you. Let me explain our position on the nail business. It is true that our nail business has been facing considerable challenges. We recognize the need to consider various options, including the future outlook of the business.

We feel a strong sense of urgency that continuing the business in its current state will be difficult. We are therefore examining restructuring measures that include rebuilding distribution channels, revising pricing, and organizational reforms.

At this stage, we have not yet seen clear numerical improvements. However, we do see some potential, such as the resumption of business with major dealers, price adjustments, and new distribution channels overseas, and we intend to carefully assess these possibilities.

We plan to observe throughout this fiscal year whether our initiatives can steadily lead to results and make our decisions accordingly. Thank you.

Moderator [M]: Thank you very much. Let us proceed to the next question.

Participant [Q]: Isn't your forecast for this fiscal year overly conservative due to exchange rate assumptions? Doesn't this pose a risk of misleading expectations regarding performance?

Takami [M]: Thank you for the question. I'll ask our Senior Executive Officer, Mr. Yamazaki, to address this.

Yamazaki [A]: Thank you for the question. We are aware that the YoY decline in operating profit forecast for this fiscal year makes it difficult to explain our outlook both internally and externally. As part of the IR team, we are handling this matter with care to avoid any misunderstanding.

Internally, the initial exchange rate assumptions were weaker than what we ultimately adopted. However, just before finalizing the plan, the yen appreciated significantly, and we revised our assumption to JPY140 to align with the medium-term management plan. As a result, the impact of foreign exchange fluctuations led to a JPY625 million negative effect on operating profit. Had it not been for this, we would have seen a narrative of continuous operating profit growth.

That said, as mentioned in the presentation, our growth trend and the overall business environment remain solid, and we feel confident. In fact, we are forecasting record-high net sales, and we intend to explain this thoroughly through briefings like today and individual meetings. That concludes my response.

Moderator [M]: Thank you very much. We will now move on to the next question.

Participant [Q]: While other companies are struggling in the Chinese market, SHOFU seems unaffected. What is the reason for this?

Takami [A]: Thank you for the question. In the Chinese market overall, there does appear to be some impact from the economic slowdown. However, for SHOFU, we have not seen any significant negative effect on our performance so far, and we are continuing to grow steadily.

In terms of the product categories involved, within the dental field, it appears that products related to capital investment [inaudible] longer replacement cycles, and restrained capital expenditures are leading to declines in sales. However, our main product lineup consists of dental materials used in daily clinical practice. Since we primarily handle consumables, demand has remained relatively stable.

Our high value-added products currently face limited competition from Chinese companies, as there are few offerings of comparable quality and value. This gives us a certain competitive advantage.

Most importantly, SHOFU entered the Chinese market early, around 1997. Since then, we have held numerous seminars and engaged directly with end users, earning recognition for the SHOFU brand. As a result, our brand enjoys solid awareness in the Chinese market.

Given these conditions, we are currently maintaining stable growth in the region.

Moderator [M]: Thank you very much. We will now move on to the next question.

Participant [Q]: What are the key KPIs that support your target of achieving ROE of 13.5% by 2028?

Takami [M]: I'll have Mr. Yamazaki explain that as well.

Yamazaki [A]: Thank you for the question. In our current medium-term management plan, we have set a target of achieving 13.5% ROE in FY2028. To achieve this, we are focusing on three main metrics, improvement in operating profit margin, enhancement of asset turnover, and better capital efficiency.

Specifically, we are shifting toward higher-margin product groups, improving operating profit margin through more efficient manufacturing, and targeting a 15% operating profit margin by FY2028.

We are also working to optimize working capital in line with sales growth and improve asset turnover by strengthening inventory and accounts receivable management. Additionally, we aim to improve capital efficiency through the sale of policy-holding shares and the strategic use of equity capital.

Through these efforts, we are aiming to build ROE steadily by enhancing both profitability and capital efficiency. We will also regularly monitor financial KPIs, such as operating profit margin, ROA, and dividend payout ratio, to ensure we stay on track toward achieving our goals. That concludes my response.

Moderator [M]: Thank you very much. If you still have any questions, please feel free to use the Q&A function to submit them. We will now proceed to the next question.

Participant [Q]: The archaeological excavation cost was recorded as a onetime expense. Is there a risk of additional costs arising in subsequent construction phases?

Takami [A]: I will respond to that. The archaeological excavation expense recorded in FY2025 was a temporary outlay associated with the legally required survey conducted during the first phase of the reconstruction project at our headquarters factory.

The second phase of construction is planned immediately adjacent to the first phase area. While a similar excavation survey may be required, the area is nearly identical to the first phase. Therefore, even if costs do arise, we expect them to be relatively minor.

Additionally, a portion of the excavation costs is expected to be subsidized by the City of Kyoto. Although no amount has been confirmed yet for this fiscal year, partial cost recovery is anticipated.

Most importantly, we view the excavation-related costs as one-off and limited in scope. They will have minimal impact on our ongoing cost structure. That concludes my response.

Moderator [M]: Thank you. We will now read the next question.

Participant [Q]: This year's performance is impacted by yen appreciation, but even excluding the FX effect, operating profit margin is forecast to decline. Could you explain the reasons behind this margin decrease in FY2026, especially considering your forecast that it will rise again from FY2027?

Takami [A]: Thank you. The factors behind the decline in operating profit margin this fiscal year, even excluding the impact of exchange rates, primarily relate to personnel costs. We are increasing our sales personnel, especially in overseas markets, which naturally raises costs.

In emerging markets, in particular, we are looking to strengthen our distribution network and assign sales staff to expand further.

These investments are contributing to a slight decline in the operating margin this year. However, we consider this cost increase to be an investment for future growth, which is why we forecast operating profit margin to rise again from FY2027 onward. That is all from me.

Moderator [M]: Thank you very much. That concludes the Q&A session for today.

To close, President Takami will deliver a final message.

Takami [M]: Thank you all very much for staying with us until the end of today's session. At SHOFU, while our domestic business is important, we see overseas markets as our main battleground going forward. We are confident that we can take further leaps internationally.

We welcome your continued opinions and feedback. Thank you again for your support.

Moderator [M]: That concludes SHOFU INC.'s financial results briefing for the fiscal year ended March 2025.

Thank you very much for your participation today.

[END]

Document Notes

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